



**INTERNATIONAL TROPICAL TIMBER ORGANIZATION
(ITTO)**



ANNUAL REPORT FOR 1988

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INTERNATIONAL TROPICAL TIMBER ORGANIZATION

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Table of Contents

	<u>pages</u>
INTRODUCTION	
PART I ORGANIZATION AND ADMINISTRATION	
1. Membership	1
2. The International Tropical Timber Council	1 - 3
3. The Permanent Committees	3 - 5
4. Secretariat	5
PART II OPERATIONAL ACTIVITIES	
1. Introduction	6 - 7
2. Economic Information and Market Intelligence	7 - 17
3. Reforestation and Forest Management	17 - 23
4. Forest Industry	23 - 31
Annexes	
I. Status of Members as of 31 December 1988	32
II. Schedule of Official Travel, Participation, at Meetings, etc.	33 - 37
III. Summary of Accounts 1988	38 - 43
IV. 1988 Contributions to Special Account	44
V. Administrative Budget 1989	45 - 47

INTRODUCTION

This second Annual Report is published in compliance with paragraph 1 of Article 28 of the International Tropical Timber Agreement, 1983, which provides that the International Tropical Timber Council, each calendar year, shall publish an annual report on its activities and such other information it considers appropriate.

The report is divided into two parts. Part I deals with the membership of the Organization and the work of the Council, the Permanent Committees and the Secretariat whilst Part II reports on the operational activities of the Organization in the fields of Economic Information and Market Intelligence, Reforestation and Forest Management, and Forest Industry.

PART I
ORGANIZATION AND ADMINISTRATION

1. Membership

At the end of 1988, the Organization consisted of 18 producing and 24 consuming Members. Details of ratification, acceptance, approval and accession are contained in Annex I.

With the accession of Australia to the International Tropical Timber Agreement (ITTA) on 16 February 1988, the Members of the Organization as at the end of 1988 are as follows:

<u>Producers</u>	<u>Consumers</u>
Bolivia	Australia
Brazil	Austria
Cameroon	Canada
Congo	China
Côte d'Ivoire	Egypt
Ecuador	European Economic Community
Gabon	Belgium/Luxembourg
Ghana	Denmark
Honduras	France
India	Germany, Federal Republic of
Indonesia	Greece
Liberia	Ireland
Malaysia	Italy
Papua New Guinea	Netherlands
Peru	Spain
Philippines	United Kingdom of Great
Thailand	Britain and Northern Ireland
Trinidad & Tobago	Finland
	Japan
	Norway
	Republic of Korea
	Sweden
	Switzerland
	Union of Soviet Socialist
	Republics
	United States of America

2. The International Tropical Timber Council

2.1 Officers of the Council

The Council, at the end of its Third Session in Yokohama in November 1987, elected Mr. Otto Th. Genée (The Netherlands) Chairman and Mr. Jaime Muñoz-Reyes Navarro (Bolivia) Vice-Chairman for 1988. At the end of its Fifth Session in Yokohama in November 1988, Mr. Jaime Muñoz-Reyes Navarro and Mr. Markku Simula (Finland) were elected Chairman and Vice-Chairman respectively of the Council for 1989.

2.2 Fourth Session of the Council

The Fourth Session of the Council which took place in Rio de Janeiro, Brazil, from 30 June to 1 July 1988, was opened by His Excellency Dr. Roberto de Abreu Sodre, Minister of Foreign Affairs of Brazil. The Opening Session was also addressed by His Excellency Dr. Antoine Ossebi-Douniam, Minister of Forestry Economy of the People's Republic of the Congo and His Excellency Mr. Vincent-Pierre Lokrou, Minister of Forestry and Water Resources of the Côte d'Ivoire.

The Council welcomed Australia as a new member.

The Council had before it the reports of the Second Sessions of the Permanent Committees and took note of the recommendations of these Committees on projects. The Council decided to approve four projects and the International Seminar on Sustainable Utilization and Conservation of Tropical Forests, and authorized immediate financing and implementation of four of the approved projects and the International Seminar. The Council authorized financing of four pre-projects decided upon by the Permanent Committees.

The Council decided that, in accordance with Article 25 of the ITTA, 1983, ITTO should concentrate its activities in the following three areas:

- (i) sustainable management of tropical timber resources, including appropriate harvesting methods;
- (ii) further processing;
- (iii) market transparency and trade diversification.

Japan pledged an amount of \$2.2 million to the Special Account for the fiscal year 1988. Denmark pledged an amount of three million Danish kroner for 1988-1990 earmarked for the funding of specific approved projects. The Netherlands informed the Council that it had contributed 500,000 guilders to the Special Account, with half of the amount unearmarked and the other half to be earmarked later for approved projects. Sweden announced a contribution of 500,000 Swedish kronor for the fiscal year 1987/1988 and 500,000 Swedish kronor for the fiscal year 1988/1989 to be used for the pre-project "Improvement of Harvesting Systems for Sustainable Management of Tropical Forests" (see Annex IV).

General statements were made by Japan, Denmark, Peru, UNIDO, Environment Policy Institute (on behalf of conservation non-governmental organizations) and S.O.S. Mata Atlantica.

The Council reviewed the world tropical timber situation on the basis of the document prepared by the Secretariat.

The Council decided on the logo of ITTO.

The Council approved the Administrative Account and the Special Account for 1985, 1986 and 1987 and the audited balance sheets.

2.3 Fifth Session of the Council

The Fifth Session of the Council took place in Yokohama from 14 to 16 November 1988. The Council had before it the reports of the Third Session of the Permanent Committees and took note of the recommendations of these Committees on projects. The Council decided to approve four projects and authorized the immediate financing and implementation of four of the approved projects. Further, the Council authorized financing of three pre-projects decided upon by the Permanent Committees.

The Council considered and approved the Project Cycle for ITTO prepared by the Joint Session of the Permanent Committees and contained in document ITTC(V)/4/Rev.5.

The Council was informed by the spokesman for the TFAP Forestry Advisors on the objectives and activities under the TFAP.

The Netherlands informed the Council that it would contribute \$70,000 towards the funding of the project "Selection and Introduction of Lesser Known and Lesser Used Species for Specific End-Use".

General statements were made by Brazil, Malaysia, the EEC, FAO and the spokesman for conservation non-governmental organizations.

The Council approved the estimated expenditure and receipts for the financial year 1989, the establishment complement for 1989 and the scale of assessed contributions of Members for 1989.

3. The Permanent Committees

3.1 Officers of the Permanent Committees

The Permanent Committee on Economic Information and Market Intelligence, at its First Session, elected H.E. Mr. J.L.M. Amissah (Ghana) Chairman and Mr. Yasuo Chiba (Japan) Vice-Chairman for 1987 and 1988. The Committee elected Mr. John Medeiros (U.S.A.) and Mr. S. Makon Wehiong (Cameroon) as Chairman and Vice-Chairman respectively for 1989.

The Permanent Committee on Reforestation and Forest Management, at its First Session, elected Mr. Mohd. Darus Haji Mahmud (Malaysia) Chairman and Mr. Jean Clément (France) Vice-Chairman for 1987 and 1988. The Committee elected Mr. Jean Clément (France) and

Mr. Sumarsono Hartosudigdo (Indonesia) as Chairman and Vice-Chairman respectively for 1989.

The Permanent Committee on Forest Industry, at its First Session, elected Mr. Markku Simula (Finland) Chairman and Mr. Clarence Bacchus (Trinidad and Tobago) Vice-Chairman for 1987 and 1988. The Committee elected Mr. Jorge Barba (Ecuador) and Mr. Chen Xu He (China) as Chairman and Vice-Chairman for 1989.

3.2 Second Sessions of the Permanent Committees

The Second Sessions of the Permanent Committees were held from 22 to 29 June 1988 in Rio de Janeiro, Brazil.

The Committees technically appraised 16 project proposals and recommended to the Council for approval four of the projects and the International Seminar on Sustainable Utilization and Conservation of Tropical Forests to be held in Yokohama in November 1988.

The Committees reviewed pre-project work currently undertaken and decided to approve four pre-projects.

The Committees reviewed the projects under implementation. The Committee on Economic Information and Market Intelligence discussed the building up of the capability in market intelligence and approved a set of recommendations and conclusions. In Joint Session, the Committees considered "Criteria and Priority Areas for Programme Development and Project Work" and recommended to the Council a decision on this matter.

3.3 Third Sessions of the Permanent Committees

The Third Sessions of the Permanent Committees were held in Yokohama from 9 to 11 November 1988. The Committees technically appraised ten project proposals and recommended four of the projects for approval by the Council.

The Committees reviewed pre-projects currently undertaken and decided to approve four pre-projects. The Committee on Forest Industry took note of the evaluation of the project already executed. The Committees reviewed further the projects currently under implementation.

The Joint Sessions of the three Committees discussed the draft Project Cycle of ITTO and recommended a revised version to the Council for approval.

The Committees on Forest Industry and on Economic Information and Market Intelligence discussed in a Joint Session the organization of market discussions and recommended that an item entitled "Market

Review and Outlook" should be placed on the agenda of all Permanent Committees at the first of their bi-annual sessions.

4. Secretariat

The Executive Director appointed Mr. T. Ishikawa (Japan) as Projects Manager for Forest Industry, and Mr. C. Mayura (Thailand) as Finance/Administrative Officer, with effect from 1 December 1988.

As at the end of 1988, the staff strength in the general service category stood at eight, comprising of one administrative assistant and four secretaries recruited by ITTO and three others seconded by Japan.

Since January 1987, Japan provided fully equipped offices for the Secretariat on the eighth floor of the Sangyo Boeki Center Building in Yokohama. Conference facilities have also been made available for Sessions of the International Tropical Timber Council and the Permanent Committees whenever required on the ninth floor of the Building. The Headquarters Agreement was duly ratified and came into force on 27 May 1988.

In accordance with Regulation 2.11 of the Staff Regulations and Rules of ITTO, a Tax Reimbursement Agreement between the United States of America and ITTO was concluded on 27 December 1988.

The City of Yokohama continues to provide generous support to the Organization.

PART II
OPERATIONAL ACTIVITIES

1. Introduction

At their Second Sessions, the three Permanent Committees decided to implement four pre-projects for which financing of the order of \$350,000 was subsequently made available by the Council.

At their Third Sessions, the Permanent Committees decided to implement four more pre-projects. The Council at its Fifth Session allocated funds for three of these four pre-projects totalling \$162,200. The fourth pre-project estimated at \$224,000 is to be implemented when funds are earmarked for it.

Table 1
Summary of Pre-projects Approved for Financing

	<u>Fourth ITTC</u>		<u>Fifth ITTC</u>	
	<u>No.</u>	<u>Cost</u> (<u>\$</u>)	<u>No.</u>	<u>Cost</u> (<u>\$</u>)
Economic Information and Market Intelligence	-	-	2	137,200
Reforestation and Forest Management	3	300,000	1	25,000
Forest Industry	1	50,000	-	-
Total	4	350,000	3	162,200

At its Fourth Session the Council approved four projects and authorized the financing and implementation of two of those projects and of two other projects earlier approved. The Council further approved the International Seminar on Sustainable Utilization and Conservation of Tropical Forests to be held in November 1988 in Yokohama as an activity of ITTO funded from the Special Account.

At its Fifth Session the Council also approved four projects and authorized the financing and implementation of three of those projects and another project earlier approved. It further authorized the financing and implementation of the fourth project approved at that Session as soon as unearmarked funds were available in the Special Account.

At both Sessions, the Council urged Members to consider financing of those approved projects for which finance was not

immediately available and to consider making available further unearmarked funding.

Table 2
Summary of Approved Projects

	<u>Approved</u>		<u>Immediate</u>	
	<u>No.</u>	<u>Cost</u>	<u>No.</u>	<u>Cost</u>
		(\$)		(\$)
Economic Information and Market Intelligence	2	917,178	1	145,100
Reforestation and Forest Management	1	1,078,000	2	1,318,000
Forest Industry	4	660,650	5	880,200
Reforestation and Forest Management/Forest Industry	1	1,260,000	-	-
Total	8	3,915,828	8	2,343,300

2. Economic Information and Market Intelligence

2.1 Pre-Projects

Two Pre-Project activities were approved for implementation.

The first Pre-Project activity costing about \$5,000 involves undertaking a preliminary study on a Project Proposal submitted by China contained in PD 42/88: "The Structure of China's Tropical Timber Market, The Current Situation of International Cooperation of PRC, and Prospects to the Year 2000".

The overall objective of the Project Proposal was considered to be of global interest and useful in filling a gap in long-term outlook studies. However it was considered necessary,

- a) to clarify and identify the objectives and scope of the study and the methodologies to be employed in undertaking the Study in order to place developments in tropical timber within the broad context of the forest and forest product sector in China;
- b) to identify the needs for and availability of statistics and other information vital for carrying out the Study; and
- c) to determine the resources and the time needed to undertake the Study.

The Pre-Project is to be carried out by the Institute of Scientific and Technical Information (ISTIF) of the Chinese Academy of

Forestry, with the assistance of an expert from the ECE/FAO Agriculture and Timber Division of the ECE. A Report together with a revised Project Document are to be submitted for the consideration of the Permanent Committee at its Fourth Session.

The second Pre-Project activity (\$129,200) involves a Study on the Conservation Status of Tropical Timbers in Trade. The Proposal was submitted by the WWF in consultation with other NGO's and the ITTO Secretariat. It is to be carried out by the World Conservation Monitoring Centre (jointly managed by IUCN, WWF and UNEP) in Cambridge, U.K. The Project is designed:

- a) to establish a data base for compiling useful information on tropical timber species which are rare and threatened in terms of genetic erosion or which require special conservation measures;
- b) to examine the extent to which conservation needs are met by forestry policies, conservation measures, legislation and plantation methods, to assess their implications for the timber trade and investigate mechanisms for monitoring rare tropical timbers in trade.

The study, which will be completed in twelve months, should contribute to bringing conservation awareness to bear on the utilisation of timber resources. It will also lead to improved statistical data and information collection, and generally improve transparency in monitoring the tropical timber situation.

The Permanent Committee requested from the Secretariat a proposal to enable it to decide on a Pre-Project activity which would assess the practical problems involved in the implementation of an appropriate Project under the framework of PD 5/87 Rev.1 "A Forest Products Market Intelligence System for ITTO Producing Members of the Asia-Pacific Region". This Project aims at designing and operating a method of coordinated national systems to collect, analyze and disseminate detailed, regular and timely market information in the ITTO Members of the Asia-Pacific region. The information relates to the production, consumption, capacity, pricing structure for forest products and to the economic determinants and general behaviour in the Asia-Pacific markets. The Project, as at present formulated, was considered too wide-ranging. It was necessary to identify clearly the information needs of the participating countries, their specific statistical capabilities, the nature of cooperation required of each

target country, and to ascertain their commitment to make counterpart contribution to the Project. The Pre-Project Report envisaged would have to address these problems and formulate a revised and structured Project Proposal accordingly. The Pre-Project Proposal, to be submitted after consultations between the FAO and the ITTO Secretariats, will be considered by the Permanent Committee at its Fourth Session.

2.2 Projects

At the Second and Third Sessions of the Permanent Committee, progress reports were made on the various Projects approved for implementation by the Council. They are PD 1/87, PD 7a/87, PD 7b/87, PD 14/87 (approved in 1987), and PD 7c/87 Rev.1 (approved in 1988), and PD 7d/87 Rev.1 (approved in 1988).

- (i) **PD 1/87:** Structure of Tropical Timber Markets in Belgium-Luxembourg, Federal Republic of Germany, Netherlands and United Kingdom and Methods to Study the Main End-Use Segments

Source of Funding: Not yet determined

Budget: Total budget \$211,418 plus contribution
in kind by FAO

Implementing Agency: FAO

Starting Date and Duration: Not yet determined (9 months)

This Project still awaits financing. An earlier pledge by Switzerland to finance half of the budget pending other pledges has lapsed because no other pledges of co-financing were forthcoming.

- (ii) **PD 7a/87:** Development of the Monthly Bulletin, "Tropical Forest Products in World Timber Trade" -
Phase 1

Source of Funding: Government of Switzerland

Budget: Total \$60,000 plus contribution in kind by FAO
ITTO contribution: \$60,000

Implementing Agency: FAO

Starting Date and Duration: April 1988

Seven months (April-October 1988)

Work on this project has been successfully completed by the FAO and two Technical Reports were submitted: "Proposals on Revision of the Monthly Bulletin" and "Proposals for Trade Analysis".

The main findings of the Reports are the following:

- i) the introduction of the Harmonized System for Trade Statistics by the Customs Cooperation Council necessitates a complete revision of the procedure for extracting data from the country report;
- ii) only twelve (out of some potential forty) countries currently report their trade statistics fully and on a regular and timely basis to FAO;
- iii) the speedy and efficient publication of the Monthly Bulletin, making full use of the available data would require computerization of data transfer and entry.

The Reports called for follow-up action to achieve three main objectives:

- a) the development of a periodic publication or publications in a form suited to the needs and specifications of the ITTO Members and the tropical timber community for trade statistics and their analyses;
- b) the establishment of improved reporting systems in ITTO Member countries to ensure timely and comprehensive reports from both consuming and producing countries; and
- c) the development of a computer system to enable data transfer and entry in computer-readable form and the preparation of electronic routines for photo-composition of the proposed Bulletins.

Specific recommendations were made on the lay-out and periodicity of Bulletins proposed: a Monthly Bulletin with summary tables showing major trade quantities and values etc; and a more detailed quarterly Bulletin Supplement with tables per designated country.

The Council decided that the Secretariat poll the views of Members, relevant Trade and Industry Associations and appropriate environmental NGOs on the content, extent of coverage and periodicity of the proposed Bulletin; on their capabilities and willingness to co-operate in furnishing information needed for the proposed Bulletin. The Secretariat, in consultation with the FAO, would submit proposals taking into account these views indicating the additional costs for developing and publishing a Monthly

Bulletin or a Quarterly Bulletin or both. The proposals are to be placed before the Permanent Committee at its Fourth Session.

- (iii) **PD 7b/87:** Study on Trends in the European Market for Tropical Hardwoods

Source of Funding: Government of Switzerland

Budget: Total \$60,700 plus contribution in kind by ECE/FAO Agriculture and Timber Division

ITTO contribution \$60,700

Implementing Agency: ECE (ECE/FAO Agriculture and Timber Division)

Starting Date and Duration: March 1988

8 months (March-October 1988)

The Study commissioned under this Project is nearly completed. The first draft was submitted for review to the 46th Session of the ECE Timber Committee in October 1988 where favourable views were generally expressed on the quality of the Study. The draft was again laid before the ITTO Permanent Committee at its Third Session in November 1988 and asked for written comments to be submitted by the middle of December 1988 to enable any necessary revisions to be made. It is expected that the final revised text should be ready for ITTO to proceed to publication in the spring of 1989. The Study received favourable reviews and was met with considerable interest. In view of its usefulness the Secretariat has been requested to present further project ideas for commissioning similar studies in respect of North America, Japan and other major potential markets for tropical timber in consultation with the ECE/FAO Agriculture and Timber Division, other relevant institutions and the countries concerned. As at the time of writing this report consultations were in progress on a Study of the Japanese Market.

- (iv) **PD 14/87:** Market Analysis of the Wood Flow as a Basis for an Early Warning System for the Tropical Timber Market

Source of Funding: ITTO & Netherlands Government

Budget: Total budget \$187,000

Netherlands Government: \$ 37,500

ITTO contribution: \$149,500

Implementing Agency: Stichting Bos en Hout (SBH)
(Foundation for Forest and Forest
Products), Wageningen, Netherlands.

Starting Date and Duration: 1 May 1988

2 1/2 Years (1988-1991)

Work is in progress on this Project. The SBH has refined in detail its objectives and work plan. It is currently engaged in consultations, exploring the sources of available literature, and establishing contacts to gain a deeper insight into the European Community Market for tropical timber. Major objectives of the Project include analyzing what market information will be required by producing countries, ascertaining to what extent this information is available or can be made available and whether a system could be set up to supply this information. As part of its efforts to achieve these objectives, a questionnaire has been sent out, through the ITTO Secretariat, to Member countries and relevant organizations. The questionnaire simply focusses on ascertaining the needs for information and its availability. Meanwhile research work and the survey for information continue. Reports on progress are submitted twice yearly.

- (v) PD 7c/87 Rev.1: Statistical Information and Market
Indicators: Market News Service for
Tropical Timber and Timber Products

Source of Funding: The Governments of Sweden and Switzerland

Budget: Total budget \$772,078 plus contribution
in kind by ITC

ITTO contribution: \$772,078

Implementing Agency: International Trade Centre
(UNCTAD/GATT)

Starting Date and Duration: 2 Years

This Project, originally structured to be of a three-year duration, was considered in 1987 but was deferred pending revision of its scope and budget. The revised Project, now of a two-year duration was approved for implementation by the Council at its Fourth Session in 1988. The Project is designed to establish a comprehensive Market

News Service for tropical timber products, i.e., logs, sawnwood and plywood. The Service will be situated in ITC where already an Interregional Multi-Product Market News Service is in operation for hides, skins and semi-tanned leather. It will be under the joint administration of the ITTO and ITC. The Service will function on the basis of an established network of correspondents in the major importing markets of North America, Europe, South-East Asia and Japan, an established system of collecting supply information from the producing/exporting countries; and an established dissemination system for immediate channelling of market information to interested parties such as exporters, government agencies, trade and industry associations.

The overall benefits from the Project will be the general improvement of market transparency, conservation and utilization of forest resources. This will also lead to better investment planning and export market strategy. It is envisaged that the operating costs of the Service will be partly financed after the first year from a paying subscription system.

As at the time of writing this report, the Governments of Sweden and Switzerland were consulting on the possibilities of jointly financing the implementation of this Project. Meanwhile preparatory administrative arrangements have already begun to enable a start-up as soon as funds are released.

- (vi) PD 7d/87 Rev.1: Statistical Information and Market Indicators: Study on Major Import Markets for Wooden Furniture
- Source of Funding: ITTO contribution plus Contribution in kind by participating countries and Organizations
- Budget: Total budget \$145,100 plus contribution in kind by ITC
- ITTO contribution: \$145,100
- Implementing Agency: International Trade Centre (UNCTAD/GATT)
- Starting Date and Duration: March 1989 (one year)

The Project involves undertaking a Study which will update and expand on a Market Study published by the ITC in 1982. It will conduct a survey of general demand trends and marketing factors, the structure of the furniture industry, consumption and trade in the target markets namely France, the Federal Republic of Germany, Japan, the Netherlands, Switzerland, U.K., U.S.A. and Italy (the latter replacing Norway in view of its importance as the world's largest exporter of furniture).

The Study is seen as generally contributing to end-use studies and thus providing producers in particular with adequate and up-to-date market information.

2.3 Market Discussions

A major development in the work of the Division follows the decision taken by the Fifth Session of the Council to institute at the first of ITTO's stated bi-annual sessions a two-day market discussion to be held in a Joint Session of all three Permanent Committees under an item "Market Review and Outlook". The initial trial will take place on 17 and 18 May 1989 during the Fourth Sessions of the Permanent Committees scheduled from 16 to 22 May 1989 in Côte d'Ivoire.

It is considered that the introduction of the annual market discussions would provide the forum for wide-ranging exchange of views among ITTO Members, Trade and Industry Associations and environmental NGOs. The outcome of the debate will enhance the role of the Council in monitoring and reviewing the tropical timber situation as required under Article 28 of the Agreement. The discussions would be modelled on those in the ECE Timber Committee. Background documentation for the discussion would comprise:

- a) Country Market Statements to be submitted in advance by Members following an agreed outline and guidelines;
- b) Annual Review prepared by the Secretariat which provides statistics and available data on production, imports and exports of all tropical timber products, with an analysis of economic and market developments;
- c) Worksheets to be prepared by the Secretariat setting out in tabular form short-term market forecasts; and
- d) Any other relevant information from other sources.

The details of organizing these discussions are to be worked out

by the Secretariat and future arrangements would be reviewed and modified in the light of experience.

2.4 Statistical Operations

Due grateful acknowledgement should be made of Japan's commitment in fitting out the Statistical Unit of the Division with a substantial computer infra-structure to enable statistical operations to proceed efficiently.

a) Completion of Data processing systems configuration:

During the first half of 1988, installation and testing were completed and operations begun with the data processing equipment and systems software. The equipment comprises six LAN-system and four stand-alone workstations, with communications to dataprocessing centers of the major international organizations via Japan's public data networks, and with combined data storage capability of approximately 250 megabytes, allowing for handling of the largest existing relevant statistical files. Output devices include a highspeed line printer, state-of-the-art pen plotter and three satellite text printers.

Resident software in addition to standard microcomputer products such as LOTUS and DBASEIII, includes SAS, SAS/GRAPH and EXCEL.

b) Development work on communications and specialized analytical/reporting software:

In close working cooperation between ITTO statistical staff, the FAO secretariat, staff of the International Computing Center and programmers from the Japan International Telephone Company, improved terminal emulators have been installed for both FAO and ICC, facilitating interactive data extraction in place of a batch-mode constraint and improving data security and verification features.

Specialized software installed and under development includes a micro version of the UNCTAD Trade Information System; and the processing and reporting systems for the ITC Market News Service, the latter in preparation for implementing the joint proposed ITTO/ITC Market News Service for tropical timber products.

c) Processing of Statistical Data and Forecasts:

At the end of 1988 processing software was under development for the major task of the first half of 1989; preparation of ITTO's first near-term market forecasts for presentation at the 17-18 May 1989 Côte d'Ivoire Market Discussions, based on national responses to the August 1988 Forecasting Enquiry for the Annual Review. A number of national responses have already been received, and data entry work will begin. The market forecasts will also be supported by data from co-operating organizations accessed directly through the ITTO data processing center.

d) Responses to Ad-Hoc Information requests:

Furthermore during the second half of 1988 when the Statistical Unit was called upon to respond to a variety of requests for statistical information concerning tropical timber from several government and trade organizations in both producer and consumer countries. Considerable effort is absorbed in responses to such inquiries, but they represent an evidently valuable service, and it is expected that the proposed Market News Service will considerably facilitate this aspect of the Division's work.

2.5 General Co-operation with other Organizations

Much of the work of the Division depends on close co-operation with existing relevant international organizations. The state of current co-operation with other international Organizations is reflected in the assistance which is provided to the Secretariat in formulating, implementing and managing Projects and in Statistical Operations. Opportunities have been taken during missions to engage in consultations with the following organizations:

- a) FAO - on Projects PD 7a/87, PD 1/87, PD 5/87;
- b) ECE/FAO Agriculture & Timber Division - on Project PD 7b/87 (M); securing the personal expertise of Mr. T.J. Peck, Acting Director of the Division in organizing the review of the Study, and in planning the proposed Market Discussions, and in reformulating a Pre-Project proposal on PD 42/88 and the possibility of obtaining the services of an expert from the ECE to assist China in preparing the Pre-Project Report on PD 42/88;
- c) ITC - on Projects PD 7c/87 Rev.1 (M) and PD 7d/87 Rev.1 (M) and the offer by ITC to make available to the ITTO

Statistical Unit its Annual Review of Secondary-Processed Wood Products which is in preparation;

d) UNCTAD & ICC - on access to their computer databases.

3. Reforestation and Forest Management

3.1 Pre-Projects

3.1.1 Completed Pre-Projects

The pre-project "Tropical Forest Management for Multiple Use", approved by ITTC at its Second Session in March 1987 and executed by Harvard Institute for International Development (HIID), was completed in February 1988. The report on the study, entitled "The Case for Multiple-Use Management of Tropical Hardwood Forests", was presented to the Second Session of the Permanent Committee on Reforestation and Forest Management in June 1988. A summary of the Report is contained in document PPR 7/88 (F). Editing for printing and publication of the full report was initiated in November 1988. The total cost of the Study was \$150,000.

The pre-project "Natural Forest Management", approved by the Second Session of the ITTC and executed by the International Institute for Environment and Development (IIED), London, was completed in September 1988. The report on the Study, which is presented in five parts, entitled "Natural Forest Management for Sustainable Timber Production" I - V, was presented to the Third Session of the Permanent Committee in November 1988 as document PPR 11/88 (F). The total cost of the Study was \$250,000.

The pre-project "Conservation, Management Utilization and Integrated Sustained Use of the Forests of the Chimanes Region, Beni Department, Bolivia", approved by the First Session of the Permanent Committee in November 1987 and executed by the Ministerio de Asuntos Campesinos y Agropecuarios, Government of Bolivia, was completed in October 1988. The report on the Study, entitled "Options for Forest Development in the Amazons, with Special Reference to the Tropical Forests of Chimanes of Bolivia", is contained in document PPR 10/88 (F). It was presented to the Committee at its Third Session in November 1988. The pre-project resulted in a revision of the project proposal PD 34/88 (F,I). The total cost of the Study was \$75,000.

3.1.2 Pre-Projects in Progress

The Permanent Committee, at its First Session in November 1987, decided to implement two pre-projects on planting activities:

(i) Study on Enrichment Planting; and

(ii) Study on Plantation Establishment Methods.

Contracts for the execution of these two projects were awarded to Japan Overseas Forestry Consultants Association (JOFCA) in February 1988 and work on the studies started shortly after. The study on enrichment planting is executed in cooperation with Centre Technique Forestier Tropical (CTFT).

At the end of the year under review, the two Studies were nearly completed and it is expected that reports will be submitted in early 1989. A total amount of \$135,000 has been allocated by the Council for the two Studies.

The Second Session of the Permanent Committee decided to implement Stage 1 of the proposed pre-project entitled "Improvement of Harvesting Systems for Sustainable Management of Tropical Forests". A contract for the execution of this First Stage was awarded to the Research Foundation Skogsarbeten, Sweden in October 1988. The Study is scheduled to be completed in the early months of 1990. An amount of \$150,000 has been allocated by the Council for the Study.

The Second Session also decided to implement the pre-project "Management of Natural Tropical Moist Forests to Obtain a Sustainable Production of Wood and Other Forest Products and Maintain the Ecological Balance in Ecuador", in order to assist the Government of Ecuador to revise project proposal PD 30/88 (F). The terms of reference for the study had been drawn up and the contract for the execution of the project has been prepared but was still not signed as at the end of the year. \$75,000 has been allocated by the Council for the Study.

The Permanent Committee, at its Third Session in November 1988, decided to implement the pre-project "Coordinated Natural Forest Management and Sustainable Rural Development in Areas Adjoining Sapo National Park". The pre-project will assist the Government of Liberia to revise and further develop project proposal PD 45/88 (F). Preparation of the terms of reference for this study has been initiated. An amount of \$25,000 has been allocated by the Council for the Study.

At its Third Session the Committee also decided to implement the pre-project "Study of Conservation Concerns Relating to the Diversification of Species Extracted for Timber". The proposal for this study was prepared by the Secretariat in co-operation with WWF International and other conservation NGOs. The Fifth Session of the

Council did not allocate funds for this pre-project but authorized the Executive Director to start implementation when funds earmarked for the pre-project becomes available. Steps are being taken to secure such earmarked funds. The estimated budget for the Study is \$224,000.

3.2 Projects

3.2.1 Project Proposals

A total of thirteen projects in the field of reforestation and forest management were received and reviewed by the Permanent Committee during 1988. Two of these were approved by the Council for implementation and one was approved to be implemented as an ITTO activity. Consideration of five project proposals was deferred until the results of pre-projects under execution become available. Three Proposals were recommended for revision through pre-project activities. One project was recommended to be included in the regional project on Rehabilitation of Logged-over Forests, approved by the Third Session of the Council, and one was recommended for implementation by some other international agency.

3.2.2 Projects under Implementation

Three projects in the field of Reforestation and Forest Management were under execution at the end of 1988.

(i) **PD 2/87:** Rehabilitation of Logged-over Forests in Asia/Pacific Region

The Council at its Third Session in November 1987 authorized the implementation of this project, provided that financing could be secured.

The Government of Japan made available partial financing amounting to \$240,000 from its 1988/89 budget for this project which requires a total budget of \$1,227,100. The implementation of the project is planned over a two-year period.

The Council at its Fourth Session in July 1988 authorized the Executive Director to start execution of the project, provided that a viable, fully financed sub-project could be identified and executed without increasing the total cost of the full project. Such a sub-project was identified and a contract for the execution of the sub-project was awarded to JOFCA in November 1988 which initiated project work in December.

(ii) **PD 10/87:** Forest Management of Natural Forests in Malaysia

This project was approved for implementation by the Council at its Third Session in November 1987.

An agreement between ITTO and the Government of Malaysia for the execution of the project was signed in August 1988. The Government has secured long-term tenure for the land needed for the establishing the project, as was required by the Council in its decision, and has designated the Forestry Department of Peninsular Malaysia as the Executing Agency.

The total budget for the project is \$595,148 of which ITTO contributes \$272,353 to provide co-financing for the establishment of the research activities over a three-year period and to finance review and monitoring of project activities over the ten years of the project implementation. The Government of Malaysia is contributing \$322,795 to the project budget.

The sample plots have been established and the data collection and analysis have started. The project is ahead of schedule.

(iii) **PD 17/87:** Investigation of the Steps Needed to Rehabilitate the Areas of East Kalimantan Seriously Affected by Fire'

The Council approved the implementation of this project at its Third Session in November 1987 and allocated \$367,600 to meet part of the cost of the project. The Government of Indonesia will contribute \$94,400. The implementation of the project is estimated to take twelve months.

Execution of the project started in June 1988 immediately upon the signing of the Project Agreement between ITTO and the Government of Indonesia which regulates the implementation of the project.

The project is being executed by the Agency for Research and Development of the Ministry of Forestry, Indonesia, and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) has been contracted to provide the required consultancy services.

The requirements of maps, satellite imagery and

equipment has been specified and arrangements have begun to secure these materials.

3.2.3 Projects under Preparation for Implementation

(i) PD 15/87: The Biology of Okoume in Gabon

This project was approved for implementation at the Third Session of the Council in November 1987 and an allocation of \$417,500 was made from the Special Account. The Governments of the Netherlands and Gabon committed themselves to contribute the balance of \$427,500 to the full financing of the project. The project is to be implemented over a period of three years.

The implementation of this project still awaits the signing of a Memorandum of Understanding between the Governments of Gabon and the Netherlands concerning co-operation in tropical forest research, education, training and extension. Negotiations for the Memorandum are still taking place and it is expected that they will be concluded shortly.

(ii) PD 24/88: Integration of Forest-Based Development in the Western Amazon - Phase I - Forest Management to Promote Policies for Sustainable Production

This project is designed under a pre-project approved by the Permanent Committee on Forest Industry at its First Session in November 1987. It constitutes the first phase of a development which is envisaged to take place in two phases. The findings of the pre-project are contained in document PPR 8/88 (I).

The project was approved for immediate implementation by the Council at its Fourth Session in Rio de Janeiro in July 1988. The estimated total budget for the project is \$3,075,000 of which ITTO contributes \$1,078,000 and the Government of Brazil the balance.

An Agreement between ITTO and the Government of Brazil regulating the implementation of the project is under negotiation and is expected to be signed in early 1989 with the Brazilian Agency for Cooperation (ABC) representing the Government.

The Government of Brazil has designated the Foundation for Technology of the State of Acre as the Executing Agency.

- (iii) PD 34/88: Conservation, Management, Utilization, Integral and Sustained use of the Forest of the Chimanés Region, Department of el Beni, Bolivia

The project was approved for implementation by the Council at its Fifth Session in November 1988 and authorized the Executive Director to commence implementation as soon as sufficient unearmarked funds are available in the Special Account. The total budget is estimated at \$2,654,000 of which ITTO is to contribute \$1,260,000 and the Government of Bolivia the balance of \$1,394,000.

The Government of Japan has indicated that it is considering providing full financing for the project, but that this has to be done through allocations in three or more consecutive National Budgets. In order to provide for this financing option a plan is being prepared for the implementation of the project in three stages. This plan will be presented to the Council at its Sixth Session in May 1989 for approval.

3.3 Other Activities

The Fourth Session of the Council decided to implement the proposed project PD 32/88 "International Seminar on Sustainable Utilization and Conservation of Tropical Forests" as an ITTO activity. The Seminar was held in conjunction with the Third Session of the Permanent Committee and the Fifth Session of the Council.

Seven speakers, representing forest science, governments, forest industry organizations and environmental organizations, presented papers. The Seminar was well attended and received attention from the media in Japan as well as international media.

The papers presented at the Seminar together with highlights of the discussions which followed the presentations is being compiled into a report to be presented to the Fourth Session of the Permanent Committee and the Sixth Session of the Council.

The Fifth Session of the Council decided, upon recommendations by the Permanent Committee, that a Panel of Experts should be formed to review ITTO pre-project reports and project documents and other recent relevant literature, and draft proposals for an action plan for ITTO in the field of reforestation and forest management.

Requests were made to three Producing Members and three Consuming Members to nominate experts for the Panel which will, in addition to these six members, comprise one representative each from FAO and the group of environmental NGOs, the Chairman and the Vice-Chairman of the Permanent Committee and the Assistant Director for Reforestation and Forest Management of ITTO.

A working group, made up of Panel members identified during the Council Session, was appointed and given the task of preparing a first draft of the review and the action plan for consideration by the full Panel. The group started work in December 1988 and was scheduled to have a first meeting in late January 1989. The full Panel is expected to meet in last week of February 1989 to finalize the drafts which would be presented to the Permanent Committee in May 1989.

4. Forest Industry

4.1 Pre-Projects

In 1988, the pre-projects implemented in the field of Forest Industry were:

- (i) Seasoning of Mixed Species of Tropical Timber
(Started in 1987);
- (ii) Sawing of Difficult Tropical Timbers (Started in 1987);
- (iii) The Development of Integrated Approaches for Sustainable Utilization of Tropical Forests in the Amazon Region
(Started in 1988); and
- (iv) Harmonization of Specifications on Tropical Timber Products (Started in 1988).

The United States Forest Products Laboratory was commissioned to prepare the studies concerning Seasoning of Mixed Species of Tropical Timbers (completed in 1988) and Sawing of Difficult Tropical Timbers (expected to be completed early 1989). The pre-project study on seasoning generated a review report (ITTO pre-project report PPR 9/88) on this problem, concluding and recommending that more research is needed to develop effective methods for grouping species, while highlighting that basic specific gravity, initial moisture content and shrinkage are the prime wood properties to be considered when attempting to group different wood species for mixed drying. The pre-project study also prepared a project proposal [PD 48/88 (I)] to carry out research activities to develop the basis of a grouping system than can deal effectively with Drying Mixtures of Tropical Hardwood Species that have a wide range of characteristics. The grouping

systems will be developed by correlating specific gravity and initial moisture content with drying time and then grouping together species of similar estimated drying times. This project proposal will be appraised at the spring 1989 Session of the Committee on Forest Industry.

The pre-project study on "Development of Integrated Approaches for Sustainable Utilization of Tropical Forests in the Amazon Region" was commissioned from the Brazilian Agency for Cooperation. The study generated a comprehensive report (PPR 8/88) which provided the basis for a project proposal, subsequently approved by the Council, to assist the Brazilian Government to conserve and manage for sustainable yield a forest area in Acre, in the northwest of the Brazilian Amazonian Region.

The Technical Association of the Tropical Timber Industry (ATIBT) is assisting the ITTO in carrying out a study on Harmonization of Specifications on tropical timber products. In undertaking this study, producing countries, consuming countries, industry and trade representatives are co-operating in reviewing current grading rules for logs and sawnwood, to assess the feasibility of harmonization and present proposals. The study is expected to be completed at the end of 1989.

4.2 Projects

At its two sessions held in 1988, the Committee on Forest Industry appraised nine projects submitted by Members. On the recommendations of the Committee, the Council approved four project proposals (PD 16/87 Rev.1, PD 18/87 Rev.1, PD 41/88 and PD 44/88); three proposals were recommended for revision (PD 29/88, PD 39/88 and PD 40/88), whilst two others (PD 31/88 and PD 38/88) were recommended for revision and ITTO sponsorship without funding.

The Council approved a total of twelve projects for implementation in the field of forest industries. The scope and status of implementation of these projects are briefly reviewed in Sections 4.2.1. and 4.2.2.

4.2.1. Projects approved for immediate implementation

- (i) PD 3.d/87: Proposals for Actions in Favor of the Lesser Known Species: Measures in Support of the Lesser Known Species of Africa and Latin America/Caribbean (\$242,000)

This project is designed to improve the tropical timber trade and economy by increasing acceptance and commercialization of lesser known species from Africa and Latin America/Caribbean Regions. The promotion of lesser known species will be pursued by providing the manufacturers in the producing and importing countries with literature and promotional materials covering processing, utilization and properties of selected lesser-known species. Technical notes describing both African and Latin American/Caribbean species will be published, in addition to an Atlas covering exclusively species from the latter. This Atlas will follow the format of the one recently published by ATIBT illustrating and describing African hardwoods.

This project was contracted to the Centre Technique Forestier Tropical (CTFT) in February 1988. One hundred and thirty timber species were selected jointly by ITTO and CTFT to be included in the proposed publications. The selection criteria favored species with commercial or potential commercial availability, whilst also ensuring that the coverage included species from all ITTO members in Africa and Latin America/Caribbean. The technical work is in its final stages and the publications are expected to be printed by mid-1989.

- (ii) **PD 3e/87:** Proposals for Actions in Favor of the Lesser Known Species: Creation of an International Research and Development Network (\$225,000)

The purpose of this project is to establish a data bank covering initially approximately 100 species. The work is centralized at the Centre Technique Forestier Tropical (CTFT), but relies on inputs from research and development institutions in the producing regions. The latter are involved in the definition of the contents and format of the files, and are expected to provide the core of the information to be stored in the data bank.

The kind and amount of technical information to be stored has been defined and includes: description of log and wood (physical and mechanical properties); characteristics of sawing, machining, drying and assembling; durability and amenability to preservative treatment; uses; species

availability in the forest; commercial productions and exports.

The software will allow the print-out of a technical sheet on each species, and the selection of species by specifying one or more of several parameters such as uses, mechanical properties and processing properties.

This project commenced in February 1988 and is expected to be completed in 1989.

- (iii) PD 13/87: International Seminar on Furniture Development and Promotion (\$85,000)

Through this project, a Seminar was organized and convened to assess the developmental needs of the furniture industry in the Asian and Pacific countries. The implementation was contracted to the Malaysian Timber Industry Board (MTIB).

The Seminar was held in Kuala Lumpur, Malaysia, on 8-11 August 1988. The programme for the Seminar included two technical sessions: (i) overview of the furniture industry and furniture markets, and (ii) furniture production. In addition the program included a comprehensive practical demonstration of wood finishing and visits to selected furniture mills in and around Kuala Lumpur.

A total of 80 participants from 7 countries in Asia and the Pacific Region attended the Seminar:

<u>Countries</u>	<u>Number of Participants</u>
Brunei Darussalam	2
Indonesia	8
Malaysia	48 (including 39 non-sponsored participants)
Papua New Guinea	3
Philippines	8
Singapore	3
Thailand	8

The Seminar helped to assess the development needs of the furniture industry in the region and enabled participants to gain a better understanding and knowledge of production and marketing of furniture for export.

Five hundred copies of the seminar proceedings were printed, of which two hundred are being distributed by ITTO to relevant agencies in Producing Member countries.

- (iv) PD 20/87: Publication of Technical Documents and Relevant Information to the Forest Products Industry (\$98,000)

The output of this project is the translation and publication of technical documents in the field of Forest Industry. Publications, originally scheduled to be printed by September 1988, were delayed and are now expected to be printed in the first half of 1989.

- (v) PD 21/87: Round Table on Opportunities and Constraints to Latin American Tropical Hardwood-Based Industrial Development (\$100,000)

This project will review the situation of the Tropical Timber Industry in Latin American/Caribbean Region. A regional roundtable will be convened to discuss forest industry development in the context of national forest development plans; proposals covering specific industrial ventures; opportunities and constraints to further processing of tropical hardwood within the region; and ways to adequately address the question of financing the modernization of the region's forest industries. The roundtable will be held in Brasilia, Brazil, on 20-23 February 1989, and is being jointly organized by ITTO and the Brazilian Institute for Forestry Development (IBDF).

- (vi) PD 11/87: Malaysian Timber Industry Board and Timber Industry Upgrading (\$345,000)

This project will design and implement a three-year training programme for forest industries and executives from Malaysia. The training program envisages both short term courses in technical areas of the timber industry (marketing, furniture standards and design, feasibility studies, and so on) as well as formal courses at graduate level. The implementation of this training programme will assist the forest industries of Malaysia to cope with the demand for trained personnel and experts needed by its expanding industrial facilities.

The project was approved in 1987 with a higher budget; but it has now been scaled down with an allocation of \$345,000 for the project by the Council at its Fourth Session. The project will be executed by the Malaysian

Timber Industry Board and is expected to commence in early 1989.

- (vii) **PD 16/87 Rev.1:** Research and Development on the Standardization of Tropical Timber at the Andean Sub-Regional Level. Phase 1: Review of the Current Situation of Timber Standardization and Development of Work Plans for Subsequent Phases (\$135,000)

The project will survey and assess the present status of timber standards and nomenclature of species and groups of species at the level of the Cartagena Agreement Board (JUNAC) and cover the standardization of mechanically processed wood products (sawnwood, veneer, plywood and blackboard) in the five Andean Pact Member Countries (Bolivia, Colombia, Ecuador, Peru and Venezuela). The findings will be discussed at a sub-regional seminar to prepare work plans for the: (1) preparation of nomenclature for species and groups of species; (2) standardization for the dimensioning, scaling and grading of timber products; and (3) establishment of a center for timber graders and preparation of a development and training plan to assist the adoption of the new standards and nomenclatures.

Contractual arrangements for project implementation are being finalized with the Institute for Agriculture Research (INITAA), of Peru, which is expected to commence execution early in 1989.

- (viii) **PD 18/87 Rev.1:** Selection and Introduction of Lesser Known and Lesser Used Species for Specific End-Use (\$212,800)

The project will generate a computer program that will select tropical timber species which meet the requirements of selected end uses. The outputs will include a list of species with properties that meet the requirements for use in windows, window and door frames, flooring, cladding, and in constructional parts of solid furniture.

The project will be implemented by the Wageningen Agricultural University, assisted by TNO Fibre Research Institute. Implementation is expected to commence early in 1989.

- (ix) PD 41/88: The Identification, Properties and Uses of Tropical Timber Imported to China from Southeast Asia (\$33,000)

This project will produce technical and promotional material to assist Chinese importers and users to properly identify, process and utilize tropical timbers from Southeast Asia. The technical literature on Asian tropical timber will be reviewed and technical data will be stored in computers for utilization by interested parties in China. The project is the first phase of a comprehensive program that includes the study of species from the African and Latin American/Caribbean Regions.

Project execution will be contracted to the Research Institute of Wood Industry, Chinese Academy of Forestry (CRIWI), and it is expected to start in early 1989.

- (x) PD 44/88: Seminar for the Promotion of Further Processing of Tropical Hardwood Timber in the African Region (\$154,400)

This project will review the status of tropical timber processing in Africa and design and convene a Seminar to promote further processing in the region. The Seminar will introduce and discuss appropriate manufacturing and marketing techniques as well as means and ways to overcome financial constraints facing further processing activities in ITTO African Member Countries.

The project implementation is shared by the Ghana Timber Export Development Board and ITTO, and activities will start early in 1989, with the Seminar scheduled for the second half of the year.

4.2.2. Projects approved for implementation pending financing

- (i) PD 4/87: Regional Training in Planning and Management of Forest Industries in Developing Countries (\$921,000)

This project will design and implement a three-year training program for the three producing regions aimed at increasing and improving the appropriateness and contribution of existing and new timber-based industries to regional and sub-regional development. The project will (1) review the curricula of the existing training institutions specializing

in forest industries; (2) prepare appropriate training materials and further training schemes necessary for forest industry planning, management and operation; (3) design and organise six seminars to improve the knowledge and skills of some 120 managers of forest industry enterprises and representatives of public agencies from producing regions.

The ITTO is in consultation with FINNIDA to secure the required inputs to implement the project. Prospects for its financing and execution in phases, beginning in 1989/1990, are encouraging.

- (ii) **PD 12/87:** Research on Utilization of Tropical Timber in Construction (\$273,884)

This project will undertake a five-year research program in timber housing and construction, to be carried out by the Forest Research Institute of Malaysia, with the objective of increasing and improving the utilization of timber in housing and building construction. The research will emphasise on timber use and performance in load bearing applications. It is expected that the outcome of the research will include several technical papers, manuals and design guides.

4.3 Other activities

4.3.1. Fellowship Program

The ITTO is considering the implementation, on a trial basis, of a Fellowship Program as part of its mandate to develop knowledge and skills in a variety of fields within its sphere of activities. This program has been under consideration by the Permanent Committee on Forest Industry on the basis of the Secretariat's original proposal to establish a training and development scheme to promote technology transfer in wood processing in producing Member countries. This proposal is being redrafted to extend the scope of the program to cover the general fields of activities of all the three Permanent Committees. The specific areas to be covered by the program will be determined in accordance with relevant objectives and priorities set out in the ITTA and in Council Resolution 1 (IV) on priority areas of work. The activities envisaged for financial sponsorship under the program will range from short-term training courses, study tours, participation in seminars/workshops, technical meetings and providing technical assistance and advisory services. Preliminary indications of Forest Industry priority areas are:

- (i) the establishment or improvement of timber processing and manufacturing industries;
- (ii) the improvement of the technological knowledge and R and D expertise of timber industry technical personnel from producing Member countries; and
- (iii) preparation of technical documents under author's contracts to effect transfer of technology and of technical information of importance for the development and upgrading of further processing capabilities in producing Member countries.

4.3.2. Market Discussions (Market Review and Outlook)

The ITTO decided to institute annual market and industry discussions to provide the opportunity for a broad exchange of views among its Members, trade and industry associations and conservation NGOs; and strengthen the role of the Council in its work of monitoring and reviewing the tropical timber situation in accordance with Article 28 of the ITTA.

Discussions are scheduled to take place at a Joint Session of all three Permanent Committees for two days at the first of their bi-annual sessions. This exercise will begin in 1989, and will be centered on the draft Annual Review prepared by the Secretariat and on Country Market Statements to be submitted by Members following agreed outlines and guidelines:

1. The general economic situation (economic growth, interest rates, exchange rates, government policies relating to investment, trade, etc.) general price movements, recent developments in the main utilization sectors in tropical timber (building and construction, furniture, etc.).
2. Forest management and policy changes and trends and short-term outlook in round wood production, particularly factors affecting supply, including availability of species.
3. Trends in wood-processing industries and short-term outlook; significant changes in capacity and type of production; use of lesser known species.

Annex I

Status of Members as of 31 December 1988

<u>Member</u>	<u>Signature</u>	<u>Provisional application</u>	<u>Ratification, accession (a), acceptance (A) approval (AA)</u>
Australia			16 Feb 1988
Austria			6 Mar 1986 (a)
Belgium/Luxembourg	29 Jun 1984	28 Sep 1984	21 Feb 1986
Bolivia	1 Nov 1984	25 Jun 1985	
Brazil	31 Mar 1985	31 Mar 1985	
Cameroon	15 Apr 1985	14 Jun 1985	19 Nov 1985
Canada			21 May 1986 (a)
China			2 Jul 1986 (a)
Congo	7 Mar 1985		28 Mar 1985
Côte d'Ivoire	27 Mar 1985	27 Mar 1985	
Denmark	29 Jun 1984		28 Sep 1984
Ecuador	31 Mar 1985	31 Mar 1985	19 Jan 1988
Egypt	31 Mar 1985	31 Mar 1985	16 Jan 1986
European Economic Community	29 Jun 1984	29 Mar 1985	
Finland	10 May 1984		13 Feb 1985
France	29 Jun 1984	29 Jun 1984	6 Aug 1985 (AA)
Gabon	26 Sep 1984	19 Mar 1985	18 Nov 1988
Germany, Federal Republic of	29 Jun 1984	29 Jun 1984	21 Mar 1986
Ghana	29 Mar 1985		29 Mar 1985
Greece	29 Jun 1984	28 Nov 1984	26 Jul 1988
Honduras	27 Sep 1984	29 Mar 1985	
Japan	28 Mar 1984		28 Jun 1984 (A)
India			19 Feb 1986 (a)
Indonesia	13 Jun 1984		9 Oct 1984
Ireland	29 Jun 1984		4 Oct 1984
Italy	29 Jun 1984		29 Mar 1985
Liberia	8 Mar 1984		29 Mar 1985
Malaysia	14 Dec 1984		14 Dec 1984
Netherlands	29 Jun 1984	20 Sep 1984	29 May 1987 (A)
Norway	23 Mar 1984		21 Aug 1984
Papua New Guinea			27 Nov 1986 (a)
Peru	31 Mar 1985	31 Mar 1985	
Philippines	31 Mar 1985	31 Mar 1985	
Republic of Korea			25 Jun 1986 (a)
Spain	27 Feb 1985	24 Apr 1985	1 Apr 1986
Sweden	23 Mar 1984		9 Nov 1984
Switzerland	30 Apr 1985		9 May 1985
Thailand			9 Oct 1985 (a)
Trinidad & Tobago	29 Apr 1985		9 May 1986
Union of Soviet Socialist Republics	28 Mar 1985		20 May 1985 (A)
United Kingdom	29 Jun 1984		18 Sep 1984
United States of America	26 Apr 1985	26 Apr 1985	

Annex II

Schedule of Official Travel, Participation at Meetings, etc.1. Administration

- | | | | |
|------|-------------------------------|---|---|
| i) | 15 - 19
February 1988 | - | Executive Director (ED) made official visits to Norway, Finland and Sweden for consultations with relevant agencies in these Member countries. |
| ii) | 20 February 1988 | - | ED attended conference "A PARADISE TO KEEP: Tropical Forests Preservation and the International Timber Trade" in Florence organized by the Friends of Earth, Italy. ED made a statement at this conference. |
| iii) | 23 - 25
February 1988 | - | ED made an official visit to Brazil and held consultations with relevant agencies in Brasilia. |
| iv) | 29 February -
6 March 1988 | - | ED made official visits to certain ITTO Member countries in Latin America including Ecuador, Bolivia and Peru for official consultations. |
| v) | 7 - 9 March 1988 | - | ED made an official visit to U.S.A. for consultation in Washington, D.C. with various Government authorities, conservation NGOs and Inter-American Development Bank. |
| vi) | 5 - 26 April 1988 | - | ED visited all Member countries of ITTO in the African region for consultations. The opportunity was also taken by the ED to address the Eleventh Ministerial Session of the African Timber Organization (ATO) in Abuja, Nigeria. ED also visited Kinshasa and Nairobi. In Nairobi ED also visited UNEP, ICRAF apart from Government authorities there. |
| vii) | 1 - 3 May 1988 | - | ED made an official visit to Thailand where consultations with various Government authorities were held in Bangkok. |

- viii) 4 - 19 August 1988 - ED visited Singapore for consultations with a regional office of International Development Research Centre (IDRC), Kuala Lumpur to address the opening of the ITTO sponsored 'International Seminar on Furniture Development and Promotion', and Manila for consultations with Philippine Government authorities and discussions at the Asian Development Bank.
- ix) 21 - 22 October 1988 - ED took part in discussions concerning proposal to impose levy on tropical timber organized by IIED in London.

2. Economic Information and Market Intelligence

- i) 28 March -
1 April 1988 - Assistant Director participated in Government of Indonesia/UNCTAD/ESCAP Asia and Pacific Regional Seminar on Manufacturers and Exports of Processed Tropical Timber Products. Paper on "Market Transparency and the Role of the ITTO" presented to the Seminar, Jakarta.
- ii) 5 - 26 April 1988 - Assistant Director accompanied Executive Director on his first Official Visit to Member States in the African Region including attendance at the Eleventh Ministerial Session of the African Timber Organization in Abuja (Nigeria).
- iii) 4 - 6 May 1988 - Attended the Sixth TFAP Forestry Advisors Group Meeting, Rome.
- iv) 9 - 13 May 1988 - Attended Ninth Session of the FAO Committee on Forestry, Rome.
- v) 11 - 14 October 1988 - Participated in the Forty-sixth Session of ECE Timber Committee Geneva. The Session discussed the first draft Study on Trade and Markets for Tropical Hardwoods in Europe commissioned by the ITTO. The Session also endorsed the general idea of exploring areas of activities which will foster closer working relations between the two Secretariats.

2. Reforestation and Forest Management

- i) 24 - 26 March 1988 - Paper entitled "Deforestation and Reforestation and the Balance of Economic Development and conservation" prepared by Secretariat and submitted by Assistant Director to International Symposium on Environment and Development, Milano.
- ii) 27 - 28 June 1988 - Statement entitled "The Future of Tropical Rain Forest - the Role of the International Tropical Timber Organization" prepared by Secretariat and submitted to The Future of Tropical Rain Forest: A Forum for Discussion, Oxford Forestry Institute, Oxford.
- iii) 3 - 8 July 1988 - Assistant Director took part in
17 - 22 July 1988 two of the three seminars arranged as part of the pre-project on Natural Forest Management executed by IIED, Ecuador and Côte d'Ivoire.
- iv) 27 July 1988 - Attended meeting with Swedish forest research institutions to inform them on ITTO's activities in general and specifically on the pre-project on Improvement of Harvesting Systems for Sustainable Management of Tropical Forests, Stockholm
- v) 4 - 7 October 1988 - Paper entitled "Conversion of Tropical Forests to Grazing Land in Latin America - the Timber Industry Perspective" prepared by the Secretariat and presented by the Assistant Director at Conference on Conversion of Tropical Forests to Grazing Land in Latin America arranged by the US Man and Biosphere, Oaxaca, Mexico.
- vi) 9 - 12 October 1988 - Visited the Panos Institute on preparations for the International Seminar on Sustainable Utilization and Conservation of Tropical Forests which the Institute assisted in arranging in conjunction with the Fifth Session of the Council, Washington, D.C.
- vii) 11 - 12 October 1988 - Addressed the Fourth International Forum on Tropical Timber of the Association Technique Internationale des Bois Tropicaux (ATIBT), Washington, D.C.

- iii) 25 October 1988 - Attended the Development Policy Forum on Structural Changes in the World Economy and Development Cooperation arranged by the Sasakawa Peace Foundation of Japan, Tokyo.

4. Forest Industry

- i) 21 January -
10 March 1988
 - Participated in the TFAP Roundtable "International Participation in Forestry Development in Honduras".
 - Participated in the 17th Session of the General Assembly of the International Union for Conservation of Nature and Natural Resources, in San Jose, Costa Rica.
 - Assisted the Assistant Director Management Services in preparations for ITTO Council 4th Session in Rio de Janeiro, Brazil.
 - Assisted the Executive Director in talks with government authorities and non-government agencies concerned with tropical timber in South American Member countries (Bolivia, Brazil, Ecuador and Peru).
- ii) 10 June -
2 July 1988
 - Presented a paper on Latin American Forest Industries and ITTO Forest Industries Program in a Government-sponsored Forestry Seminar in Quito, Ecuador.
 - Served the Second Session of the Forest Industry Committee and the Fourth session of ITTC, in Rio de Janeiro, Brazil.
- iii) 11 - 17
September 1988
 - Discussion with CTFT staff on implementation of Projects 3.d/87, 3.e/87 and 20/87 (France).
 - Discussion of terms of reference and engagement of ATIBT to implement the pre-project study on Harmonization of Specifications on Tropical Timber Products (France).
 - Discussion of translation and publication of three FAO technical papers as planned in Project 20/87 (Italy).

iv) 12 - 17
December 1988

- Visit to FINNIDA, Helsinki, for discussions and joint appraisal of proposed modifications in project PD 4/87 aiming at facilitating securing funds for project implementation.

Annex III

Summary of Accounts 1988INTERNATIONAL TROPICAL TIMBER ORGANIZATIONADMINISTRATIVE ACCOUNTBALANCE SHEET

AT DECEMBER 31
(U.S. dollars)

	<u>1988</u>	<u>1987</u>
<u>ASSETS</u>		
Cash and bank deposits	\$ 717,997	\$ 378,093
Arrear contributions	1,032,335	810,958
Receivable from Japan	156,896	23,687
Prepaid expenses	15,841	5,573
Advance to and receivable from staff members	8,570	9,860
	<u>\$1,931,639</u>	<u>\$1,228,171</u>
<u>LIABILITIES AND CONTRIBUTIONS</u>		
Accrued liabilities	\$ 18,220	\$ 2,607
Payable to special account	20,318	-
Contributions received in advance	134,092	51
Advance received from Japan	13,697	-
	<u>186,327</u>	<u>2,658</u>
Members funds:		
Budgeted surplus of revenues over expenditures	282,000	282,000
Contingency Reserve	318,000	-
Reserve for next year revenues and expenditures account	15,109	3,613
Surplus of revenues over expenditures	1,130,203	939,900
	<u>1,745,312</u>	<u>1,225,513</u>
	<u>\$1,931,639</u>	<u>\$1,228,171</u>

INTERNATIONAL TROPICAL TIMBER ORGANIZATIONADMINISTRATIVE ACCOUNTSTATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCEFOR THE YEAR ENDED DECEMBER 31
(U.S. dollars)

	<u>1988</u>	<u>1987</u>
Revenues:		
Contributions from member countries	\$2,198,010	\$2,110,000
Interest income	11,496	3,613
Other income	67	167
Reimbursement by Japan	480,147	335,028
	<u>2,689,720</u>	<u>2,448,808</u>
Expenditures:		
Salaries and benefits	1,281,935	641,632
Installation and transportation	16,740	144,873
Other operating costs	871,246	598,042
	<u>2,169,921</u>	<u>1,384,547</u>
Excess of revenues over expenditures	519,799	1,064,261
Surplus of revenues over expenditures:		
Balance at beginning of the period	939,900	61,252
Appropriated for budgeted surplus of revenues over expenditures	-	(182,000)
Appropriated for contingency reserve	(318,000)	-
Allocation to next year revenues and expenditures account	(11,496)	(3,613)
	<u>\$1,130,203</u>	<u>\$ 939,900</u>
Balance at end of the period		

INTERNATIONAL TROPICAL TIMBER ORGANIZATIONADMINISTRATIVE ACCOUNTSTATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31
(U.S. dollars)

	<u>1988</u>	<u>1987</u>
Source of funds:		
Contributions from member countries -		
Assessed receipt	\$2,198,010	\$2,110,000
(Increase) decrease in arrear account	(221,377)	(562,008)
Increase (decrease) in advance receipt	134,041	(85,019)
	<u>2,110,674</u>	<u>1,462,973</u>
Interest received	11,496	3,613
Other income	67	167
Reimbursement by Japan	480,147	335,028
	<u>2,602,384</u>	<u>1,801,781</u>
Application of funds:		
Expenditures	2,169,921	1,384,547
Increase (decrease) in receivable from UNCTAD	-	(7,407)
Increase (decrease) in receivable from Japan	133,209	23,687
Increase (decrease) in advance to the		
Executive Director	-	(7,241)
Increase (decrease) in prepaid expenses	10,268	5,573
Increase (decrease) in advance to and		
receivable from staff members	(1,290)	9,860
(Increase) decrease in accrued liabilities	(15,613)	63,632
(Increase) decrease in payables to		
special account	(20,318)	-
(Increase) decrease in advance received		
from Japan	(13,697)	-
	<u>2,262,480</u>	<u>1,472,651</u>
Net increase (decrease) in cash	339,904	329,130
Cash at beginning of the period	378,093	48,963
Cash at end of the period	<u>\$ 717,997</u>	<u>\$ 378,093</u>

INTERNATIONAL TROPICAL TIMBER ORGANIZATIONSPECIAL ACCOUNTBALANCE SHEETAT DECEMBER 31
(U.S. dollars)

	<u>1988</u>	<u>1987</u>
<u>ASSETS</u>		
Cash in bank	\$3,004,839	\$1,830,351
Receivable from Administrative Account	20,318	-
	<u>\$3,025,157</u>	<u>\$1,830,351</u>
<u>LIABILITIES AND CONTRIBUTIONS</u>		
Accounts payable	<u>75,000</u>	<u>-</u>
Members funds:		
Surplus of revenues over expenditures -		
Project sub-account		
Appropriated for specified projects	2,341,974	-
Unappropriated	293,353	1,455,384
Pre-project sub-account		
Appropriated for specified projects	304,500	253,523
Unappropriated	10,330	121,444
	<u>2,950,157</u>	<u>1,830,351</u>
	<u>\$3,025,157</u>	<u>\$1,830,351</u>

INTERNATIONAL TROPICAL TIMBER ORGANIZATIONSPECIAL ACCOUNTSTATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31
(U.S. dollars)

	<u>1988</u>	<u>1987</u>
<u>Project sub-account</u>		
Revenues:		
Voluntary contributions	\$2,129,208	\$1,455,647
Interest income	2,826	-
Exchange gain	16	-
	<u>2,132,050</u>	<u>1,455,647</u>
Expenditures:		
Project cost	699,622	-
Bank charge	2,485	263
	<u>702,107</u>	<u>263</u>
Excess of revenues over expenditures	<u>\$1,429,943</u>	<u>\$1,455,384</u>
 <u>Pre-project sub-account</u>		
Revenues:		
Voluntary contributions	\$229,867	\$559,802
Interest income	899	149
	<u>230,766</u>	<u>559,951</u>
Expenditures:		
Pre-project cost	539,658	339,888
Bank charge	1,245	691
	<u>540,903</u>	<u>340,579</u>
Excess (deficit) of revenues over expenditures	<u>(\$310,137)</u>	<u>(\$219,372)</u>

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

SPECIAL ACCOUNT

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31
(U.S. dollars)

	<u>Project sub-account</u>		<u>Pre-project sub-account</u>	
	<u>Appropriated for specified projects</u>	<u>Unappropriated</u>	<u>Appropriated for specified projects</u>	<u>Unappropriated</u> <u>TOTAL</u>
<u>1987</u>				
Members funds at January 1, 1989	\$ -	\$ -	\$ -	\$ 155,595
Excess of revenues over expenditures		1,455,384		219,372
Appropriation for specified pre-project			253,523	(253,523)
Members funds at December 31, 1987		1,455,384	253,523	121,444
				1,830,351
<u>1988</u>				
Excess (deficit) of revenues over expenditures		1,429,943		(310,137)
Appropriation for specified projects	2,341,974	(2,341,974)		-
Appropriation for specified pre-projects			242,000	(242,000)
Reversal from specified pre-projects			(191,023)	191,023
Transfer from project sub-account to pre-project sub-account		(250,000)		250,000
Members funds at December 31, 1988	<u>\$2,341,974</u>	<u>\$ 293,353</u>	<u>\$304,500</u>	<u>\$ 10,330</u>
				<u>\$2,950,157</u>

Annex IV

1988 Contributions to Special Account
(\\$)

Pre-Project Sub-Account

Japan	72,238
Project Sub-Account	250,000
Sweden	157,629
	<hr/>
	479,867

Project Sub-Account

Switzerland	522,690
Japan	327,346
	1,190,433
	1,517,779
Netherlands	70,000
	<hr/>
	2,110,469

TOTAL: 2,590,336

Estimated Receipts for 1989
(\$)

1.	Interest Reserve	8,046
2.	Reserve Fund (savings from earlier budgets)	74,358
3.	Assessed Contributions of Members for 1989 (see page 47)	2,459,656
		<hr/>
		2,542,060
		<hr/>

Assessed Contributions of Members for 1989
(Total: US\$ 2,459,656)

<u>Producers</u>	<u>Votes</u>	
<u>Africa</u>		
Cameroon	34	41,814
Congo	34	41,814
Côte d'Ivoire	34	41,814
Gabon	34	41,814
Ghana	33	40,584
Liberia	33	40,584
<u>Asia</u>		
India	42	51,653
Indonesia	154	189,394
Malaysia	152	186,934
Papua New Guinea	35	43,043
Philippines	44	54,113
Thailand	26	31,975
<u>Latin America</u>		
Bolivia	38	46,734
Brazil	189	232,438
Ecuador	29	35,665
Honduras	23	28,286
Peru	44	54,113
Trinidad and Tobago	22	27,056
Total	1,000	1,229,828
<u>Consumers</u>		
Australia	21	25,826
Austria	12	14,757
Canada	17	20,907
China	41	50,423
Egypt	15	18,447
<u>European Economic Community</u>		
Belgium-Luxembourg	25	30,746
Denmark	14	17,217
France	55	67,641
Germany, Federal Republic of	47	57,802
Greece	14	17,217
Ireland	12	14,757
Italy	40	49,194
Netherlands	40	49,194
Spain	25	30,746
United Kingdom of Great Britain and Northern Ireland	54	66,411
Finland	11	13,528
Japan	334	410,763
Norway	11	13,528
Republic of Korea	80	98,387
Sweden	11	13,528
Switzerland	11	13,528
Union of Soviet Socialist Republics	14	17,217
United States of America	96	118,064
Total	1,000	1,229,828