



## PREPCOM II HIGHLIGHTS: MONDAY, 10 NOVEMBER 2003

Delegates to the Second Session of the Preparatory Committee (PrepCom II) for the Negotiation of a Successor Agreement to the 1994 International Tropical Timber Agreement (ITTA, 1994) convened in both Plenary and closed-door caucus sessions. In Plenary, delegates heard presentations on: experiences in implementing the ITTA, 1994; the current status and future potential of markets for ecosystem services (ES) of tropical forests; and the Inter-sessional Working Group on the Renegotiation of a Successor Agreement to the ITTA, 1994 held in Curitiba, Brazil in August 2003. In the afternoon, delegates discussed amendments to articles for the successor agreement.

### MORNING PLENARY SESSION

**OPENING OF THE SESSION:** Prepcom II Chair Jürgen Blaser (Switzerland) opened the meeting, noting progress so far and emphasizing the need for good communication and information exchange among delegates.

**ORGANIZATIONAL MATTERS:** Chair Blaser recommended, and the Committee agreed, that the Credentials Committee verify representatives' credentials and report back to PrepCom II. Delegates approved the agenda and admitted all observers.

**EXPERIENCES OF IMPLEMENTATION OF THE ITTA, 1994:** Stephanie Caswell, ITTO Consultant, presented the report on experiences of implementation of the ITTA, 1994 (ITTC(XXXV)/5). She highlighted ITTO achievements, including progress on ITTO Objective 2000; funding under the Bali Partnership Fund; and cooperation with other organizations.

Regarding areas for potential review during the PrepCom, she outlined, *inter alia*: consolidating the Agreement's objectives; specifying the ITTC's functions; and improving policy and project work integration.

MALAYSIA said the ITTA's achievements have been mixed, underlining that, with limited funding, it is important not to overburden the Secretariat. He added that the new agreement should not differ substantially from ITTA, 1994.

PERU said the Agreement needs only fine-tuning and should take into consideration domestic realities. NEW ZEALAND suggested the new agreement focus on the long term. INDONESIA highlighted the lack of achievement of ITTO Objective 2000. The EUROPEAN COMMUNITY (EC) underlined the value of *ex-post* evaluations. The US stressed the need to streamline the agreement. ITTC-35 Chair Bin Che Yeom Freezailah

(Malaysia) lauded ITTO's many achievements, including enthusiasm, cooperation, goodwill and understanding of delegates and the openness of ITTC sessions to observers.

**POTENTIAL OF MARKETS FOR ECOSYSTEM SERVICES:** Chair Blaser presented on the current status and future potential of markets for ES of tropical forests (ITTC(XXXV)/6). He said the main buyers of ES are local, private investors. Chair Blaser said that trade in ES can result in land-rights claims by politically powerful groups and contract negotiations that exclude local people. He said that the ES trade is hampered by insufficient knowledge and information dissemination and called for the development of property rights and legal frameworks.

NORWAY, supported by MALAYSIA, VENEZUELA, INDONESIA, the REPUBLIC OF CONGO and the EC cautioned against duplicating the work of international bodies, such as the World Trade Organization, United Nations Framework Convention on Climate Change and the Convention on Biological Diversity. NORWAY suggested that the successor agreement include provisions on the property rights of indigenous peoples. The EC called for keeping the agreement as a commodity agreement. Arguing that the value of ES is unpredictable, MALAYSIA suggested that the successor agreement focus on issues currently addressed, such as poverty and illegal logging.

VENEZUELA said the successor agreement must address sustainable development. COLOMBIA, supported by ECUADOR and PERU, advocated an integrative approach. PERU stressed indigenous peoples' involvement.

GHANA, with PAPUA NEW GUINEA, GABON and the PHILIPPINES, acknowledged the potential of tradable ES to finance forest conservation and suggested that ITTO continue monitoring developments in the ES market.

The US said it was open to discussing the issue, and stressed the difficulty in balancing SFM and emerging issues. SWITZERLAND called for an honest discussion of the challenges in achieving SFM. ITTC Vice-Chair Jan McAlpine (US) said that ITTO's role in enhancing ES is discrete from discussions on whether the ITTO should address the trade in ES. GUATEMALA asked the Secretariat to prepare a concrete draft text on incorporating ES in the successor agreement.

**INTERSESSIONAL WORKING GROUP:** Chair Blaser summarized the Curitiba Working Group report (ITTC(XXXV)/7). Chair Blaser said Annex 6 of the report would be the main document used during PrepCom II. He highlighted that the discussion should focus on coniferous forests, and the extent to which



non-timber forest products and non-timber forest values are included in the ITTA, 1994. SWITZERLAND, supported by the EC and NORWAY, said the Council should convene annually, proposed creating an Executive Board (EB), indicated that the technical committees should be combined and recommended that other international organizations be referenced in the new agreement. NORWAY said the new agreement should include guidance from the International Labour Organization on indigenous peoples' and workers' rights. MALAYSIA, CHINA, PERU, URUGUAY and GHANA wanted to know the EB's role and composition before agreeing to it. CHINA said it could consider supporting one annual Council session, but noted that this change might affect the project cycle. AUSTRALIA supported one annual Council session, the consolidation of technical committees, the creation of an EB and the insertion of stronger language on work with other international organizations. The US requested the preparation of an action plan based on the biennial work programme. The US supported an annual Council session; the creation of an EB; and leaving general language on international organizations. GUATEMALA said that existing language on voting procedures is ambiguous. JAPAN said it was unsure about the extent to which it can finance ITTO work under the next agreement. MALAYSIA said that existing language on the participation of non-governmental organizations was sufficient. TOGO noted that if there is a reduction of Council meetings, it should be assured that ITTO maintains its effectiveness.

#### **AFTERNOON PLENARY SESSION**

In the afternoon session, Chair Blaser invited delegates to comment on the working document to be used in PrepCom II. The document appears as Annex 6, Annotated Review of the ITTA, 1994, in the Report of the Inter-sessional Working Group on Preparations for Negotiating a Successor Agreement to the ITTA, 1994 (ITTC(XXXV)/7). The ensuing discussion will be reported below on a chapter-by-chapter basis.

**PRIVILEGES AND IMMUNITIES:** Aulikki Kauppila, Consumer Group Spokesperson, noted that the group supported the relevant existing text of the ITTA, 1994. GUATEMALA stated that modifications were needed.

**FINANCE:** SWITZERLAND said that: regular activities should be paid through annual assessed contributions; and the biennial work programme should be financed by contributions to a sub-account based on each member's Gross Domestic Product. The EC said the present system of contributions should be maintained. The US underlined the need for incentives to encourage timely payments of assessed contributions and to renew ITTO Objective 2000. AUSTRALIA said incentives regarding the payment of arrears could be linked to the project cycle. JAPAN said it preferred to use assessed contributions for administrative, project and other ITTO activities. NEW ZEALAND supported linking budgets to a biennial work programme. NORWAY suggested modifying an existing trust fund to enable states to donate unearmarked funds for projects. Chair Blaser recommended the establishment of an informal group to discuss these issues, particularly regarding Japan's proposal.

**OPERATIONAL ACTIVITIES:** The EC emphasized that the organization should place greater emphasis on policy activities. JAPAN stressed the importance of project activities. On policy work of the organization, NEW ZEALAND and AUSTRALIA supported integrating policy and project activities. SWITZERLAND and NORWAY emphasized, and NEW ZEALAND opposed, that local and public participation should mentioned

under operational activities. NEW ZEALAND and AUSTRALIA stated that the Council should not consider setting priorities and limits to project proposals. MALAYSIA, the EC, NEW ZEALAND, the US, CHINA, JAPAN and AUSTRALIA, opposed by BRAZIL and PAPUA NEW GUINEA, proposed simplifying the structure of the Council by merging some of the committees. VENEZUELA underscored the importance of maintaining a balance of work between the Committees on Reforestation and Forest Management, Forest Industry, and Economic Information and Market Intelligence.

**STATISTICS, STUDIES AND INFORMATION:** The US, supported by SWITZERLAND, the EC and NEW ZEALAND, emphasized the importance of member countries providing information and statistics.

**MISCELLANEOUS:** The United Nations Conference on Trade and Development (UNCTAD) stated that it would provide necessary clarification on differential and remedial measures and special measures. NORWAY, supported by NEW ZEALAND, suggested a ten-year duration for the new agreement.

**FINAL PROVISIONS:** The US and the EC said the duration of the new agreement should be defined, with the EC suggesting a minimum duration of ten years and a mid-term assessment of the agreement's implementation. JAPAN noted that the duration of the commodity agreement should be ten years. UNCTAD drew attention to current work being undertaken by the UN Secretariat on recommendations for updating and simplifying commodities agreements, and said that advice on this matter will be given to ITTO prior to the conclusion of PrepCom II.

**DEFINITIONS:** GUATEMALA questioned the applicability of the definition of member, and, supported by the EC, called for refining the definition of international organizations. The EC, SWITZERLAND and PAPUA NEW GUINEA suggested inserting a definition of sustainable forest management (SFM) and recommended including coniferous forests from the new agreement. Referring to the definition of tropical timber, GHANA, supported by GABON, said it would prefer to delete the term non-coniferous and that the definition of tropical timber products should not be overly restrictive. NEW ZEALAND, VENEZUELA, CHINA, NIGERIA, the DEMOCRATIC REPUBLIC OF CONGO, ECUADOR and NORWAY, urged the deletion of the term non-coniferous. The US, the REPUBLIC OF CONGO, NORWAY and NIGERIA noted that because of the different definitions of SFM, SFM should not be included in the agreement. Summarizing the discussion, Chair Blaser said there appeared to be a general consensus on the exclusion of the term non-coniferous from the definition of tropical timber, and the need for further discussions on whether to include a definition of SFM.

#### **IN THE CORRIDORS**

On the first day of PrepCom II, the corridors were empty as discussions on the renegotiation kept delegates in the Plenary Hall. Rumors have it, however, that, within their respective caucuses, neither the producers nor consumers have reached common positions on some major issues. These disparities seem to be a source of anxiety for some members. Some have even noted that countries remain entrenched in positions held prior to PrepCom I.

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

**PREPCOM II:** Delegates to PrepCom II will resume their deliberations of the working document starting at 10:30 am in the Sanyo-boeki Centre in Yokohama.