



## SUMMARY OF THE SECOND SESSION OF THE PREPARATORY COMMITTEE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE 1994 INTERNATIONAL TROPICAL TIMBER AGREEMENT: 10–12 NOVEMBER 2003

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) was held from 10-12 November 2003, in Yokohama, Japan. Approximately 100 participants attended the session, representing member countries, potential members, intergovernmental organizations and non-governmental organizations (NGOs).

Over the course of three days delegates reviewed the draft working document of the successor agreement with a view to clarifying the elements therein, posing questions and presenting their views on the text. In the end, delegates produced a final draft text that will serve as the basis for discussion at the United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 in July 2004, in Geneva.

### A BRIEF HISTORY OF THE ITTA

The 1983 International Tropical Timber Agreement (ITTA) was negotiated under the auspices of the United Nations Conference on Trade and Development (UNCTAD). The negotiation sought to: provide an effective framework for cooperation and consultation between countries producing and consuming tropical timber; promote the expansion and diversification of international trade in tropical timber and the improvement of structural conditions in the tropical timber market; promote and support research and development to improve forest management and wood utilization; and encourage the development of national policies for the sustainable utilization and conservation of tropical forests and their genetic resources, and the maintenance of the ecological balance in the regions concerned.

The ITTA was adopted on 18 November 1983, and entered into force on 1 April 1985. It remained in force for an initial period of five years and was extended twice for three-year periods. The Agreement was renegotiated in 1993-1994. The successor agree-

ment to the ITTA (ITTA, 1994) was adopted on 26 January 1994, and entered into force on 1 January 1997. The ITTA, 1994 contains broader provisions for information sharing, including on non-tropical timber trade data, allows for consideration of non-tropical timber issues as they relate to tropical timber and includes the ITTO Objective 2000 to enhance members' capacity to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000. The ITTA, 1994 also established the Bali Partnership Fund to assist producing members in achieving ITTO Objective 2000. Initially concluded for three years, the ITTA, 1994 was extended twice for three-year periods, and is scheduled to expire on 31 December 2006.

The ITTA established the International Tropical Timber Organization (ITTO), headquartered in Yokohama, Japan, which provides a framework for tropical timber producer and consumer countries to discuss, exchange information and develop policies on issues relating to international trade in, and utilization of, tropical timber and the sustainable management of its resource base. The ITTO has 58 members divided into two caucuses: producer countries (32 members) and consumer countries (26 members). ITTO members account for 95 percent of the world trade in tropical timber and control 75 percent of the world's tropical forests.

### IN THIS ISSUE

A Brief History of the ITTA . . . . .	1
PrepCom II Report . . . . .	2
Negotiating a Successor Agreement to the ITTA, 1994 . . . . .	2
Consideration of Proposals on a Successor Agreement to the ITTA, 1994 . . . . .	3
Closing Plenary . . . . .	7
A Brief Analysis of PrepCom II . . . . .	7
Things to Look For Before ITTC-36 . . . . .	8

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The highest authority of the ITTO is the International Tropical Timber Council (ITTC), which consists of all of the members of the organization and meets at least once a year. The Council performs, or arranges for the performance of, the functions that are necessary to carry out the provisions of the ITTA, 1994.

**ITTC-32:** The ITTC held its 32nd session in Bali, Indonesia, from 13-18 May 2002. Among its decisions, the Council addressed preparations for negotiating a successor agreement. The Council requested the Executive Director to appoint two consultants, one from a producer and one from a consumer country, to identify new and emerging issues relevant to the ITTC.

**ITTC-33:** The 33rd session of the ITTC met from 4-9 November 2002, in Yokohama, Japan. Among other topics, the Council addressed preparations for negotiating a successor agreement to the ITTA, 1994 and agreed on the following: a schedule for PrepCom meetings and renegotiations, starting immediately following ITTC-34, and each subsequent Council session until December 2004 or 2005; a request for members to submit comments on issues associated with the renegotiation process no later than 15 January 2003; and a request that the Executive Director consult with UNCTAD, convene a working group to identify issues to be addressed in the successor agreement, analyze potential changes to the ITTA, determine the implications of these changes and report on its analysis for consideration by PrepCom I.

**WORKING GROUP ON THE PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994:** The Working Group met from 7-11 April 2003, in Bern, Switzerland. Participants reviewed responses by ITTO member countries on various aspects of the negotiation of a successor agreement to ITTA, 1994, including: the new agreement's scope; the organization, duration and frequency of Council sessions, and issues related to the Secretariat's work; funding mechanisms; and the process for the PrepCom. They also considered new and emerging issues relevant to the ITTC and ITTO's relationship with other international organizations. The Working Group elected Jürgen Blaser (Switzerland) as Chair of the PrepCom and Carlos Antonio da Rocha Paranhos (Brazil) as Co-Chair.

**ITTC-34:** The 34th session of the ITTC was held from 12-17 May 2003, in Panama City, Panama. Regarding preparations for negotiating a successor agreement, the Council requested the PrepCom to implement inter-sessional work as needed, including extending the mandate of the Working Group. It also requested the Executive Director to, *inter alia*: engage consultants to prepare a summary of the experiences of implementation of the ITTA, 1994, and take stock of the most relevant studies available regarding internationally traded and potentially tradable environmental services; and advise the Secretary-General of UNCTAD to arrange for the UN Conference for the negotiation of a successor agreement to the ITTA, 1994, in Geneva, Switzerland, from 26-30 July 2004.

**INTER-SESSIONAL WORKING GROUP ON PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994:** The Inter-sessional Working Group on preparations for negotiating a successor agreement to the ITTA, 1994 convened in Curitiba, Brazil, from 25-29 August 2003. The working group, *inter alia*: assessed the distribution and role of

conifers in international trade; reviewed ITTO work on non-timber forest products (NTFPs) and non-timber forest values (NTFVs); assessed the extent to which NTFPs, environmental services and NTFVs are covered in the ITTA, 1994 with a view to recommending how these could be strengthened in the successor agreement; proposed preambular language for the successor agreement; developed a shortened list of overarching objectives and definitions; and prepared a work plan for PrepCom II.

**ITTC-35:** The 35th session of the ITTC met from 3-7 November 2003, in Yokohama, Japan. Delegates considered several elements relating to the negotiation of the successor agreement, including: experiences with the implementation of the ITTA, 1994; internationally traded and potentially tradable environmental services provided by tropical forests; and a review of the report of the inter-sessional working group on preparations for negotiating a successor agreement, also referred to as the Curitiba Report (ITTC(XXXV)/7).

### PREPCOM II REPORT

On Monday, 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.

Chair Blaser recommended, and the Committee agreed, that the Credentials Committee verify representatives' credentials and report back to PrepCom II. Delegates then approved the agenda (ITTA/3/PrepCom(II)/1) and organization of work (ITTC(XXXV)/7), and admitted all observers. On Wednesday, delegates approved without comment the report of the Credentials Committee.

Over the course of three days, participants convened in both Plenary and working group sessions to consider elements contained in the draft working document, Appendix 6 of the Curitiba Report (ITTC(XXXV)/7). In Plenary, delegates worked through the draft working document on an article-by-article basis. In Working Group I, delegates considered several models that could constitute the financial arrangement of the new agreement. Working Group II considered articles pertaining to the composition of the Council, Council sessions, project activities, and functions and establishment of the committees.

### NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994

**EXPERIENCES OF IMPLEMENTATION OF THE ITTA, 1994:** On Monday, 10 November, 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 achievements of the ITTA 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 the understanding of delegates and openness of ITTC sessions to observers.

**POTENTIAL OF MARKETS FOR ENVIRONMENTAL SERVICES:** On Monday, Chair Blaser presented the report on the current status and future potential of markets for environmental services (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 further 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 other international bodies, such as the World Trade Organization (WTO), United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). 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 being addressed, such as poverty and illegal logging.

Venezuela said the successor agreement must address sustainable development, whereas Colombia, supported by Ecuador and Peru, said this was too specific and instead advocated an integrative approach. Peru stressed the importance of 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 sustainable forest management (SFM) with emerging issues. Incoming ITTC Chair Jan McAlpine (US) said that ITTO's role in enhancing ES is discrete from discussions on whether ITTO should address the trade in ES. Guatemala asked the Secretariat to prepare a concrete draft text on incorporating ES in the successor agreement.

**REPORT OF THE INTER-SESSIONAL WORKING GROUP:** On Monday, Chair Blaser summarized the Curitiba Working Group report (ITTC(XXXV)/7). Chair Blaser said Annex 6 of the report, containing the draft working document on the text of the successor agreement, would be the main document used during PrepCom II. He highlighted that the discussion should focus on coniferous forests, and the extent to which NTFPs and NTFVs are included in the ITTA, 1994.

Delegates then discussed a range of issues pertaining to the document, including the frequency of meetings, relations with other international organizations and voting. Switzerland,

supported by the EC and Norway, said the Council should convene annually, advocated the creation of an Executive Board or Committee (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 Labor Organization on indigenous peoples' and workers' rights. Malaysia, China, Peru, Uruguay and Ghana requested further details on the EB's role and composition. China said it could consider supporting one annual Council session, but noted that this change might affect the project cycle. Australia suggested using stronger language on work with international organizations, the consolidation of technical committees, with the US, supported an annual Council meeting and the creation of an EB. The US supported 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 could finance ITTO work under the next agreement. Malaysia said that existing language on the participation of NGOs was sufficient. Togo noted that if there is a reduction in the number of Council meetings, ITTO's effectiveness needs to be assured.

#### **CONSIDERATION OF PROPOSALS ON A SUCCESSOR AGREEMENT TO THE ITTA, 1994**

On Monday, Chair Blaser invited delegates to comment on the draft working document (ITTC(XXXV)/7/Annex 6). Discussions continued on Tuesday and Wednesday. On Tuesday, two working groups convened, one to discuss finance and another to discuss: sessions of the Council, project activities of the organization and functions of the committees. The working group discussions and the working group reports, where applicable, are summarized under the appropriate article heading.

*Editor's note: The ensuing discussion is summarized below on an article-by-article basis. It does not represent the deliberations in chronological order. Articles that were not discussed are not referenced.*

**PREAMBLE:** On Wednesday, Chair Blaser introduced the proposed preambular text resulting from discussions at PrepCom I and in the Curitiba Working Group.

On benefits provided by forests, the EC requested reference to the contribution of trade to sustainable development, and said the paragraph on recognizing other international initiatives should include reference to UNFCCC and CBD. New Zealand suggested a general reference to Agenda 21 and other international initiatives.

The EC, supported by Switzerland, suggested adding text on the working conditions of people working with SFM. Delegates agreed to consider comparable formulations on labor standards in the International Coffee and Cocoa Agreements. The EC, opposed by Australia, suggested adding a paragraph recognizing that labor standards shall not be used for protectionist trade purposes.

Japan stressed the importance of NTFPs. New Zealand suggested inserting a paragraph noting that timber is the most energy-efficient and environmentally sustainable raw material compared with competing products.

Switzerland suggested adding a paragraph on capacity building relating to indigenous and community forest owners and managers. Venezuela suggested strengthening reference to the role of indige-





nous communities in achieving SFM. Malaysia suggested stressing the multiple roles of forests including economic, environmental and social aspects, and the need for collaboration between member countries, international organizations, the private sector and civil society in achieving SFM. Australia cautioned against an overly exhaustive preambular text.

#### CHAPTER 1: OBJECTIVES

**Objectives (Article 1):** On Wednesday, Brazil, on behalf of the Producer Group, said that both specific objectives and the four overarching objectives of the successor agreement developed by the Inter-sessional Working Group, could co-exist, but emphasized that specific objectives must be included. The US supported the four overarching objectives as a means to express ITTO's scope and aims and suggested language addressing "new and emerging issues" to demonstrate ITTO's flexibility and adaptability. Malaysia, supported by Ghana, said the four overarching objectives should represent the agreement's vision statement and that specific objectives should be used to fulfill this vision. He noted that his country had reservations about including text on new and emerging issues. New Zealand supported giving the ITTC flexibility and suggested text on capacity building. Papua New Guinea expressed concerns about including language on maintaining an ecological balance regarding the use, enhancement and conservation of tropical forest resources.

#### CHAPTER 2: DEFINITIONS

**Definitions (Article 2):** On Monday, 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 "SFM" and recommended including coniferous forests in 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 also 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.

On Wednesday, Malaysia proposed that language on "other tropical timber products" be clear and specific. Under the definition of member, the EC requested adding the EC, and Guatemala questioned how Latin American intergovernmental organizations should be included. New Zealand, opposed by Malaysia, requested adding the words "excluding pulp and paper" in the definition of tropical timber. In reference to further processing, Switzerland considered adding language on the transformation of other forest products to give them added value. The EC proposed including the definition of SFM as defined by the ITTO and Japan suggested adding the Food and Agricultural Organization (FAO)'s definition of NTFPs.

#### CHAPTER 3: ORGANIZATION AND ADMINISTRATION

**Headquarters and Structure of ITTO (Article 3):** On Tuesday, the Republic of Korea and Nigeria suggested that the name of the organization be changed to International Tropical Forest Organization. Switzerland suggested it be changed to International Tropical Forest Products Organization. The EC, Indonesia, Malaysia, Peru, the Democratic Republic of Congo and the Republic of Congo urged that the present name be retained. Brazil, the Philippines and New Zealand said the name of the organization should be decided upon after the scope of the agreement is determined. Switzerland, Nigeria, Norway and New Zealand, opposed by Malaysia, the Democratic Republic of Congo and Côte d'Ivoire, suggested that the name of the head of the organization be changed from Executive Director to Director-General. On Wednesday, UNCTAD noted that commodity agreements generally use the term Secretary-General rather than Director-General.

The US, opposed by the EC and Peru, proposed inserting a reference to a special vote pertaining to the headquarters of the organization. Brazil, on behalf of the Producer Group, with Côte d'Ivoire, the Republic of Congo and Peru, requested the insertion of a reference to regional offices.

**Membership in the Organization (Article 4):** On Tuesday, Indonesia proposed a provision on the admission of new members.

**Membership by Intergovernmental Organizations (Article 5):** On Tuesday, Brazil, supported by Indonesia, proposed that membership in the organization be set out in the articles relating to definitions and voting procedures of the Council.

#### CHAPTER 4: INTERNATIONAL TROPICAL TIMBER COUNCIL

**Composition of the ITTC (Article 6):** In a working group on Tuesday, delegates discussed the composition of the Council. One consumer country requested reference to the functions, rules and composition of the EB.

**Powers and Functions of the ITTC (Article 7):** On Tuesday, the US suggested that ITTC functions include approval of biennial work programmes. Regarding the adoption of rules and regulations by the Council, the US, supported by Indonesia and opposed by the EC, recommended deleting "by consensus or by special vote." UNCTAD supported the US proposal, but noted, with France and Canada, that UNCTAD's legal advisors should first review the issue. Switzerland recommended using more general language to discuss Council voting procedures.

**Chairman and Vice-Chairman of the ITTC (Article 8):** On Tuesday, the EC suggested making the text more gender neutral. The US and Norway said the reference to voting procedures should be deleted. On the election of the Chair and Vice-Chair, Indonesia suggested adding that the election of Chair and Vice-Chair should be by consensus or special vote, and recommended a paragraph on re-election procedures. Norway stipulated that re-election should occur only in extraordinary circumstances. Switzerland said there should be a special vote for the re-election of the Chair or Vice-Chair, but not for their election. Canada and UNCTAD said the issue of the election and re-election of the Chair and Vice-Chair should be deferred until legal advice is obtained.



**Sessions of the Council (Article 9):** On Tuesday, delegates met in a working group to discuss issues related to sessions of the Council. During the working group, participants debated whether to hold one or two Council sessions per year. Several consumer countries noted that efficiency and effectiveness need to be addressed when deciding the number of Council sessions and also noted that the relationship between frequency of sessions and project funding was a consideration. A producer country noted that holding two sessions a year would facilitate project and pre-project approval.

A consumer country expressed concerns regarding equitable representation on the proposed EB. Participants reviewed a non-paper on the EB. A few consumer countries suggested deleting language on the election of the Chair and Vice-Chair. One producer country noted that the proposed EB's membership is too large and that the EB's functions appear too similar to those of the Council. On project activities of the organization, a producer country stressed the need for a strategy for project approvals. A consumer country underscored the need to account for the expert panels' recommendations on project implementation.

On Wednesday, Co-Chair Paranhos presented, and delegates considered, the results of the working group to Plenary in the afternoon. Brazil, on behalf of the Producer Group, supported having two Council sessions per year and emphasized the importance of regional offices. Finland, on behalf of the Consumer Group, Switzerland and the US said decisions on the administrative structure pertain not only to financial concerns, but are also about efficiency and effectiveness.

On Wednesday, Ecuador stated that the proposal for limiting the Council to one session per year responds to financial rather than technical concerns. He emphasized the need for a balanced text in which all positions are clearly stated. The US said there are policy reasons for having only one session each year.

**Distribution of Votes (Article 10):** On Tuesday, Brazil supported a study on the definition of "tropical forest resources." Switzerland and Papua New Guinea suggested changes to the definition. Canada raised concerns about altering the definition used by FAO and opening this issue to debate.

**Cooperation and Coordination with other Organizations (Article 14):** On Tuesday, Norway proposed including the CBD in the text. New Zealand, supported by the US and Australia and opposed by Switzerland, objected to listing specific organizations. Indonesia, supported by Switzerland, requested that the objectives of cooperating with the private sector and civil society be elaborated. Switzerland suggested that the title of the article mention civil society and the private sector.

#### CHAPTER 5: PRIVILEGES AND IMMUNITIES

**Privileges and Immunities (Article 17):** On Monday, Aulikki Kaupilla (Finland), Consumer Group Spokesperson, noted that the Group supported the relevant existing text of the ITTA, 1994. Guatemala stated that modifications were needed.

#### CHAPTER 6: FINANCE

**Financial Accounts (Articles 18-23):** On Monday, 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 (GDP). 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 biennial work programmes. Norway suggested modifying an existing trust fund to enable states to donate un-earmarked funds for projects.

On Tuesday, a working group convened in the morning to discuss possible financial arrangements for the new agreement. On Tuesday afternoon, Co-Chair Paranhos presented the report of the working group to Plenary. He reviewed four proposed finance models for the successor agreement, which include:

- retaining the present arrangement;
- keeping the Administrative Account and using a new account to fund all policies and projects;
- maintaining discrete accounts for administrative activities, policy activities in the biennial work programme, earmarked project funds and ITTO Objective 2000 projects; and
- having separate accounts for administrative activities, biennial work programme policy activities and un-earmarked funds for project work.

China said that contributions for accounts for work programme activities should be tied to GDP, per capita GDP or the UN scale of assessments. France stressed the need for long-term financing.

On Wednesday afternoon, Co-Chair Paranhos further clarified the proposed models for ITTA finance, and Chair Blaser requested feedback from members on the various proposals. Finland, on behalf of the Consumer Group, noted that the proposals need to be vetted with financing authorities at home, but thought that they were good bases for discussion. Brazil, on behalf of the Producer Group, said that finances were at the heart of the negotiation and in general, the Group preferred a simpler structure of the current financial accounts. The EC, supported by the US, Australia, and Canada, said that: for now, the ITTA, 1994's current financial structure raises the fewest objections among the Consumer Group; it was committed to ensuring that ITTO has the best resources possible; and it did not want to institutionalize the organization as a project-based organization.

Canada said it had a problem with transferring voluntary funding into assessed funding accounts, since it did not conform to Canada's view of ITTO as a commodity organization and did not accord with the funding schemes of other international organization. Ecuador, supported by Brazil and Nigeria, said it was concerned over the voluntary funding issue, since the strategy and objectives of the ITTO and the Agreement should not be subject to availability of funds. Switzerland noted problems with the current financial structure for the ITTA and ITTO, and instead preferred the creation of a separate administrative account, a work programme account comprised of assessed contributions based on GDP, and a special account for projects.

Japan indicated that the past payment performance of donor countries should be examined, since the ITTO's resource base is quite unhealthy, and called for a funding scheme based on assessed



contributions for administrative work and funding for policy and projects included in the biennial work programme. Australia said that it would consider other elements of the proposed models, but that making improvements to the current financial structure would ensure the broadest participation of ITTO members. Malaysia noted its dismay by the interventions of certain consumer member states and stated that ITTO needs more resources if the agreement is to include the environmental, social and economic dimensions of sustainability in SFM. UNCTAD emphasized that commodities are not the exclusive focus of ITTO, but ITTO is a new type of commodity organization that takes into account the different dimensions of sustainability.

Chair Blaser said that a "Friends of the Chair" meeting would be held and a work plan developed between now and the final negotiations in Geneva, Switzerland.

#### CHAPTER 7: OPERATIONAL ACTIVITIES

**Policy Work of the Organization (Article 24):** On Monday, the EC emphasized that the organization should place greater emphasis on policy activities. Japan stressed the importance of project activities. New Zealand and Australia supported integrating policy and project activities. Switzerland and Norway emphasized, and New Zealand opposed, that local and public participation should be mentioned under operational activities. New Zealand and Australia stated that the Council should not consider setting priorities and limits to project proposals. 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.

On Tuesday, Norway suggested adding reference to illegal logging and certification. The US suggested strengthening language on the integration of policy work and project activities. Venezuela requested reference to community management of forests. Switzerland, supported by China, said specific policy actions to be undertaken should be defined in five-year action plans. Peru suggested reference to a general strategic plan in addition to a short-term action plan.

**Project Activities of the ITTO (Article 25):** In Working Group II on Tuesday, delegates discussed project activities of the Council. One producer country said limits to the number of projects presented would be difficult to enforce. One consumer country said that projects should integrate the interests of those submitting project proposals, donors and the ITTO.

On Tuesday, Switzerland requested reference to equity issues. Venezuela suggested defining the role of the Secretariat during the formulation and submission of projects. The US underscored the importance of implementation, monitoring and evaluation. The EC supported maintaining reference to Council's authority to set priorities for project proposals. The US, supported by Switzerland, suggested text authorizing the Council to limit the number of projects eligible for funding within a certain timeframe. Peru and the US discussed whether the Council should be given the discretionary power to make decisions on project termination. The EC inquired about whether these decisions should be subject to special

or majority vote. The US, supported by Australia, said it wanted to give the Council discretion over the number of projects to be implemented. Nigeria said that this is already implicit in the agreement's language, and Switzerland said this would not require a special vote.

**Functions of the Committees (Article 27):** Delegates briefly considered the functions of the committees in Working Group II on Tuesday. Several consumer countries suggested, and several producer countries opposed, merging the technical committees and maintaining the Committee on Finance and Administration.

#### CHAPTER 9: STATISTICS, STUDIES AND INFORMATION

**Statistics, Studies and Information (Article 29):** On Monday, the US, supported by Switzerland, the EC and New Zealand, emphasized the importance of member countries providing information and statistics.

**Annual Report and Review (Article 30):** On Tuesday, Canada suggested clarifying language to make the annual report a biennial report such that it would coincide with the biennial budget cycle. The EC distinguished between the annual report of the Council and an annual report intended for public use. Switzerland requested text on a comprehensive five-year review on the management of tropical timber producing forests.

#### CHAPTER 10: MISCELLANEOUS

**Differential and Remedial Measures and Special Measures (Article 34):** On Monday, UNCTAD stated that it would provide necessary clarification on differential and remedial measures and special measures.

**Non-Discrimination (Article 36):** On Tuesday, Canada advised against changing this article given the significant part it played during the negotiation of the ITTA, 1994. Some countries discussed ways to include a reference to legal trade.

#### CHAPTER 11: FINAL PROVISIONS

**Signature, Ratification, Acceptance and Approval (Article 38):** On Tuesday, UNCTAD agreed with Canada to retain existing language that specifies that the timeframe for which the agreement will remain open for signature is one month.

**Entry into Force (Article 41):** On Tuesday, delegates reached consensus on entry into force of the new agreement.

**Amendments (Article 42):** On Tuesday, delegates reached consensus on text on amendments.

**Withdrawal (Article 43):** On Tuesday, delegates reached consensus on text on withdrawal from the Agreement.

**Exclusion (Article 44):** On Tuesday, UNCTAD said that provisions regarding the re-entry of excluded members are now under legal review.

**Duration, Extension and Termination (Article 46):** On Monday, 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. Norway, supported by New Zealand, Japan and Switzerland, also suggested a ten-year duration for the new agreement. 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.





## **CLOSING PLENARY**

Following a two-minute long earthquake tremor that gently shook the conference center, delegates convened on Wednesday afternoon in a final Plenary to hear closing statements and to approve recommendations to ITTC-36.

**RECOMMENDATIONS TO ITTC-36:** Chair Blaser said a proposal on inter-sessional work will be formulated and discussed by the Bureau, noting that there are three major issues that must be addressed: objectives and scope; financial aspects; and organizational elements. The US noted the need to maintain transparency in the inter-sessional work.

**CLOSING STATEMENTS:** Producer Group Spokesperson Luiz César Gasser (Brazil) noted progress made by ITTO to promote and implement SFM, but stressed that a broader and more stable funding base is needed and that the negotiation of a successor agreement is an ideal time to address these problems. He said without more resources, achieving ITTO Objective 2000 would be impossible. He underlined the issues to be addressed, including: increasing funding through assessments with a linkage to GDP or votes and concentrating on project activities. He also underlined the need for two Council sessions each year.

Consumer spokesperson Aulikki Kauppila (Finland) lauded the collaborative spirit between producers and consumers, and noted that members broadly consider the ITTA, 1994 as a good basis for the successor agreement. She highlighted progress made by the PrepCom and its working groups, and said the exchange of views had been useful. She called for continued cooperation and noted the optimism of the Consumer Group regarding the final negotiations.

Chair Blaser commended the PrepCom for its hard work and its concrete output in the form of a single negotiating document, but said its quality can only be judged during the final negotiations in Geneva. He closed the meeting at 8:00 pm.

## **A BRIEF ANALYSIS OF PREPCOM II**

In spite of an earthquake tremor that shook the ground beneath their feet in the concluding hours of PrepCom II, delegates nevertheless retained the solid footing they had established for themselves throughout the session. In the end, delegates were successful in forging a working document that will serve as the basis for negotiations at July's UN Conference in Geneva. Insofar as PrepCom II allowed a space for countries to clearly articulate their concerns and negotiating positions and register these in the draft working document, the session can be deemed a success. However, characterizing PrepCom II as such should not elide the fact that country positions are still quite divergent. This analysis will evaluate those areas of contest that stand to have the most lasting effect on the ITTO, notably in the areas of the redistribution of votes, financial arrangements and renaming the organization.

## **THE IMPORTANCE OF SOUND ENGINEERING**

Why does the redistribution of votes have implications for the resource base of the organization? The number of votes is used not only to determine the relative weight of members' decision-making authority, but also to determine member states' annual assessed contributions to the ITTO.

Since almost all decisions in the ITTO have been taken by consensus, the redistribution of votes under some voting proposals is another way to attempt to increase assessed contributions to the ITTO.

Changing the number of votes directly affects the increase or decrease in certain member states' annual assessed contributions. For instance, under two proposals to redistribute votes, EU countries would be required to increase the amount of their annual assessed contributions, as the collective number of EU member votes could increase up to a total of 45 percent. Increasing these consumer members' assessed contributions may help to somewhat stabilize the ITTO's resource base, and address producer countries' demands for more assessed contributions to the ITTO's accounts from consumer members. However, not all consumer members would be as enthused about the assessment rate increase, especially if ITTO's financial accounts are restructured.

## **VARYING LEVELS ON THE SCALE**

On the heels of the introduction of a biennial work programme and the move to biennial budgeting, delegates at the PrepCom proposed major changes to the ITTA's financial provisions. Under the current structure, project and policy activities are funded primarily through voluntary funds. It is argued by some producing and consuming members that funding for these activities should come from stable, assessed member contributions instead of unpredictable voluntary contributions.

As a result, delegates tabled several proposals for funding under the new ITTA. Two of them envision assessed contributions from members for biennial work programme policy and project work. Some involve linking assessments to GDP, per capita GDP, or the UN scale of assessments. While this latter option would substantially increase the resource base of the organization, it is an unpalatable option for many countries.

However, it is questionable if suggestions to require assessed contributions from all members for project and policy work would really solve the ITTO's financial difficulties and make the resource base more sustainable. In total, producing members alone have a total outstanding balance of US\$1.5 million in their 2003 assessed contributions. Based on such evidence, is it equitable or financially prudent to assign greater assessed contributions from all states?

Additionally, actors have demonstrated a common commitment to streamlining the ITTO, and much debate focused on ways to enhance the efficiency of the organization. Some donor countries insisted on reducing costs by cutting the number of Council meetings to one per year, while producers opposed outright and later countered with a proposal for allowing special sessions conducted at the request of caucuses. The outcomes of these decisions will play a major part in determining if the organization will have a sound resource base that would fully support the agreement's objectives.

## **CONTINENTAL DRIFT OR CONTINENTAL SHIFT?**

Many interventions during PrepCom II called for replicating the basic character of ITTA, 1994 as a commodity agreement, and cautioned against moving too far away from its current focus on managing the flow of tropical timber from sustainably managed sources. Informally some feel that there is already too much atten-



tion given to forest conservation. Rumors have it that even some environmentally-minded consumer countries oppose greening the treaty, for fear of diverting action on environmental services away from other international fora, such as the WTO. The prevalent view seems to be against dramatic changes in the scope. After all, one main reason for renegotiating the agreement is merely the expiration of the current one.

Even though the scope of the agreement may not drift far from ITTA, 1994, there may be a major change in how delegates view the Organization's future role in the international policy domain. There were a number of interventions made by delegates to rename the Organization the "International Tropical Forest Products Organization" or the "International Tropical Forest Organization". Such requests were in line with the intention to modify the scope of the agreement and reflect efforts to move sustainable forest management policy higher up on the international political agenda, and to change the nature of the forest debate. Changing the name of the organization is also an opportunity for its membership to refashion the scope of the organization, in order to keep up with changing times, while at the same time ensuring that the Organization maintains its original purpose.

#### **WAITING FOR THE BIG ONE**

Clearly, the renegotiations provide an opportunity to improve what is already a strong agreement and what some have called the flagship commodity agreement. At the same time, disagreements among ITTO's membership remain to be solved. Several participants have also indicated that the renegotiation process has been slow, and have even suggested that a single negotiating conference may not suffice to complete the negotiation as scheduled. In any case, PrepCom II's accomplishments, namely the production of a sound and thorough working document for the UN Conference, bode well for the renegotiations in July.

#### **THINGS TO LOOK FOR BEFORE ITTC-36**

**UNFCCC COP-9:** The ninth meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC COP-9) will be held from 1-12 December 2003, in Milan, Italy. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); Internet: <http://www.unfccc.int> and <http://www.minambiente.it/cop9>.

**UNFF AD HOC WORKING GROUPS:** The United Nations Forum on Forests *ad hoc* expert group on approaches and mechanisms for monitoring, assessment and reporting will meet from 8-12 December 2003, in Geneva, Switzerland. This meeting will be followed by the *ad hoc* expert group on finance and transfer of environmentally sound technologies, which will meet from 15-19 December 2003, also in Geneva. For more information, contact: Mia Söderlund, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-212-963-4260; e-mail: [unff@un.org](mailto:unff@un.org); Internet: <http://www.un.org/esa/forests/adhoc.html>

**INTERNATIONAL TEAK CONFERENCE 2003:** The International Conference on Quality Timber Product of Teak from Sustainably Managed Forests will be held from 2-5 December 2003, in Peechi, India. For more information, contact: K. M. Bhat,

International Teak Conference 2003; tel: +91-487-269-9037; fax: +91-487-269-9249; e-mail: [kmbhat@kfri.org](mailto:kmbhat@kfri.org); Internet: <http://www.kfri.org/html/k0500frm.htm>

**CBD COP-7:** The seventh meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD COP-7) will convene from 9-20 February 2004, in Kuala Lumpur, Malaysia. For more information, contact: CBD Secretariat; tel: +1-514-288-2220; fax: +1-514-288-6588; e-mail: [secretariat@biodiv.org](mailto:secretariat@biodiv.org); Internet: <http://www.biodiv.org>

**SIMFOR 2004:** The Third International Symposium on Sustainable Management of Forest Resources (SIMFOR 2004), organized by the International Union of Forest Research Organizations (IUFRO), will be held from 21-23 April 2004, in Pinar del Rio, Cuba. For more information, contact: Fernando Hernandez Martinez; tel: +53-82-779363; fax: +53-82-779353; e-mail: [fernandez@af.upr.edu.cu](mailto:fernandez@af.upr.edu.cu); Internet: <http://iufro.boku.ac.at/>

**COUNTRY-LED INITIATIVE ON DECENTRALIZATION, FEDERAL SYSTEMS IN FORESTRY AND NATIONAL FOREST PROGRAMS:** This workshop is organized by the Governments of Indonesia and Switzerland, the Secretariat of the United Nations Forum on Forests (UNFF), and the Center for International Forestry Research (CIFOR), and will be held in Interlaken, Switzerland, just prior to UNFF-4. For more information, contact: Mia Söderlund, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-212-963-4260; e-mail: [unff@un.org](mailto:unff@un.org); Internet: <http://www.un.org/esa/forests>

**UNFF-4:** The fourth meeting of the United Nations Forum on Forests (UNFF-4) will convene from 3-14 May 2004, in Geneva, Switzerland. For more information, contact: Mia Söderlund, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-212-963-4260; e-mail: [unff@un.org](mailto:unff@un.org); Internet: <http://www.un.org/esa/forests/>

**SIXTH INTERNATIONAL SYMPOSIUM ON LEGAL ASPECTS OF EUROPEAN FOREST SUSTAINABLE DEVELOPMENT:** This symposium, organized by the International Union of Forest Research Organizations (IUFRO), will be held on 1 June 2004, in Brasov, Romania. For more information, contact: Peter Herbst; tel: +43-4242-52471; fax: +43-4242-264048; e-mail: [hp@net4you.co.at](mailto:hp@net4you.co.at); Internet: <http://iufro.boku.ac.at/>

**ITTC-36 AND THE UN CONFERENCE (FIRST PART) FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE ITTA, 1994:** The thirty-sixth session of the International Tropical Timber Council (ITTC-36) will take place from 20-23 July 2004, in Interlaken, Switzerland. The meeting will be followed by the United Nations Conference (first part) for the negotiation of a successor agreement to the ITTA, 1994, from 26-30 July 2004, in Geneva. For more information, contact: ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: [itto@itto.or.jp](mailto:itto@itto.or.jp); Internet: <http://www.itto.or.jp>