



ITTA, 1994 HIGHLIGHTS: TUESDAY, 27 JULY 2004

Delegates convened in working groups for most of the day, but met briefly in an afternoon Joint Working Group to discuss the status of observers in the working groups. Working Group I (WGI) discussed preambular recitals and general issues relating to Chapters 1-4. Working Group II (WGII) met to discuss, *inter alia*, the chapter on finance.

WORKING GROUP I

INDONESIA, supported by MALAYSIA, queried whether observers should be allowed to participate. UNCTAD said that, unless the conference decides otherwise, the Rules of Procedure allow observers to participate, but not vote. After a brief hiatus, it was decided that a joint working group would convene in the afternoon to discuss this issue.

PREAMBLE: On a recital referring to previous economic initiatives, NIGERIA noted that a reference to the Cartagena Commitment had not been captured in the proposed text. The US said the Spirit of São Paulo agreed to at UNCTAD XI could serve as a replacement reference. CAMEROON, supported by MALAYSIA, said that references to both the Cartagena Commitment and the São Paulo Consensus should be included. The REPUBLIC OF CONGO, supported by PERU, asked for clarification on the difference between the two commitments. At the end of the day, the UNCTAD Secretariat explained the difference.

SURINAME said that too many preambular clauses would dilute the focus of the successor agreement. NORWAY requested a reference to workers' rights in the preamble. CHINA said a concise preamble would simplify the agreement.

On a strategy for achieving international trade in tropical timber from sustainably managed sources, MALAYSIA, supported by PAPUA NEW GUINEA, CAMEROON, BRAZIL, GABON, the REPUBLIC OF KOREA, NORWAY, and NIGERIA, said the reference should not be changed or moved. The EUROPEAN COMMUNITY (EC) said that wording on ITTO Objective 2000 in a subsequent recital would capture this reference. The US accepted the original reference, but said it might return to it after the recital on ITTO Objective 2000 had been discussed.

On a recital referring to other processes and agreements, NORWAY, with SWITZERLAND, proposed unbracketing language on the Convention on Biological Diversity. The US, with SWITZERLAND and PAPUA NEW GUINEA, proposed deleting "forest-related multilateral environmental and trade agreements." CHINA, supported by COLOMBIA, stressed the Johannesburg Declaration, the Forest Principles, and the UN Forum on Forests. INDIA called for a reference to other processes that have incorporated SFM.

INDIA, with NORWAY, CHINA, SWITZERLAND, and EGYPT, favored a proposal on the importance of NTFPs. SWITZERLAND also favored including forest-related environmental services. The EU, with NIGERIA, INDONESIA, and MALAYSIA preferred the ITTA, 1994's focus on the economic importance of timber. BRAZIL suggested mentioning NTFPs "in the context of SFM." The REPUBLIC OF CONGO, supported by PANAMA, suggested merging language on NTFPs into a later paragraph on economic benefits to communities.

On a recital relating to the multiple goods and services provided by forests, the US preferred text highlighting the benefits provided by forests, and proposed adding language on poverty alleviation, the Millennium Declaration and references to NTFPs and ecological services. The US proposed including, and GABON proposed bracketing, "trade in forest products." COSTA RICA requested replacing a reference to "goods and services" with language on the multiple "benefits" from forests.

SWITZERLAND, NEW ZEALAND, the EC and CHINA supported the recital on the multiple roles of forests. NEW ZEALAND, supported by CHINA and EGYPT, and opposed by CAMEROON, proposed removing a reference to people. CHINA and the EC proposed including references to the Millennium Development Goals (MDGs). NORWAY proposed including a reference to NTFPs. The EC emphasized the multiple roles, as opposed to aspects, of forests, and proposed leaving a reference to trade in brackets. SWITZERLAND proposed removing, and CHINA proposed keeping, "related to trade." BRAZIL and INDONESIA said that the recitals on the multiple roles and benefits of forests added too many obligations and should be dropped.

On a recital on criteria and indicators (C&I), NEW ZEALAND, opposed by PERU, suggested deleting reference to "comparable" C&Is. INDONESIA, with the US and JAPAN, suggested specifying management of all types of forests as an important tool for members to assess, monitor, and promote progress toward SFM. NIGERIA suggested "C&I for SFM" as important tools for assessing "management for all types of forests." INDIA favored deleting language on "assessment, monitoring, and promoting" progress toward SFM. GABON favored focusing on tropical forests.

On a paragraph on previous commitments, NIGERIA, supported by CAMEROON, INDONESIA, GABON, and the REPUBLIC OF CONGO, and opposed by the US, favored ITTA, 1994 language recognizing the principle of new and additional financial resources. The US, supported by SWITZERLAND, noted the new "ITTO Objective 2000" label. MALAYSIA urged that the mutual commitments for both producers and consumers be reaffirmed.

CAMEROON opposed, but the US, NEW ZEALAND and the EU favored, a recital recognizing the importance of collaboration. The US, with the EU and PERU, favored "including indigenous



and local communities.” NORWAY, with SWITZERLAND, suggested adding a reference to indigenous “peoples.” NEW ZEALAND suggested referring to “civil society” only. COLOMBIA preferred referring to “other major groups of stakeholders.”

ARTICLE 1 (Objectives): SWITZERLAND called for language on illegal logging and related trade. BRAZIL called for referring to ITTO Objective 2000 as the basis of the whole agreement and, supported by CHINA, including wording on funding for SFM.

WORKING GROUP II

ARTICLE 38 (Signature, Ratification, Acceptance and Approval): The UNCTAD legal advisor provided a new proposal that would enable the EC to sign the successor agreement on behalf of all EU member states. Since the proposal entailed options for a single EC ratification or both EC and EU member state ratification, the EU said they would need time to consider the proposal.

ARTICLE 17 (Privileges and Immunities): The Article on privileges and immunities was approved without amendments.

ARTICLE 18 (Financial Accounts): The US, NEW ZEALAND and CANADA emphasized that ITTO should not be a development organization, and should retain its focus on commodities. The US noted that SFM financing in producer countries will need to be generated by domestic and foreign investment, including from the private sector. MALAYSIA noted that the ITTA, 1994 is the baseline for work, and that more resources are required for the Bali Partnership Fund and Administrative Account. CANADA asserted that ITTO should move away from project-based work and that its work can be simplified. The US, supported by CÔTE D’IVOIRE and SWITZERLAND, suggested keeping the reference to the Bali Partnership Fund. JAPAN, NORWAY and SWITZERLAND, and opposed by the EU, suggested retaining the reference to the proposed work programme account. The EU, supported by CANADA, suggested that the objectives of the Administrative Account should be specified. MALAYSIA insisted that the convergence of interests and commitments in implementing SFM should be met with adequate financial resources, expressed concern over producer countries’ financial burden in implementing SFM and emphasized that ITTO should continue to fund projects.

ARTICLE 19 (Administrative Account): BRAZIL expressed the importance of examining the structure of the various models. The EU, opposed by JAPAN, proposed that policy work in support of key Council functions be included, and insisted on maintaining an emphasis on biennial budgeting. The US proposed inserting language stating that members that have not paid their assessments in full for two consecutive years will be ineligible to submit projects and pre-projects for funding consideration. On approval of the budget, SWITZERLAND proposed replacing references to “every two years” with “financial biennium,” CANADA proposed “financial year” and the EU proposed “financial exercise.”

APPENDIX I (Proposed Financial Models): BRAZIL said discussions on the financial models should focus on: multilateral versus bilateral, earmarked versus non-earmarked, and assessed versus voluntary funding. JAPAN reported on the past levels of voluntary funding based on net imports of roundwood equivalent, indicating that it could not continue giving the same levels of contributions in the future, and urged more consumer countries to make voluntary contributions, referring in particular to the Republic of Korea, China and the EU. While the EU, the REPUBLIC OF KOREA and CHINA thanked Japan for its continued contributions, they noted that voluntary contributions based on net imports were not an accurate indicator of how much countries should be contributing voluntarily. The REPUBLIC OF KOREA, the EU, the US and NEW ZEALAND supported maintaining the current structure of accounts. NORWAY and JAPAN

supported adding a work programme account, which would require contributions based on GDP, to the current structure of accounts. MALAYSIA, on behalf of the Producer Caucus, said it was flexible on the specific financial model but noted that the model containing the work programme account and Bali Partnership Fund should serve as the basis for negotiation.

ARTICLE 20 (Special Account): The EU requested enhancing of the role of the Executive Director in facilitating the development of project proposals. Noting that financial rules must be incorporated in the new agreement, the EU proposed that such rules should guarantee transparent management and administration of the Special Account. Noting that such financial considerations are already covered earlier in the chapter on finances, JAPAN, supported by CANADA, opposed restating the importance of the financial rules for each account. Preferring to keep all financial clauses together, the EU, supported by the US, opposed moving the paragraph on loans for project financing. The US said that member state liability for pre-project and project funding should relate to any action undertaken during projects and pre-projects and not just for borrowing or lending activities. The US, opposed by the EU, proposed language noting that Council should decide what to do with the remainder of unearmarked project funds, instead of directly returning them to the contributor. SWITZERLAND said the allocation of remaining project funds should be decided by the contributor.

ARTICLE 21 (Bali Partnership Fund): CÔTE D’IVOIRE preferred moving funds remaining from completed projects from the Special Account to the Bali Partnership Fund. The EU and SWITZERLAND noted that this additional language could contradict previous paragraphs on how unused project and pre-project funds are managed. The US, supported by the EU, indicated that 100 percent of income earned from activities related to the Special Account should be included in the Bali Partnership Fund. INDONESIA suggested a reference stating that only consumer members should contribute to the Fund. MALAYSIA reminded that the purpose of the Bali Partnership Fund, which is for the promotion of SFM in meeting ITTO Objective 2000, is different from that of the Special Account, which promotes SFM, forest industry and forest development activities.

JOINT WORKING GROUP

Concerning Indonesia’s query in Working Group I about the participation of observers in working groups, WGII Chair Blaser, in his capacity as Vice-President of the Conference, announced that for the duration of the day observers would be permitted to sit in the working groups, but not speak. He then invited the two caucuses to discuss the issue and report back to Plenary on Wednesday, 28 July.

IN THE CORRIDORS

Many delegates are concerned that the query concerning the participation of observers in the working groups overlooks the unique institutional culture that has developed within ITTO over the last decade, and in so doing, has the potential to roll back a decade’s worth of goodwill. Less catastrophic, others have suggested that, while the proposal might not be sensitive to ITTO politics, it nevertheless represents a potential opportunity to educate the “commodities community” about the evolving social and ecological contexts within which commodities are traded.

THINGS TO LOOK FOR TODAY

PLENARY: Delegates are scheduled to convene in Salle XXVI at 10:00 am to hear progress reports from the working groups.

WORKING GROUPS I AND II: Immediately following the Plenary, Working Group I will resume its deliberations in Salle XXV on Chapters 1-4, while Working Group II will resume its deliberations in Salle XXVI on Chapters 5-11.