



## ITTA, 1994 HIGHLIGHTS: WEDNESDAY, 28 JULY 2004

In the morning, delegates convened in Plenary to hear updates from the two working groups. Following the Plenary, delegates met in Working Group I (WGI) to negotiate preambular recitals, objectives and definitions. Working Group II (WGII) met to negotiate finance and operational activities. WGI also convened a contact group to discuss the preamble and objectives and WGII convened a contact group to discuss the structure of the financial accounts.

### PLENARY

WGI Chair Alhassan Attah (Ghana) reported on his group's progress and said a contact group would be established to identify core issues in the preamble and objectives. Noting that two chapters were agreed, WGII Chair Jürgen Blaser (Switzerland) noted that most debate was focused on the subject of finance and proposed forming a contact group to find a compromise between two proposed structures for the organization's accounts. CHINA expressed concern regarding concurrent meetings of working and contact groups.

**STATUS OF OBSERVERS:** At the outset of both working groups the respective chair's announced that observers would be permitted to make statements prior to the negotiation of each chapter, but not during specific textual negotiations.

### WORKING GROUP I

**PREAMBLE:** Regarding a paragraph on capacity of indigenous and community-forest owners and managers, MALAYSIA, with INDONESIA, suggested adding "for all forests," which NIGERIA modified to all "types of" forests.

NORWAY, supported by PAPUA NEW GUINEA, proposed combining the paragraph, as well as paragraphs relating to living and labor standards, into one paragraph recognizing the rights of indigenous peoples and workers according to relevant ILO conventions. CAMEROON, CÔTE D'IVOIRE, MALAYSIA and INDONESIA supported text on the need for a fair price for tropical timber. MALAYSIA added "environmental" standards to text stating that labor standards should not be used for trade protectionist purposes. INDIA and the REPUBLIC OF CONGO, opposed by VENEZUELA, suggested deleting a paragraph stating that timber is the most energy efficient and environmentally sustainable raw material. The US, supported by NORWAY and NEW ZEALAND, proposed that timber is "an" energy efficient and "renewable" raw material. MALAYSIA, supported by VENEZUELA, proposed new text recognizing the need for transparency in the global timber economy, including the examination of subsidies in member countries. The US proposed new text referencing the role of good governance, forest law enforcement, clear land tenure arrangements and cross sectoral coordination at the national level in achieving SFM. To this, MALAYSIA proposed adding text on the financial commitment of consumers to the Bali Partnership Fund and the Special Account.

Delegates agreed to delete a proposed paragraph on the scope of the agreement.

**CHAPTER 1 (Objectives):** The Civil Society Advisory Group (CSAG), supported by NORWAY, said objectives should: promote trade for the purpose of sustainable development; promote trade only within the context of sustainable management; recognize the rights and contributions of local communities; give importance to non-timber forest products (NTFPs) and environmental services; and recognize governance issues, such as illegal logging.

**ARTICLE 1 (Overarching Objectives):** On the chapeau, SWITZERLAND called for recognizing permanent sovereignty over resources along with the need to protect the environment. PANAMA favored moving the chapeau language on sovereignty to the Preamble. BRAZIL, supported by PANAMA and NEW ZEALAND, favored deleting "overarching" in the title, and suggested using the objectives from the ITTA, 1994 as a starting point. EGYPT and others emphasized the four proposed general objectives on providing an effective framework, enhancing capacity of members, promoting and supporting SFM, and promoting and supporting trade from tropical forests, and including only the most important objectives from ITTA, 1994. Some delegates noted that including more general, rather than specific objectives, would give Council more flexibility. LIBERIA, supported by COLOMBIA, advocated inclusion of new and emerging issues. INDONESIA proposed objectives addressing, *inter alia*, technical assistance to combat illegal logging and trade in illegally logged timber, market intelligence and law enforcement collaboration, and enhancement of local government capacity. The US, the EC and SWITZERLAND opposed making a long list of specific objectives.

Addressing ITTA, 1994 objectives, MALAYSIA, EGYPT and CAMEROON supported including non-discriminatory timber trade practices, with MALAYSIA adding text on promoting the elimination of subsidies in all timber-producing countries. He also supported keeping ITTO Objective 2000 and linking it to the Bali Partnership Fund. As a compromise, SWITZERLAND proposed focusing on a few general objectives, including on enhancing capacity and on SFM, and listing the others as "mechanisms" for their achievement.

**ARTICLE 2 (Definitions):** On "tropical timber," many countries supported, and the EC objected to, deleting "non-coniferous." The REPUBLIC OF KOREA specified that "tropical timber" also covers "engineered" lumber. MALAYSIA, JAPAN and EGYPT proposed deleting the sentence. PANAMA suggested that "tropical timber" should refer to all wood found between the Tropics of Cancer and Capricorn, noting that some is not "industrial."

NEW ZEALAND, CHINA and the EC supported excluding pulp and paper explicitly in the definition of "tropical timber." CHINA noted that language on "wood and wood products" covered would be sufficient. The EC said the terms should be definable for customs purposes.

Delegates could not agree on whether to include a definition on "further processing." Delegates discussed whether to delete a proposed definition on "tropical forest resources," and debated whether FAO definitions should be accepted and referred to.



MALAYSIA supported including a proposed definition of “sustainable forest management,” while NIGERIA supported its deletion, with the US reiterating that SFM is an evolving concept and should not be defined. Delegates debated whether to include a definition for “NTFPs,” and NORWAY proposed adding text excluding genetic resources.

On “member,” delegates discussed the EC’s unique status. The US, with EGYPT, voiced concern over other international organizations’ potential membership. On “producing member,” VENEZUELA, supported by COLOMBIA, noted some countries have abundant tropical forest resources but no developed export capacity. CAMEROON, with the US, warned that countries that serve as transit points for timber or timber products are technically “exporters.” The US opposed limiting producing members to “net” exporters. The EC queried whether countries that have forests but do not trade, or have very sparse forest cover, should be producing members of a trade-based commodity organization.

On “consuming member,” the US proposed opening membership to any country which “is an importer of tropical timber.” The EC queried limiting membership to “countries,” noting its unique supranational status. MALAYSIA warned of the implications of EC membership for voting. Regarding definitions for “Organization” and “Council,” the US supported, while CHINA and JAPAN opposed, replacing International Tropical “Timber” with “Forest.” Regarding definitions for “special vote” and “simple distributed majority vote,” the US supported having only one voting scheme. Regarding “special vote,” MALAYSIA noted an inconsistency in requiring 2/3 of producing member votes and only 60 percent of consuming member votes. JAPAN, with MALAYSIA, supported maintaining both definitions. The US, with CHINA, proposed replacing a definition for “financial year” with “financial biennium.” Regarding a definition for “freely usable [convertible] currencies,” MALAYSIA suggested adding to the list of currencies already included. The EC proposed deleting “convertible” currencies.

**CONTACT GROUP:** WGI Vice-Chair Jan McAlpine (US) invited delegates to discuss, in general terms, the precise purpose of the preamble and objectives. Some said a preamble lends context to an agreement. Others said it sets the conceptual parameters and facilitates its interpretation. Some said it aids practitioners in implementing an agreement. All agreed that a preamble should not be binding.

On objectives, some believed that objectives articulate what can and cannot be done within the context of an agreement. Others added that broad objectives contribute to organizational flexibility.

## WORKING GROUP II

**ARTICLE 21 (Bali Partnership Fund):** On allocating the Fund’s resources, TOGO proposed that Council should also take into account countries without significant forest areas. The EC, INDONESIA, MALAYSIA and COLOMBIA preferred retaining original ITTA, 1994 text. SWITZERLAND, supported by NORWAY, proposed that Council should take into account countries that establish significant conservation programmes in timber producing forests. The US proposed considering regional benefits, the approved work programme and biennial examination of the Fund’s available resources. INDONESIA requested specific reference to producer countries’ ability to implement SFM objectives based on available resources. On establishing policies and financial rules for the Fund’s operation, the US insisted on revising the rules as needed.

**ARTICLE 21bis (Work Programme Account):** CHINA said it does not support the proposed work programme account. SWITZERLAND supported a work programme account to ensure stable funding for the organization. Noting that the current system of contributions is trade-based, the EC opposed basing assessments for a work programme account on GDP. JAPAN stated that all consuming members share responsibility to fund a work programme account. The US did not support the work programme account.

**ARTICLE 22 (Forms of Payment):** The EC suggested replacing references to each account in the article with a general reference to “accounts established under the agreement.” The US,

supported by the EC, suggested modifying the language to “accounts established under Article 18.” NEW ZEALAND suggested replacing “usable” with “convertible.”

**ARTICLE 23 (Audit and Publication of Accounts):** The EC emphasized that the language should reflect the need for annual financial audits.

**CHAPTER VII (Operational Activities):** The CSAG proposed that references to committee work include community forest enterprises and community forest areas.

**ARTICLE 24 (Policy Work [and Project Work] of the Organization):** The US suggested deleting the proposal referring to project activities in the title. He suggested policy work and project activities be undertaken in an “integrated and balanced manner.” The EC, supported by NEW ZEALAND, favored keeping the reference only with the addition of “with specific attention to specific needs in each area.” The US, supported by COLOMBIA and opposed by CÔTE D’IVOIRE, urged inclusion of the work programme, along with references to action plans, to define the work of the Organization. BRAZIL suggested that Council should define a five-year action plan to serve as the basis for policy and project activities, which SWITZERLAND supported by including “successive” five-year action plans. CAMEROON, supported by NEW ZEALAND, BRAZIL and the US, suggested deleting paragraphs referring to specific policy activities and the development of strategic plans. NORWAY noted that WGI would agree to specific objectives for the new agreement which could take the place of the current list of policy activities. The Chair said WGII would revisit this paragraph when the objectives are known.

**Article 25 (Project Activities of the Organization):** On submission of pre-projects and projects to Council, the EC, supported by SWITZERLAND, preferred not to specifically enumerate the research fields. The US proposed that members who have not paid their full contribution for two consecutive years should be ineligible to submit project and pre-project proposals. The US, supported by NEW ZEALAND, suggested that projects and pre-projects should contribute to the successor agreement’s objectives established by the action plan and work programme. The EC, supported by NORWAY, said the work programme is secondary to the successor agreement’s objectives. NORWAY, supported by COLOMBIA, suggested that project and pre-project submissions should take into consideration the needs of developing countries. COLOMBIA proposed that such submissions should be done in the context of policies and action plans approved by the Council.

**CONTACT GROUP:** Delegates met in an informal contact group to discuss funding options for the proposed work programme account, and considered which objectives of the work programme account could be combined in the Administrative and Special Accounts. Delegates were not able to reach consensus in the afternoon contact group.

## IN THE CORRIDORS

Some have noted that signs of agreement appear to be emerging concerning the number of financing options under discussion. Yet, however promising this may appear, many have said that the negotiation may not reach its Friday deadline given that a lack of after-hours translation has forced the producer caucus to meet during scheduled negotiating time.

## THINGS TO LOOK FOR TODAY

**WORKING GROUP I:** WGI will convene in Salle XXV from 10:00 am – 1:00 pm and from 3:00 – 6:00 pm to continue negotiating Chapters I-IV. An *ad hoc* open-ended contact group will meet in Salle XXV from 8:30 – 10:00 am to work on the preamble and objectives.

**WORKING GROUP II:** WGII will convene in Salle XXVI from 10:00 am – 1:00 pm and from 3:00 – 6:00 pm to continue negotiating Chapters V-XI. An *ad hoc* open-ended contact group will meet from 8:30 – 10:00 am to work on the financial accounts.