



ITTA, 1994 RENEGOTIATION HIGHLIGHTS: TUESDAY, 15 FEBRUARY 2005

On the second day of the UN Conference on the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994), Second Part, delegates convened in Working Groups and contact groups. In the morning, Working Group I (WGI) discussed Chapter III (Organization and Administration), and Working Group II (WGII) suspended discussions on Chapter VI (Finance) to discuss Chapter IX (Statistics, Studies, and Information) and Chapter VII (Operational Activities). In the afternoon, delegates met in two contact groups. One contact group was composed of delegates from both Working Groups, who met to identify and consult on cross-cutting issues. A second informal contact group met to discuss the insertion of non-timber forest products (NTFPs) and ecological services (ES) in the Preamble of the Agreement.

WORKING GROUP I

MEMBERSHIP BY INTERGOVERNMENTAL ORGANIZATIONS: The UN Conference on Trade and Development Secretariat clarified the definition and legal implications of regional economic integration organizations (REIO) in the context of accepting their membership under the Agreement. INDONESIA asked about the implications of REIO membership for the article on signature, ratification, acceptance and approval of the Agreement. CAMEROON questioned what effect EU expansion would have on the distribution of EC votes. The EC explained that its votes would be divided by the new number of EU members, just as Producer Group votes are divided by the increased number of their members. A small informal group was established to finalize this article.

EXECUTIVE BOARD: BRAZIL, supported by MALAYSIA, TOGO, ECUADOR, BOLIVIA and FIJI, opposed the establishment of an Executive Board (EB), noting it would decrease the possibility of multilateral and transparent discussions. CHINA said the EB should facilitate rather than undertake responsibilities of Council. SWITZERLAND opposed establishing the EB, saying it lacked purpose and transparency. Noting that its budget contributions are made on an annual basis, the US questioned the proposed EB's project review and approval function in light of ITTO's six-month project cycle. The EC questioned the efficiency of using time and resources to assess projects in Committees. Delegates agreed to delete the article on the EB, and consider language on project review and approval in other articles.

DISTRIBUTION OF VOTES: TOGO suggested bracketing a paragraph on the allocation of total votes to producer members from the African region. The US noted the possibility that consumer members may shoulder greater financial responsibility for the costs associated with the Administrative Account, which would have impacts on voting distribution. Noting that the Administrative Account and voting distribution are cross-cutting issues, BRAZIL said that delegates need to decide on whether they will be linked.

On whether the distribution of votes would be decided on an annual or biennial basis, MALAYSIA expressed preference for an annual basis. The EC noted that distribution of votes on a biennial basis would give more predictability to members' assessed contributions.

INFORMAL CONTACT GROUP

PREAMBLE: Delegates continued to discuss a producer member's non-paper on the Preamble. Two consumer members proposed including NTFPs as elements of timber producers' economies. A consumer member suggested focusing on timber and including NTFPs and ES in the Preamble. Noting that there is no current evidence to suggest significant economic benefits from NTFPs and ES, a producer member suggested bracketing the entire paragraph. Some producer and consumer members proposed removing references to NTFPs. However, other producers and consumers highlighted the importance of referencing NTFPs and ES in the Preamble, noting that both help developing countries alleviate poverty. A producer member stressed the need to capture both the importance of timber for economies of timber producing countries and the multiple benefits of forests as an ecosystem.

WORKING GROUP II

POLICY WORK OF THE ORGANIZATION: On policy work and project activities, the US proposed deleting references to Committee functions as currently structured. Following from a US proposal, a "multi-year" rather than "five-year" Action Plan was specified as the basis "to guide" policy and project activities and to "identify priorities," which would be "reflected in biennial work programmes approved by the Council." The US, supported by SWITZERLAND, BRAZIL, PAPUA NEW GUINEA, and NEW ZEALAND but opposed by JAPAN and NORWAY, proposed deleting a paragraph listing examples of policy activities. This paragraph was left bracketed.

STATISTICS, STUDIES AND INFORMATION: After lengthy discussion, delegates agreed to "authorize" the Executive Director to establish and maintain relationships



with intergovernmental, governmental, and non-governmental organizations to help ensure information on the production and trade of tropical timber, including trends and data discrepancies. BRAZIL, supported by MALAYSIA, VENEZUELA and MEXICO, opposed making a linkage between timeliness of submission of statistical information and risk of penalties for late submission in two paragraphs in the text, and said the text should instead encourage cooperation on submission of statistics. The US noted the importance of maintaining the linkage between statistical information and penalties, indicating that the submission of timely information is a shared responsibility and would help ensure market transparency. VENEZUELA opposed the inclusion of language on time-bound submissions of statistics, while the REPUBLIC OF CONGO, the US, NEW ZEALAND and PAPUA NEW GUINEA supported its inclusion. PAPUA NEW GUINEA indicated the need for a separate paragraph on how assistance could be provided to help members produce statistical information, and SWITZERLAND suggested including this issue in another article.

Supported by the EC and opposed by the US, SWITZERLAND proposed that the Executive Director specify the timeline for submission of statistics to the Organization. At lunchtime, a small informal group worked to reach a compromise on this article; its proposed compromise language will be presented in WGII.

JOINT CONTACT GROUP

CROSS-CUTTING ISSUES: In the afternoon, Working Group II Chair Koichi Ito (Japan) presented a schematic diagram on a range of cross-cutting issues. The US proposed focusing on two thematic cross-cutting issues: the linkage between voting distribution and procedures to assess contributions, and between financial accounts and operational activities.

Upon the group's acceptance of this plan, the US introduced and distributed portions of a proposal linking articles on definitions, distribution of votes, voting procedure in Council, financial accounts, and assessed contributions.

On definitions, the US defined "producer member" as "any country situated between the Tropic of Cancer and the Tropic of Capricorn with tropical forest resources and a net exporter of tropical timber in value terms." INDIA, MEXICO, TOGO and VENEZUELA opposed the US proposal because it would change the status of a number of countries from "producer" to "consumer" member. The US acknowledged that the proposal could change the composition of the Producer and Consumer Groups, as well as distribution of votes and the corresponding assessment levels for the Administrative Account. However, he said it would not interfere with criteria for project eligibility. He also explained that "developing consumer member" would be defined as any consumer member defined as a Consumer in the agreement and "classified by the World Bank as a low-income or middle-income economy." SWITZERLAND said the US proposal is coherent and reflects the current tropical timber market situation. The EC expressed a reservation on differentiating "consumer members" from "developing consumer members." Noting the large gap in economic development of consumer members, CHINA supported the US proposal.

On the Administrative Account, the US summarized its proposal, indicating that the Administrative Account would cover the Secretariat's expenditures for policy and programme activities that are currently covered by voluntary contributions but recognized as core activities of the ITTO. The US suggested redistributing the level of assessed contributions under the Administrative Account. The proposal makes consumer members responsible for 60% of the Administrative Account. Within the

Consumer Group, developed consumer countries would pay 90% of consumer members' share of the annual assessment, while developing consumer countries would pay 10%.

On the Special Account, PAPUA NEW GUINEA suggested examining how regional and financial institutions should be encouraged to provide ITTO with financial support on issues such as sustainable forest management, conservation of tropical forests and forest law enforcement and governance.

On voting, the US said decisions in Council would be taken by consensus, but in the absence of consensus, by a two-third majority. The number of votes would be distributed on a sixty-forty basis, 60% for consumers and 40% for producers. CANADA questioned if any members would be adversely affected by the US's proposed distribution of votes and NORWAY questioned the benefits of the US proposal on vote distribution versus the current 50-50 split. CÔTE D'IVOIRE expressed concern about the redistribution of votes and assessments, which would mean that the Producer Group might have less power than the Consumer Group. NEW ZEALAND said that there is a need to ensure an equitable distribution of votes and assessments and, supported by NORWAY, asked the Secretariat to calculate the respective distributions. The EC noted that the US proposal does take into account the problems with the present structure of ITTO's financial accounts and tries to maintain the nature of a commodity agreement. However, he cautioned against setting a precedent, saying that the US's approach might apply a voting and finance system not used in other intergovernmental organizations, and would prolong negotiations. CHINA said that the US proposal could help resolve issues of distribution of financial responsibilities, but might create an imbalance in the voting system. SWITZERLAND suggested that the US should differentiate between financial burden sharing and voting. The US responded that the links are necessary, indicating the necessity of keeping with the traditions of the ITTA while taking a creative approach to problem solving for contentious issues that emerged from the First Part of the UN Conference on the Successor Agreement. MALAYSIA said that the US proposal seems radical but should be considered, since new ideas and increased funding are required to deal with current problems in tropical forests.

On decisions and recommendations of Council, Working Group I Chair Attah suggested modifying the current three-tiered voting system to a two-tiered one, to maintain decision making by consensus when possible and otherwise make decisions by special vote with a high majority threshold. He recommended eliminating simple majority voting for any category of decision. The US, NEW ZEALAND, CANADA and SWITZERLAND favored this change, while JAPAN, MALAYSIA, and the EC opposed it. A decision on this article was left pending further discussion.

Chair Attah asked the Secretariat to develop scenarios on the financial and structural implications of the US proposal.

IN THE CORRIDORS

The US proposal to revise assessments and voting distribution elicited a wide range of reactions. Some considered it a useful catalyst for tackling the issues that the US proposal addresses, particularly with regard to funding for the Administrative Account and its effect on the distribution of power in ITTO. One delegate speculated that the requirement of a two-thirds "supermajority" for decision making by special vote in the absence of consensus would prevent any group from becoming dominant even if the Consumer Group were allowed a disproportional weight in voting. Another delegate stated more pessimistically that if the proposal is really taken seriously by other delegations it may prolong negotiations well beyond the current week.