iisd

Earth Negotiations Bulletin

ITTA-2 #5

A Reporting Service for Environment and Development Negotiations

Online at http://www.iisd.ca/forestry/itto/itta2/

Vol. 24 No. 56 Published by the International Institute for Sustainable Development (IISD) Friday, 18 February 2005

ITTA, 1994 RENEGOTIATION HIGHLIGHTS: THURSDAY, 17 FEBRUARY 2005

In the morning, delegates to the UN Conference on the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 met in a joint contact group to discuss proposals on the financial and voting arrangements for the new Agreement. In the afternoon, delegates convened in an informal contact group and in Working Group II.

JOINT CONTACT GROUP

Working Group II Chair Koichi Ito (Japan) introduced a compilation document on "Current and Proposed Vote and Administrative Account Allocation Systems" that compared the current system, a US proposal and a new Producer proposal. In response to SWITZERLAND, Chair Ito said an earlier Indonesian proposal on the topic had been withdrawn. BRAZIL presented the new Producer proposal that includes an Administrative Account and a Key Policy Work Account. Both would be funded by assessed contributions at a ratio of 80% for consumer members and 20% for producer members, with vote proportions remaining at 50% for consumer members and 50% for producer members. The Special Account and the Bali Partnership Fund would be voluntarily funded, but each would be set at 20 times the level of the combined Administrative and Key Policy Work Accounts.

PRESENTATION OF THE US AND PRODUCER GROUP PROPOSALS: The Secretariat introduced the compilation document comparing the US and Producer proposals on vote and Administrative Account allocation systems, with the current system. Using the World Bank classification of "developing countries" as low- or middle-income countries, he noted that the two proposals vary according to whether net tropical timber-importing developing countries are considered as consumer or producer members. He pointed out that under the US proposal the allocation of both votes and assessed contributions of the Consumer Group would increase to 60%, while under the Producers' proposal producer and consumer members would have equal votes but consumer members would pay more assessed contributions than producer members. He noted that under the ITTA, 1994 each group is allocated 1000 votes and provides 50% of the Administrative Budget. He also said that under the US proposal, votes and allocations would still be linked, while under the Producers' proposals votes and allocations would be delinked. In the Producers' proposal, votes would be split equally between the two Groups, while budget allocations would be divided in a ratio of 80:20 to Consumers and Producers, respectively.

COUNTRY STATEMENTS: NORWAY underscored that its proposal to consolidate the Bali Partnership Fund and Special Account into one fund with separate earmarked and unearmarked funds would enhance transparency and provide flexibility. FINLAND, on behalf of the Consumer Group, said consumer members are interested in constructive discussions on improving the voluntary accounts based on Norway's proposal. She also noted consumer members' concerns that the Producers' proposal includes assessed contributions to project accounts that are currently funded voluntarily.

The EC said that the ITTA is an instrument of development. Supported by JAPAN, he favored keeping producer and consumer vote distributions equal in order to maintain an equal partnership between them, and advocated the same calculation for all members. He preferred calculating based on "volume" rather than "value," as being easier to calculate statistically, and keeping the current linkage between contributions and vote allocations. Supported by JAPAN, he opposed reclassifying net tropical timber-importing developing countries as consumers, since such a classification would create a greater workload for the Secretariat. JAPAN opposed delinking votes and assessments of contributions.

TOGO, with MEXICO, opposed the US proposal because it would change the status of eight countries from producer to consumer members He suggested delegates agree on a definition of "producer" and "consumer" members without changing countries´ status as they were in ITTA, 1994.The Secretariat explained that Togo was placed as a consumer member because it is, in fact, a net importer of tropical timber. CHINA, supported by the EC and JAPAN, noted that the commodity focus of new Agreement should be maintained. He stressed that all members should bear corresponding responsibility in accordance to their status in the international tropical timber trade.

On distribution of votes, NORWAY favored not changing the equal split of votes, and believed that consumers could pay more and increase their assessed contributions to the policy work sub-account. SWITZERLAND said there is a direct link between "votes" and "assessments." CANADA preferred votes and assessments to be linked, but noted that equity issues should be considered, within very narrow bounds, in order to delink the two elements.

On the definition of "developing consumer members," VENEZUELA said that the US proposal does not take into account the divide between developing and developed countries. NORWAY underscored that there is room in the ITTA to delink votes from assessments. BRAZIL stressed that the Producer Group proposed to contribute to the Key Policy Work Account and expressed interest in participating actively on decisions to be taken regarding the issue.

This issue of the *Earth Negotiations Bulletin* © <enb@iisd.org> is written and edited by Karen Alvarenga de Oliveira, Ph.D., Deborah Davenport, Ph.D., Lauren Flejzor, Bo-Alex Fredvik, and William McPherson, Ph.D. The Digital Editor is David Fernau. The Editor is Pamela S. Chasek, Ph.D. <pam@iisd.org> and the Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. The Sustaining Donors of the *Bulletin* are the Government of the United States of America (through the Department of State Bureau of Oceans and International Environmental and Scientific Affairs), the Government of Canada (through CIDA), the Swiss Agency for Environment, Forests and Landscape (SAEFL), the United Kingdom (through the Department for International Development - DFID), the Danish Ministry of Foreign Affairs, the Government of Germany (through the German Federal Ministry of Environment - BMU, and the German Federal Ministry of Development Cooperation - BMZ), the Netherlands Ministry of Foreign Affairs, and the European Commission (DG-ENV). General Support for the *Bulletin* during 2005 is provided by the United Nations Environment Programme (UNEP), the Government of Australia, the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management, the Ministry of Environment and the Ministry of Foreign Affairs of Sweden, the Ministry of Environment and the Ministry of Foreign Affairs of Norway, the Ministry of Environment and the Ministry of Foreign Affairs of Finland, Swan International, the Japanese Ministry of Environment (through the Institute for Global Environmental Strategies - IGES) and the Japanese Ministry of Economy, Trade and Industry (through the Global Industrial and Social Progress Research Institute - GISPRI). Funding for translation of the *Earth Negotiations Bulletin* into French has been provided by the International Organization of the Francophonie (IOF) and the French Ministry of Foreign Affairs. Funding for the translation of the *Earth Negotiations Bulletin* into Spanish has been provided by the Ministry of Environment of Spain. The opinions expressed in the *Earth Negotiations Bulletin* are those of the authors and do not necessarily reflect the views of IISD or other donors. Excerpts from the *Earth Negotiations Bulletin* may be used in non-commercial publications with appropriate academic citation. For information on the *Bulletin*, including requests to provide reporting services, contact the Director of IISD Reporting Services at <kimo@iisd.org>, +1-646-536-7556 or 212 East 47th St. #21F, New York, NY 10017, USA. The ENB Team at ITTA-2 can be contacted by e-mail at <lauren@iisd.org>.

INFORMAL CONTACT GROUP

Delegates continued discussing definitions of "tropical timber" and "producer member."

On "tropical timber," a producer member and a consumer member favored including "tropical coniferous wood" to reflect the growing importance of coniferous timber for some producer members and for new producer members where natural conifers exist. Cautioning that the new definition of tropical timber may lose elements from the original definition, a consumer and a producer member proposed adding the definition from ITTA, 1994, which only includes timber from non-coniferous sources. A producer member proposed that tropical timber meant wood grown or produced in countries "whose areas of natural distribution are restricted to this geographical limit." The definition remained bracketed.

On the definition of "producer member," a producer member opposed defining this as a net exporter of tropical timber in value terms.

Delegates also continued discussing Objectives of the Organization in proposals that had been tabled by a producer and a consumer member. One consumer member suggested deleting a call "to promote the sustainable management of tropical timber-producing forests."

A few producer members stressed the need to highlight use of ecological services (ES) and sustainable use of tropical forests and the importance of mentioning the contribution of non-timber forest products (NTFPs) and ES to sustainable forest management (SFM).

A producer member said the main objectives of the ITTO are to create a good basis for a lasting sustainable trade in tropical timber and to ensure that tropical timber comes from sustainably managed forests.

On the expansion and diversification of international trade in tropical timber from sustainably managed forests, a consumer member proposed adding reference to "legally harvested" forests. A producer member suggested bracketing the expression "taking into account the contribution of NTFPs and ES" and moving it to another paragraph. A producer member favored reference to the use of legal standards for NTFPs, and to strengthening of members' capacity to increase benefits obtained from SFM. A number of producer members proposed promoting expansion and diversification of international trade in tropical timber from sustainably managed "and legally harvested" forests.

In the end, the contact group agreed on having two overarching objectives and ten tools to achieve them. These tools include: encouraging industrial tropical timber reforestation, restoration and rehabilitation of degraded forest land; providing an effective framework for consultation, international cooperation and policy development; and providing a forum for consultation to prevent non-discriminatory timber trade practices.

WORKING GROUP II

COMMITTEES AND SUBSIDIARY BODIES: WGII Chair Koichi Ito (Japan) suggested that delegates try to merge text from a US proposal, a Swiss proposal, and elements from the working document's text. He explained that the US proposal would leave establishing committees to the Council, while the Swiss proposal would establish three committees and spell out some of their functions.

PAPUA NEW GUINEA, MALAYSIA, EGYPT and BRAZIL argued for keeping the list of committees: the Committee on Finance and Administration; the Committee on Reforestation and Forest Management; and the Committee on Economic Information, Market Intelligence and Forest Industry. In the end, delegates agreed to keep the US and Swiss proposals as bracketed options but to delete redundant text, including two paragraphs on the scope and responsibilities of committees, and a separate article on functions of committees.

STATISTICS, STUDIES AND INFORMATION: In one formulation of a paragraph on possible penalties for non-submission, delegates agreed that language "to further consider the suspension of voting rights" was preferable to language making members "ineligible to submit pre-project and project proposals" after seven months of non-submission of statistics and information.

BRAZIL favored an alternative formulation of the paragraph which states that Council "shall take appropriate measures as deemed necessary," as long as language on "including suspension of voting rights" was deleted.

ANNUAL REPORT AND REVIEW: Delegates agreed to keep language specifying an "annual" report on activities and a "biennial" review and assessment of the international timber situation and other factors considered relevant, in preference to a more general alternative paragraph.

BRAZIL proposed a new sub-paragraph calling for "information supplied by members on their progress towards the establishment of control and information mechanisms regarding illegal imports of tropical timber and non-timber products." SWITZERLAND, supported by the EC and PAPUA NEW GUINEA, bracketed the text and requested elaboration of the definition of illegality. The US proposed focusing on illegal "trade" rather than "imports." CANADA expanded the term to include "illegal harvesting."

COMPLAINTS AND DISPUTES: Delegates debated whether "all concerned parties" should have to agree that complaints or disputes should be referred to Council for decision. The EC, PAPUA NEW GUINEA and SWITZERLAND, opposed by the US and CANADA, favored deletion of this phrase; it remained bracketed. CANADA specified that complaints should be taken from members only.

MISCELLANEOUS LEGAL PROVISIONS: The US proposed deleting an entire article on differential and remedial measures and special measures, but PAPUA NEW GUINEA requested retention of the text because it reproduces text in ITTA, 1994. The text was left bracketed.

The US requested that the article on "review" be folded into the article on duration, extension and termination and that the cycle of review for the new Agreement be extended to eight years, followed by two possible extensions of three years each. This text was bracketed.

UN Conference on Trade and Development's (UNCTAD) legal advisor suggested a number of changes in articles on: signature, ratification, acceptance and approval; accession; and entry into force. He proposed adding language that the new Agreement cannot enter into force until a "balance" of signatories or depositories among the "producer and consumer states" has been achieved. The US, INDONESIA and EGYPT asked for clarification on the question of balance. UNCTAD said the UN Treaty Section preferred to have balance in number of states, not votes. He said that the proposed text is provisional and that the UN Treaty Section could agree to keep some of the current text.

IN THE CORRIDORS

It seems that the eleventh hour of negotiations will not arrive this week. In light of recently tabled proposals on financing and voting distribution that would result in fundamental changes to the Agreement and Organization, many delegates acknowledged that consensus on the new Agreement will not be reached in the very near future. One proposal, which entails a request to set the Special Account and Bali Partnership Fund at 20 times the current level, the equivalent of US$200 million in voluntary funding, raised concerns among a number of donors. Even if this expectation exists among some delegates, one delegate insisted that the very question of new project funding may be jeopardized entirely if the ITTA, 1994 is allowed to expire on 31 December 2006.