



SUMMARY OF THE UNITED NATIONS CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE ITTA, 1994, SECOND PART: 14-18 FEBRUARY 2005

The United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994), Second Part, convened at the Palais des Nations in Geneva, Switzerland, from 14-18 February 2005. Over 180 representatives of governments, an intergovernmental organization, and non-governmental organizations (NGOs) attended the five-day Conference.

During the week, delegates continued discussing bracketed text from the First Part of the Conference, as contained in working document (TD/TIMBER.3/L.3). Numerous proposals on the unresolved issues were tabled during the week, but delegates were unable to reach agreement on a number of cross-cutting proposals. Although at the outset of the Conference many hoped that the negotiations would conclude by the end of the week, it was not to be. As a result, a third round of negotiations will take place from 27 June–1 July 2005.

A BRIEF HISTORY OF THE UN CONFERENCE AND THE ITTA

The International Tropical Timber Agreement (ITTA) was negotiated under the auspices of the UN Conference on Trade and Development (UNCTAD) 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 sustainable utilization and conservation of tropical forests and their genetic resources and for maintaining the ecological balance in the regions concerned.

The ITTA was adopted on 18 November 1983, and entered into force on 1 April 1985. The ITTA 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 agreement, the ITTA, 1994 was adopted on 26 January 1994, and entered into force on 1 January 1997. It contains broader provisions for information sharing, including non-tropical timber trade data, allows for consideration of non-tropical timber issues as they relate to tropical timber, and includes the International Tropical Timber Organization (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, 1983 established the ITTO, headquartered in Yokohama, Japan, which provides a framework for tropical timber producing and consuming countries to discuss, exchange information about and develop policies on issues relating to international trade in, and utilization of, tropical timber and sustainable management of its resource base. The ITTO also administers assistance for related projects. The ITTO has 59 members divided into two caucuses: producer countries (33 members) and consumer countries (26 members). The ITTO's membership represents 90% of world trade in tropical timber and 80% of the world's tropical forests. The highest authority of

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the ITTO is the International Tropical Timber Council (ITTC), which consists of all ITTO members and meets twice a year. The ITTC performs, or arranges for the performance of, all functions necessary to carry out the provisions of the ITTA, 1994.

ITTC-33: The 33rd session of the ITTC met from 4-9 November 2002, in Yokohama, Japan. Among its decisions, the Council adopted a decision to extend the ITTA, 1994 and agreed to begin preparations for negotiating a successor agreement to the ITTA, 1994.

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; 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.

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 Preparatory Committee (PrepCom) to implement intersessional 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 experiences in implementing 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.

PREPCOM I: Immediately following the 34th session of the ITTC, PrepCom I convened in Panama City, Panama, from 20-21 May 2003, to begin preparing a draft working document that would be used as the basis of the negotiations on the successor agreement to the ITTA, 1994.

INTERSESSIONAL WORKING GROUP ON PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994: The Intersessional 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 International Tropical Timber Council (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 intersessional working group on preparations for negotiating a successor agreement, also referred to as the Curitiba Report (ITTC(XXXV)/7).

PREPCOM II: Immediately following ITTC-35, delegates met from 10-12 November 2003, in Yokohama, Japan, for PrepCom II. Over the course of the three-day PrepCom, delegates reviewed the draft working document of the successor agreement with a view to clarifying elements therein, posing questions and presenting their views on the text. Delegates produced a final draft working document to serve as the basis for discussion at the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994.

ITTC-36: The 36th session of the ITTC met from 20-23 July 2004, in Interlaken, Switzerland. Delegates to ITTC-36 discussed a range of issues, including preparations for negotiating a successor agreement to the ITTA, 1994 and the PrepCom process. The Chair-designate of the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 noted that the following week's negotiation would be conducted in two working groups, one focusing on the scope and the other on finance of the new agreement.

UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994, FIRST PART: The United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994, First Part, met in Geneva, Switzerland, from 26-30 July 2004, under the auspices of UNCTAD. Throughout the week, delegates based their discussions on the working document (TD/TIMBER.3/4), which contained all articles of the ITTA, 1994 the corresponding articles of the negotiating text of the successor agreement. Working Group I addressed the Preamble, Chapter I (Objectives), Chapter II (Definitions), Chapter III (Organization and Administration), and Chapter IV (International Tropical Timber Council). Working Group II addressed Chapter V (Privileges and Immunities), Chapter VI (Finance), Chapter VII (Operational Activities), Chapter VIII (Relationship with the Common Fund for Commodities), Chapter IX (Statistics, Studies and Information), Chapter X (Miscellaneous), and Chapter XI (Final Provisions). Two contact groups, one established by each working group, met intermittently throughout the week to discuss some of the successor agreement's more contentious issues. Since negotiators were unable to reach a final agreement, it was decided to reconvene from 14-18 February 2005. The main areas of disagreement were on the financial structure of the new agreement and its objectives. Some members sought a limited number of objectives that could be broadly interpreted, while others sought to list specific objectives. On finance, the main issue of contention was the addition of an assessed Work Programme Account.

REPORT OF THE CONFERENCE

Amb. Carlos Antonio da Rocha Paranhos, President of the UN Conference, opened the session on Monday, 14 February 2005, and introduced Carlos Fortín, Officer-in-Charge, UNCTAD. Fortín called for progress during the week, noting intersessional cooperation between producer and consumer members. However,



he said that divergences persist on the objectives and financial arrangements of the successor agreement. He highlighted potential links to the Millennium Development Goals, suggesting that conclusion of an appropriate successor agreement will promote a balanced relationship among sustainable forest management (SFM), poverty reduction and environmental sustainability.

President Paranhos called for finalizing the agreement by the end of the week, and called for election of a new Working Group II Co-Chair, since Jürgen Blaser (Switzerland) was unable to attend.

Delegates adopted the agenda (TD/TIMBER.3/5) and the rules of procedure (TD/TIMBER.3/2) and appointed a six-member Credentials Committee. Finland, on behalf of the Consumer Group, nominated, and delegates elected, Koichi Ito (Japan) to replace Blaser as Vice-President of the Conference, Vice Chair of the Committee of the Whole (COW), and Co-Chair of Working Group II.

President Paranhos noted the six main outstanding issues in the negotiations: scope; frequency of Council sessions; funding sources and mechanisms; distribution of votes and assessment of contributions; establishment of an Executive Board (EB); and obligations and compliance.

NEGOTIATION OF THE SUCCESSOR AGREEMENT TO THE ITTA, 1994

Throughout the week, delegates met in two working groups. Initial discussions were based on the working document (TD/TIMBER.3/L.3), which contained the negotiated text of the articles from the First Part of the UN Conference, in July 2004. Working Group I (WGI) addressed the Preamble, Chapter I (Objectives), Chapter II (Definitions), Chapter III (Organization and Administration), and Chapter IV (International Tropical Timber Council). Working Group II (WGII) discussed Chapter V (Privileges and Immunities), Chapter VI (Finance), Chapter VII (Operational Activities), Chapter VIII (Relationship with the Common Fund for Commodities), Chapter IX (Statistics, Studies and Information), Chapter X (Miscellaneous), and Chapter XI (Final Provisions). The primary focus of Working Group I was the Preamble and Objectives section for the new Agreement, while delegates in Working Group II spent most of their time discussing Chapter VI (Finance). In addition to the working groups, delegates met each day in an informal contact group to discuss proposals on the Preamble, Objectives and Definitions.

Delegates also met on Tuesday and Thursday in a joint contact group to discuss cross-cutting issues, in particular, links between assessed contributions and votes. On Thursday, WGII Chair Ito introduced a compilation document on "Current and Proposed Vote and Administrative Account Allocation Systems" that compared a new US proposal, a new Producer Group proposal and the current system of votes and assessment allocation systems. The ITTO Secretariat explained the compilation document. Using the World Bank classification of "developing countries" as low- or middle-income countries, he noted that the two new 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 the 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 1,000 votes and provides 50% of the Administrative Budget. 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. The Producers' proposal would also set the level of voluntary funding for the Special Account and the Bali Partnership Fund at 20 times the level of the combined amount of the Administrative and Key Policy Work Accounts. The joint contact group discussions on each of the proposals are included below as they pertain to each article of the final working document.

The following report summarizes the current status of the negotiations, particularly regarding the main contentious issues in the articles under negotiation in the working document. Text that is not bracketed has been provisionally agreed by delegates. This summary is based on the final version of the working document produced at this round of negotiations and adopted by delegates at 5:00 pm on Friday, 18 February 2005.

Editor's Note: The Earth Negotiations Bulletin does not report the names of speakers in contact groups when requested to do so.

PREAMBLE: On Monday, delegates in an informal contact group discussed two proposals on the Preamble. A consumer member discussed its proposal to move references to the Rio Forest Principles from the Objectives to the Preamble. A producer member explained its proposal, noting similarities to the consumer member proposal. A consumer member suggested combining the two proposals.

On Tuesday, delegates in the WGI informal contact group continued to discuss a producer member's non-paper on the Preamble. Two consumer members proposed including non-timber forest products (NTFPs) as elements of timber producers' economies. A consumer member suggested focusing on timber and including NTFPs and ecological services (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 can 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.

On Wednesday, delegates in the informal contact group continued discussing the non-paper. On a paragraph recognizing the importance of collaboration among members and other stakeholders, a consumer member, opposed by other consumer members, suggested substituting "indigenous communities" for "indigenous peoples."

A consumer member suggested adding a paragraph "recognizing the rights of indigenous peoples and workers consistent with relevant International Labor Organization (ILO) Conventions." Some consumer members opposed this because many ITTO members have not ratified ILO conventions.



A consumer member suggested adding a preambular paragraph recognizing members' "sovereign right to exploit their own resources pursuant to their own environmental policies and their responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other states or of areas beyond the limits of national jurisdiction, as defined in Principle 1(a) of the Non-Legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of All Types of Forests." Some producer members opposed language regarding "responsibility" to prevent environmental damage to other states. Delegates bracketed the entire paragraph.

CHAPTER I. OBJECTIVES

Objectives (Article 1): In Monday's informal contact group, delegates discussed two proposals on the Objectives. In Monday's WG I session, Switzerland highlighted the importance of structuring the Objectives, saying that the article's structure should either be short and contain a limited number of objectives or enumerate the Organization's activities, means and functions carried out under the Agreement in the last few years.

On Wednesday, delegates continued discussing a producer member's proposal on the objectives in the WGI informal contact group. On recognizing the benefits of setting prices that reflect the costs of SFM, one producer member, opposed by a consumer member, stressed the necessity to establish a fair price for tropical timber in the international market that is remunerative and equitable for all members.

On Thursday, delegates in the WGI informal contact group continued discussing the proposals tabled by a producer and a consumer member. A few producer members stressed the need to highlight ES, sustainable use of tropical forests and the contribution of NTFPs and ES to SFM. Delegates considered two overarching objectives and tools to achieve them. These tools include, *inter alia*: 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.

In Friday's WGI informal contact group, one producer member suggested inserting a new paragraph on "strengthening capacity of members for the collection, processing and dissemination of data on the sustainable management of forests and the trade in timber."

A producer member suggested a new paragraph on "promoting the certification of tropical timber producing forests." Some producer and consumer members opposed the new paragraph. A consumer member suggested adding reference to "encouraging private voluntary market-based mechanisms." The two overarching objectives remain bracketed and several paragraphs on tools for achieving these objectives also remain bracketed.

CHAPTER II. DEFINITIONS

Definitions (Article 2): On Monday, the ITTO Secretariat summarized the effects on ITTO's membership structure and vote allocations that would result from changing the definitions of "tropical timber" and "producer members." He underscored the difficulties of establishing reliable figures on exports and re-

exports of many tropical products, which make the calculation of net imports and exports impossible in vote calculations. He highlighted the importance of keeping definitions consistent with international norms and available data.

On Wednesday, delegates discussed the definition of "tropical timber." The US reminded delegates of her country's proposal to make reference to commercial uses rather than industrial and handicraft uses of tropical timber. She explained that in the US proposal, for purposes of calculating members' votes and assessments to the Administrative Account, the term "tropical timber" covers logs, sawnwood, veneer sheets and plywood. China favored having one definition of tropical timber for both determining ITTO's work mandate and calculating votes.

On the definition of "sustainable forest management," Switzerland, opposed by the US and Malaysia, suggested the term could be understood according to the Council's technical guidelines. Mexico, Côte d'Ivoire, Malaysia and Venezuela, opposed by the US, underscored the importance of retaining the definition for the Organization's structure and work.

In the joint contact group, 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" members. The US acknowledged that the proposal could change the composition of the Producer and Consumer Groups, as well as the distribution of votes and the corresponding assessment levels for the Administrative Account. However, he said it would not interfere with criteria for project eligibility.

In the joint contact group, the US also explained that "developing consumer member" would be defined as any consumer member defined as a "consumer member" in the new 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 European Community (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 Wednesday, WGI Chair Alhassan Attah (Ghana) established an informal group to further discuss definitions, and on Thursday, delegates discussed definitions of "tropical timber" and "producer member" in the informal group. On "tropical timber," a producer and a consumer member underscored the growing importance of coniferous timber for some producer members and for new producer members that possess natural distributions of conifers. 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 language that tropical timber means wood grown or produced in countries "whose areas of natural distribution are restricted to this geographical limit."

On defining "developing consumer members" in the joint contact group on Thursday, the EC, supported by Japan, Togo,



and Mexico, opposed reclassifying net tropical timber-importing developing countries as consumer members because it would change the status of eight countries from producer to consumer members. Togo suggested delegates agree on a definition of “producer” and “consumer” members without changing countries’ status from what it was in the ITTA, 1994. The ITTO Secretariat explained that Togo’s status would change under the US proposal because it is, in fact, a net importer of tropical timber. Venezuela said that the proposal does not take into account the divide between developing and developed countries. China, supported by the EC and Japan, noted that the commodity focus of the new Agreement should be maintained. He stressed that all members should bear responsibility in accordance with their level of international trade in tropical timber.

With the exception of the definition on “financial biennium” and “freely usable currencies,” delegates did not reach agreement on other definitions in the article.

CHAPTER III. ORGANIZATION AND ADMINISTRATION

Headquarters and Structure of the International Tropical Timber Organization (Article 3): On Monday, the US suggested changing the name to the “International Tropical Forest Organization,” noting it could make the Organization more attractive to donors and better reflect ITTO’s work. Gabon opposed the name change, noting it could affect the scope of the new commodity agreement.

On the establishment of regional offices in Africa and Latin America, Switzerland, New Zealand and Canada, opposed by Gabon and Cameroon, recommended that Council should decide whether to establish regional offices. The text of the article remains bracketed.

Membership in the Organization (Article 4): On Monday, WGI Chair Attah called upon delegates to decide whether members should be called “producing” and “consuming” or “producers” and “consumers;” delegates agreed on using the latter pair. Delegates provisionally agreed on this article.

Membership by Intergovernmental [Regional Economic Integration] Organizations (Article 5): On Monday, the US suggested, and delegates accepted, replacing the word “intergovernmental” with “regional economic integration” organizations (REIO) throughout the document. On Tuesday, the UNCTAD Secretariat clarified the definition and legal implications of REIOs in the context of accepting their membership under the Agreement. Cameroon questioned what effect EU expansion would have on the distribution of EC votes. The EC explained that EC 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. On Friday, delegates agreed to remove the remaining brackets relating to the need to attribute votes only to present and voting members.

Composition of the International Tropical Timber Council (Article 6): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

CHAPTER IV. INTERNATIONAL TROPICAL TIMBER COUNCIL

Powers and Functions of the Council (Article 7): On Monday, the US suggested, and delegates accepted, referring to the financial accounts as the accounts established in Article 18 (Financial Accounts) rather than mentioning each account. Delegates provisionally agreed on this issue. On Friday, one consumer member proposed, and delegates agreed, deleting text specifying that Council should develop periodic Action Plans and Work Programmes to guide the Organization’s policy and project activities. Delegates provisionally agreed on the article, with the exception of when to use “special votes.”

Chairman and Vice-Chairman of the Council (Article 8): This article remains unchanged from the First Part of the Conference, as contained in working document (TD/TIMBER.3/L.3). The outstanding issue of the article is on the use of a special vote to determine whether the offices should alternate between the two Groups of members.

Sessions of Council (Article 9): On Monday, WGI Chair Attah asked delegates for their views on whether Council should convene “at least” once a year, to which the US suggested holding “one” session a year. Noting that Council cannot impose the location of a meeting on a producer member, she favored holding meetings in a producer country only on invitation by the host country. Noting the importance of involving both consumer and producer members, Switzerland proposed, and delegates agreed, that Council would meet in a special session when the Executive Director, Chair and Vice-Chair request to do so.

Text remains bracketed on the number of Council sessions per year and on the question of whether meetings should be held in a producer country. Delegates could neither agree on whether Council should meet in special session at the request of a majority of either producer or consumer members, nor on whether alternate Council sessions should be held outside the Organization’s headquarters by special vote. The paragraph on the Executive Director’s communication of session notice to members remains identical to the language of ITTA, 1994.

Executive Board (Article 9bis): On Tuesday, Brazil, supported by Malaysia, Togo, Ecuador, Bolivia and Fiji, opposed the establishment of an 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 this entire article on the EB and consider language on project review and approval in other articles.

Distribution of Votes (Article 10): On Tuesday, Togo suggested bracketing a paragraph on the total allocation of 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. The total number of votes held by producer and consumer members as well as paragraphs on the distribution of votes in the African region and for consumer members were bracketed.

In the joint contact group on Tuesday, the US said decisions in Council would be taken by consensus under its proposed voting scheme, but in the absence of consensus, by a two-thirds majority. The number of votes would be distributed on a sixty-four 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 there is a need to ensure an equitable distribution of votes and assessments and asked the Secretariat to calculate the respective distributions.

In the joint contact group on Thursday, the EC, supported by Japan, 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," of timber, as being easier to calculate statistically, and keeping the current linkage between contributions and vote allocations. Norway favored maintaining the equal allocation of votes, and believed that Consumers could pay more and increase their assessed contributions to the proposed Key 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. Norway underscored that there is room in the ITTA to delink votes from assessments. Brazil, for the Producer Group, stressed that the Producer Group proposed to contribute to the Key Policy Work Sub-Account and expressed interest in participating actively on decisions to be taken regarding the issue. Delegates could not reach agreement on this article.

Voting Procedures of the Council (Article 11): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

Decisions and Recommendations of Council (Article 12): On Monday, Chair Attah proposed, and delegates agreed, that Council should "endeavor" instead of "make every effort" to make all decisions and recommendations by consensus. Delegates did not reach an agreement on which type of vote Council should use in taking decisions, if consensus cannot be reached. The paragraph on recognizing the rights of consumer or producer members that have been authorized to vote on behalf of another consumer or producer member remains unchanged from ITTA, 1994.

In the joint contact group, 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 new paragraph on this was proposed to replace language in the ITTA, 1994; within it the relevant terms were left bracketed.

Quorum for the Council (Article 13): The article now requires the "majority of members in each category" to be present to achieve a quorum for the Council, provided that these members hold at least two-thirds of the total votes in their respective categories.

Executive Director and Staff (Article 14): On Monday, the US, New Zealand, Ghana and Switzerland, opposed by Malaysia and Venezuela, proposed that the Executive Director should appoint ITTO staff, which was agreed by delegates. A reference to "special vote" was left bracketed, pending a decision on the number of voting schemes.

Cooperation and Coordination with other Organizations (Article 15): On Monday, the US, supported by Malaysia, called for reference to the private sector in the coordination and cooperation process. Norway, supported by the EC, favored mentioning broader "civil society" rather than NGOs. The Democratic Republic of Congo, supported by Gabon, suggested adding "subregional" organizations to language on enhancing cooperation. Delegates agreed on a proposal for Council to consult and cooperate with other relevant international and regional organizations, institutions and instruments, the private sector, NGOs and civil society. On avoiding duplication of efforts in achieving the objectives of the Agreement, Switzerland, with Bolivia, suggested mentioning NGOs and civil society.

Delegates accepted a paragraph calling for the Organization to use services and expertise of organizations, civil society and the private sector in order to avoid duplication of efforts. Delegates also accepted a paragraph calling on the Organization to take advantage of the Common Fund for Commodities. Delegates provisionally agreed on this article.

Admission of Observers (Article 16): On Monday, China, opposed by Norway and New Zealand, proposed that Council may invite observers to its open meetings only if its members do not object. Mexico proposed inviting observers in accordance with rules of procedure to be elaborated by Council. Gabon questioned whether organizations set up in the future will be able to attend meetings as observers. The entire article remains bracketed.

CHAPTER V. PRIVILEGES AND IMMUNITIES

Privileges and Immunities (Article 17): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

CHAPTER VI. FINANCE

Financial Accounts (Article 18): On Monday, Japan called for deleting proposed text on establishing a Work Programme Account and suggested that three accounts – the Administrative Account, the Special Account and the Bali Partnership Fund (BPF) – are sufficient components of the new Agreement's financial accounts. Norway, opposed by Côte d'Ivoire, Togo and Malaysia, suggested rewording text to delete mention of the



Special Account, the BPF and other possible future accounts. After discussion of other potentially affected articles, Norway circulated a non-paper proposing a revamped financial structure for earmarked and unearmarked voluntary contributions, which would combine the BPF and the Special Account, and reiterated her aim to make ITTO's project financing sound, transparent, and more efficient. Japan favored retaining the current financial structure, particularly the BPF, and, with the EC, Switzerland and the US, questioned giving the Secretariat or an Executive Board approval authority over earmarked funds. The EC, Switzerland and the US supported Norway's approach, but the EC stressed the importance of maintaining the BPF's spirit. Switzerland and the US favored retaining the Expert Panel for project review. Norway asked for text reflecting her proposal.

On Wednesday, Indonesia introduced a proposal that would incorporate part of Japan's proposal for sub-accounts of the Administrative Account, but which included assessments for consumer and producer members. Indonesia's proposal delineated an Operational Account, which would allocate 70% of the Account funds for administrative activities and 30% for policy work. In this proposal, producer and consumer members would evenly divide the cost of administrative activities, while producers would fund 20% and consumers 80% of the policy work. Consumer members would also be liable for 80% of the funding for the Special Account. The BPF would be allocated as it is now, and would also incorporate funding from contractual and premium pricing of timber trade. Indonesia acknowledged the premature stage of this premium pricing mechanism. Switzerland and the US said that the language would need clarification but praised Indonesia's proposal for its creative elements, and the US, supported by New Zealand, noted some similarities between the US and Indonesian proposals. Cameroon expressed concern over Indonesia's proposal, querying whether the proposal had been discussed in the Producer Group. The Indonesian proposal was withdrawn on Thursday in favor of a proposal from the entire Producer Group. An alternative Article 18 from the Producers' proposal was bracketed. Discussion of this article was extended to include issues in Articles 19 and 20. Alternatives for all three of these articles were incorporated into the final working document of the Second Part of the Conference.

Administrative Account (Article 19): On Monday, Japan, supported by Côte d'Ivoire and Togo, proposed dividing the Administrative Account into two sub-accounts, one for administrative work and another for key policy work. The US, with Switzerland and Norway, supported the Japanese proposal, and noted it was similar to the US proposal in maintaining an Administrative Account under the new Agreement. Norway questioned which activities would be included as key policy work and, with Mexico and Brazil, how contributions would be calculated. Japan confirmed that both administrative sub-accounts in its proposal would be financed on a compulsory basis, based on votes, but with two different scales of assessment and an exemption for large contributors. He recommended letting Council decide exactly what should be included, but stressed the need for two sub-accounts.

The EC stressed the differences among its member states in whether budget lines for assessed and voluntary contributions

are combined or separate. China cautioned against trying to make comments on assessments before knowing how votes will be distributed. The EC supported the US proposal to maintain the Administrative Account, noting that its contents should be linked to the policy work of the Organization, and stressed that the Administrative Account is for the purpose of "supporting" Council's work.

Norway, opposed by Canada, proposed naming the article "Core Budget" to cover more clearly both types of work. The EC asked whether this would have any legal implications. Switzerland noted that the question of whether the period of the work programme should be annual or biennial or any alternative period remains to be determined by WGI, but the EC said there was no pressure to link the budget and work programme periods.

In the joint contact group, 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 are 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%.

The EC noted that the US proposal took into account the problems with the present structure of ITTO's financial accounts and tried to maintain the nature of a commodity agreement. However, he cautioned against setting a precedent, saying that the US 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. 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. This as well as language proposed by Japan for the same paragraph remain bracketed. In addition, a Producer's alternative formulation of Article 19 remains in the text of the working document, which specifies an 80:20 division in assessments between Consumers and Producers.

Key Policy Work Account (Article 19bis): On Friday, upon a suggestion by Switzerland, a proposed article on a "Work Programme Account" was deleted and "Key Policy Work Account" was inserted as an alternative label for this article proposed by Brazil. Brazil, for the Producer Group, stated that for this proposed account the calculation of payments within the Producer and Consumer Groups would be made according to the current distribution of votes, and confirmed that the ratio of administration spending to key policy spending envisaged in this proposal was four to one. This article remains bracketed.

Special Account (Article 20): On Monday, regarding the use of funds remaining upon termination of a project, Japan called for deleting bracketed language saying that funds should be returned to the contributor. Japan favored bracketed language proposing that use of earmarked funds be decided by the



contributor and, opposed by the EC, that use of unearmarked funds be decided by Council. Indonesia, opposed by Switzerland and the EC, proposed that remaining funds be diverted into the BPF. Peru, supported by Switzerland, the US, Ghana and Côte d'Ivoire, favored existing language stating that funds should be used for their original purpose unless otherwise decided by Council in agreement with the contributor. WGII agreed to leave the decision to contributors and drafted language that would permit unearmarked funds to go to the BFP. The article remains under consideration along with two alternative formulations.

Special Account (Alternative – Producers Article 20): On Thursday, Finland noted consumer members' concerns that the Producers' proposal appeared to include assessed contributions to project accounts currently funded voluntarily. On Friday, Switzerland and the US queried mechanisms for achieving the goal of "at least twenty times the annual Administrative Account" for voluntary accounts, as proposed by the Producer Group. Brazil said there is no proposed mechanism but favored the principle's insertion in this article. Canada recommended putting such points of principle in the Preamble. The EC asked about the implications if this fund and the BPF did not each reach "20 times" the annual Administrative Account, i.e., a total of US\$200 million, and Japan, with the US, asked whose obligation it would be to ensure funding at such levels. Brazil responded that the obligation to contribute to the Special Account is not specified in the ITTA, 1994, but for this proposal contributions would be sought from countries that have the resources. Canada favored a more balanced approach to obligations. Switzerland requested clarification on the reference to derive the resources for this account "under coordination of the host country." Brazil, for the Producer Group, referred to the need for an international meeting to be organized ideally by ITTO's host country, Japan, in order to raise the funds necessary to obtain the amount proposed for the Special Account. He said such an initiative should include participation by financial institutions, donor countries, NGOs and the private sector. This alternative formulation of Article 20 remains bracketed.

Voluntary Contributions Account (New Article 20 proposal by Norway): On Friday, the text proposed by Norway on a "voluntary contributions account" for financing approved programmes and projects was inserted as an additional alternative to the alternative draft articles on the Special Account.

In the joint contact group on Thursday, Norway underscored that its proposal to consolidate the BPF 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 were interested in constructive discussions on improving the voluntary accounts based on Norway's proposal. This proposed alternative formulation remains bracketed.

The Bali Partnership Fund (Article 21): This article was not discussed; some sections remain bracketed.

The Work Programme Account (Article 21bis): On Monday, the EC, supported by Côte d'Ivoire and Switzerland, proposed deleting a bracketed article for establishing a Work Programme Account, and there was no objection to the proposal. The article was deleted.

Forms of Payment (Article 22): On Friday, upon a request by the Chair, Brazil, on behalf of the Producer Group, clarified that a proposed producer alternative to this article was not intended to replace existing language on making contributions in convertible currencies. He agreed with the Netherlands that references to accounts should refer to "accounts established under Article 18" (Financial Accounts). Delegates discussed whether "usable" currencies were equivalent to "convertible" currencies and "convertible" was accepted. Language specifying the form of contributions to the "special account" was left bracketed.

Audit and Publication of Accounts (Article 23): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

CHAPTER VII. OPERATIONAL ACTIVITIES

Policy Work of the Organization (Article 24): On Tuesday, regarding policy work and project activities, the US proposed deleting references to Committee functions as currently structured. Following from the 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 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 remains bracketed.

Project Activities of the Organization (Article 25): On Wednesday, the US suggested adding a reference to "Action Plans approved by Council" to help identify priority areas for project work. The EC said the US suggestion might constrain eligibility of project activity. The US responded that Action Plans would only provide narrow project guidance within the scope of the Agreement and priorities of Council.

On a paragraph on criteria for approving projects and pre-projects, delegates accepted the text after rejecting a US proposal to delete the entire paragraph.

Following a proposal by the EC, the terms "environmental effects" and "social effects" were added among the factors to be taken into account by Council when considering approval of projects and pre-projects.

On Wednesday, regarding establishing projects and pre-projects, the US, supported by Papua New Guinea, proposed inserting language that Council may establish limits "on the number of projects and pre-projects a member may submit in a given project cycle."

On termination of Council's sponsorship for project and pre-project work, the US suggested, and the EC opposed, removing a reference that Council may also terminate its sponsorship of any pre-project or project by a "special vote." After some deliberation on Brazil's suggestion, supported by Côte d'Ivoire to include "in accordance with agreed criteria," delegates agreed to include language on criteria establishing projects and pre-projects.

The article was approved with the exception of brackets around reference to "by special vote."

Committees and Subsidiary Bodies (Article 26): On Wednesday, upon an EC recommendation, the US, supported by Norway and New Zealand, proposed language simplifying and



merging two articles of the working document on committees and subsidiary bodies and their functions, and proposed deletion of specific committee names. Switzerland proposed that the merged article keep a sub-paragraph establishing the Committee on Finance and Administration and add “other committees as Council shall deem appropriate.” He also suggested that the merged text should incorporate paragraphs allowing Council to dissolve committees and to determine the function and scope of their work and making committee participation open to all members. Malaysia, Papua New Guinea, Democratic Republic of Congo, and Côte d’Ivoire opposed deletion of technical committee names. The EC and Belgium noted that Council should establish or dissolve committees “by special vote.”

On Thursday, WGII Chair Ito suggested that delegates try to merge text from the US proposal, the 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 specify 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 some redundant text, including two paragraphs on the scope and responsibilities of committees.

Switzerland pointed out that paragraphs allowing Council to dissolve committees and subsidiary bodies and to determine their functions and scope of work were still under consideration. Upon a request from Canada, the UNCTAD legal advisor stated that reference to “acts” in Article 48 on supplementary and transitional provisions includes decisions taken by Council and may thus affect the necessity of specifying the names of existing committees.

Functions of Committees (Article 27): The text of this article was merged into Article 26 on Committees and Subsidiary Bodies.

CHAPTER VIII. RELATIONSHIP WITH THE COMMON FUND FOR COMMODITIES

Relationship with the Common Fund for Commodities (Article 28): The text of this article was merged into Article 15 on Cooperation and Coordination with Other Organizations.

CHAPTER IX. STATISTICS, STUDIES AND INFORMATION

Statistics, Studies and Information (Article 29): On Tuesday, delegates agreed to “authorize” the Executive Director to establish and maintain relationships with intergovernmental, governmental, and non-governmental organizations to help ensure acquisition of information on the production and trade of tropical timber, including trends and data discrepancies. Brazil, for the Producer Group, supported by Malaysia, Venezuela and Mexico, opposed making a linkage between timeliness of submission of statistical information and risk of penalties for late submission and said the text should instead encourage cooperation on submission of statistics. The US, supported by the Republic of Congo, the US, New Zealand and Papua New Guinea, favored inclusion of language on time-

bound submissions of statistics and maintaining the linkage between timeliness of submissions and risk of penalties for late submission. He indicated that the submission of timely information is a shared responsibility and would help ensure market transparency. Papua New Guinea called for language on assistance 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.

On Wednesday, text from a small drafting group on timeliness of data submission was introduced by Chair Ito. Côte d’Ivoire, supported by Ghana and Papua New Guinea, said that the requirement of data submission in a “reasonable time” is vague. Chair Ito said it would be deleted. Ghana and Papua New Guinea suggested that submission deadlines should be specified by the Executive Director rather than Council, and delegates agreed to insert this. Brazil, for the Producer Group, and supported by the US, Indonesia and Papua New Guinea, proposed new language for Council to support capacity-building activities for reporting statistics, and delegates agreed to the language.

Brazil, for the Producer Group, and supported by Malaysia, Bolivia, China, Côte d’Ivoire, Peru and Papua New Guinea, called for deletion of a paragraph in the drafting group’s proposal on measures that could be taken by Council in case of non-submission of statistics and information by members, arguing that it goes against the cooperative spirit of the article and the Agreement. New Zealand requested suggestions on how to improve the paragraph. China opined that the proposed sanctions mirrored provisions on sanctions for non-payment of assessed contributions and were therefore excessive. Papua New Guinea noted the paragraph was prescribing specific actions for Council.

On Thursday, 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, for the Producer Group, favored an alternative formulation of the paragraph that states that Council “shall take appropriate measures as deemed necessary,” as long as language on “including suspension of voting rights” was deleted. The alternative paragraphs on sanctions were bracketed.

Annual Report and Review (Article 30): On Thursday, 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, for the Producer Group, 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.” The sub-paragraph is bracketed pending further discussion.



CHAPTER X. MISCELLANEOUS LEGAL PROVISIONS

General Obligations (Article 31): The article was renumbered, but was otherwise unchanged from the First Part of the Conference, as reflected in the working document TD/TIMBER.3/L.3.

Relief from Obligations (Article 32): The article was renumbered, but was otherwise unchanged from the First Part of the Conference, as reflected in the working document TD/TIMBER.3/L.3.

Complaints and Disputes (Article 33): On Thursday, 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, which remained bracketed. Canada specified that complaints to Council should be taken from members only.

Peru cautioned against turning Council into a legal dispute resolution body. Upon request by Switzerland, an UNCTAD legal advisor indicated that text states that a decision by Council on disputes is “final and binding” and means that it cannot be appealed to any other body. After a discussion on whether Council should issue a recommendation or a decision, the Netherlands, supported by Peru, stated that it should be a final and binding decision. Chair Ito noted an amendment that Council would decide on complaints and disputes “by consensus” rather than “by special vote.” Delegates agreed to this and to letting “a member” bring a complaint to Council. The Netherlands cautioned that letting only members bring complaints prevents the Executive Director and others from raising issues. The article was provisionally agreed.

Differential and Remedial Measures and Special Measures (Article 34): On Thursday, the US proposed deleting the 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.

Review (Article 35): On Friday, the EC, supported by Switzerland and Malaysia, supported inclusion of this article, arguing that it is important for Council to review scope on an interim basis to evaluate the effectiveness of the agreement, especially if it is of long duration. Malaysia further argued that the article was a compromise between those who wanted the agreement restricted to tropical timber and those who wanted it extended to all timber trade. Brazil, supported by Ghana and Cameroon, argued for its deletion as it elevates the mandate of Council to renegotiation of the Agreement, which should be a prerogative of states. Cameroon asked for legal advice on this. The article remained bracketed.

Non-Discrimination (Article 36): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

CHAPTER XI. FINAL PROVISIONS

Depository (Article 37): The article was mentioned by the UNCTAD legal advisor but was otherwise unchanged from the First Part of the Conference, as reflected in working document TD/TIMBER.3/L.3.

Signature, Ratification, Acceptance and Approval

(Article 38): The reference to European Community signature, ratification and approval on behalf of member states was added, but the article was otherwise unchanged from the First Part of the Conference, as reflected in working document TD/TIMBER.3/L.3.

Accession (Article 39): The article was unchanged from the First Part of the Conference, as reflected in working document TD/TIMBER.3/L.3.

Notification of Provisional Application (Article 40): Japan proposed adding “in accordance with its laws and regulations” to the article on notification of provisional application. The article remains bracketed.

Entry into Force (Article 41): On Thursday, the UNCTAD legal advisor 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. The UNCTAD legal advisor said the UN Treaty Section preferred to have balance in number of states, not votes. The article remained bracketed.

Amendments (Article 42): On Thursday, the requirement of a 75% minimum vote for adoption of amendments was left bracketed, pending decisions on vote allocations.

Withdrawal (Article 43): On Thursday, delegates agreed to the article on withdrawal with minor amendments.

Exclusion (Article 44): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

Settlement of Accounts (Article 45): This article remains unchanged from the First Part of the Conference, as contained in working document TD/TIMBER.3/L.3.

Duration, Extension and Termination (Article 46): On Friday, the requirement for a “special vote” to extend the agreement was deleted. The US proposed to delete Article 35 (Review) as a stand-alone article on reviewing the agreement in favor of retaining Article 46, and have an initial duration period of eight years with review and possible extension. The proposed provisions remain bracketed.

Reservations (Article 47): The article was unchanged from the First Part of the Conference, as reflected in working document TD/TIMBER.3/L.3.

Supplementary and Transitional Provisions (Article 48): On Friday, Japan proposed to add ITTA, 1983 to the reference to ITTA, 1994 in the article on supplementary and transactional provisions. The UNCTAD legal officer advised that including mention of the ITTA, 1983 in this article would not adversely affect the new Agreement. This was provisionally accepted.

CLOSING PLENARY

On Friday afternoon, delegates met in a closing plenary session to hear closing statements, and the report of the Credentials Committee and to approve a resolution containing dates for the Third Part of the Conference.

REPORT OF THE CREDENTIALS COMMITTEE: Indonesia presented the report (TD/TIMBER.3/6) of the Credentials Committee that met on Wednesday, and delegates adopted the report without amendments.



PREPARATION FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994: UN Conference President Paranhos highlighted finance and vote distribution as some of the outstanding issues that will be addressed in the forthcoming session. He underscored delegates' agreement that the Organization should continue to exist and have a sound financial base. He noted that UNCTAD issued a draft document from the Second Part of the Conference, and delegates adopted the draft working document, which will be used as the basis for the Third Part of the Conference.

RESOLUTION: The ITTO Secretariat presented a draft resolution on dates for a Third Part of the Conference, which requests the UNCTAD Secretariat-General to make arrangements to reconvene the Conference from 27 June to 1 July 2005. She noted the resolution also invites the Conference President to initiate steps necessary to facilitate a successful Conference. Delegates adopted the resolution without amendment.

CLOSING STATEMENTS: Finland, on behalf of the Consumer Group, expressed disappointment for not achieving the goal of the Second Part of the Conference, but noted that progress had been made. She underscored that the Consumer Group is dedicated to successful conclusion of the negotiations for a successor agreement, and reaffirmed support for ITTO activities, projects and programmes.

Brazil, on behalf of the Producer Group, noted that a positive result had been reached in that delegates were able to identify issues of common ground. He highlighted the importance of delegates having precise guidelines for the next session, and expressed the hope that a successor agreement suits the interests of all members.

Indonesia, on behalf of the Asia-Pacific region producer members, reiterated that ITTA must remain a commodity agreement. On implementing SFM, he noted that the high cost relating to certification must be addressed through international cooperation. He underscored that some producer members are burdened with meeting their obligations to the Organization, and stressed that the introduction of new obligations should follow assurance of availability of financial resources from the Special Account and BPF.

Cameroon, on behalf of the African Group, noted progress made on objectives and administrative and financial reforms discussed during the week. He emphasized the need for more funding for the Special Account and BPF, and stressed that the Administrative Account should be funded using an 80:20 ratio of Consumers to Producers, respectively.

Conference President Paranhos noted the limited role a Conference President can play in pushing forward the work of a negotiation, if delegates do not show a sense of urgency on the issues. He hoped that by the Third Part of the Conference, all delegations would come fully prepared to negotiate and not reopen text. He adjourned the session at 6:10 pm.

A BRIEF ANALYSIS OF THE NEGOTIATIONS

The Second Part of the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 has come and gone and a successor agreement has yet to be adopted. Although the President of the Conference repeatedly called for the successor agreement to be completed by the end of the week, delegates

appeared to be in no hurry to reach agreement. While there were areas where delegates were willing to compromise, there were just as many areas where negotiations were unable to progress, despite a large number of new proposals placed on the table. This analysis will examine both the positive outcomes of this negotiating session as well as the key areas where common ground has yet to be found before delegates can complete negotiations and adopt the successor agreement.

A FEW STEPS FORWARD...

In order to achieve a successful agreement, it is preferable for members to share a common vision and, consequently, a common set of objectives. Throughout the week, delegates struggled to agree on common language in the Preamble and Objectives as they debated whether to maintain or broaden the scope of the agreement. Delegates in favor of broadening the scope continued to push for the Organization to be renamed to the "International Tropical Forest Organization," and some pushed for the successor agreement to include coniferous tropical wood, non-timber forest products, and ecological services (ES). Some observers welcomed increasing interlinkages between international trade and environment agreements if socio-environmental concerns were appropriately addressed; others, however, opposed the broadening of the ITTA, particularly to include ES, arguing it could lead to more overlap and possible contradictions between other multilateral agreements and that markets for ecological services are unlikely to contribute to poverty alleviation.

By week's end, delegates agreed on including two overarching objectives in the successor agreement, but could not agree to the exact substance of these objectives. Delegates also agreed to include several tools to achieve the objectives including: encouraging tropical timber reforestation, rehabilitation and restoration 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. The inclusion of these tools for policy implementation and new policy elements in the scope of the successor agreement will have implications on the Organization's biennial budget. However, there was a growing consensus on the necessity to ensure that the Organization's key policy work is secured by assessed contributions.

Another area of agreement was to delete the proposal to establish an Executive Board, which would undertake Council's interim work if it were to meet on a yearly basis. At the start of the week, several consumer members continued to push for Council to convene once a year, arguing this would save valuable financial resources that could otherwise be allocated to project funding or other activities. One consumer member commented that the tendency for longer business cycles is a characteristic of mature international organizations. On the other hand, several producer members perceived the attempt to reduce the number of Council sessions held during the year as setting a precedent toward reduced opportunity for project discussion and eventually for project funding. Ultimately, delegates agreed to delete the Executive Board proposal, which signaled the willingness of producer and several consumer members to maintain multilateral and transparent discussions, despite the costs associated with holding biannual Council sessions.



...AND A FEW STUMBLES

The issues of assessed contributions and distribution of votes proved to be a source of contention with the tabling of a number of new proposals throughout the week. While the new proposals generated much discussion, agreement still proved elusive. Producer and consumer members need to decide whether or not they want to change current system of voting and assessment allocation, in which members' assessed contributions are based on the number of votes they hold.

One new proposal tabled by the United States to change the ratio of the distribution of votes and, correspondingly, assessed contributions from 50:50 to 60:40 for the Consumer and Producer Groups took many delegates by surprise. In fact, it challenged the basis of many commodity agreements' equal voting distribution between members. This proposal was ultimately counterbalanced with a proposal put forth by the Producer Group, which called for an 80:20 ratio for assessed contributions while maintaining the 50:50 distribution of votes. Delegates have yet to reach an agreement on the exact ratios of distribution of votes and assessed contributions, although several producers and even consumer members nevertheless stressed the importance of maintaining the current voting balance between consumer and producers as a matter of principle.

The issue of voluntary funding is also unresolved, and for some producers, voluntary project funding is a key reason for engagement in ITTO's work. Some producers argued that an 80:20 ratio of assessed funding would be a more equitable solution to the ITTO's financial problems and would assist them in obtaining project work that suits each country's needs. However, the producer proposal to increase voluntary contributions to correspond to 20 times the level of Administrative Account funding was perceived by many consumer members as unrealistic.

Another issue where compromise proved elusive was on the obligation of members to submit timber statistics and information. The Producer Group called for deletion of a paragraph on measures that could be taken by Council in case of non-submission of statistics and information by members, arguing that it goes against the cooperative spirit of the article and the Agreement. They argued that curtailing the voting and project submission rights of members who fail to submit such data to the Organization was excessive, if appropriate capacity building for data submission is not provided. One consumer member said the penalty of data non-submission was not overly demanding in comparison to other international organizations that also require data submittal from their members.

THE ROAD AHEAD

The necessary tradeoffs and compromises will not be forthcoming until delegates to the negotiations determine that the issues are ripe for resolution. There must be both opportunities to find compromise in the months ahead, as well as a growing sense of urgency that negotiating time is running out. Historically, ITTA negotiations have not been characterized by this sense of urgency. Although the ITTA, 1994 is not due to expire until 31 December 2006, delegates will have to make sure there is continuity in project funding after 2006 and provisions in place to extend the ITTO's headquarters agreement in Yokohama before the Agreement expires. If negotiators want the ITTO's

policy, project and programme work to continue, they will soon have to seize the opportunity to balance new funding mechanisms for ITTO project and policy work with mechanisms that emphasize members' responsibility to implement the objectives of the new Agreement. Whether or not this will happen at the Third Part of the Conference remains to be seen.

UPCOMING MEETINGS

INFORMAL CONSULTATIONS IN PREPARATION

FOR UNFF-5: This informal meeting will take place on 28 February 2005, in New York. It will seek to advance understanding among member States and maintain the momentum generated by the outcome of the United Nations Forum on Forests *Ad Hoc* Expert Group on Consideration with a View to Recommending the Parameters of a Mandate for Developing a Legal Framework on All Types of Forests and the country-led initiative held in Zapopan-Guadalajara in January 2005. For more information, contact: Elisabeth Barsk-Rundquist, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-917-367-3186; e-mail: barsk-rundquist@un.org; internet: <http://www.un.org/esa/forests>

GLOBAL FORUM ON THE REVIEW OF WOMEN'S PROGRESS ON FORESTRY MANAGEMENT SINCE

BEIJING 1995: TOWARDS A COMMON AGENDA: This forum, which will be held from 28 February to 4 March 2005, in Kampala, Uganda, will examine the advances made and challenges met by women in implementing sustainable forest management. For more information, contact: Ruth Mubiru, Uganda Women's Tree Planting Movement; tel: +256-41-235-602; fax: +256-41-345-597; e-mail: ruthmubiru@yahoo.com; internet: <http://www.un.org/esa/forests/gov-unff.html>

17TH COMMONWEALTH FORESTRY CONFERENCE:

Held under the theme "Forestry's Contribution to Poverty Reduction," this meeting will convene from 28 February to 5 March 2005, in Colombo, Sri Lanka. For more information, contact: Commonwealth Forestry Association; tel: +44-18-6582-0935; fax: +44-87-0011-6645; e-mail: cfa@cfa-international.org; internet: <http://www.cfa-international.org/CFC%202005.html>

FOREST LEADERSHIP CONFERENCE:

This conference will be held from 1-3 March 2005, in Toronto, Canada. Convening under the theme "Partnerships towards Sustainability," the meeting will address the development of multistakeholder partnerships in the area of forest sustainability. For more information, contact: Carole Zabal; tel: +1-514-274-4344; fax: +1-514-277-6663; e-mail: info@ForestLeadership.com; internet: <http://www.ForestLeadership.com>

PRACTICAL SOLUTIONS TO COMBAT ILLEGAL LOGGING: INTERNATIONAL DIALOGUE ON BEST PRACTICE FOR BUSINESS AND CIVIL SOCIETY: This organization-led initiative in support of UNFF-5 will be held from 8-10 March 2005, in Hong Kong, China. It is organized by the Forest Dialogue of Yale University in collaboration with other organizations. For more information, contact: Gary Dunning, The Forests Dialogue Secretariat; tel: +1-203-432-5966; fax: +1-203-432-3809; e-mail: info@theforestdialogue.org; internet: <http://research.yale.edu/gisf/tfd/logging.html>



SEVENTEENTH SESSION OF THE FAO COMMITTEE ON FORESTRY (COFO): The 17th biennial session of COFO will convene at FAO headquarters in Rome, Italy, from 15-19 March 2005. COFO-17 will bring together heads of forest services and other senior government officials to identify emerging policy and technical issues, and advise FAO and others on appropriate action. For more information, contact: Douglas Kneeland, FAO Forestry Department; tel: +39-06-5705-3925; fax: +39-06-5705-5137; e-mail: douglas.kneeland@fao.org; internet: <http://www.fao.org/forestry/site/cofo/en>

INTERNATIONAL EXPERT MEETING ON INNOVATIVE FINANCIAL MECHANISMS: SEARCHING FOR VIABLE ALTERNATIVES TO SECURE A BASIS FOR THE FINANCIAL SUSTAINABILITY OF FORESTS: This country-led initiative in support of UNFF-5 will convene from 29 March to 1 April 2005, in San Jose, Costa Rica. Meeting outcomes are expected to include: an exchange of successful experiences on financial and economic instruments and mechanisms to enhance SFM; the identification of mechanisms to further enhance and promote North-South and South-South cooperation; and the identification and consolidation of partnerships among interested parties to promote the use of innovative financial and economic instruments. For more information, contact Ricardo Ulate, UNFF Focal Point, Ministry of Environment and Energy, Government of Costa Rica; tel: +506-257-8475; fax: +506-258-1614; e-mail: rulate@fonafifo.com; internet: <http://www.un.org/esa/forests/gov-unff.html>

GLOBAL INITIATIVE ON FOREST LANDSCAPE RESTORATION: This workshop will be held from 4-8 April 2005, in Petrópolis, Brazil. Organized by the Global Partnership on Forest Landscape Restoration, this event is a country- and organization-led initiative in support of the UNFF. The workshop seeks to contribute to implementation of the work programmes of other international and regional policy processes, including the conventions on biodiversity, climate change and desertification, the ITTO and the World Summit on Sustainable Development. For more information, contact: Carole Saint-Laurent, Coordinator, Global Partnership on Forest Landscape Restoration, IUCN; tel: +1-416-763-3437; fax: +1-416-763-3437; e-mail: CarSaintL@bellnet.ca; internet: <http://www.unep-wcmc.org/forest/restoration/globalpartnership/>

2005 PLUM CREEK SYMPOSIUM ON KYOTO, FORESTS, AND LIVING TREE MARKETS: SCIENCE AND LAND USE POLICY IN CARBON SEQUESTRATION: This symposium will be held from 13-14 April 2005, in Missoula, Montana, US. The University of Montana's College of Forestry and Conservation will host this meeting on the latest scientific findings regarding the role of forests and land use decisions in sequestering carbon, and the linkages between carbon forestry initiatives and environmental and social co-benefits. For more information, contact: University of Montana's College of Forestry and Conservation; tel: +1-406-243-5521; fax: +1-406-243-4845; e-mail: carbonconference@forestry.umt.edu; internet: <http://www.forestry.umt.edu/kiosk/Conference/Carbon/default.htm>

ITTO WORKSHOP ON PHASED APPROACHES TO CERTIFICATION: This ITTO workshop, scheduled to take place from 19-21 April 2005, in Bern, Switzerland, will seek to promote the use of phased approaches to certification in tropical timber exporting developing countries. For more information, contact: Manoel Sobral Filho, ITTO Executive Director; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.or.jp>

COMMITTEE FOR THE REVIEW OF THE IMPLEMENTATION OF THE CONVENTION TO COMBAT DESERTIFICATION: The third session of the Committee for the Review of the Implementation of the Convention to Combat Desertification will be held from 2-11 May 2005, in Bonn, Germany. For more information, contact: UNCCD Secretariat; tel: +49-228-815-2802; fax: +49-228-815-2898; e-mail: secretariat@unccd.int; internet: <http://www.unccd.int/cop/cric3/menu.php>

SEVENTH INTERNATIONAL SYMPOSIUM ON LEGAL ASPECTS OF EUROPEAN FOREST SUSTAINABLE DEVELOPMENT: This symposium, organized by International Union of Forest Research Organizations (IUFRO), will be held on 11-15 May 2005, in Mt. Zlatibor, Serbia. For more information, contact: Peter Herbst; tel: +43-42-425-2471; fax: +43-42-426-4048; e-mail: hp@net4you.co.at; internet: <http://iufro-down.boku.ac.at/iufro.net/d6/wu61300/zlatibor2005-1st-announcement.doc>

UNFF-5: The fifth session of United Nations Forum on Forests will be held from 16-27 May 2005, at UN headquarters in New York. This meeting represents the conclusion of UNFF's five-year mandate. For more information, contact: Elisabeth Barsk-Rundquist, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-917-367-3186; e-mail: barsk-rundquist@un.org; internet: <http://www.un.org/esa/forests>

ITTC-38: The 38th session of the ITTC and Associated sessions of the Committees will convene from 21-24 June 2005, in Brazzaville, Republic of Congo. For more information, contact: Manoel Sobral Filho, ITTO Executive Director; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.or.jp>

UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994, THIRD PART: Delegates will continue negotiations leading to a successor agreement to the ITTA, 1994 from 27 June to 1 July 2005. The venue will be announced shortly on the UNCTAD website. For more information, contact: UNCTAD Secretariat; tel: +41-22-917-5809; fax: +41-22-917-0056; e-mail: correspondence@unctad.org; internet: <http://www.unctad.org>