



ITTA, 1994 RENEGOTIATION HIGHLIGHTS: WEDNESDAY, 29 JUNE 2005

Negotiations reached a critical point on the third day of the UN Conference on the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994), Third Part. In the morning, delegates convened in a joint working group to discuss voting procedures, with particular attention to the issue of the special vote, and finance. Delegates met in two working groups during the afternoon sessions to address Chapter II (Definitions) and Chapter IV (International Tropical Timber Council) in Working Group I (WGI), and to clean Chapter IX (Statistics, Studies and Information), Chapter X (Miscellaneous), and Chapter XI (Final Provisions) in Working Group II (WGII). With a variety of financial proposals to consider, delegates worked late in a "Friends of the Chair" meeting to identify how to move forward in the remainder of the session.

JOINT WORKING GROUP

WGII Chair Jürgen Blaser (Switzerland) opened the joint working group session, saying delegates should focus first on the issue of the special vote, and second on Chapter VI (Finance).

On the special vote, WGI Chair Alhassan Attah (Ghana) invited delegates to discuss whether such a vote is needed and, if so, determine the threshold that would trigger a special vote in each group. The US, supported by JAPAN, the EC and NEW ZEALAND, suggested adding language in an article on decisions and recommendations of the Council to list all articles that refer to the special vote. BRAZIL expressed concern regarding the confusing proliferation of articles requiring a special vote rather than reinforcement of the "golden rule" of consensus.

JAPAN highlighted the options to be discussed, saying that Council should endeavor to take decisions and make recommendations by consensus. He noted that if consensus is not reached, there could be two alternatives, namely a simple distributed majority and "special" vote. Supported by GHANA, he suggested delegates discuss which provisions in the Agreement would require a special vote. The EC said the special vote should be kept, but that delegates should first decide on principles and then assess all the articles under the Agreement that refer to the special vote. The US and NEW ZEALAND cautioned against having differentiated criteria for the special vote for producer and consumer members. MALAYSIA, supported by GABON, CONGO and INDIA, underscored the need to structure the discussion on the special vote, by: defining the concept; deciding on thresholds for each member group; and deciding which articles should incorporate provisions for the special vote.

On the definition of "special vote," Chair Attah asked for reactions regarding a proposed two-tiered system of consensus and one type of vote. AUSTRALIA, LIBERIA, NEW

ZEALAND, MEXICO, NIGERIA, HONDURAS, CANADA, and the REPUBLIC OF KOREA expressed support for this system. The REPUBLIC OF KOREA argued that "special" should be deleted before "vote." MALAYSIA and the EC preferred the current three-tiered system. WGI Chair Attah halted discussion pending informal consultations on this issue.

NORWAY introduced a Consumer Group Working Paper based on its earlier proposal on finance. She said its broad philosophy is to bring increased resources for ITTO projects and programmes. She noted that the Consumer Group Working Paper keeps the Bali Partnership Fund and the earmarked part of the Special Account intact, and stressed that it would help expedite project work and funding.

She said the Consumer Group Working Paper also introduces a sub-account in which money is allocated to broad thematic areas, and authorizes the Executive Director to take decisions on projects and report back to Council. Calling the Working Paper a streamlined approach to financing that attempts to take into account producer member concerns, she explained how it reflects a programmatic approach to development assistance similar to that of other organizations.

BRAZIL, on behalf of the Producer Group, noted the usefulness of the Consumer Group Working Paper, but shifted attention to the Producer's proposal, which would fund the Special Account at 20 times the amount of the Administrative Account. Addressing specific elements of the Consumer Group Working Paper, he suggested that consultations on earmarked contributions to the "project sub-account" take place with Council and, supported by GHANA, that reports to Council should be taken at "each" Council session.

The REPUBLIC OF KOREA and NORWAY said that they could not accept a requirement that funding for the Special Account be based on voluntary contributions at 20 times the level of the Administrative Account.

NIGERIA and PAPUA NEW GUINEA noted the absence in the Consumer Group Working Paper of producer members' proposed language requiring that the resources of the Special Account be at least 20 times the annual Administrative Account levels, and asked for more specific definition of the flexibility given to the Executive Director. MALAYSIA supported increased flexibility for the Executive Director and requested more time for producer members to consult on this issue. NORWAY clarified that Consumer Group Working Paper offers greater flexibility so implementation could be expedited, rather than be delayed waiting for Council's approval.

On Chair Blaser's proposal to replace the original article on the Special Account by the proposals of the Consumer Group and of producer members, SWITZERLAND insisted that the Consumer Group Working Paper must make reference to both policy work and project activities of the Organization. Drawing attention to the proposal for splitting assessments for the Administrative Account 80/20 between consumer and producer



members, respectively, BRAZIL, on behalf of the Producer Group, expressed willingness to discuss mandatory and voluntary assessments provided that key policy work is funded. The EC urged producer members to integrate the EC's proposal on vote calculations and related Administrative Account assessments into their proposal.

WORKING GROUP I

WGI Chair Attah continued paragraph-by-paragraph deliberations on outstanding articles regarding special sessions of the Council, distribution of votes, admission of observers, and definitions.

SESSIONS OF THE COUNCIL: On requesting special sessions, SWITZERLAND requested time for further consultations in the caucuses.

On the possibility of Council convening alternate sessions outside the Organization headquarters, JAPAN cautioned that it would be difficult for his country to financially support such meetings due to domestic concerns about transparency and accountability.

DISTRIBUTION OF VOTES: The US, opposed by CÔTE D'IVOIRE, underscored that negotiations are moving towards an equal balance, but suggested keeping brackets around "1,000" votes each for producer and consumer members until agreement is reached on the Administrative Account.

On the votes of producer members, COLOMBIA favored distribution in accordance with respective shares of total "tropical forest resources" rather than "tropical forests." INDIA said the producer caucus needed time for further discussing producer votes.

On allocation of votes to African producer members, CÔTE D'IVOIRE said more consultation with regional members is needed.

EXECUTIVE DIRECTOR AND STAFF: The US proposed, and delegates agreed on, deleting reference that Council shall decide the number of staff the Executive Director may appoint.

ADMISSION OF OBSERVERS: NORWAY, opposed by CHINA, advocated that Council may invite any organization to attend its meetings as observers. Noting that only Council members have the right of veto, CÔTE D'IVOIRE questioned restricting attendance of observers. CHINA, supported by NEW ZEALAND and the EC, suggested, and delegates agreed on, establishing a contact group to refine wording on "with no objection from its members."

DEFINITIONS: On "tropical timber," JAPAN, NEW ZEALAND and PAPUA NEW GUINEA said this term should include both coniferous and non-coniferous wood. CAMEROON, supported by the US and INDONESIA, said the ITTA, 1994 definition should be used if contention continues on the new definition. SURINAME cautioned that tropical timber for industrial use would exclude handicrafts. The EC and the US proposed, and delegates agreed, to remove specification of "non-coniferous" in the ITTA, 1994 definition.

INDIA, MALAYSIA, NEW ZEALAND and PAPUA NEW GUINEA said there was no need for defining "further processing," and delegates agreed to delete it.

On "sustainable forest management" (SFM), the US and INDIA said definitions should concentrate on crucial terms for operationalizing the Agreement, and suggested Council should decide on the meaning of SFM.

VENEZUELA and PAPUA NEW GUINEA stressed the importance of retaining the concept of SFM in the Agreement. Chair Attah postponed the discussion.

On "non-timber forest products," the EC suggested, and delegates agreed on, deleting the entire definition because it was redundant.

On "member," the EC agreed to delete reference to "regional economic integration" organizations.

On "consumer member," the EC proposed, and delegates agreed to, refer to "member" rather than "country."

WORKING GROUP II

WGII Chair Blaser continued moving paragraph-by-paragraph through the text on: statistics, studies and information; annual report and review; differential and remedial measures and special measures; review; non-discrimination; and entry into force.

STATISTICS, STUDIES AND INFORMATION: WGII Chair Blaser returned to a request by Brazil to keep the brackets around paragraphs regarding the possibility of penalties for failure to provide required information. BRAZIL, with INDIA and MALAYSIA, requested more time for producer members' consultations.

ANNUAL REPORT AND REVIEW: Discussion centered around the term "illegal harvesting and related trade." BRAZIL clarified that market-distorting factors such as transfer pricing, under-grading, incorrect declaration and inaccurate sizing were not adequately included. WGII Chair Blaser recommended using "illegal harvesting and illegal trade." The group agreed with this and with an EC request that the text refer only to timber and non-timber "forest" products.

DIFFERENTIAL AND REMEDIAL MEASURES AND SPECIAL MEASURES: CHINA announced a proposed compromise to delete developing "importing" members, as a special category of members eligible for differential and remedial measures. The US noted that "developing member" is not defined in the ITTA, 1994. After discussion over definitions and suggestions by the US and the NETHERLANDS, the group agreed on the term "consumer members that are developing countries," following ITTA and UNCTAD definitions. A second paragraph defining least developed countries was also agreed.

REVIEW: WGII Chair Blaser clarified an issue raised by CAMEROON that review of the new Agreement would focus on its implementation, and not the Agreement itself. JAPAN said that to solve the issue of when to carry out a review in the absence of agreement on the new Agreement's duration, he suggested a "mid-term" review. AUSTRALIA supported using the current term "review," the EC proposed "assess", and CONGO favored "evaluate." WGII Chair Blaser postponed further consideration until Thursday.

NON-DISCRIMINATION: The EC withdrew its request to delete mention of non-discrimination. JAPAN favored retaining the language, which is used in the WTO. VENEZUELA asked for more time to consult on the term "importing." WGII Chair Blaser agreed to postpone discussion on this until Thursday.

ENTRY INTO FORCE: JAPAN proposed a paragraph setting out a formula alluding to shares of trade for determining entry into force. The US preferred referring to thresholds relating to the numbers of producer and consumer members "as defined in Article 2." In response to a question from MALAYSIA, the UNCTAD legal advisor noted other commodity agreements whose entry into force is based on both numerical and trade percentage thresholds for ratifications. In response to the EC, she stated that according to the depositary, under the current Agreement's language, the EC is not authorized to ratify on behalf of its member states. NEW ZEALAND suggested omitting reference to the number of ratifying countries in the formula for entry into force, in order to circumvent the EC's problem. WGII Chair Blaser established a small group to find compromise text.

IN THE CORRIDORS

While heavy rain broke the heat wave in Geneva, the atmosphere inside the Palais des Nations cleared for more productive and amicable negotiations. The increased rate of agreement on contested language rose significantly during the afternoon working group session, one delegate attributing this to numerous caucus coordination meetings. While a number of delegates were cautious, noting that the compromises reached did not pertain to the most contentious issues, others were surprised by the number of articles agreed on during the final minutes of Wednesday's session. Delegates were also hopeful that discussions among the "friends of chair" would help resolve some of remaining controversial issues, including on the financial arrangement for the new Agreement.