



## SUMMARY OF THE UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 1994, THIRD PART: 27 JUNE – 1 JULY 2005

The third part of the United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994) convened at the Palais des Nations in Geneva, Switzerland, from 27 June to 1 July 2005. The Conference, which is held under the auspices of the United Nations Conference on Trade and Development (UNCTAD), focused on the thematic areas of scope and finance for the new Agreement. Over 180 governments, international organizations and an intergovernmental body negotiated outstanding text from the final working document from the second part of the UN Conference (TD/TIMBER.3/L.4). In spite of approving informally over 20 articles of the Agreement, the Vice-President of the Conference expressed concern about the small amount of flexibility shown by participants. To address major contentious issues, including finance, operational activities, statistics and information, and entry into force of the new Agreement, delegates agreed convene a fourth part of the UN Conference in Geneva, from 16-20 January 2006.

### A BRIEF HISTORY OF THE UN CONFERENCE AND ITTA

The International Tropical Timber Agreement (ITTA) was negotiated under UNCTAD's auspices 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 the 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. It remained in force for an initial period of five years and was extended twice for three-year

periods. The Agreement was renegotiated during 1993-1994. The successor agreement, 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 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 (BPF) to assist producing members in achieving the Year 2000 Objective. 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 established the International Tropical Timber Organization (ITTO), headquartered in Yokohama, Japan, which provides a framework for tropical timber producer and consumer countries to discuss, exchange information about and develop policies on issues relating to international trade in, and utilization of, tropical timber and the 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

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90 percent of world trade in tropical timber and 80 percent of the world's tropical forests. The highest authority of the ITTO is the International Tropical Timber Council (ITTC), which consists of all ITTO members and meets twice each year. The ITTC performs, or arranges for the performance of, all functions necessary to carry out the provisions of ITTA, 1994.

**WORKING GROUP ON THE PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994:** The Working Group met in Bern, Switzerland, from 7-11 April 2003. 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 Preparatory Committee (PrepCom). They also considered new and emerging issues relevant to the ITTC and ITTO's relationship with other international organizations.

**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 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.

**PREPCOM II:** Immediately following ITTC-35, delegates met in Yokohama, Japan, from 10-12 November 2003, 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 the elements therein, posing questions and presenting their views on the text. Delegates produced a final draft working document that would serve as the basis for discussion at the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994.

**UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994, FIRST PART:** The UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994, First Part (ITTA-1), met at the Palais des Nations in Geneva, 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 alongside the corresponding articles of the negotiating text of the successor agreement. 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) 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. 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.

**UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994, SECOND PART:** The UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994, Second Part (ITTA-2), convened at the Palais des Nations in Geneva, from 14-18 February 2005. During the week, delegates tabled numerous proposals to resolve issues from the first part of the UN Conference. However, they were unable to take decisions on text in the working document (TD/TIMBER.3/L.3). They were reach agreement on a number of cross-cutting proposals on the new Agreement's scope and financial arrangement.

### REPORT OF THE CONFERENCE

Amb. Carlos Antônio da Rocha Paranhos, President of the UN Conference, opened the third negotiating session on Monday, 27 June 2005, identifying unresolved issues such as the scope of the Agreement, the distribution of votes, and the shift of funding for policy work from voluntary to assessed accounts. President Paranhos urged the working groups to finalize their work in time for the legal drafting committee to ensure accuracy in all UN languages. He said the Bureau would take stock of cross-cutting issues, and introduced the working paper (TD/TIMBER.3/L.4) as the basis for this negotiating session.

Delegates adopted the agenda (TD/TIMBER.3/8) and rules of procedure (TD/TIMBER.3/2), and appointed Austria, Cameroon, Indonesia, Mexico and the US as members of the Credentials Committee. President Paranhos proposed, and delegates accepted, Jürgen Blaser (Switzerland) as Vice-President of the Conference, Vice-Chair of the Committee of the Whole (COW), and Chair of WGII, replacing Koichi Ito (Japan). Alhassan Attah (Ghana) continued as Chair of WGI.

Finland, on behalf of the Consumer Group, called for strong leadership to finalize the new Agreement quickly. Brazil, on behalf of the Producer Group, noted that new producer member proposals on finance were based on the assumption that the new Agreement should be a commodity agreement and contain a clear financial structure.

### NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE ITTA, 1994

During the third part of the UN Conference (ITTA-3), delegates met in two working groups to discuss thematic issues of scope and finance, based on the final working document from ITTA-2 (TD/TIMBER.3/L.4). WGI addressed the Preamble,



Chapter I (Objectives), Chapter II (Definitions), Chapter III (Organization and Administration), and Chapter IV (International Tropical Timber Council). WGII discussed Chapter V (Privileges and Immunities), Chapter VI (Finance), Chapter VII (Operational Activities), Chapter IX (Statistics, Studies and Information), Chapter X (Miscellaneous), and Chapter XI (Final Provisions). Delegates also met each day in joint working group sessions to discuss cross-cutting issues and progress made in the two working groups.

The following report summarizes the current status of the negotiations. Text that is not bracketed has been approved informally by delegates, and will be sent to a legal drafting committee. This summary is based on the last distributed text in WGI and WGII on Friday, 1 July 2005, and UNCTAD documents containing articles approved informally during the third part of the Conference (TD/TIMBER.3/L.5; TD/TIMBER.3/L.5/Add.1; TD/TIMBER.3/L.5/Add.2; and TD/TIMBER.3/L.5/Add.3).

**PREAMBLE:** On recognizing the importance of the multiple economic, environmental and social benefits provided by forests, Venezuela and Switzerland, opposed by the European Community (EC) and Colombia, suggested deleting reference to timber and timber products. India and Indonesia suggested, and the US opposed, deleting reference to non-timber forest products and ecological services (ES). India, on behalf of the Producer Group, agreed to include NTFPs and ES as examples of multiple benefits provided by forests as long as they are limited to the context of sustainable forest management (SFM) and are not included in the Objectives of the Agreement. Switzerland said that, since NTFPs and ES were already agreed in preambular text at ITTA-2, producers could not request omission of NTFPs and ES in the Objectives. Noting that SFM has not always led to poverty alleviation, Honduras supported the focus of the Producer Group's proposal on poverty alleviation. The US, supported by Switzerland, the EC and Norway, opposed the Producer Group's proposal, stressing it omits the important role SFM plays in sustainable development and poverty alleviation. Malaysia insisted the Producer Group's proposal does not only link the multiple benefits from forests to SFM but also extends them to the Millennium Development Goals.

On recognizing the benefits of market prices that reflect SFM costs and the need for increased SFM investment, Suriname said investment in SFM can only be sustained if revenues from forests can cover SFM costs. Switzerland, supported by the US, noted that increasing investment can also come from the private sector. Norway called for both local and foreign investment in SFM by all members. Mexico, supported by Japan and Venezuela, proposed, and delegates agreed not to specify whether the increased investment is foreign, domestic or provided by all the members. The EC, supported by Mexico and Indonesia, stressed the importance of reinvesting revenues in forests. The US noted that reinvesting forest-generated revenues is only one of the ways to increase SFM investment. In the end, delegates agreed to retain, in reverse order, the recognition of both the need for increased investment in SFM and the reinvestment of revenue generated from forests, including the timber-related trade.

Arguing that the concept of indigenous peoples is captured in Convention on Biological Diversity (CBD)-accepted language, "indigenous and local communities," the EC proposed deleting reference to indigenous "peoples." Noting that her government is not a member of all International Labor Organization (ILO) conventions, the US expressed reservations on recognizing the rights of indigenous peoples and workers. Norway suggested substituting "indigenous peoples" for "relevant" International Labor Organization conventions. Cameroon and India, on behalf of the Producer Group, underscored some members have not acceded to ILO conventions, while Mexico proposed deleting "Convention." The EC said "relevant" refers to working conditions in the forest sector and suggested "instruments" replace "conventions." Papua New Guinea said "rights of indigenous peoples" is not captured in Norway's proposal, and suggested adding language referring to improving living standards and working conditions. Malaysia said each member should address the issue regarding "rights of indigenous peoples" domestically. Fiji highlighted the importance of indigenous peoples' collaboration in carrying out SFM activities in his country. Delegates could not agree on final text for the Preamble.

#### CHAPTER I. OBJECTIVES

**Objectives (Article 1):** On promoting the expansion and diversification of international trade in tropical timber from sustainably managed and "legally harvested" forests, New Zealand, Norway, Switzerland and the US suggested removing brackets around "legally harvested," while Malaysia and Brazil favored keeping the brackets.

On legally harvested sources, Brazil, on behalf of the Producer Group, believed the provisions should achieve a balance between legal harvest and legal trade.

On improving the marketing and distribution of tropical timber exports from sustainably managed and legally harvested sources, Japan said that "forest products" encompasses "timber and non-timber products," and suggested mention of "tropical timber products."

Regarding the promotion of consumer awareness, Ecuador, India, Japan, Papua New Guinea and Venezuela suggested deletion of "encouraging information sharing on private voluntary market-based mechanisms." The EC, supported by Switzerland, but opposed by the US, suggested replacing "private" with "independent" voluntary market-based mechanisms. Norway suggested rewriting the phrase to promote consumer awareness and encourage information sharing on voluntary mechanisms to promote such trade. Offering a compromise between broadening the Agreement's scope and focusing on trade, the US, opposed by Gabon, proposed taking into account NTFPs and ES in the chapeau. Noting that ITTO has developed practices and funded projects related to ES, Switzerland, with Norway, insisted on maintaining explicit reference to ES in the Objectives. He cautioned that excluding ES from the scope of the Agreement will impact its financing. India said that the new Agreement cannot be converted into an environmental agreement. Malaysia, with Suriname, said the reference to NTFPs and ES in the Preamble is sufficient. Honduras highlighted the importance of ES in forests. Japan said the new Agreement should be a commodity agreement that takes into account emerging issues such as illegal logging. India



proposed, and the US, Japan and New Zealand opposed, deleting “taking into account the contribution of NTFPs and ES.” The EC underscored that ES and NTFPs contribute to SFM.

On developing national policies aimed at sustainable utilization and conservation of timber producing forests, Norway, Cameroon, Switzerland and Malaysia favored including genetic resources and maintaining ecological balance. Noting that genetic resources are already addressed in the CBD, Mexico, supported by Venezuela and Papua New Guinea, favored removing reference to genetic resources. Colombia said that qualifying SFM by mentioning “genetic resources” and “ecological balance” excludes socioeconomic and cultural issues, which are other important aspects of SFM. Japan favored maintaining reference to “genetic resources” and “forest law enforcement and governance.” India, on behalf of the Producer Group, suggested deleting “strengthening forest law enforcement and governance.” The US favored keeping the phrase. India, on behalf of the Producer Group, suggested an alternative phrase “strengthening the capacity of members to improve forest law enforcement and governance.” This article was left pending.

## CHAPTER II. DEFINITIONS

**Definitions (Article 2):** 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,” the US and India said definitions should concentrate on crucial terms for operationalizing the new Agreement, and suggested the Council should decide on the meaning of SFM. Venezuela and Papua New Guinea stressed the importance of retaining the concept of SFM in the new Agreement.

On “non-timber forest products,” the EC suggested deleting the entire definition because it was redundant. This was agreed.

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.”

On “producer member,” delegates agreed to retain reference to “tropical forest resources” and delete “tropical forests” throughout the text. Noting that a possible definition of “producer member” is any country situated between the Tropics of Cancer and Capricorn with tropical forest resources “and/or” a “net exporter of tropical timber,” the ITTO Secretariat explained the implications of deleting or keeping “and/or” and “net.” He said if delegates delete “net” and retain “and/or,” many consumer members will become producer members. He noted if delegates keep “or” and “net,” the current system will continue. He underscored that if delegates delete “or” and “net,” it will change the status of some producer members to consumer members. Suriname and Switzerland, opposed by Venezuela and India, favored deleting “or” and keeping “net.” Noting

that consumer members are a small group, the US called the obligation of contributing greater resources to the Administrative Account the only downside of producer members becoming consumer members. India, the Philippines and Indonesia said that definitions should not change the status of members, and suggested keeping “producer member” as stated in ITTA, 1994. Regarding defining an exporter of tropical timber in “volume” or “value” terms, Venezuela, Guatemala, Côte d’Ivoire and Panama favored “volume.”

On “developing consumer member,” delegates agreed to delete the definition.

On “Organization” and “Council,” Venezuela, Malaysia, Brazil, Mexico, the Philippines and Congo favored retaining the original names “ITTO” and “ITTC.” The US called upon delegates to change the names of the Organization and Council to reflect their evolving mandates, noting her government’s interest in funding forests, not timber.

On “simple distributed majority vote,” Malaysia favored a three-tiered system, while the US favored a two-tier system excluding a simple distributed majority vote.

On vote distribution calculations, WGI Chair Attah proposed, and delegates agreed, to remove brackets around “tropical forest resources.” Noting that plantations will become more important in the future, the EC, supported by Venezuela, proposed that “tropical forest resources” means “natural closed forests and forest plantations.” Switzerland and Mexico cautioned that forest plantations could include plantations intended for fuelwood. The ITTO Secretariat explained that including forest plantations in the definition of “tropical forest resources” would not affect the votes of the majority of members. Switzerland underscored that the definition must be simple and clear in order to allow the ITTO Secretariat to calculate distribution of votes. Regarding data availability on forests, the ITTO Secretariat said that statistics are only available for natural closed forest and forest plantations. He welcomed harmonization of vote calculations with trade data.

On “freely usable currencies,” WGI Chair Attah proposed, and delegates agreed, to replace freely “usable” with “convertible” currencies.

Delegates were unable to reach agreement on final definitions in the article, with the exception of “freely usable currencies” and “member” and the deletion of “non-timber forest products” and “developing consumer member.”

## CHAPTER III. ORGANIZATION AND ADMINISTRATION

**Headquarters and Structure of the International Tropical Timber [Forest] Organization (Article 3):** Japan, supported by Switzerland, Indonesia, Malaysia, India, Colombia, China, and Brazil, but opposed by the US, the Republic of Korea, Honduras, and New Zealand, favored retaining the current name of the Organization. The US favored one voting scheme, stating that voting should have a high threshold. Noting that Council could address the establishment of regional offices, Japan, supported by New Zealand, Switzerland, and the Republic of Korea, but opposed by Brazil, Côte d’Ivoire and Gabon, proposed to remove reference to regional offices. This article was left pending.

**Membership in the Organization (Article 4):** Text on the two categories of membership – producers and consumers – was agreed at ITTA-2 and not reopened for discussion.



**Membership by Regional Economic Integration**

**Organizations (Article 5):** The EC reserved the right to amend the text later to meet the EC's requirements regarding its future participation.

**CHAPTER IV. INTERNATIONAL TROPICAL TIMBER COUNCIL**

**Composition of the International Tropical Timber Council (Article 6):** In the joint working group session, delegates agreed to send the article to the legal drafting committee without amendment. This article states that the highest authority of the Organization is the Council and each member should be represented in the Council by one representative and may designate alternatives to attend the Council.

**Powers and Functions of the Council (Article 7):** In the joint working group session, delegates agreed to send the article to the legal drafting committee with bracketed reference to a special vote, as they have not reached agreement on the voting system. This article states that the Council should exercise all powers and perform all functions that are necessary to carry out the provisions of the Agreement.

**Chairman and Vice-Chairman of the Council (Article 8):** The article was sent to the legal drafting committee after delegates agreed to delete "by special vote of the Council" in a paragraph on re-election under exceptional circumstances. This article states that the Council should elect for each calendar year a Chairman and a Vice-Chairman among the representatives of producer and consumer members, and these offices should alternate each year between the two categories of members.

**Sessions of the Council (Article 9):** On the number of regular sessions the Council should have annually, Japan, the Republic of Korea, Switzerland, the EC, the US and New Zealand favored, as a general rule, one session, while Gabon and Colombia preferred two. On special sessions, Switzerland and the US said they should be held at the request of the Executive Director, in agreement with the Chairman and Vice-Chairman of the Council "and" a majority of producer members and a majority of consumer members. Suriname, Mexico and Venezuela favored changing "and" to "or." Noting that a majority of both producer and consumer members is required to hold a special session, Switzerland proposed requiring at least 750 instead of 500 votes to decide this.

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

In the end, delegates could not agree on whether special sessions should be held at the request of: the Executive Director; a majority of producer and consumer members; members holding at least 500 votes; or at the request of all three of them. The number of votes that members should have in order to allow a special session also remained undetermined.

**Distribution of Votes (Article 10):** China said that the consumer members should have 15 initial votes, and suggested linking discussion of this issue with that on financial accounts. Suggesting five initial votes, the EC said that increasing initial

votes would further concentrate votes in the hands of just a few members, which would have implications for the budget and for members' obligations.

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. Delegates did not reach consensus on the number of votes producer and consumer members should hold.

On the votes of producer members, Colombia favored vote distribution in accordance with respective shares of total "tropical forest resources" rather than "tropical forests." In the end, delegates did not reach agreement on whether producer members' votes should be distributed in accordance with their shares of tropical forests or according to their tropical forest resources.

On allocation of votes to African producer members, Côte d'Ivoire said more consultation with regional members is needed.

**Voting Procedures of the Council (Article 11):** Delegates adopted the article in the joint working group without amendment. This article states that each member should be entitled to cast the number of votes it holds, no member shall be entitled to divide its votes, and by written notification to the Chairman of the Council, any member may authorize any other member to represent its interests and cast its votes at any meeting of the Council.

**Decisions and Recommendations of the Council (Article 12):** The US, supported by Japan, the EC and New Zealand, suggested adding language to list all articles that refer to the special vote. Japan highlighted the options to be discussed, saying that the 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 a "special" vote. Supported by Ghana, he suggested delegates discuss which provisions in the new Agreement would require a special vote. In the end, delegates could not decide which type of vote should be used when consensus cannot be reached.

**Quorum for the Council (Article 13):** Delegates adopted the article in the joint working group without amendment. This article states that the quorum for any meeting of the Council shall be the presence of a majority of members of each category, provided that such members hold at least two-thirds of the total votes in their respective categories.

**Executive Director and Staff (Article 14):** The US proposed, and delegates agreed on, deleting text stating that Council shall decide the number of staff the Executive Director may appoint. The article was released to the legal drafting committee with "by special vote" bracketed, as delegates have not reached agreement on the voting system. This article states that: the Council should, [by special vote,] appoint the Executive Director; the Council should determine the terms and conditions of appointment of the Executive Director; and the Executive Director should be the chief administrative officer of the Organization and the Council for the administration and operation of the Agreement.



### Cooperation and Coordination with Other Organizations

**(Article 15):** Delegates adopted the article in the joint working group without amendment. This article states that the Council should make arrangements, as appropriate, for consultations and cooperation with the United Nations and its organs and specialized agencies, and other relevant international and regional organizations, institutions and instruments, as well as the private sector, non-governmental organizations and civil society; and the Organization should take advantage of the Common Fund for Commodities' facilities.

**Admission of Observers (Article 16):** Norway, opposed by China, advocated that the Council may invite any organization to attend its meetings as an observer. 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 to, establish a contact group to refine wording on "with no objection from its members." At the end of the week, the contact group had not resolved the issue and the article retained the bracketed text allowing members to object to the admission of observers to "open" Council meetings.

### CHAPTER V. PRIVILEGES AND IMMUNITIES

**Privileges and Immunities (Article 17):** The article on privileges and immunities was debated after Peru requested clarification on whether the phrase "within the limits of national legislation" might affect ITTO's tax exemption, if the Organization's headquarters were relocated to another country. The UNCTAD legal advisor said the phrase is consistent with other commodity agreements and aims to safeguard States' rights. Saying that the provision would only be relevant to the period before the new Agreement entrance into force, WGII Chair Jürgen Blaser noted that ITTO is well established in Yokohama.

The article was approved, and states that: the Organization should have legal responsibilities and the capacity to contract, acquire and dispose properties; the status and privileges and immunities of the Organization, its Executive Director and staff while in Japan should be continued to be governed by the Headquarters Agreement between Japan's Government and the Organization; and if the Headquarters is moved to another country it should conclude a Headquarters Agreement to be approved by the Council.

### CHAPTER VI: FINANCE

**Financial Accounts (Article 18):** On the proposed structure of financial accounts, the EC proposed an assessed "work programme sub-account" to be placed under the Administrative Account. This represented a compromise between the Producer Group's desire for a separate new assessed account for project funding and the US desire to retain only one assessed account.

On Friday, Conference Vice-President Blaser introduced in a joint working session a compromise text on articles related to the financial accounts, "Revised Proposal by the Vice-President of the Conference and Chairman of Working Group II to Replace Articles 18, 19, 19*bis*, 20 and 21" (TD/TIMBER.3/CRP.17). He proposed the structure of financial accounts, as a way to address producer and consumer groups' financial proposals, and discussion from informal Friends of the Chair's meetings. When asked whether the Vice-President's revised proposal on

this article could be consolidated into the working document, the EC agreed, provided the list of accounts established could include a proposal for a "policy work sub-account" under the Administrative Account. The US opposed referring to this sub-account in the text. As little time was available to discuss the Vice-President's proposal in detail, delegates agreed to return to this issue at the fourth part of the UN Conference (ITTA-4).

In closing discussions on finance, Brazil noted a lack of text from the Producer Group's previous proposals on finance, as discussed in Articles 19, 20 and 21 of TD/TIMBER.3/L.4, in the Vice-President's revised proposal. Supported by Honduras, he preferred keeping all existing proposals in the working document, including the Vice-President's revised proposal, rather than replacing existing proposed alternative articles with the Vice-President's revised proposal. The EC requested that comments made during the final discussion on the Vice-President's proposal be reflected in the working document for ITTA-4. Switzerland argued that the modifications to the text were not comprehensive because not everyone had been able to speak; it was therefore proposed that both versions of the Vice-President's revised proposal on finance be inserted into the working document resulting from ITTA-3, alongside members' existing proposals.

**Administrative Account (Article 19):** The EC presented its proposal on finance from ITTA-2 early in the week, explaining that it included an assessed "work programme sub-account," in which assessed contributions would be split 70/30 between consumer and producer members, respectively. He said this sub-account should not exceed 15% of the annual budget of the Administrative Account, and any unspent funds should roll over to the following year. He clarified that other existing accounts would remain intact.

Japan said countries contributing voluntary funds for projects should have their assessed contributions reduced correspondingly. The EC cautioned there is no precedent for this in other organizations.

On a new separate "key policy work account" for projects, Brazil offered to further define the activities such an account would cover. During discussion on the various proposals, the EC reiterated its wish to avoid a separate account. Opposed by Indonesia and Malaysia, the EC favored its own "work programme sub-account" under the Administrative Account. Responding to Indonesia's demand for clarification, the EC said their proposed work programme sub-account would cover activities that would bring potential benefits for all members, such as training. Malaysia stressed the importance of striking a balance among funds for: operations of the Secretariat; policy development and dialogue; and project implementation. China emphasized the interdependence among the structure of the Organization, the content of its actions, and finance.

The US insisted that key activities of the Organization should not be separated into a category of policy development. Outlining its own proposal to fund the Administrative Account, the US proposed that one half of this account would be funded 50/50 and the remaining half would be funded 70/30 between consumers and producers, respectively. He noted this would effectively result in a 60/40 split.



Malaysia said the EC proposal was clearer than that proposed by the US. The US pointed out that the EC proposal would involve a 53/47 split rather than the 60/40 split in the US proposal. Switzerland said that levels of funding could not be discussed without addressing modalities.

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. The discussion on this article was inconclusive.

**Special Account (Article 20):** Norway introduced a Consumer Group Working Paper based on its proposal on finance at ITTA-2. She said its broad philosophy was to bring increased resources for ITTO projects and programmes. While Norway's original proposal combined the BPF and the Special Account, she noted that the revised proposal keeps the BPF and keeps the earmarked part of the Special Account intact. She said the proposal 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 the Council. Calling the proposal 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. She stressed that the proposal would help expedite project work and funding.

Brazil, on behalf of the Producer Group, noted the usefulness of Consumer Group's proposal, but shifted attention to the Producer Group's own proposal for the Special Account, which would fund the Special Account at 20 times the amount of the Administrative Account. The Republic of Korea and Norway said they could not accept a requirement that funding for the Special Account be based on that level of voluntary contributions.

In discussion on the proposals, Nigeria and Papua New Guinea noted the absence in the Consumer Group paper of producer members' proposed language requiring that the resources of the Special Account be at least 20 times the annual Administrative Account levels. They also asked for more specific definition of the flexibility given to the Executive Director in the proposal regarding project approval and funding. Malaysia supported increased flexibility for the Executive Director and requested more time for producer members to consult on this issue. Norway clarified that the Consumer Group proposed greater flexibility so that implementation could be expedited, rather than be delayed waiting for the Council's approval.

WGII Chair Blaser suggested replacing the original article on the Special Account with the proposals of the Consumer Group and producer members. Switzerland insisted that the article must make reference to both policy work and project activities of the Organization.

**The Bali Partnership Fund (Article 21):** Early in the week, describing the Consumer Group proposal to streamline the BPF and the Special Account into one account for voluntary project funding, Norway called for separate earmarked and

unearmarked voluntary funding streams and for applying assessed contributions to operating costs. Supported by the US, she specified separate voluntary funding for programmatic and thematic elements. Brazil, however, favored retaining the BPF and, in light of strong producer member feelings on this issue, Norway conceded.

**Forms of payment (Article 22):** Delegates did not discuss this article at ITTA-3, since text had been approved at ITTA-2. The article says that financial contributions to accounts should be payable in freely convertible currencies and be exempt from foreign-exchange restrictions, and the Council may decide to accept other forms of contributions to the accounts other than the [Administrative Account].

**Audit and Publication of Accounts (Article 23):** The article remained unchanged from ITTA-1. The article states that the Council should appoint independent auditors for auditing the Organization's accounts.

## CHAPTER VII. OPERATIONAL ACTIVITIES

**Policy Work of the Organization (Article 24):** The EC supported, while the US opposed, Japan's proposed sub-paragraph on key policy work, which contributes to achieving the Agreement's Objectives. Japan linked these to the Organization's financial structure. Malaysia, with Indonesia, cautioned that such text would be burdensome to producer members unless linked to appropriate finance, while Japan and the US questioned how it was burdensome. Brazil, on behalf of the Producer Group, agreed on funding some policy activities from assessed accounts, but inquired what "key policy work" includes, noting that producer members oppose including ecosystem services. Delegates debated one version of a paragraph listing examples of policy activities as a basis for negotiations. Brazil noted inconsistencies between definitions of key policy work in different articles and queried whether all action plans mentioned in the draft agreement refer to the same concept. Switzerland suggested deleting a phrase that key policy work is "explicitly described in the budget for the Administrative Account as adopted by the Council," noting that it is not. On the issue of whether policy work must be "of necessity to all," the EC said to remove this phrase. Indonesia proposed "a majority of members," and the EC said to reinsert "all" and this article was left pending. The US linked it to articles on the BPF, the Special Account and project activities of the Organization.

**Project Activities of the Organization (Article 25):** On this article, the US, supported by the EC, proposed including the Executive Director among those who may submit pre-project and project proposals, and those to whom limits may apply on the number of proposals allowed. The EC underscored the positive implications of this proposal for project funding availability. This and the question of terminating project sponsorship "by special vote" were left pending further consultation. Switzerland called for establishing criteria for "defining thematic programmes" in a paragraph listing criteria for projects and pre-projects. Brazil, Malaysia, Indonesia, the Congo and Colombia queried the US' proposed language allowing the Executive Director to submit proposals. Côte d'Ivoire, supported by the EC and Japan, noted the benefits of allowing the Executive Director to present project proposals of a cross-cutting nature. After lengthy discussion, WGII Chair Blaser, supported by Cameroon, proposed specifying



that Executive Director submissions be made “in consultation with the Council.” Switzerland suggested specifying proposals “of a horizontal nature or regional interest.” Indonesia, Brazil and Malaysia opposed language saying the Executive Director should have the authority to submit proposals, with Indonesia noting that the Executive Director’s responsibility is to secure financial resources. The EC and the US suggested that the Executive Director’s ability to submit project proposals would benefit members. UN Conference President Paranhos proposed, and Switzerland supported, compromise text that would allow the Executive Director to submit proposals for consideration by the Council “taking into account the thematic areas and/or priorities established by Council.” The Congo expressed concern over who would fund projects submitted by the Executive Director. WGII Chair Blaser proposed convening an informal group to find a compromise on this issue, but agreement was not reached by the end of the week.

#### **Committees and Subsidiary Bodies (Article 26):**

Switzerland, with the EC and Peru, but opposed by Malaysia, proposed deleting text specifying particular committees. Malaysia favored maintaining separate committees on economic information and market intelligence and forest industry, opposing a proposed sub-paragraph in the working document that established one committee on economic information, market intelligence and forest industry.

Delegates discussed this merging of two of the four existing ITTO Committees but could not reach consensus on the number and type of Committees. In response to a question from WGII Chair Blaser, Brazil for the Producer Group, said more time was needed to consider the structure and type of committees.

The EC, supported by Canada and Malaysia, opposed by Venezuela and the US, proposed deleting reference to establishing “such other Committees as the Council shall deem appropriate and necessary,” and inserted text allowing the Council to “establish or dissolve committees and subsidiary bodies.” Delegates debated how to specify which committees the Council can dissolve. The EC, opposed by Venezuela and Brazil, proposed an amendment specifying that the Council may only dissolve “any such other committees and subsidiary bodies” that it may establish itself. WGII Chair Blaser recalled that ITTA, 1994 omitted mention of dissolving committees.

**Functions of Committees (Article 27):** The text of this article was deleted at ITTA-2.

### **CHAPTER VIII. RELATIONSHIP WITH THE COMMON FUND FOR COMMODITIES**

Article 28 and Chapter VIII were deleted at ITTA-2.

### **CHAPTER IX. STATISTICS, STUDIES AND INFORMATION**

**Statistics, Studies and Information (Article 29):** Throughout the week, many producer members worked to remove the possibility of sanctions for non-reporting. Brazil, supported by Cameroon, China, the Congo, Malaysia, Côte d’Ivoire, the Republic of Korea, Peru, Egypt, Ghana and Venezuela opposed penalties for failure to provide required information without a satisfactory explanation. The EC, supported by Japan, the US, New Zealand and Canada insisted that the Council should be able to respond when a country provides neither the required information nor a satisfactory explanation for the delay. The US

offered to soften its proposed paragraph on sanctions the Council may take against a country that does not: provide required statistics and information; seek assistance from the Executive Director or the Council; or provide a satisfactory explanation. After the US agreed to delete reference to possible suspension of voting rights or of rights to participate in project work, Brazil, for the Producer Group, acknowledged that this paragraph seeks to address the need for transparency from both consumer and producer members, but asked for it to be bracketed. Late in the week, Brazil, on behalf of the Producer Group, proposed including “technical assistance” in the measures the Council may take in response to not furnishing or delaying submission of statistics. This did not satisfy some consumer members. President Paranhos then proposed compromise text calling for the Council to find “a positive solution to the issue,” to which the US respectfully objected. WGII Chair Blaser suggested substituting “measures it [the Council] deems appropriate.” The article was left pending.

**Annual Report and Review (Article 30):** The US, with Japan and Australia, but opposed by Malaysia, supported a sub-paragraph on reporting illegal activities. Upon a suggestion by the US, Switzerland and Australia, reference to illegal “imports” was deleted. Discussion also centered on the term “illegal harvesting and related trade.” Brazil pointed out that market-distorting factors such as transfer pricing, under-grading, incorrect declaration and inaccurate sizing were not adequately included in this terminology. 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. The article was approved and states that the Council should publish an annual report on its activities and biennially review and assess the international timber situation and other issues considered relevant to the Agreement’s Objectives.

### **CHAPTER X. MISCELLANEOUS**

**General Obligations of Members (Article 31):** Delegates approved this article without amendment. The article states that members should cooperate to promote the achievement of the Agreement’s Objectives and undertake to carry out the Council’s decisions.

**Relief from Obligations (Article 32):** Delegates agreed to approve this article, maintaining reference to “by special votes.” The article states that on special circumstances, emergency or force majeure, the Council may [by special vote] relieve a member of an obligation if it is satisfied by the member’s explanation regarding the issue, and the Council should explicitly state the terms, conditions and time period for the relief from the obligation.

**Complaints and Disputes (Article 33):** The UNCTAD legal advisor agreed to review how complaints and disputes are addressed in other commodity agreements. The article states that any member may bring to the Council any complaint concerning a member’s unfulfilled obligation and dispute concerning the Agreement’s interpretation or application, and that the Council’s decisions on these matters should be taken by consensus.

**Differential and Remedial Measures and Special Measures (Article 34):** The Republic of Korea questioned the definition of, and the US suggested deleting, “developing importing members.”





China objected, noting an UNCTAD resolution containing the term. WGII Chair Blaser explained that UNCTAD Resolution 93(IV) on the Integrated Programme for Commodities provides exemptions, including those related to finance, for the least developed countries. China, supported by Algeria, Malaysia and Ghana, favored retaining language on appropriate and differential and remedial measures for members as per UNCTAD Resolution 93(IV) and the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s. In further discussion, 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 ITTA, 1994. After discussion over definitions and suggestions by the US and the Netherlands, WGII 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. On differential and remedial measures and special measures, the UNCTAD legal advisor confirmed that the Paris Declaration contains relevant provisions to assure exemptions for the least developed countries.

Delegates approved the article, which states, *inter alia*: developing importing members whose interests are adversely affected by measures taken under this Agreement may apply to the Council for appropriate differential and remedial measures; and least developed country members may apply to the Council for special measures.

**Review (Article 35):** On the content and timing of the review, Switzerland and Malaysia suggested focusing on the need to review financial mechanisms. The EC and the Netherlands said it should be a “light” mid-term review of effectiveness, not a renegotiation of the entire agreement. The Netherlands proposed compromise text that “Council could review the effectiveness” of the new Agreement, instead of particular components of the Agreement such as the scope, objectives or financial arrangements. The US noted that the Council already reviews the effectiveness of the Agreement on a regular basis. Malaysia and Switzerland noted the merits of the Netherlands’ proposal, but delegates could not reach a compromise on this issue. Later in response to a question from Cameroon, WGII Chair Blaser clarified an issue that review of the new Agreement would focus on its implementation, and not on the Agreement itself. Australia supported using the current term “review,” the EC proposed “assess,” and Congo favored “evaluate.” The US, supported by New Zealand, proposed deleting the article as being a redundant “historical artifact.” Malaysia and Congo preferred keeping the article and adding reference to reviewing financial arrangements for the Agreement. Brazil, supported by Indonesia and Cameroon, said that a review of implementation four years after entry into force would be helpful to all members.

Consensus began to emerge to “evaluate,” rather than “assess” or “review” “implementation” “five years” after “entry into force.” At the end, delegates agreed that “the Council may evaluate the implementation of this Agreement, including the objectives and financial mechanisms, five years after its entry into force.”

**Non-Discrimination (Article 36):** The EC withdrew its request to delete mention of non-discrimination. Japan favored retaining the language, as used in the WTO. The article was approved and explains the use of measures to restrict or ban international trade in timber and timber products.

#### CHAPTER XI. FINAL PROVISIONS

**Depositary (Article 37):** This article was approved and indicates that the Secretary-General of the UN is designated as the depositary of the Agreement.

**Signature, Ratification, Acceptance and Approval (Article 38):** The UNCTAD legal advisor proposed, and delegates agreed, that the new Agreement should be open for signature for eight instead of six weeks following adoption. This article was not approved, pending consultations with the EC legal advisors on how EU members will ratify the new Agreement.

**Accession (Article 39):** No discussion took place on this article at ITTA-3, pending consultations with EC legal advisors on how EU members will accede to the new Agreement.

**Notification of Provisional Application (Article 40):** This article was not approved, pending advice from the Treaty section on how members notify the depositary “in accordance with its laws and regulations.”

**Entry Into Force (Article 41):** The EC preferred ITTA, 1994 language on “entry into force,” since the situation would be determined by the number of producer and consumer signatories. 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 mentioned two other commodity agreements whose entry into force are 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, but no agreement was reached. The article was left pending.

**Amendments (Article 42):** The US favored a 66% majority vote for amending the Agreement. The EC and China supported retaining 75%, as this is customary in commodity agreements. Delegates agreed to remove brackets from text allowing an amendment to enter into force after acceptance by 2/3 of producer members and accounting for at least 75% of producer members’ votes, and 2/3 of consumer members and which account for at least 75% of their votes. The article was informally approved with brackets around “special votes.” The article states that the Council may [by special vote] recommend an amendment to members on the Agreement, and should fix a date for members to notify the depositary of the amendment’s acceptance.

**Withdrawal (Article 43):** This article was approved for submission to the legal drafting committee. The article states that: any member may withdraw from the Agreement at any time after its entry into force by giving written notice of withdrawal to the depositary and inform the Council; withdrawal should



become effective 90 days after the notice is received by the depositary; and financial obligations to the Organization should not be terminated by a member's withdrawal.

**Exclusion (Article 44):** Cameroon, supported by the US, suggested deleting "by special vote" when excluding members that have breached their obligation under the Agreement. The EC, the Congo, Brazil, Malaysia, Nigeria, and the Republic of Korea preferred keeping the phrase. Japan and Brazil noted the impossibility of consensual exclusion of a member. The US, with Australia, pointed out that under the two-tiered system an exclusion vote would not be a simple majority vote. Upon questions by Cameroon and Egypt, the UNCTAD legal advisor called this a policy issue. The paragraph was released to the legal drafting committee with the phrase bracketed. The article states that: if the Council decides that any member is in breach of its obligations which significantly impairs the Agreement's operations, it may [by special vote] exclude that member from the Agreement; and six months after the Council's decision, that member should cease to be a party to this Agreement.

**Settlement of Accounts with Withdrawing or Excluded Members or Members Unable to Accept an Amendment (Article 45):** Language from ITTA, 1994 remains in the working document, and delegates did not discuss this article at ITTA-3. The article states that, *inter alia*, the Council should determine any settlement of accounts with a member that ceases to be a party due to non-acceptance of an amendment, withdrawal and exclusion, and the Council should retain any assessment or contributions paid to the financial accounts by a member that is no longer a party.

**Duration, Extension and Termination (Article 46):** Delegates discussed the duration for the Agreement after entry into force, with two possible extensions. The article was released with brackets around "by special vote" where it appears. The article states that, *inter alia*, the Agreement should remain in force for a ten-year period after its entry into force unless the Council decides [by special vote] to extend, renegotiate or terminate it, and the Council may [by special vote] decide to extend the Agreement for two periods of five years each.

**Reservation (Article 47):** This article was approved for submission to the legal drafting committee with no debate. The article states that reservations may not be made with respect to any of the Agreement's provisions.

**Supplementary and Transitional Provisions (Article 48):** This article was approved for submission to the legal drafting committee. The article states that, *inter alia*, the Agreement should be the successor to the ITTA, 1994.

**Annex A and B:** The UNCTAD Secretariat asked which countries to include in Annex A and B. In order to allow inclusion of adhering EU members, Bulgaria and Romania, the EC suggested using 27 rather than 25 EU Member States or listing each of them. China proposed listing country names only, not quantitative information. The EC noted that new EU Member States should be taken into account in allocation of votes. The EC, Switzerland, Japan and the US said that the function and content of the annexes will depend on final wording on entry into force.

## CLOSING SESSION

After holding a Credential Committee meeting on Thursday, Sri Murniningtyas (Indonesia), President of the Credentials Committee, presented the Committee's report (TD/TIMBER.3/9) during the closing session on Friday, which delegates adopted.

WGII Chair Blaser noted that during the week some progress was achieved in negotiating the text for the new Agreement, but expressed concern about the small amount of flexibility shown by participants. He noted the successful side of the meeting is reflected in the number of articles approved informally during ITTA-3 (TD/TIMBER.3/L.5; TD/TIMBER.3/L.5/Add.1; TD/TIMBER.3/L.5/Add.2; and TD/TIMBER.3/L.5/Add.3). He underscored major contentious issues, including finance, operational activities, statistics and information, and entry into force of the new Agreement.

President Paranhos lamented that agreement had not been reached at this session. He noted a lack of urgency and encouraged delegates to demonstrate flexibility at ITTA-4. President Paranhos then presented, and delegates approved, a draft resolution, which, *inter alia*, requests the UNCTAD Secretary-General, in cooperation with the Executive Director to: make arrangements to reconvene the Conference in January 2006; prepare the necessary documentation, notably the working document resulting from ITTA-3; and maintain appropriate contacts with all producing and consuming countries with a view to assisting the Conference in achieving a successful conclusion. He said he is exploring the possibility of having a Friends of the Chair meeting in conjunction with ITTC-39 in Yokohama, Japan, to analyze issues on finance and objectives. President Paranhos underscored that delegates have little time left for finishing a new Agreement and urged them to achieve compromise before the eleventh hour. He stressed that articles approved informally during this meeting should not be reopened for negotiation, with the exception of "special vote." He said approved articles will be forwarded to the legal drafting committee.

President Paranhos stated that the Conference will reconvene from 16-20 January 2006, in Geneva, Switzerland, and noted that he is exploring with the Secretariat the possibility of extending the Conference's duration if needed. President Paranhos thanked all participants and closed the meeting at 5:53 pm.

## A BRIEF ANALYSIS OF ITTA-3

### PLAYING THE WAITING GAME

The Third Part of the UN Conference did not achieve the objective of adopting a successor agreement to the ITTA, 1994. Was this a setback, or just par for the course? It cannot be called a setback, because there was little expectation among delegates when this session began that the new Agreement would be fully completed here. After all, it took four sessions to negotiate the ITTA, 1994, during which negotiators had a full two weeks for discussion at both the third and fourth sessions. Although agreement was not reached at the third part of the UN Conference, there were some areas of progress, particularly on relatively less controversial text. With another 18 months before the expiration of the current Agreement, it may be anticipated that as time passes delegates will feel increasing pressure to



compromise on key issues. This analysis will explore some areas of convergence and divergence and attempt to explain why “no news” is not necessarily bad news.

**CONVERGENCES**

Some real progress was made during the two working groups’ sessions, in such areas as definitions, objectives, and voluntary funding. After some debate, delegates reached agreement on over twenty articles, including articles on annual report and review and duration, extension, and termination of the Agreement, which were sent to the legal drafting committee to be finalized. The two working group Chairs attempted in informal consultations to bridge the gap on key outstanding issues of finance, voting calculations, objectives, and scope. Such an approach enabled many less important issues to be removed from the negotiating table, to condition movement on other more contentious areas at the next round. These attempts were successful to some degree, as by mid-week delegates had made progress on a few contentious issues, particularly on those of scope. For instance, agreement was reached on including coniferous wood in the definition of tropical timber, which had previously only included non-coniferous wood. This decision signals that delegates have taken note of the changing trends in the tropical timber market, one in which trade in coniferous wood is increasing at the international level.

Yet, while more than twenty articles were finalized, movement in these areas did not threaten either side’s “bottom line” and was thus comparatively easy to achieve at this session. The bottom line, for both sides, concerns the financial arrangements for the new Agreement, as clearly indicated by the lack of any real progress in this area.

**DIVERGENCES**

As was the case during the last negotiating session, delegates were not yet ready to compromise on issues that were most important for them. There are still clear divisions over the US, the EC and Producer Group proposals on finance, where agreement on assessed funding for policy work and on how to generate more project funding has been difficult to achieve. For instance, producers and consumers alike expressed a desire for more predictable project and programme funding from the ITTO, but that requires agreement on linked issues such as the scope of the Agreement and the structure of the Organization and its institutions.

Additionally, the timber market and timber trade have important implications, given their connection to voting power and assessments. While this larger theme was barely touched upon at this session, elements of distribution and calculation of votes were debated during discussions on definitions of “producer” and “consumer” members and “tropical forest resources,” with no agreement. Some of the discussions indicated divergent opinions, possibly even confusion, over how to combine forest resources and trade in the new Agreement. Achieving clarity on such an important issue might be closely linked to movement on deciding the calculation of votes and assessments as well as on the scope of the new Agreement during the next session.

There was also a divergence of opinions on Article 29 on Statistics, Studies and Information. Although producers and

consumers agree that good information is essential to the effective working of the Organization, countries in both groups have failed to submit required information. On the first day of negotiations, many consumers pointed out that the Council should have the capacity to respond when a country neither provides the information nor offers a satisfactory explanation. However, producers opposed penalties for such failure, instead pointing out that it may be a case of a need for capacity building assistance. By the end of the session the language of the proposed paragraph was still pending. Many observed that this inability to compromise was due more to a lack of any sense of urgency than to a real disagreement on substance.

In order to facilitate progress at the next negotiating round, the Vice-President of the UN Conference proposed a consolidated text late in the week on the four articles in the finance chapter. There was no time to reach agreement on replacing competing proposals with that text, as there was little support – yet – for scrapping any language still “held dear” in members’ own competing proposals. Every proposal introduced thus far therefore still remains in the working document and on the table for negotiations on the new financial arrangement.

**THE STATE OF PLAY: A MATHEMATICAL SOLUTION?**

While it is clear that compromise solutions to some of the most difficult issues were not achieved by the end of the third session, delegates agreed that progress had been made. As the expiration date of the current Agreement nears, the time will come when delegates will have to make some difficult choices and adjust some of their negotiating positions on the more politically contentious issues.

Nevertheless, the goal of creating a revitalized commodity agreement – one that takes into account the changing nature of the tropical timber trade – is still at the forefront of the minds of most delegates. Delegates have six months before they have to make their next formal move, which gives them time to think critically about precise goals and bottom lines for the next negotiating session. Thus far, the evidence suggests that delegates do not feel a sense of urgency to complete these negotiations. In six months, the situation will likely change, as funding cycles begin to be threatened by the present Agreement’s approaching termination date at the end of 2006. However, lack of urgency does not mean that delegates are willing to let the ITTA expire. Time will run out when delay makes it difficult if not impossible to avoid major funding disruptions due to the institutional limitations of governmental budgetary cycles. Given a lack of will on anyone’s part to walk away and let the ITTA fade into history, one may expect increasing time pressure to provide the needed incentive to allow negotiators to work out an Agreement they can all live with – or even claim as a victory.

**UPCOMING MEETINGS**

**XXII IUFRO WORLD CONGRESS:** This Congress of the International Union of Forest Research Organizations (IUFRO) will convene from 8-13 August 2005, in Brisbane, Australia, and will focus on “Forests in the Balance: Linking Tradition and Technology.” As suggested by the Congress’ theme, its organizers hope to: create an interest among all stakeholders with an interest in forests and process technology; reflect the



importance of tradition and technology, including the increasing importance of indigenous knowledge; and recognize the role of indigenous peoples not only as residents, but also increasingly as future land managers. For more information, contact: Congress Manager; tel: +61-0-7-3854-1611; fax: +61-0-3854-1507; e-mail: iufro2005@ozacomm.com.au; internet: <http://www.iufro2005.com>

**HIGH-LEVEL PLENARY MEETING OF THE 60TH SESSION OF THE UN GENERAL ASSEMBLY ON THE FOLLOW-UP TO THE OUTCOME OF THE MILLENNIUM SUMMIT:** Also referred to as the "2005 World Summit," this meeting will take place from 14-16 September 2005, at UN headquarters in New York. The meeting is expected to undertake a comprehensive review of the progress made towards the commitments articulated in the UN Millennium Declaration. The event will also review progress made in the implementation of the outcomes and commitments of the major UN conferences and summits in the economic, social and related fields. For more information, contact: Office of the President of the General Assembly; tel: +1-212-963-2486; fax: +1-212-963-3301; internet: [http://www.un.org/ga/59/hl60\\_plenarymeeting.html](http://www.un.org/ga/59/hl60_plenarymeeting.html)

**INTERACTIVE FOREST & NATURE POLICY IN PRACTICE - MANAGING MULTI-STAKEHOLDER LEARNING IN SECTOR-WIDE APPROACHES AND NATIONAL FOREST PROGRAMMES:** This course, which will meet from 12 September to 1 October 2005, in Wageningen, the Netherlands, aims to provide participants with insights, knowledge and skills for designing and managing interactive policy development and implementation processes in forest and nature management. For more information, contact: International Agricultural Centre (IAC); tel: +31-317-495-495; fax: +31-317-495-395; e-mail: [training.iac@wur.nl](mailto:training.iac@wur.nl); internet: <http://www.iac.wur.nl>

**ITTC-39:** The 39th session of the International Tropical Timber Council and associated sessions of the Committees will convene in Yokohama, Japan, from 7-12 November 2005. For more information, contact: Manoel Sobral Filho, Executive Director, ITTO; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: [itto@itto.or.jp](mailto:itto@itto.or.jp); internet: <http://www.itto.or.jp/>

**WORKSHOP ON COMBATING ILLEGAL HARVESTING OF FOREST PRODUCTS AND RELATED TRADE IN EUROPE:** This workshop is tentatively scheduled

for 14-15 November 2005. The final date and venue will be announced. This workshop will be based on a scientific report with an analysis of available information on illegal harvesting and related trade in Europe, and will contribute to the elaboration of a common pan-European understanding of terminology used in relation to the topic. For more information, contact: Ministerial Conference on the Protection of the Forests in Europe Liaison Unit Warsaw; tel: +48-22-331-7031; +48-22-331-7032; e-mail: [liaison.unit@lu-warsaw.pl](mailto:liaison.unit@lu-warsaw.pl); internet: <http://www.mcpfe.org/>

**EUROPE AND NORTH ASIA FOREST LAW ENFORCEMENT AND GOVERNANCE MINISTERIAL MEETING:** This meeting is tentatively scheduled to take place in St. Petersburg, Russian Federation, from 22-25 November 2005. The meeting will contribute to a full-fledged FLEG process for Europe and North Asia. For more information, contact: Nalin Kishor; tel: +1-202-473-8672; fax: +1-202-522-1142; e-mail: [nkishor@worldbank.org](mailto:nkishor@worldbank.org); internet: <http://lnweb18.worldbank.org/ESSD/ardext.nsf/14ByDocName/ForestGovernanceProgramEuropeandNorthAsiaForestLawEnforcementandGovernance>

**UN CONFERENCE ON THE RENEGOTIATION OF THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 1994, FOURTH PART:** The Fourth Part of the UN Conference on the Renegotiation of the International Tropical Timber Agreement, 1994 will convene in Geneva, Switzerland, from 16-20 January 2006. For more information, contact: UNCTAD Secretariat, Intergovernmental Affairs and Outreach Service; tel: +41-22-917-5809; fax: +41-22-917-0056; e-mail: [correspondence@unctad.org](mailto:correspondence@unctad.org); internet: <http://www.unctad.org/Templates/Meeting.asp?intItemID=3323&lang=1>

**GLOSSARY**

BPF	Bali Partnership Fund
ES	Ecological services
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
NTFPs	non-timber forest products
NTFVs	non-timber forest values
SFM	sustainable forest management

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