

ITTA, 1994 RENEGOTIATION HIGHLIGHTS: WEDNESDAY, 18 JANUARY 2006

The world's principal Producers and Consumers of tropical timber continued to grapple with contentious issues on the third day of the UN Conference for the Negotiation of the Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994), Fourth Part. In the morning and afternoon, Working Group I (WGI) continued to debate the inclusion of "environmental services" within the Preamble and Objectives, while Working Group II (WGII) considered project activities of the Organization; financial accounts; and statistics, studies and information.

WORKING GROUP I

PREAMBLE: On including either "environmental services" or "ecological services" as a benefit provided by forests, BRAZIL, for the Producer Group, favored using the former, so long as it was mentioned "in the context of sustainable forest management (SFM)." NORWAY proposed, and delegates agreed, to use the term "environmental services," and bracket the Producers' proposal on SFM in the text. On "recognizing the need for adequate and predictable financial resources," SWITZERLAND, supported by BRAZIL and the EU, proposed discussing the issue together with articles on the Special Account and the Bali Partnership Fund (BPF). Chair Attah said further consultation is needed.

OBJECTIVES: On including "environmental" or "ecological" services in the chapeau, BRAZIL, on behalf of the Producer Group, and supported by the EU, HONDURAS and MALAYSIA, but opposed by SWITZERLAND and the US, proposed deleting "taking into account the contribution of non-timber forest products and ecological services" and inserting language mentioning "environmental services in the context of SFM" in another paragraph. SURINAME favored one clear objective for ITTO in the chapeau rather than two. The US and INDONESIA requested further consultation. After a brief afternoon contact group discussed this topic, BRAZIL reported that agreement was reached on including environmental services as a contribution made by forests, and added language specifying environmental services' contribution to increasing revenue from forest resources.

On "developing and contributing towards mechanisms for the provision of new and additional financial resources," NORWAY, supported by SWITZERLAND, suggested deleting this phrase since it already appears in the Preamble. MALAYSIA, for the Producer Group, favored keeping both references. Chair Attah called for more consultation.

On "promoting the certification of tropical timber producing forests and information sharing on voluntary market mechanisms," BRAZIL, on behalf of the Producer Group, and opposed by NORWAY, favored deleting the paragraph. Chair Attah noted more consultation is needed.

A small group of delegates met to discuss the paragraph on promoting the understanding of the contribution of non-timber forest products. BRAZIL then read Switzerland's proposal to add "with the aim of enhancing the capacity of members to develop strategies for achieving increased revenues from the forests" and insert "in the context of SFM" after "environmental services." INDONESIA and the US requested further consultation.

DEFINITIONS: Delegates agreed to the EU proposal of defining "member" as "a Government, the EC or any intergovernmental organization referred to in Article 5 (Membership)."

On "Producer member," Chair Attah preferred that the definition be worded so that it does not change current membership status. The US preferred discussing the issue together with articles on Distribution of Votes and Administrative Account. On "tropical forest resources," delegates agreed to refer to FAO data on "natural closed forests and forest plantations" for the purpose of vote calculation.

ORGANIZATION AND ADMINISTRATION: On establishing regional offices, SWITZERLAND and TOGO proposed, and delegates agreed, to accept "regional offices of the Organization may be established if the Council so decides," leaving the caveat "by special vote" bracketed.

ADMISSION OF OBSERVERS: After consultations, CHINA suggested new language allowing "the Council to invite any non-member sovereign State recognized by the UN or any organization interested in ITTO's activities to attend as observers any of the meetings of the Council." MALAYSIA asked whether non-members would be able to attend both open and closed Council meetings. CHINA said non-members, by definition, cannot attend closed meetings. The EU, supported by the US, proposed bracketing "any of" the meetings of the Council. SWITZERLAND suggested, and delegates agreed, to substitute "sessions" for "meetings." MEXICO suggested adding "in accordance with the rules of procedure to be adopted by the Council." Upon a request by the EU, INDONESIA and the US for further consultation on "rules of procedure," Chair Attah noted a need for legal advice.

SESSIONS OF THE COUNCIL: On the frequency and location of regular Council sessions, BRAZIL, for the Producers, urged the continuation of biannual sessions, noting that annual Council sessions would, *inter alia*, lead to a loss of momentum

in ITTO's work. This was later discussed in a contact group, after which JAPAN reported that outstanding issues should be sorted out soon.

DECISIONS AND RECOMMENDATIONS OF THE COUNCIL: On the issue of special votes, the US reported that during a contact group meeting several countries had convinced her of the need for inclusion of "special vote" in all articles requiring this term. She withdrew her proposal to list the articles requiring a special vote in only one article. SURINAME, noting that decisions to date have been taken by consensus, suggested that ITTO is now a mature enough organization to vote on decisions.

WORKING GROUP II

POLICY WORK OF THE ORGANIZATION: Chair Blaser introduced compromise text, which reorganizes sub-paragraphs and reflects discussions from 17 January. The paragraph on achieving ITTO objectives was agreed and closed after a number of revisions were accepted by delegates, reflecting suggestions by the NETHERLANDS, PAPUA NEW GUINEA, the US, GHANA, MEXICO, the UK, CONGO, CAMEROON and SWITZERLAND. The paragraph on relating policy activities to ITTO action plans remains open after agreement on revisions proposed by NORWAY, SWITZERLAND, COLOMBIA, PAPUA NEW GUINEA, CAMEROON, the US, HONDURAS and GHANA. Chair Blaser said this would be revisited after discussion of related articles.

PROJECT ACTIVITIES OF THE ORGANIZATION: Delegates generally agreed on text allowing "the Executive Director" (ED) to submit project and pre-project proposals contributing to the priority areas for work or "thematic programmes" identified in ITTO action plans. Delegates also agreed that Council may limit the number of proposals the ED may submit in a given project cycle. BRAZIL later expressed a reservation on allowing submissions by the ED.

COMMITTEES AND SUBSIDIARY BODIES: Chair Blaser presented compromise text listing Committees on: Forest Industry; Economics, Statistics and Markets; Reforestation and Forest Management; Finance and Administration; and "such other Committees as the Council shall deem appropriate and necessary." CAMEROON supported the link between economics, statistics, and markets. The EC and the US queried how the work of the Committee charged with statistics would be organized vis-à-vis other Committees' work. Chair Blaser recommended that Council determine its terms of reference.

The EC and the US stressed the need for reassurance that committees may also be dissolved. After some discussion, delegates agreed to delete a sub-paragraph listing the establishment of "such other committees" in favor of a paragraph allowing Council to "establish or dissolve committees and subsidiary bodies as appropriate." The question of whether "by special vote" would be included in all three articles was left open, pending the outcome of WGI discussions on this topic.

STATISTICS, STUDIES AND INFORMATION: Chair Blaser said that all paragraphs are agreed except one on corrective action. GHANA, CANADA and MEXICO supported the Chair's text suggesting Council take appropriate action for non-submission of statistics, but the US, the EC, SWITZERLAND, CAMEROON, and the CONGO called for stronger language. Proposing alternatives to "appropriate action," NEW ZEALAND suggested "restorative," the NETHERLANDS proposed "remedial" and CAMEROON, opposed by MALAYSIA and INDONESIA, suggested "coercive" actions. The US, supported by BARBADOS, suggested specific actions including suspending voting rights, while CAMEROON proposed freezing project funding in the event of non-submission of statistics. Chair Blaser established a break-out group to find a compromise and report back to WGII.

COMPLAINTS AND DISPUTES: There was no objection to keeping the ITTA, 1994 text.

SIGNATURE, RATIFICATION, ACCEPTANCE AND APPROVAL and ACCESSION: Discussion of these Articles was postponed pending legal advice on the EU's status.

ENTRY INTO FORCE: Chair Blaser, supported by CANADA but opposed by the US, presented a new proposal (TD/TIMBER.3/CRP.26) that the Agreement's entry into force (EIF) shall take place definitively on 1 February 2008 if ratified or accepted by 12 Producers and 12 Consumers. Otherwise, provisional EIF will take place upon acceptance of 10 Consumers and 10 Producers. The EC cautioned against referring to "countries," noting a pending decision on the legal status of the EC within the UN system. He noted that if the EC is declared to be one member, the number of Consumer members would greatly decrease and recommended lowering the EIF threshold to 10 Consumers and 10 Producers, and 8 Consumers and 8 Producers for the provisional EIF. The Chair halted discussion pending development of an amended proposal.

FINANCIAL ACCOUNTS: The EC said he could accept the Chair's proposed article on financial accounts. NORWAY, supported by SWITZERLAND, proposed listing: an "Assessed Contributions Account;" a "Voluntary Contributions Account;" and "any other Accounts Council might deem appropriate and necessary."

ADMINISTRATIVE ACCOUNT: The EC proposed new language on elements of the Administrative Account. He noted that the Administrative Account would cover "administrative costs" such as "salaries and benefits, installation costs, official travel and social security," and the "strategic work of the Organization," which includes "activities of common interest to ITTO members identified in the ITTO action plans."

The US, opposed by HONDURAS, proposed substituting "basic administrative expenses" for the EC proposal "administrative costs." He also suggested substituting "other core expenses" for the EC's categorization of "strategic work," and BRAZIL proposed "strategic work as defined in the biennial work programme of the ITTO."

The EC suggested that the threshold of the administrative costs for conducting "strategic work" should be 15%, while SWITZERLAND suggested it should be at least 50%.

JAPAN suggested adding Council meetings to those costs considered administrative. COLOMBIA, supported by MEXICO, requested clarification on the scope and percentages of activities considered "strategic," and Chair Blaser noted that strategic activities cost between US\$1-2 million.

BALI PARTNERSHIP FUND: Responding to a query from MALAYSIA, Blaser noted that the BPF would still cover project and pre-project financing.

Closing the session, President Paranhos called on delegates to agree to a clean text by Tuesday, 24 January.

IN THE CORRIDORS

There is light at the end of the tunnel... but is it a train? On the optimistic side, delegates went right to work, removing brackets around text or, when their decisions might hold implications for other parts of the agreement, referring these to a Joint Session. Delegates are generally optimistic that agreement will be forthcoming. However, delegates have called for legal advice on issues related to EC proposals describing its competence, voting rights, and status vis-à-vis areas such as attainment of a quorum and the Agreement's entry into force. One observer cautioned that when participants start calling for their lawyers, it could either signal a breakthrough, or derailment of negotiations.