

ITTA, 1994 RENEGOTIATION HIGHLIGHTS: MONDAY, 23 JANUARY 2006

Negotiations of the UN Conference on the Negotiation of the Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994), Fourth Part resumed on Monday, 23 January with an increased sense of urgency. In the morning, delegates met in two working groups. Working Group I (WGI) revisited the issues of admission of observers and special vote before breaking up into informal contact groups. Working Group II (WGII) discussed statistics and finance. In the afternoon, delegates convened in a Joint Working Group and discussed EC membership.

WORKING GROUP I

PREAMBLE: On the issue of “recognizing the need for adequate ... and enhanced resources,” BRAZIL asked for more time for Producer Group discussion, noting Producers’ preference for retaining this text in both Preamble and Objectives. The EC, supported by SWITZERLAND, agreed to maintain this clause in the Preamble if it is removed from the Objectives.

OBJECTIVES: On encouraging information sharing and voluntary market mechanisms, such as certification, MEXICO, for Producers, requested more time for consultation. EGYPT recalled that assistance to do so should be for “members” rather than “Producer members,” noted “Producer” was bracketed on Friday, 20 January, and called for re-bracketing. Chair Attah said this paragraph had been agreed before and noted approved text would not be opened unless it was for a change based on consensus.

DEFINITIONS: On defining Producer and Consumer members, INDIA favored language in ITTA, 1994, opposing any changes in membership categories.

On Special Vote, the US, supported by SWITZERLAND, suggested adding “absent consensus” after every mention of “special vote”, and adding “the Council may adjust the minimum percentages required for a special vote if it deems necessary,” noting that under current construction it might be possible for the EU to have a blocking minority. The EU preferred the definition in ITTA, 1994, and noted, with SWITZERLAND, that the minimum vote requirement should apply to both Consumers and Producers. The EU also sought legal advice on giving authority to the Council to adjust the minimum percentages required for special vote. INDONESIA

and SURINAME suggested bracketing the US proposal. The US, opposed by INDONESIA, expressed its preference to refer to special vote in only one overarching paragraph. BRAZIL and MALAYSIA stated that adding “absent consensus” was unnecessary, and Chair Attah placed this in brackets.

After informal consultation, the EU suggested adding language to the US proposal that Council “may adjust the minimum percentage required for special vote in the consumer category” if deemed necessary. The US withdrew her proposal to add “absent consensus,” supported the EU proposal, and asked to insert a cross-reference to Article 12 (Decisions and Recommendations of the Council) in paragraphs mentioning the need for special vote. The EU then proposed adding, after each mention of “by special vote”, the term “in accordance with Article 12.”

After contact group consultation on the definition of Special Vote, INDONESIA reported that the group had agreed that it would require “60%” of the votes of consumer members rather than “two thirds,” and would move the US proposal to allow Council to adjust the minimum percentages required on Special Vote to Decisions and Recommendations of the Council, adding “as defined in Article 2.8, Council may adjust the minimum quantity of Consumer members as it deems necessary.”

DECISIONS AND RECOMMENDATIONS OF THE COUNCIL: Chair Attah proposed deleting mention of “with the exception of matters addressed by articles..., where the Council shall take decision by special vote if consensus is not reached.” The US asked for the entire paragraph to be bracketed. After informal consultation, INDONESIA suggested, and the US opposed, inserting “as defined in Article 2.8” (Definition of Special Vote) after “special vote.” The EU proposed adding “where this agreement provides for a special vote, Council shall make best efforts to first reach consensus.” INDONESIA, INDIA and the PHILIPPINES opposed this. BRAZIL requested more consultation, and the text was bracketed. Delegates agreed to a paragraph saying “Council shall endeavor to take all decisions and to make all recommendations by consensus.”

ADMISSION OF OBSERVERS: Chair Attah suggested, and MEXICO and MALAYSIA agreed, to delete reference to rules of procedure when allowing observers to attend Council sessions. CHINA suggested language regarding requirements for admission of observers interested in ITTO activities. The US cautioned against overly narrowing the range of eligible

organizations, such as non-governmental organizations and academic institutions. The EU asked to bracket "its" before "organization" because it narrowed the list of observers.

SESSIONS OF THE COUNCIL: SURINAME reported that the contact group on special sessions had reached agreement that Council shall meet in special session whenever it so decides or at the request of any member "or" the Executive Director, in agreement with the Chairman and Vice-Chairman of the Council and either a majority of producer members or consumer members; or a majority of all members.

WORKING GROUP II

STATISTICS, STUDIES AND INFORMATION: The NETHERLANDS and the US accepted the Producer Group's proposal to delete "which may include measures related to voting," as an option for Council action on non-compliance, and this article was approved.

ACCESSION: After CHINA questioned deleting "of all states" after "accession by the Governments," the EC explained that this deletion is necessary for EU approval, and the article was approved.

SPECIAL ACCOUNT: On use of earmarked contributions and on executive director assistance, BRAZIL proposed adding "activities" to projects and pre-projects. MALAYSIA noted that activities are decided by Council, while projects go through the project cycle. After some discussion this addition was agreed.

Pending text on "projects approved but not funded" was withdrawn by BRAZIL, for Producers, after interventions by SWITZERLAND and JAPAN regarding a possible contradiction with other text on earmarked funds. The article was approved.

POLICY WORK OF THE ORGANIZATION: Pending text on the action plan was accepted pending resolution of related text on certification in the objectives.

ENTRY INTO FORCE: Chair Blaser's text and an alternative text proposed by the US differed in terms of threshold trade statistics to be used; whether to use trade value (US) or trade volume (as in ITTA, 1994), and whether or not to use forest area (US). Chair Blaser asked if Consumers could live with ITTA 1994 text, but the US, opposed by the EC, PAPUA NEW GUINEA and MEXICO, requested that its proposal be retained in brackets. The article will be discussed again later.

ADMINISTRATIVE ACCOUNT: On administrative costs, MEXICO and BRAZIL, for Producers, re-bracketed inclusion of "Council meetings." The EC favored either deleting "Council meetings and other administrative costs" from a list of budget items or, supported by JAPAN, referring only to "costs for the administration of the Organization." The US preferred simply referring to "costs such as salaries."

On costs related to special activities, the EC, with JAPAN, favored reference to "expert meetings" rather than to "convening regular expert panel meetings in relation to" project activities. CHINA requested the reinsertion of reference to that article. The US preferred "costs related to communication and outreach, expert meetings convened by the Council, and preparation of studies pursuant to articles on statistics, studies and information and the annual report and review."

In the afternoon, Chair Blaser introduced new text setting out these various alternative proposals for overnight consideration.

On contributions to the Administrative Account, the EC, supported by JAPAN, favored capping costs related to special activities at "15% of administrative costs," adding that Council might, by consensus, "decide to vary this limit for a specific

financial biennium." He also attached text that unused allocated funds should be carried over automatically to the following year's budget and deducted from members' assessments. The US, supported by NORWAY, suggested an alternative 50% cap; this was bracketed.

BRAZIL, for Producers, supported sub-paragraphs calling for equal sharing of half of the Administrative Account budget and a 10-90 ratio between Producers and Consumers, respectively, for the other half. On the biennial budget, he preferred striving for "a 1/5 ratio" between administrative costs and "the overall budget of the Organization." Chair Blaser, with JAPAN, queried the "overall budget" of the Organization, as the Special Account depends on voluntary contributions. BRAZIL responded that this language reinforces the need for further financial help under the Special Account. SWITZERLAND preferred not splitting the account into halves, noting the Producers' proposal was equivalent to a 30-70 split for the whole. The Chair and NORWAY questioned the implications of the Producers' proposal vis-à-vis Producers' own contributions.

CHINA, opposed by the US, called for differential treatment for developing Consumer members. The US, the EC and SWITZERLAND expressed concern at the retrogression of discussions.

In the afternoon, Chair Blaser introduced new text setting out the various proposals for the article, and Amb. Carlos Antônio da Rocha Paranhos, Conference President, called for an informal meeting among interested players, to work with him to find agreed language immediately after the day's session ended. WGII was then adjourned.

JOINT WORKING GROUP

EC MEMBERSHIP: Delegates discussed EC-proposed language referring, *inter alia*, to: the possibility of EC competency; the question of whether EC membership in the ITTO is equivalent to membership of all EU members; and the implications of these questions on distribution of votes. NEW ZEALAND, the US and JAPAN opposed this language due to concerns over, *inter alia*, the possibility of an EC blocking minority and the far-reaching implications of EC representation of EU member states. They also expressed concern that the proposed language relates to circumstances that do not exist as of yet, and may prejudice ongoing negotiations in other commodity agreements. The EC said it would not withdraw the proposed language and that it was not for ITTA delegates to decide on relative competences of the EC.

IN THE CORRIDORS

As the cold wind howled outside the Palais, hot air was blowing inside, hindering the progress of the ITTA train. After caucusing over the weekend, it seemed that delegates had returned to the Palais with differing expectations. Some participants noted that time is far from running out, and that delegates are still engaging in brinkmanship over an Agreement that is generally seen as imminent. However, the possibility of an ITTA-5 was mentioned, given current stalemates over finance, votes and, surprisingly, the details of EC membership. This is a far more contentious issue now than it was during negotiations for the ITTA, 1994. Some speculated that avoiding another round may depend on either overcoming formidable hurdles or accepting, in the absence of consensus, a President's "take it or leave it" compromise text, as has been put forward before in other negotiations.