

ITTA, 1994 RENEGOTIATION HIGHLIGHTS: TUESDAY, 17 JANUARY 2006

Negotiations continued on the second day of the UN Conference for the Negotiation of the Successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994), Fourth Part. Delegates met in two working groups. Working Group I (WGI) continued to address outstanding issues in Chapter I (Objectives) and Chapter II (Definitions), and tackled contentious issues of Council session frequency and funding. Working Group II (WGII) discussed financial accounts, including the Administrative Account and the Special Account. Delegates had a chance to discuss, *inter alia*, the merits of the Producer Group's proposal at an evening reception.

WORKING GROUP I

DEFINITIONS: On "producer member," the ITTO Secretariat explained that a possible definition for Producer is any country situated between the Tropics of Cancer and Capricorn with tropical forest resources "and/or" a "net" exporter of tropical timber, in volume terms. He said if delegates delete "net" and retain "and/or," some Consumer members will become Producer members, while keeping "or" and "net," will maintain the current system. SWITZERLAND said a commodity agreement should define Consumers as net importers and Producers as net exporters. MEXICO, PANAMA and TOGO favored maintaining the current system. The US suggested a joint contact group to address Articles 2 (Definitions), 10 (Distribution of Votes) and 19 (Administrative Account).

On including "natural closed forests and forest plantations" within "tropical forest resources" used in the calculation of the distribution of votes, BRAZIL, supported by TOGO, said Producers need time to consider the implications of this proposal. EGYPT emphasized the importance of including plantations, and INDIA added that as the ITTA is a commodity agreement, its focus should remain on forest products, not forest types.

SESSIONS OF THE COUNCIL: On Council session frequency, Chair Attah stated his preference for "at least one" meeting per year. EGYPT, SWITZERLAND, NORWAY, the US, CHINA and JAPAN supported holding one regular session with additional "special" sessions as deemed necessary by Council. BRAZIL highlighted general agreement on the utility of meeting in Producer countries and noted that "at least one regular session" did not suffice. JAPAN clarified that he could no longer fund the US\$500,000 required for meetings held outside Japan. The US proposed language to establish procedures for project

approval and financing in the interval between regular sessions of the Council. JAPAN proposed "and" rather than "or" at the end of each requirement needed for requesting special sessions, which would make it more difficult for members to approve special sessions.

BRAZIL, for the Producer Group, said changes were not necessary and noted there had never been a special session of Council. The US, EGYPT, SWITZERLAND and NORWAY supported Japan's proposal, while the US noted that there were so many regular sessions that it would be difficult to fit in a special one. JAPAN proposed adding language requiring meetings outside Yokohama to be funded by the host country. CHINA said that the venue should not be limited to "Producer countries." Noting an impasse on the subject, Chair Attah urged delegates to produce compromise language by Wednesday.

DISTRIBUTION OF VOTES: TOGO, after consultation with his region, stated his support for the allocation of an equal number of votes to African Producers, observing that any remaining votes would be distributed in accordance with members' total tropical forest resources.

DECISIONS AND RECOMMENDATIONS OF THE COUNCIL: The US, supported by SWITZERLAND, suggested language to cluster all "special vote" requests under one article. INDONESIA preferred reference to "special votes" in each paragraph rather than a general reference in one paragraph of the agreement. The EU suggested adding "in accordance with Article 12.1 bis" in the articles that request "special vote."

ADMISSION OF OBSERVERS: On admitting non-members and organizations, CHINA noted that at ITTA-3 he had suggested adding the caveat "with no objection from its members." Chair Attah called for further consultation.

PREAMBLE: On "the importance of the multiple economic, environmental and social benefits provided by forests," MEXICO reported agreement with INDIA over inclusion of "environmental services." BRAZIL opposed using the term "ecological services" anywhere in the text, but stated his openness to "environmental services" in areas other than the Preamble and Objectives. MALAYSIA objected to both terms as BRAZIL said Producers would discuss this further. The US observed that this is a hortatory statement and would not affect the scope of the agreement. BRAZIL reported that Producers had presented a proposal in WGII (TD/TIMBER.3/CRP.24), which includes a request for preambular text "recognizing the need for higher levels of financial resources which are adequate, predictable and available from a wider ITTO consumer donor community to achieve the objectives of this agreement."

NORWAY suggested deleting "ITTO." SWITZERLAND, the EU and the US asked for a postponement of discussion in order to allow for refining the language.

On the issue of including language on certification and voluntary market-based mechanisms, NORWAY, supported by SWITZERLAND, stressed the importance of this language while MEXICO favored deleting it. MALAYSIA and SWITZERLAND said that further consultation was needed.

MEMBERSHIP IN THE ORGANIZATION: The EU proposed using the term "European Community and other intergovernmental organizations" to refer to a new category of organizational membership. He also added a new paragraph that describes distribution of votes for such organizations.

WORKING GROUP II

ADMINISTRATIVE ACCOUNT: Regarding the Producer Group's proposal, which calls for a Consumers' statement expressing their willingness to commit US\$200 million in annual voluntary funding, FINLAND, for the Consumer Group and supported by the EC, noted that the ITTA, 1994 Consumers' statement on sustainable forest management involved extensive deliberations. She suggested setting the proposal aside to negotiate other articles. The US welcomed the Producers' compromise on Articles 20 and 21 and, with SWITZERLAND, expressed willingness to negotiate text for the Preamble and Objectives based on text in the Producer proposal. He, however, expressed reservations on negotiating a Consumer statement. BRAZIL, on behalf of Producers, emphasized that their proposal was intended as a compromise and noted in that context that the Producers' willingness to negotiate on a Chair's compromise text. SWITZERLAND expressed willingness to discuss a Consumer statement sometime in the future. The EC suggested inserting Producer text on the need for higher levels of resources from a wider donor community into Article 20 on the Special Account. MEXICO suggested, and delegates agreed, that Consumers should take time to consult.

FINANCIAL ACCOUNTS: The US, supported by JAPAN, CANADA, SWITZERLAND, AUSTRALIA and NEW ZEALAND, but opposed by NORWAY and the EC, proposed deleting text on separate Administrative and Work Programme Accounts. There was no objection to Canada's proposal to refer only to an "Assessed Contributions Account," a "Voluntary Contributions Account" and "Other accounts deemed necessary by the Council;" this was left bracketed.

On a proposal for an assessed contributions account, the US and JAPAN called for a simple formulation, while NORWAY and the EC preferred retaining specific assessed sub-accounts.

JAPAN noted it had withdrawn its previous proposal to limit assessed contributions of donor countries that contribute more than US\$1 million to project funding. Chair Blaser noted a lack of Producer members' participation in the discussion and urged delegates to form a contact group on the Finance chapter, to be led by the EU and the US. MALAYSIA said the Producers would need to caucus first.

NORWAY and the US, supported by SWITZERLAND, cautioned against forming a contact group without Producer's participation. The US urged retention of information contained in proposals made by the US and Japan on 16 January. Chair Blaser again noted the need for a contact group between members that had proposed alternative texts on finance. He then presented his compromise text on financial articles (TD/TIMBER.3/CRP.25) and explained that: the chapeau simplifies the account lists; the Administrative (or Assessed Contributions) Account article drops the dichotomy between sub-accounts and uses a formula for assessing contributions (63 percent for Consumers, 37 percent

for Producers); and the Special Account article introduces a Thematic Programmes Project Sub-account and a Project Sub-account; and the Bali Partnership Fund article largely repeats text from ITTA, 1994.

ADMINISTRATIVE ACCOUNT: SWITZERLAND queried whether strategic work of the Organization was delineated fully enough in a paragraph on administrative and strategic costs. Chair Blaser agreed to reinsert reference to an article on policy work.

SPECIAL ACCOUNT: In response to COLOMBIA, Chair Blaser noted that paragraphs on a Thematic Work Sub-account and a Project Sub-account refer to unearmarked and earmarked funds, respectively. In response to GHANA, Chair Blaser clarified that a paragraph on administrative costs does not attempt to define these exhaustively.

MALAYSIA queried the Chair's rationale for amalgamating funding for thematic programmes and projects into one account. SWITZERLAND argued against making artificial definitions of sub-accounts under the Special Account. Chair Blaser noted that having two sub-accounts requires capping donor funding for at least one of them.

Chair Blaser noted that his proposed paragraph on resource levels incorporates language on ensuring necessary "predictability" from an earlier Producer proposal, in attempting to ensure funding for approved projects.

MALAYSIA noted WGI's negotiations on vastly expanding the Organization's scope and agenda and called for adequacy in funding. Chair Blaser confirmed that he had drawn this from the Producers' compromise proposal and that that proposal is part of the integrated package for negotiations on finance. In response to COLOMBIA, the Chair emphasized ITTO's Action Plan for medium-term work as a vehicle for defining major themes.

POLICY WORK OF THE ORGANIZATION: The US, supported by JAPAN, suggested that "the policy work of the Organization should contribute directly to achieving one or more of the objectives of this Agreement and be of significance to all ITTO members." SWITZERLAND, supported by NORWAY and GHANA and opposed by the NETHERLANDS, recommended deleting the words "directly" and "all" and adding "broadly" after "all ITTO members."

On the inclusion of concrete policy activities, NORWAY supported, and the US opposed, listing specific priority activities for the Organization and including references to certification and forest law enforcement. MEXICO supported the inclusion of language on basic communication, outreach tools, and development of criteria and indicators.

IN THE CORRIDORS

Delegates from both Working Groups noted that major hurdles remain on frequency of Council sessions and funding issues. On the frequency of Council sessions, delegates were concerned that not allowing for special sessions or biannual Council sessions would halt important work on project approval and allocation of project funding. Delegates also remained unclear on who would pay for such sessions. On the issue of funding, delegates were frustrated by the lack of progress made on the structure and name of the financial accounts, noting the continuing rift between the Consumer Group members on this issue after nearly two years of negotiations. One delegate called attention to the fact that the WGII Chair's compromise text would make available an additional US\$2 million in assessed funding for ITTO work, but others were more pessimistic about Consumers' ability to contribute at such levels. However, a number of delegates seemed to think a way forward could be found during Joint Working Group or Plenary session.