

THE PARTNERSHIP AGREEMENT IN THE TIMBER INDUSTRY*

Confidential instructions for the Chef de cabinet to the Southern-African Minister for Agriculture and Forestry

You are the Chef de Cabinet to the Southern-African Minister for Agriculture and Forestry. The Southern African Republic is one of the main producers of the continent in the timber industry. You are about to meet with a representative of the Northern Union (NU, made of 27 member states) to talk about the possibility of signing a partnership agreement between your country and the NU in the timber industry.

In 1968, the United Nations Conference on Trade and Development (UNCTAD) recommended the creation of a Generalised System of Preferences (GSP). The GSP aimed at helping developing countries by offering them special tariff concessions to export certain products, including agricultural goods, to developed countries. These products are exported to developed countries duty-free or at reduced rates. The GSP now applies to members of the World Trade Organization (WTO). Furthermore, the WTO promotes the protection of the environment by granting concessions to countries that comply with international rules regarding sustainable forest management. Complying with these rules is therefore crucial to the NU, and should be to the SAR.

Your country is part of the least developed countries (LDCs). Since its independence in 1960, the Southern African Republic has experienced political turmoil, coups d'état and civil war situations. Since the middle of the 1990s and the organization of a national reconciliation conference, Southern-African political parties have been working towards the establishment of democracy. Of course, democratic transition is tough. Although the Southern African economy was deeply impacted by decades of instability, foreign investors are now very interested in the SAR's abundant resources, especially mining products and timber. However, a recent report issued by Greenpeace pointed the lack of transparency in the country's timber industry. Southern-African forests are not sustainably managed, which results in massive smuggling of timber with neighbouring countries. As a result, the Southern-African state is associated with such trafficking without getting any economic or tax revenue from that trade.

In 1992, the NU signed a partnership agreement with the SAR, which is now part of its priority zone. The partnership agreement enables the NU to finance a great number of projects in order to achieve the Millenium Development Goals (MDGs), to enhance infrastructure (roads and rivers), access to water, develop agriculture, education, and health.

Six months ago, the NU contacted your Ministry in order to work towards a partnership agreement in the timber industry. Such an agreement would provide for the allocation of financial assistance to the Southern-African timber industry, provided that your country commits to respect international regulations in that sector. It is very important that the SAR reforms its forest management structures by introducing sustainable management principles, traceability systems for timber as well as by complying with international quality standards. Reaching these objectives implies training civil servants from the National Forestry Office as well as administrators from the Ministry of Finance that will be in charge of collecting duties on certified timber exports.

For the SAR, the establishment of a transparent and traceable supply chain for timber implies putting an end to smuggling and therefore, more tax revenues for the state with the development of a legal timber industry. Signing an agreement with the NU would be beneficial for the economy, but also for future generations who will still benefit from sustainably managed forests. For the SAR, such an agreement is a guarantee to have access to the NU market. Professionals from the timber industry have great expectations about this agreement. They count on the coming negotiation for the coming years' profits.

According to an estimate that your services just presented to you, such a reform would require about 20 million Euros. At that stage, a minimum of 12 million Euros is required to launch the programme. That first amount will cover the costs of the administrative reform in the central administration and in the National Forestry Office as well as the consultation phase before the establishment of a timber traceability system, plus wages of administrators in charge of that sector in the capital and in the provinces. Of course, it is important that your Ministry keeps control of the implementation of the project. For that reason, you need to make sure that there will be no interference from the NU. You heard that the NU wants to tie part of the allowance with reaching certain objectives. If that amount went over 20%, the Minister would consider that the NU prejudices the SAR's sovereignty. Moreover, given the state of the Southern-African administration, you cannot accept unrealistic deadlines for the implementation of the agreement.

Based on your information, the amount of aid that the NU will allocate to the SAR will depend on the percentage of the Southern-African timber production that you accept to reserve for the NU market. The SAR is one of the main timber producers, and as such, it attracts many western investors. You certainly do not want to put all your eggs in one basket by giving too much to the NU: accepting a 30% reserved share of the production to the NU would already be a great effort. The Minister set the maximum that you could accept at 40%. A few months ago, representatives of the US government contacted the Minister to propose a partnership agreement that would guarantee 50% of the production to the US market in exchange for a minimum price guarantee for Southern-African timber exports. However, the US government only offered a limited technical assistance to the Southern-African administration. You therefore need to think twice before accepting their offer, as your administration will not be able to manage agreements with two countries. Clearly the agreement with the NU would be the most beneficial to the SAR in the long term.

Even if you agree on a smaller envelope than what you expected, signing an agreement in the timber industry with the NU now could be a first step before signing other partnership agreements in other sectors. You must keep in mind that today's negotiation is about the timber industry, but also about your relations with the NU. You know that the NU is facing major budget cuts and you do not want to risk losing such a partner at a crucial time for your country.

The Minister of Forests and Agriculture assigned you the task of negotiating with the NU representative. The objective of this meeting with the Director for horizontal issues of the NU is to agree on the general framework of an agreement between the NU and the SAR. You have known the Director for years: you studied at the London school of economics (LSE) at the same time. After graduating, you started your career as a junior economist at the Ministry of Finance while he was spending three years at the French embassy in the SAR at the beginning of his.

The negotiation that is about to take place may relate to any aspect that will seem appropriate to you.

When the negotiation is over, you are to submit a general framework of the agreement to the Minister.