

THE PARTNERSHIP AGREEMENT IN THE TIMBER INDUSTRY*

Confidential instructions for the Director for horizontal issues of the Northern Union (NU)

The Northern Union (NU) is a regional community made of 27 western European countries. It is an intergovernmental body that is active in various fields including development cooperation and the environment. The NU is the most important aid donor in the world. It runs high quality programmes in third countries through the Northern Development Fund (NDF), which amounts to approximately 20 billion Euros for 5-year periods. The NU runs its programmes in a priority zone made of African, Caribbean and Pacific (ACP) countries.

Within the Directorate-General for development and cooperation of the Northern Union, you are the Director for horizontal issues. As such, you are in charge of governance issues as well as of partnership agreements with third countries. You are in charge of negotiating partnership agreements with countries from the priority zone, including in the timber industry, which is very strategic from an economic and environmental point of view. You are about to meet with the Chef de Cabinet to the Southern-African Minister for Agriculture and Forestry. The Southern African Republic is one of the main producers of timber in Africa.

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.

In 1992, the NU signed a partnership agreement with the SAR, which is now part of the priority zone. The partnership agreement enables the NU to finance a great number of projects in order to achieve the Millennium Development Goals (MDGs), to enhance infrastructures (roads and rivers), access to water, develop agriculture, education, and health. Six months ago, the NU contacted the Southern-African government, notably the Chef de Cabinet to the Minister for Agriculture and Forestry, in order to work towards a partnership agreement in the timber industry.

From the NU's point of view, reaching an agreement in that industry would guarantee that timber imported from the SAR complies with international rules regarding the protection of the environment and sustainable forest management. That dimension is extremely important for you because the Northern Parliament, the NU's legislative body, recently voted a regulation that will make it compulsory for timber imports to comply with these rules within four years. Besides, reaching such an agreement is a great opportunity to strengthen governance in the SAR, especially in the field of forest management. Various possibilities are offered to you: the agreement could state that part of the financial package has to be directly managed by the recipient country for better ownership. It could also include the provision of technical assistance to the Southern-African administration. Reaching an agreement with the SAR

would meet internal objectives for the NU as well as objectives of its development strategy. The negotiation to which you are about to take part is very important, as members of the Northern Parliament as well as environmental NGOs will be watching the talks very closely. NGOs are pushing the NU to reach an agreement in the timber industry. You must make sure that the agreement will include conditions of traceability of imported timber products as well as measures to fight against smuggling of products. The agreement must state that these conditions are priorities of the Southern-African government. You also want to make sure that the NU and partner organizations will be involved during the evaluation phase of the projects. Ideally, the SAR should agree to comply with the conditions within three years at most after the agreement is signed.

For the NU, the fact that the SAR commits to respect quality standards, principles of sustainable development or that forests are better managed is very important. However, these are not your only objectives: you also need to make sure that a percentage of the Southern-African timber production will be reserved for the NU internal market. Demand for timber is increasing in the NU and the SAR has some of the biggest resources. You cannot afford to do without that country. The coming negotiation will therefore have to focus on the assistance the NU could provide to the SAR as well as on what percentage of the Southern-African timber production will be reserved to the NU market.

Like other institutions, the Northern Union is currently facing major budget cuts. For this agreement, a 10-million-euro envelope would be acceptable. You cannot go over 14 million Euros, provided that the other party agrees on a minimum of 35% of the timber production for the NU market. A substantial part of that amount should be dedicated to reach sustainable development and anti-smuggling objectives (e.g. : training of forest-managing personnel, follow-up of programmes, etc.). A minimum of 2 to 3 million Euros should be specifically tied with reaching these goals.

Besides, services working under your responsibility have studied the world timber industry to look for other partnership possibilities to provide for the Northern market's needs. They have identified a Southern-Eastern Asian country that represents a substantial share of the world timber production. That country is much more stable than the SAR politically. However, it is not part of the NU's priority zone and importing timber to the NU from that country would represent extremely high transport costs, which makes that option much less attractive.

You need to be very cautious during that negotiation. Of course, making sure that a percentage of the timber production is reserved for the internal market is important, but what comes first is signing an agreement that will contribute to developing the SAR and its neighbouring countries. Politically, signing such an agreement would be a strong signal to other countries in the priority zone, especially as regards the respect of good governance and sustainable development principles. Besides, you are already considering future career opportunities and you know that they could depend on the outcome of today's negotiation. You therefore need to keep all these elements in mind.

The NU Commissioner for development and cooperation assigned you the task of negotiating with the Southern-African representative. The objective of this meeting with the Chef de cabinet to the Southern-African Minister for Agriculture and Forestry is to agree on the general framework of an agreement between the NU and the SAR. You have known the Chef de Cabinet for years: you studied at the London school of economics (LSE) at the same time. After graduating, you spent three years at the French embassy in the SAR at the beginning of your career while he was starting his as a junior economist at the Ministry of Finance.

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 Commissioner.