

WORLD TRADE ORGANIZATION

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Committee on Trade and Environment

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RESULTS OF THE FOURTH SESSION OF THE COMMISSION ON SUSTAINABLE DEVELOPMENT

Note by the Secretariat

1. The United Nations Commission on Sustainable Development (CSD), the body established to follow-up the results of the UN Conference on Environment and Development (UNCED) and Agenda 21, held its fourth session from 18 April to 3 May 1996 in New York. This Note up-dates reports on previous sessions of the CSD made in WT/CTE/W/7, L/7500 and TRE/W/14.

2. Following the multi-year thematic programme of work, the fourth session of the CSD took up the following cross-sectoral issues: trade, environment and sustainable development (chapter 2 of Agenda 21), combating poverty (chapter 3), changing consumption and production patterns (chapter 4), and demographic dynamics and sustainability (chapter 5). Also discussed were financial resources and mechanisms (chapter 33); sectoral issues concerning the protection of the atmosphere (chapter 9), and protection of oceans (chapter 17); and the progress report of the *Ad Hoc* Intergovernmental Panel on Forests.

3. The *Report of the UN Secretary-General on trade, environment and sustainable development* was prepared by the UNCTAD Secretariat in its capacity as the CSD's task manager for trade and environment (E/CN.17/1996/8 and Add.1). The CSD Decision on Trade and Environment, adopted at the high-level segment, is attached as an Annex to this Note. The Chairman's Summary of the high-level segment, convened at Ministerial level, made the following references to trade and environment:

"30. In the area of trade, environment and sustainable development, participants in the high-level segment called on Governments to ensure appropriate coordination between trade and environment officials at the national and international levels in order to ensure the mutual support of trade and environment policies, including those resulting from multilateral environmental agreements.

31. In that connection, they took note of the work of the WTO Committee on Trade and Environment and looked forward to a substantive report on the results of its deliberations, and looked to the WTO Ministerial meeting in Singapore to continue the important work of the Committee on Trade and Environment.

32. Participants recognized that the link between environmental policies and competitiveness is complex. They noted that, although so far there was no available evidence to suggest that environmental policy generally has a significant detrimental effect on competitiveness, further study is required of the potential impacts of environmental policies on competitiveness and on market access, in particular for developing countries.

33. Participants encouraged the UNCTAD IX conference in MidRand to make arrangements to continue UNCTAD's analytical work and consensus-building activities in the area of trade, environment, and sustainable development, and to provide focused technical cooperation to developing countries and countries with economies in transition."

4. Progress in implementing the commitments contained in Agenda 21 will be reviewed at a Special Session of the UN General Assembly in June 1997. In this regard, resolution 50/95 of the General Assembly invites the WTO to provide a report of its work on trade, environment and sustainable development to the Special Session. The Special Session will not attempt to renegotiate Agenda 21, or other intergovernmental agreements in the field of sustainable development, but will concentrate on their further implementation. It will focus on the need: (a) to revitalize and energize commitment to the concept of sustainable development; (b) to frankly recognize failures to meet certain goals and identify reasons for failure; (c) to boost implementation of the Rio commitments through means including the identification of innovative approaches to cooperation and financial assistance, and through concrete proposals for action; (d) to define priorities for the period beyond 1997, in particular concerning those issues of Agenda 21 where progress can be made; and (e) to raise the profile of issues that were not sufficiently addressed in Rio, or where significant developments have taken place since Rio, including changing consumption and production patterns, renewable energy and transport, urban issues, and risk management.

ANNEX

COMMISSION ON SUSTAINABLE DEVELOPMENT

Fourth Session

18 April - 3 May 1996

Decision Submitted by the Chairman and adopted by the CSD

Trade, Environment and Sustainable Development¹

(Chapter 2 of Agenda 21)

1. The Commission took note of the Secretary-General's report on trade, environment and sustainable development (E/CN.17/1996/8 and Add.1) and welcomed with appreciation the analysis contained therein.
2. The Commission reiterated all decisions taken on issues related to trade, environment and sustainable development at its second and third sessions.
3. In regard to trade measures in multilateral environmental agreements, (MEAs) the Commission:
 - (a) calls on governments to ensure appropriate coordination between trade and environment officials at the national level and to take appropriate steps at national and international levels in order to ensure the mutual supportiveness of trade and environment policies in support of sustainable development and looks to the WTO to address the relationship between WTO provisions and trade measures for environmental purposes, including those pursuant to multilateral environment agreements;
 - (b) recognizes that positive measures, such as improved market access, capacity-building improved access to finance, access to and transfer of technology, taking into account the relationship between trade related agreements and technology, are effective instruments to assist developing countries to meet multilaterally agreed targets in keeping with the principle of common but differentiated responsibilities;
 - (c) notes that trade measures can, in certain cases, play a role in achieving the objectives of MEAs, while safeguarding a non-discriminatory and equitable multilateral trading system; notes that positive measures should be employed, as appropriate, to reduce or obviate the necessity for trade measures to secure compliance with MEAs; stresses also that the use of trade measures should not deter the consideration of other options which may be more effective. All measures should uphold Principles 7, 11 and 12 of the Rio Declaration;
 - (d) recognizes that the different trade provisions in MEAs may have different objectives and that they may involve wider economic and developmental issues; invites UNCTAD and UNEP, jointly and in cooperation with WTO, in accordance with their respective mandates and competencies, to undertake further analysis on the issue of trade and environment, including policy instruments in MEAs, in particular positive measures,

¹Recommendations with respect to UNCTAD should bear in mind the outcome of UNCTAD IX being held concurrently.

taking into account the specific context of each MEA, with a view to promoting sustainable development;

(e) recalls the invitation, made in its third session, to UNCTAD and UNEP, in cooperation with UNDP, international financial institutions (IFIs), and other relevant bodies, programmes and organizations to examine the effects of trade measures in MEAs on the achievement of environmental goals and on trade and competitiveness of developing countries and countries with economies in transition, and how positive measures can assist those countries in meeting their obligations under the agreements.

4. In regard to environmental policies and competitiveness, the Commission:

(a) recognizes the link between environmental policies and competitiveness is a complex one and notes that there is no available evidence to suggest that environmental policy generally has a significant detrimental impact on competitiveness. Efforts could be made to identify "win-win" opportunities in the design and implementation of environmental policies, which could improve resource efficiency, competitiveness, employment, and market access;

(b) firmly reflects "green countervailing duties" or other protectionist or WTO inconsistent trade measures to compensate for negative competitiveness effects, whether real or perceived, of environmental policies;

(c) stresses that it would be inappropriate to relax environmental laws, regulations and standards or their enforcement in order to encourage foreign direct investment or to promote exports;

(d) considering that complying with the environmental requirements of importing countries may raise particular competitiveness concerns for developing countries and countries with economies in transition, recommends that Governments of developed countries facilitate continued market access for developing countries by ensuring greater transparency, and providing them technical and financial assistance directed towards environmental capacity-building in accordance with the provisions of relevant chapters of Agenda 21;

(e) encourages UNCTAD to propose positive measures at the national and international levels, aimed at supporting developing countries in their efforts to achieve the objectives of sustainable development, focusing on capacity building and support for national efforts aimed at internalizing environmental costs;

(f) takes note of the progress report, submitted by UNCTAD, of the analytical study on the relationship of environmental protection to international competitiveness, job creation and development, and invites UNCTAD to further elaborate this study, with the input of governments, regional economic integration organizations, as well as the private sector, NGOs, and other relevant regional and international organizations, and to submit the results to future sessions of the Commission, as appropriate.

5. The Commission recognizes that eco-labelling can have an impact on trade. The Commission invites Governments to ensure adequate transparency of eco-labelling, *inter alia* by considering inputs from interested parties, including consumer and environmental groups, domestic and foreign producers, at an appropriately early stage in the design of the measures, and to encourage private bodies involved in eco-labelling to do the same. Calls upon national

governments and private bodies involved in eco-labelling to explore the scope for mutual recognition of procedures and approaches on the basis of equivalency at appropriately high levels of environmental protection taking into account differing environmental and developmental conditions in different countries. The Commission also invites UNCTAD, UNEP, WTO and, as appropriate, ISO to give the fullest consideration to these concepts in the future work on environmental labelling in the best interest of transparency.

6. The Commission supports the promotion of balanced public awareness and educational programmes on issues related to eco-friendly classification to assist both producers and consumers in making environmentally-sound decisions.

7. In regard to trade liberalization and the environment, the Commission:

(a) recalls the recommendation made in paragraph 67 of the report on its third session in which it invited the UNEP/UNCTAD programme to carry out further work and report on the development of a framework to facilitate the assessment of the environmental impact of trade policies, taking into account the special needs of developing countries and countries with economies in transition;

(b) recognizes the utility of UNEP and the FAO continuing to examine the environmental effects in the importing countries of the export of goods prohibited for sale on environmental grounds in the exporting countries;

(c) invites UNCTAD, in cooperation with UNEP and other relevant organizations, such as OECD, taking into account work already underway at the WTO, to examine how further trade liberalization, e.g. through the reduction or elimination of tariff escalation, export taxes or restriction, trade-distortive subsidies and the elimination of tariff and non-tariff barriers to trade, can result in environmental benefits and contribute to sustainable development, including by examining recent analyses on these topics;

(d) reaffirms the importance of efforts aimed at internalizing environmental costs in order to promote positive, and avoid negative, environmental effects of trade liberalization;

8. In regard to sustainable development of the commodity sector, the Commission:

(a) invites UNCTAD in cooperation with UNEP, UNIDO and other relevant organizations to assist developing countries in implementing pilot projects in export-oriented production and processing activities aimed at internalizing environmental costs;

(b) encourages international organizations, Governments and the business community to intensify the search for pragmatic methods for increasing cooperation between exporters and importers with a view to facilitating developing countries' efforts to internalize environmental costs in their development process and to assess the scope for the establishment of sectoral round tables and other formal or informal arrangements for identifying efficient and cost-effective approaches.

9. In regard to biological diversity and trade issues, the Commission welcomes UNCTAD's BIOTRADE Initiative as a collaborative effort with the Secretariat of the Convention on Biological Diversity (CBD), interested United Nations agencies and other inter-governmental and non-governmental organizations, the private sector, local communities and academic institutions with a view to strengthening capacity-building, and encourages further consultations on this matter.

10. The Commission invites UNCTAD, UNDP, ITC, UNEP and other relevant UN Agencies, to strengthen cooperation in the implementation of a programme of technical assistance for capacity-building, in accordance with the mandates and expertise of each agency, *inter alia*, with a view to assisting developing countries and countries with economies in transition to participate effectively in international deliberations on trade and environment, international trade negotiations and international environmental negotiations.

11. The Commission takes note of the preliminary background paper, prepared by UNCTAD, on the research on trade, environment and sustainable development linkages carried out by international organizations, as well as academic institutions and NGOs in developed and developing countries; encourages additional research in particular areas where gaps exist; recommends international and bilateral aid agencies to support research activities in developing countries and countries with economies in transition, in particular in these areas.

12. The Commission:

- (a) takes note of the work of the WTO Committee on Trade and Environment, looks forward to a substantive report on the results of its deliberations, including further progress in making trade and environmental policies mutually supportive in order to promote sustainable development, and invites Ministers to consider all items listed in the Marrakesh Decision on Trade and Environment of 15 April 1994, taking into account the objectives of Agenda 21 and the Rio Declaration as well as to give due consideration to the results of deliberations of the Commission at this session;
- (b) looks to the WTO Ministerial meeting at Singapore to continue the important work of the Committee on Trade and Environment;
- (c) invites UNCTAD and UNEP to transmit the results of their activities on trade, environment and sustainable development to the Committee on Trade and Environment for consideration at the WTO Ministerial meeting in Singapore;
- (d) requests UNCTAD in accordance with General Assembly resolution 50/95, paragraph 27 of 20 December 1995, to continue its special role in the field of trade and environment and invites UNCTAD IX to consider appropriate arrangements to carry out intergovernmental activities, taking into account its mandate and competence, as well as the need for continued cooperation and complementarity in the work of UNCTAD, UNEP and WTO;
- (e) invites UNEP to continue its work on trade and environment in accordance with its mandate;
- (f) invites the U.N. regional commissions, within their mandates and taking into account the specific context of each region, and the OECD, in close cooperation with the competent international organizations, such as UNCTAD, UNEP and WTO, to organize meetings as necessary, for the purpose of enhancing coordination on trade and environment;
- (g) recalls General Assembly resolution 50/95 which requests the United Nations Conference on Trade and Development, and invites the World Trade Organization, in accordance with their respective mandates and competence and in close cooperation with other competent United Nations bodies and the regional commissions, to address trade and environment matters comprehensively and to report, through the Commission on

Sustainable Development, to the Economic and Social Council and the General Assembly at its special session in 1997 on the concrete progress achieved on the issue of trade and environment;

(h) invites UNCTAD and UNEP to continue their joint programme of work on trade, environment and sustainable development, in accordance with paragraph 59 of Chapter I of the report of the CSD on its third session and paragraph 14 of the General Assembly Resolution 50/95 of 20 December 1995;

(i) takes note of the ongoing analytical work of the OECD on trade and environment, especially that of the Joint Session of Trade and Environment Experts, including its report to the OECD Council at Ministerial level in May 1995, and encourages it to make available the results of its work to the Commission on Sustainable Development.