

## COMMITTEE ON TRADE AND ENVIRONMENT

### UNCED Follow-up: Results of the third session of the Commission on Sustainable Development

This document contains the Secretariat's Note on the results of the third session of the Commission on Sustainable Development in English. It will be translated into French and Spanish as soon as the Report of the CSD on its third session is available in those languages.

# WORLD TRADE ORGANIZATION

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## Committee on Trade and Environment

### UNCED FOLLOW-UP: RESULTS OF THE THIRD SESSION OF THE COMMISSION ON SUSTAINABLE DEVELOPMENT

#### Note by the Secretariat

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 third session from 11-28 April in New York. This Note has been prepared to provide information on the outcome of this session of the CSD; it up-dates reports on the CSD's first and second sessions (TRE/W/14, L/7500). The Secretariat submitted a report to the CSD, on its own responsibility, of work on trade and environment in the WTO since the CSD's 1994 session, contained in WT/CTE/W/3.<sup>1</sup>

The CSD's multi-year thematic programme of work to follow-up the UNCED results, adopted by the CSD at its first session<sup>2</sup>, and a description of the various "clusters" of issues is described in TRE/W/14 and L/7500. This session focused on the sectoral issues of land, desertification, forests and biological diversity included under Cluster G. Notably, the CSD decided to establish under its aegis an open-ended *ad hoc* Intergovernmental Panel on Forests in order to coordinate further work in this area and build on the UNCED Forest Principles and Chapter 11 of Agenda 21, as well as other international initiatives related to forests. The Panel will be composed of governmental representatives, with intergovernmental organizations and non-governmental organizations participating as observers. The Panel's programme of work includes consideration of trade and environment relating to forest products and services (see the Decision on Combating Deforestation below).

This session focused also on the following aspects of the cross-sectoral issues: combating desertification and drought; sustainable mountain development (Cluster A: Critical elements of sustainability); financial resources and mechanisms (Cluster B: Financial resources and mechanisms); environmentally-sound management of biotechnology; transfer of environmentally sound technology; science for sustainable development (Cluster C: Education, science, transfer of environmentally-sound technologies, cooperation and capacity-building); integrating environment and development in decision-making; information for decision-making (Cluster D: Decision-making structures); and the role of women; youth; indigenous people; NGOs; local authorities; workers; industry; the scientific community; and farmers (Cluster E: Roles of major groups). The *Report of the CSD on its third session*, containing all the edited Decisions of the cross-sectoral and sectoral issues, will be submitted by the CSD to the Economic and Social Council in July 1995.

Specifically relevant to the Committee is the Decision on Trade, Environment and Sustainable Development, which is contained in Appendix I to this Note. Reference is made also

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<sup>1</sup>See also the *Report of the UN Secretary-General on trade, environment and sustainable development*, prepared by the UNCTAD Secretariat, as the CSD's task manager for trade and environment (E/CN.17/1995/12), and the submissions of UNCTAD and UNEP on their activities related to trade, environment and sustainable development, background documents 7 and 8 for the CSD's third session.

<sup>2</sup>*Adoption of a Multi-year Thematic Programme of Work of the Commission*, Report of the Secretary-General, E/CN.17/1993/5, 1 June 1993.

in the Note to issues related to trade and environment which were dealt with in the CSD Decisions on cross-sectoral and sectoral issues and in the Chairman's Summary of the high level segment of the meeting.

## I. CROSS-SECTORAL ISSUES

The following Decisions on cross-sectoral issues are relevant to trade and environment.

### Chapter 2: Decision on Trade, Environment and Sustainable Development

The Decision makes reference to the CSD's initial perspectives for consideration in subsequent work on trade and environment issues in its 1994 Decision, which is contained as Appendix I of L/7500. In the 1995 Decision, the CSD "considered a number of key issues related to the linkages between trade, environment and sustainable development. These include product measures and market access, process standards and competitiveness, internalization of environmental externalities and trade, multilateral environmental agreements and trade policy, environmental factors as trading opportunities, and trade policies and the environment." (paragraph two)

As in the 1994 Decision, this new Decision emphasizes the importance of trade liberalization, complemented by the adoption of sound environmental policies, in creating the conditions for sustainable development. In paragraph four, the CSD "notes that the Uruguay Round Agreements represent a substantial liberalization of international trade, the strengthening of multilateral rules and disciplines to ensure stability and predictability in trade relations, the establishing of rules and disciplines in new areas and the founding of a new institutional framework in the form of the WTO, with an integrated dispute settlement mechanism which should avoid unilateral actions which are against international trade rules. The agreements thus represent an essential element for the achievement of global sustained economic growth for the benefit of all countries, which is a fundamental element for achieving sustainable development. In this context, it calls for the urgent and full implementation of the agreements contained in the Final Act of the Uruguay Round, stresses the urgent need for trade liberalization, including through substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international trade relations, and improved access to markets of all countries, in particular those of developed countries."

The Decision notes that the CSD "stresses the importance of the work of the Committee on Trade and Environment of the WTO, in accordance with its mandate, which calls upon the Committee to make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required, compatible with the open, equitable and non-discriminatory nature of the system ..." The language which is used in paragraph five is taken from the Marrakesh Decision establishing the Committee.

Paragraph seven concerning MEAs refers to paragraph 32 of the 1994 Decision (paragraph eight of L/7500) which emphasizes the results of UNCED relating to trade, environment and sustainable development, including Principle 12 of the Rio Declaration and paragraph 2.22 of Agenda 21.

### Chapter 3: Decision on Combating Poverty

The Decision notes that the CSD "recalls that the Rio Declaration embodies the principle that eradicating poverty is an indispensable requirement of sustainable development ..." and "stresses that the link between poverty eradication and sustainable development is complex and

must be clearly understood. ... The CSD is deeply convinced that economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development, which is the framework for efforts to achieve a higher quality of life for all people. Equitable social development that recognizes empowering of the poor to utilise environmental resources sustainably is a necessary foundation for sustainable development. Broad-based and sustained economic growth in the context of sustainable development is necessary to sustain social development and social justice."

The CSD "affirms that economic growth will continue to be important to combat poverty in the long run particularly in developing countries, but reliance cannot be placed on economic growth alone to combat poverty. There is an urgent need to formulate or strengthen policies and strategies geared to substantially reducing overall poverty in the shortest possible time, and reducing inequalities, and to eradicate absolute poverty by a target date to be specified by each country in its national context. Such strategies should also incorporate measures to ensure environmental sustainability. The essential task of eradicating poverty is an indispensable requirement for sustainable development. Strategies aimed at poverty eradication are also necessary to prevent the over-exploiting of natural resources out of sheer survival strategies, which leads to the degradation of resources required to sustain populations over the long term."

The CSD "reaffirms that a favourable international economic environment, and the critical provision of financial and technical assistance flows are essential catalysts towards poverty eradication. Better terms of trade, better access to markets, particularly for labour-intensive products, for agricultural and agro-based products, and those of medium and small-scale enterprises, access to and transfer of environmentally sound technology (ESTs) on favourable terms, including on concessional and preferential terms, as mutually agreed, taking into account the need to protect intellectual property rights as well as the special needs of developing countries are, therefore, also important conditions for sustainability. ... Transfer of ESTs is also indispensable for the adoption of sustainable production patterns both in industry and agriculture."... The CSD also "stresses that activities geared towards eradication of poverty should be accompanied by meaningful programmes which aim substantially to reduce environmentally and socially unsustainable patterns of production and consumption."

#### Chapter 4: Decision on Changing Production and Consumption Patterns

In the Decision, the CSD "affirms that while poverty results in certain kinds of environmental stress, the major cause of the continued deterioration of the global environment is the unsustainable pattern of consumption and production, particularly in industrialized countries which is a matter of grave concern, aggravating poverty and imbalances" and "reaffirms the need to change the patterns of consumption and production that are detrimental to sustainable development. In the context of common but differentiated responsibilities in this field, the developed countries bear a special responsibility and have agreed to take the lead by taking effective measures for change in their own countries. In that context, the CSD reiterates that national authorities should endeavour to promote the internalization of environmental costs and the use of economic instruments, as appropriate, taking into account the polluter-pays principle." The CSD "recognizes that Governments should continue to improve their decisionmaking so as to integrate environmental, economic and social considerations which will involve the use of a range of different policy approaches and instruments."

The CSD "urges Governments at all levels, business and industry, and consumers to intensify efforts at reducing the energy and material intensities of production and consumption, through improving energy efficiency, taking energy-saving measures, technological innovations and transfer, increased waste recovery, reusing recycling of materials. The CSD stresses that all countries have, and should exploit opportunities for further improving efficiency in resource

consumption and for reducing environmentally harmful by-products of current consumption and production patterns in accordance with national priorities and international agreements, for example, by promoting the use of renewable energy sources. In this context, taking into account the particular needs and conditions of developing countries, and based on the principle of common but differentiated responsibilities, [it] urges developed countries to intensify efforts to encourage the transfer of appropriate technologies to developing countries to assist them in such efforts."

The CSD "calls for the promotion of internalization of environmental costs taking into account the polluter pays principle, with due regard to the public interest and without distorting international trade and investment. In this regard, it welcomes progress made so far, including in countries with economies in transition and developing countries, in further analysing, adapting and applying various measures and policy instruments designed to internalize environmental externalities. The CSD recognizes that command-and-control measures and social and economic instruments all have their role to play in changing production and consumption patterns. Governments should take into account local and national conditions in designing and implementing such instruments. In the long run, economic and other market-based instruments are likely to be more cost effective in bringing about sustained changes in producer and consumer behaviour. In this regard, the CSD invites Governments to consider introducing economic measures, including tax and subsidies reform designed to reduce negative environmental impacts and support employment."

The CSD "emphasizes that strengthened international cooperation in harmonizing criteria for the setting of voluntary product standards, with due regard to the specific environmental, social and economic conditions in developing producer/exporting countries, should take into account concerns about market access and the competitiveness of products and services. In this regard, the CSD calls on Government to intensify efforts to encourage the transfer of appropriate technology."

The CSD adopted the following work programme on changing production and consumption patterns:

- A. Identifying the policy implications of projecting trends in consumption and production patterns, including, *inter alia*, resource consumption and associated environmental, social and economic impacts, with particular reference to developing countries' efforts at meeting basic needs, eradicating poverty and achieving economic growth;
- B. Assessing the impact on developing countries, especially the least-developed countries and small island developing States, of changes in consumption and production in developed countries;
- C. Evaluating the effectiveness of policy measures intended to change consumption and production patterns, such as command-and-control, economic and social instruments, government procurement policies and guidelines, for example through the internalization of environmental costs;
- D. Eliciting time-bound voluntary commitment from countries to make measurable progress on those sustainable development goals that have an especially high priority at the national level;
- E. Revision of the UN Guidelines for Consumer Protection to include guidelines for sustainable consumption patterns.

### Chapter 33: Decision on Financial Resources and Mechanisms

The CSD "emphasizes that, in general, the financing for the implementation of Agenda 21 will come from a country's own public and private sectors. For developing countries, particularly the least developed countries, official development assistance (ODA) is a main source of external funding; substantial new and additional funding for sustainable development and the implementation of Agenda 21 will be required. ... The decline of ODA, both in absolute terms and as a percentage of GNP, remains a matter of great concern to the Commission."

The CSD "urges the developed countries to continue pursuing policies aimed at increasing the flow of ODA to developing countries, consistent with the commitments they made at the UNCED. ... with the objective of achieving the UN target of 0.7 per cent of GNP, as reaffirmed in Chapter 33.13 of Agenda 21, as soon as possible." The CSD "stresses the need for the fulfilment of the financial commitments contained in Agenda 21" and "encourages the mobilization of domestic financial resources, *inter alia*, through the use of economic instruments and policy reforms in both developed and developing countries and the establishment of national environmental funds."

The Decision states that the "CSD's review of the use of economic instruments in developed countries, countries with economies in transition and developing countries demonstrates clearly that - depending on their specific conditions - they have in varying degrees attempted to achieve a less distortionary tax system by introducing environmental taxes. In addition, valuable experience is being gained in the use of the various other economic instruments. The CSD emphasizes that future discussions on economic instruments should explore ways and means of overcoming obstacles to their implementation in developed countries, developing countries and countries with economies in transition. Particular attention should be paid to specific country situations and the phasing out of environmentally-unfriendly practices, as well as to problems of capacity building in developing countries and to distributional problems."

The CSD "underscores the importance of strengthening national capacities and capabilities in the use of economic instruments, including the elimination of environmentally-unfriendly subsidies and other practices, in the context of national strategies and policies for sustainable development. It recommends that these efforts should be supported by Governments and international organizations, in particular UNDP, UNEP, UNCTAD, IMF, World Bank and the UN regional commissions."

In its discussion of innovative mechanisms for resource mobilization, the CSD mentioned that the Inter-sessional *ad hoc* Open-ended Working Group on Finance considered the feasibility and utility of such measures as an environmental user charge on air transport, activities implemented jointly and internationally tradeable CO<sub>2</sub> permits. It notes that "the air transport of passengers and cargo is a source of environmentally-damaging emissions and considers it worthwhile to examine in detail a properly designed environmental user charge on air transport if an in-depth study demonstrated its need and feasibility." ... and "recommends that the study address the environmental, economic, legal, administrative, and political aspects of such a mechanism, taking into account the particular needs and conditions of developing countries."

The Decision also reflects the CSD's discussion on "internationally tradeable CO<sub>2</sub> permits and activities implemented jointly reflects concerns and recognition about their extreme complexity and makes it clear that work undertaken in this regard should be pursued in the context of the UN Framework Convention on Climate Change, taking into account the situation of countries, particularly the developing countries, as specified in the relevant paragraphs of the Convention." The CSD noted the outcome of the first Conference of the Parties to the Climate Change Convention, in particular the launching of a pilot phase for activities implemented jointly.

The CSD "emphasizes that financing the transfer of ESTs and biotechnology should be considered in the context of the relevant chapters of Agenda 21, ... on favourable terms, including concessional and preferential terms, as mutually agreed, taking into account the need to protect intellectual property rights as well as the special needs of developing countries for the implementation of Agenda 21." It notes that "fostering investments in ESTs requires that Governments promote a favourable environment for the transfer of technology, the adoption of favourable policies for business development and the creation of a wider framework to encourage investment in the technology development process, including research, development and adaptation of technology. The particular problems of small and medium-sized enterprises were emphasized. The CSD "recommends that the need for and effectiveness of EST rights banks and the practical feasibility of establishing such banks should be further studied."<sup>3</sup>

## II. SECTORAL ISSUES

The following Decisions on sectoral issues are relevant to trade and environment.

### Chapter 11: Decision on Combating Deforestation

Combating deforestation was one of the sectoral focuses of this session of the CSD. In the Decision, the CSD "calls for further attention to the cross-sectoral factors which are the underlying causes of deforestation and degradation of forests such as production and consumption patterns, poverty, population growth, insufficient environmental education and knowledge, terms of trade, discriminatory trade practices and unsustainable policies and practices related to such sectors as agriculture, energy and trade as well as to forestry. In this regard, it stresses the need for addressing policy issues including the conservation, valuation and sustainable use of forests in an integrated and holistic manner. It also considers that the potential role of voluntary certification schemes with regard to sustainable forest management, trade in forest products, and consumer education should be further studied, ensuring full transparency and participation of all interested parties."

The CSD decided to establish under its aegis an open-ended *ad hoc* Intergovernmental Panel on Forests in order to coordinate further work in this area and build on the UNCED Non-legally binding authoritative statement of principles for a global consensus on the management, conservation and sustainable development of all types of forests (Forest Principles) and Chapter 11 of Agenda 21, as well as other international initiatives related to forests. The Panel will be composed of governmental representatives, with intergovernmental organizations and non-governmental organizations participating as observers.

In pursuing consensus and formulation of coordinated proposals for action, the Panel should consider the following main interrelated categories of issues: (i) implementation of UNCED decisions related to forests at the national and international level including an examination of sectoral and cross-sectoral linkages; (ii) international cooperation in financial assistance, and technology transfer; (iii) scientific research, forest assessment and development of criteria and indicators for sustainable forest management; (iv) trade and environment relating to forest products and services; (v) international organizations and multilateral institutions and instruments, including appropriate legal mechanisms.

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<sup>3</sup>The Decision defines environmentally sound technology rights banks as "ownership arrangements that act as a broker for acquiring patent rights to sounder technologies and make them available to countries in need of technical assistance, in particular the developing countries, on favourable terms."

The Panel's programme of work related to trade and environment mandates it to: "[e]xamine relevant factors affecting trade in forest products and other forest-trade issues in an integrated and holistic approach that promotes a supportive relationship between trade and environment. In this connection, identify opportunities and recommend measures for improving market access for forest products on a non-discriminatory basis and consider factors that may distort trade in forest products and affect their value, including pricing, import/export controls, subsidies and the need to remove unilateral bans and boycotts inconsistent with the rules of the international trade system. Promote the development of methodologies to advance the full evaluation, including replacement environmental costs, of forest goods and services, with a view to promote full cost internalization. Taking account of the interests of all sectors and particularities of different countries and ensuring full transparency and participation of all interested parties, examine the issue of voluntary certification and labelling of forest products to contribute to a better understanding of the role of voluntary certification with regard to the sustainable management of forests including the impact of certification on developing countries."

The Panel should "develop a clearer view of the work being carried out by international organizations and multilateral institutions and under existing instruments as appropriate, including the Conventions on biodiversity, desertification, climate change, CITES and ITTA, in forest related issues, including UNCED decisions related to forests, and the institutional linkages emanating therefrom in order to identify any gaps, areas requiring enhancement, as well as any areas of duplication. Based on a consensus building, step by step process, [it should] consider and advise on the need, or otherwise, for other instruments or arrangements for further implementation of the Forest Principles, including appropriate legal arrangements and mechanisms covering all types of forests."

The Panel should "encourage national implementation of criteria and indicators for sustainable forest management and study the feasibility of further developing internationally agreed upon criteria and indicators against which progress towards sustainable forest management of all types of forests could be measured, taking into account the specific regional and sub-regional conditions of forests and the diversity of economic, social and cultural environments. In this context, facilitate the engagement of regions and countries not yet involved in developing criteria and indicators of sustainable forest management; share experiences in testing and implementing them; and examine the need to promote comparability and the appropriateness of convergence among international initiatives in this regard." It will submit a progress report to the CSD's fourth session in 1996 and final conclusions and recommendations to the 1997 session.

#### Chapter 14: Decision on Promoting Sustainable Agriculture and Rural Development

The Decision notes that "sustainable agriculture and rural development must take place within the framework of an undistorted sectoral and economy-wide policy framework that fully ingrates environmental considerations. In this context, the full implementation of the Final Act of the Uruguay Round of Multilateral Trade Negotiations is an important step contributing to liberalizing international trade in agriculture. In particular, the reforms to achieve substantial and progressive reduction in the support and protection of agriculture, in accordance with the Uruguay Round agreement, covering internal regimes, market access and export subsidies, are on-going. With a view to promoting sustainable development, non-trade concerns such as economic, social, food security and environmental impact of trade policies, including trade liberalization, should be monitored and evaluated, especially taking into account their impact on developing countries, in particular LDCs and net food importing developing countries. ..."

The CSD "requests FAO, within its existing resources, in collaboration with UNCTAD, WTO, UNDP, UNEP and other relevant organizations, to analyze the implications for sustainable agriculture and rural development of the Uruguay Round's Final Act at national, regional and



international levels. In this context, [it] notes, taking into account the impact on and the socio-economic conditions in developing countries, in particular LDCs and net food-importing developing countries, the importance of a comprehensive examination of the environmental consequences of the use of agricultural practices and policies, including agricultural subsidies, in all countries and their impact on sustainable agricultural and rural development."

#### Chapter 15: Decision on Conservation of Biological Diversity

In the Decision, the CSD: "(a) urges the Governments which have not yet done so to ratify, accede to and begin implementing the Convention on Biological Diversity; (b) urges the international community to support efforts aimed at capacity building as well as human resource development, and at the transfer of technology to developing countries for the conservation of biodiversity, including through *in situ* and *ex situ* conservation, and the sustainable use of its components, and also urges each country to take legislative, administrative or policy measures, as appropriate, with the aim that the private sector facilitate access to joint development of technology, in accordance with Article 16.4 of the Biodiversity Convention; (c) encourages the Conference of the Parties to the Biodiversity Convention, in collaboration with relevant organizations, to explore means for coordinating relevant global and regional agreements related to the Convention; ... and (i) calls upon the international community to make efforts to develop economic mechanisms for determining the costs and benefits of the conservation of biodiversity and sustainable use of its components ...". It also notes the Biodiversity Convention's work on biodiversity and forests and recognizes "the role of conservation and sustainable management of all types of forests for maintaining the biodiversity of the planet as well as for forest eco-systems."

#### Chapter 16: Decision on Environmentally Sound Management of Biotechnology

Noting the Secretary-General's report on environmentally sound management of biotechnology<sup>4</sup> and its proposals for action, the Decision notes that the CSD considers that "[f]uture reports should place a stronger emphasis, including more information and proposals, on the ecological, safety, health, and socio-economic and ethical aspects of the application of biotechnology and the commercialization of biotechnology products, with particular reference to genetic engineering, including genetically-modified organisms when human genetic material is involved. Such reports should take into account existing uncertainties and the most recent findings of the science of genetics. This would enable the CSD to take a balanced and objective approach to biotechnology."

The CSD "recognizes, however, that concerns exist about biosafety in the application of biotechnology and the commercialization of biotechnology products, in particular with regard to genetically modified organisms. It notes the absence of a globally agreed framework for the safe handling and transfer of biotechnology, and the sustainable management of genetically modified organisms. It further notes the particular significance of this for developing countries. Taking into account the precautionary approach, the CSD attaches high priority to the safe handling of biotechnology. ... [and] welcomes the decision of the first meeting of the Conference of the Parties to the Biodiversity Convention to establish a process for considering the need for and modalities of a protocol on biosafety in the field of the safe transfer, handling and use of any living modified organisms resulting from biotechnology that may have adverse effect on the conservation and sustainable use of biodiversity. That decision involves the establishment of a panel of experts and an open-ended *ad hoc* Working Group of experts nominated by Governments."

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<sup>4</sup>E/CN.17/1995/20.

The CSD "urges countries and international organizations to accord high priority to measures aimed at integrating biotechnology, including biosafety concerns and provide support to, *inter alia*, assess the need for advice and assistance in promoting the development or reenforcement of biotechnology and biosafety regulations, norms and standards, especially in the fields of agricultural, human and animal health, with a view to designing effective programmes for the environmentally-sound management of biotechnology ..." It notes "the work on the development of possible international voluntary technical guidelines on biosafety and stresses that such work should not be seen as overriding existing national and regional legislation or as prejudging the result of the ongoing discussions on the need for and modalities of a protocol on biosafety under the Biodiversity Convention."

### III. SUMMARY OF THE HIGH LEVEL SEGMENT

The high level segment of the CSD's third session convened environmental Ministers, as well as those responsible for other relevant sectors such as finance, planning, development cooperation, forestry, agriculture, labour and infrastructure. The Chairman's Summary of the high level segment of the meeting is contained in Appendix II to this Note.

Ministers "unanimously supported the setting up of an Intergovernmental Panel on Forests," which was "seen as a real achievement demonstrating the level of credibility attained by the CSD in fulfilling one of the main decisions reached at UNCED."

Ministers noted that there was "a clear recognition that poverty eradication is an indispensable requirement for sustainable development." Also, Ministers noted that "[t]he adoption of the work programme on changing production and consumption patterns confirms that this issue is at the heart of the work of the CSD. ... In this respect, energy and transport, essential sectors when addressing production and consumption patterns, are an important part of Cluster H, namely "Atmosphere, Oceans and all kinds of Seas," which the CSD will review in 1996.

Ministers recognized that "there was a need to analyze the potential effects of environmentally-related trade issues and in particular product-specific policies, such as eco-labelling and certain packaging and recycling requirements, especially as regards their potential impacts on exports, especially those of developing countries and countries with economies in transition; it was also necessary to strengthen mechanisms to improve transparency in the setting of such standards and to strengthen international cooperation which could create trading opportunities for developing countries in expanding markets for environmentally-friendly products. In view of the impacts of trade liberalization on changing production patterns in exporting countries, the need for capacity building in developing countries and economies in transition to further integrating trade and environmental policies was stressed."

Two *ad hoc* open-ended Inter-sessional Working Groups will be set up to address the sectoral items on the agenda for 1996, namely Atmosphere and Oceans, and related technology issues and the cross-sectoral issues of financial resources and mechanisms, as well as changing production and consumption patterns.

## APPENDIX I

### GENERAL DISCUSSION ON PROGRESS IN THE IMPLEMENTATION OF AGENDA 21 FOCUSING ON CROSS-SECTORAL ISSUES AND THE CRITICAL ELEMENTS OF SUSTAINABILITY

Decision submitted by the Chairman  
and adopted by the CSD

#### Chapter 2

#### Trade, Environment and Sustainable Development

1. The Commission reiterates the initial perspectives for consideration in subsequent work on trade and environment issues contained in its 1994 Decision and stresses that trade and environment policies should be mutually supportive in promoting sustainable development. This requires that account be taken of the special conditions and development needs of the developing countries. There is also a need for support to build institutional capacity in the area of trade and development and environmental assessment in developing countries and countries with economies in transition. There is also a need for complementarity, coordination, transparency and accountability among international organizations involved in the development of policies on trade and environment.
2. The Commission considered a number of key issues related to the linkages between trade, environment and sustainable development. These include product measures and market access, process standards and competitiveness, internalization of environmental externalities and trade, multilateral environmental agreements and trade policy, environmental factors as trading opportunities, and trade policies and the environment. Each of these issues involves conceptual and empirical as well as policy questions. Ongoing work in different international organizations aims at clarifying these issues, through policy analysis and debate, and at deriving policy conclusions therefrom. Major groups, such as NGOs and the private sector are also addressing trade and environment linkages and are making important contributions to their better understanding, as well as awareness building and public education.
3. The Commission stresses that States should cooperate to promote a supportive and open international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation.
4. The Commission notes that the Uruguay Round Agreements represent a substantial liberalization of international trade, the strengthening of multilateral rules and disciplines to ensure stability and predictability in trade relations, the establishing of rules and disciplines in new areas and the founding of a new institutional framework in the form of the WTO, with an integrated dispute settlement mechanism which should avoid unilateral actions which are against international trade rules. The agreements thus represent an essential element for the achievement of global sustained economic growth for the benefit of all countries, in particular developing countries, which is a fundamental element for achieving sustainable development. In this context, the Commission calls for the urgent and full implementation of the agreements contained in the Final Act of the Uruguay Round, stresses the urgent need for trade liberalization, including through substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international trade relations, and improved access to markets of all countries, in particular those of developed countries.

5. The CSD stresses the importance of the work of the Committee on Trade and Environment of the WTO, in accordance with its mandate, which calls upon the Committee to make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required, compatible with the open, equitable and non-discriminatory nature of the system, as regards, in particular: (a) the need for rules to enhance positive interaction between trade and environmental measures, for the promotion of sustainable development, with special consideration to the needs of developing countries, in particular those of the least developed among them; and (b) the avoidance of protectionist trade measures, and the adherence to effective multilateral disciplines to ensure responsiveness of the multilateral trading system to environmental objectives set forth in Agenda 21 and the Rio Declaration, in particular Principle 12; and (c) surveillance of trade measures used for environmental purposes, of trade-related aspects of environmental measures which have significant trade affects, and of effective implementation of the multilateral disciplines governing those measures.

6. The Commission notes that positive measures, such as improved market access, improved access to finance, access to and transfer of technology, capacity building and special provisions for small firms, are effective instruments to support developing countries and countries in transition in their efforts to internalize environmental costs.

7. The Commission reiterates paragraph 32 of its 1994 decision. It further notes that trade provisions in MEAs should be transparent and should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. In accordance with Principle 12 of the Rio Declaration, unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing transboundary or global environmental problems should, as far as possible, be based on international consensus.

8. The Commission recognizes that progress has been made by virtue of the new WTO provisions, and underscores the importance of building on these accomplishments, in particular with regard to transparency and the use of outside review groups where specialized knowledge is relevant.

9. The Commission reaffirms that efforts should be geared to promoting the convergence of environmental standards and regulations at a high level of environmental protection, while bearing in mind that regulations and standards that are valid in the most advanced countries may be inappropriate and have unwarranted economic and social costs for the developing countries. It further notes the importance of transparency of environmental regulations and standards and of supporting developing countries in the development of effective domestic regulations and standards.

10. The Commission considers that there is a need to analyze the potential effects of product-specific policies, in particular those based on life-cycle approaches, which have emerged recently, such as labelling and certain packaging and recycling requirements, especially as regards their potential impacts on the exports of developing countries and countries with economies in transition. It is also important to analyze how improved transparency and international cooperation could be strengthened so as to facilitate the export prospects of developing countries and as a means of strengthening environmental protection.

11. The Commission notes that consumer preferences for "environment-friendly" products may create trading opportunities including for developing countries. More work is needed to specify ways and means by which the credibility of environmental claims relating to products and technologies can be substantiated.

12. The Commission considers that further trade liberalization is a necessary but not sufficient condition for sustainable development. Trade liberalization along with sustained economic growth can be expected to pave the way for the gradual raising of environmental standards at the national and global level. At the same time, trade liberalization needs to be complemented by the adoption of sound environmental policies. National governments have an interest in analysing environmental and social effects of significant changes in the volume and composition in production and consumption patterns, including those resulting from trade policy reforms, and make, if required, the necessary policy adjustments with a view to correcting market and policy failures and internalizing environmental costs.

13. In the context of the overall aims of sustainable development, the Commission welcomes the substantial progress achieved in WTO, UNCTAD and UNEP, in particular through the work of the WTO Committee on Trade and the Environment, the UNCTAD Ad hoc Working Group on Trade, Environment and Development and the joint UNEP/UNCTAD programme as well as the important role of UNEP, in particular in relation to multilateral environmental agreements, and invites the institutions concerned, as well as the OECD, to continue their work on trade and the environment. It further underlines efforts to make trade and environment mutually supportive through, *inter alia*, strengthening technical assistance for capacity building undertaken by UNCTAD, UNDP and UNEP, including in integrating the consideration of all factors relevant to the formulation of trade and sustainable development policies. The Commission considers that the present division of labour in the international discussions on trade and the environment is generally satisfactory and stresses the need for continued close cooperation and complementarity in the work of WTO, UNEP and UNCTAD. In this context, the Commission invites UNEP and UNCTAD to continue their joint initiative, preferably at a technical level with a focused agenda.

14. The Commission invites UNCTAD, the task manager for trade and environment, in cooperation with UNEP, WTO, FAO, WHO, DPCSD and other appropriate institutions to prepare a background paper for the Commission which would review the growing volume of 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, including in the framework of projects supported by international and bilateral aid agencies with a view to identifying possible gaps, including through the use of independent trade and environment expert groups.

15. As called for in Agenda 21, the Commission recommends that governments of developed countries and multilateral aid agencies strengthen efforts to improve access to markets, finance and access to and transfer of technology and to build capacity in order to support developing countries and countries with economies in transition in their efforts to internalize environmental costs, UNCTAD in cooperation with UNDP, FAO and UNEP and other international agencies, programmes and organizations are invited to undertake further work in this area with a view to identifying innovative approaches. The joint UNEP/UNCTAD programme is also invited to carry out further work in this area, giving particular attention to Principle 16 of the Rio Declaration and capacity-building in developing countries and countries with economies in transition, in cooperation with other relevant organizations, such as the FAO.

16. In order to gain better understanding on the impact of the internalization of environmental costs on competitiveness and trade earnings, particularly in developing countries, UNCTAD is invited to carry out an analytical study on the relationship of environmental protection to international competitiveness, job creation and development, with the input of governments, regional economic integration organizations, the private sector and NGOs as well as other relevant regional and international organizations.

17. The Commission invites UNCTAD and UNEP in cooperation with WTO, ISO, and other relevant international organizations to analyze how transparency and international cooperation could be strengthened with respect to product-specific policies, so as to avoid or mitigate adverse trade effects, in particular to eco-labelling and certain packaging and recycling requirements, including through the provision of technical assistance to developing countries and countries with economies in transition and other measures aimed at facilitating their exports.

18. The Commission recognizes that eco-labelling and recycling requirements must be transparent and should take into account the special situation and needs of the developing countries and countries with economies in transition. The Commission encourages UNCTAD and UNEP in cooperation with other relevant international organizations, to continue to explore the scope for mutual recognition among eco-labelling schemes on the basis of environmental equivalencies or appropriately high levels of environmental protection.

19. The Commission invites UNCTAD and UNEP, in cooperation with UNDP, international financial institutions (IFIs) and other international 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.

20. With respect to eco-labelling and environmentally-friendly products, the Commission invites multilateral and bilateral development institutions to provide technical assistance, as appropriate, to developing countries and countries with economies in transition in order to facilitate their participation in international work on eco-labelling and environmentally-friendly products carried out by ISO and other relevant international organizations.

21. The Commission invites the joint UNEP/UNCTAD programme to carry out further work, in cooperation with UNDP and other relevant international organizations, 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. Such work should take into account the different elements mentioned in paragraph 33 of the 1994 CSD Decision.

22. The Commission notes the ongoing work of OECD on trade and environment and encourages it to submit the results of its work to the CSD.

23. The Commission encourages Governments to develop or strengthen processes to assess the environmental effects of trade policies, enhance coordination between environmental and trade policies, including cooperation between environmental and trade officials in the policy development process, and promote transparency and openness to the public in these processes.

24. The Commission encourages cooperation and exchange of experiences among countries to develop and strengthen environmental protection laws and programmes in the pursuit of making trade and environment mutually supportive.

25. The Commission encourages international organizations, Governments and the business community, and NGOs to promote the implementation of trade and sustainable development principles consistent with Agenda 21.

26. The Commission reiterates the importance of achieving transparency, openness and the active involvement of the public and experts in relation to work on trade and environment.

## APPENDIX II

### CHAIRMAN'S SUMMARY OF THE HIGH LEVEL SEGMENT OF THE THIRD SESSION OF THE COMMISSION ON SUSTAINABLE DEVELOPMENT

28 April 1995

The Commission on Sustainable Development has met for its Third Session with an impressive show of attendance on the part of more than 50 State Ministers and Secretaries.

This time not only environmental Ministers but those responsible for other relevant sectors such as finance, planning, development cooperation, forestry, agriculture, labour and infrastructure actively participated in the proceedings.

Another significant feature was the genuine collaboration of the entire family of UN institutions, both during the preparatory phase and the Session itself.

This clearly underlines CSD's firm commitment to the Rio follow-up process, and establishes the principle of sustainability as the driving force for the integration of economic, social, environmental and institutional concerns.

The intensity and diversity of initiatives for sustainable development, whether of national, regional or international scope, indicate the Commission's growing influence and was emphasized by the participants. The Commission has received valuable support from governments, the United Nations system, and other international organizations, and its work has captured the attention and the participation of the major groups of society.

The CSD has thus mobilized a variety of efforts and gained political impetus in implementing the concept of sustainable development, in an open and transparent manner. On the other hand, while advancing intergovernmental exchanges and achieving some degree of consensus building, it has attributed operation significance to the promises and expectations of UNCED.

Following the pattern set in Rio, CSD has assured intense participation by all stakeholders in the process of shaping the sustainable development agenda for the future. The proposal to establish an Intergovernmental Panel on Forests, the analysis of patterns of consumption and production, a review of the mechanisms for transferring environmentally sound technologies and the formulation of sustainable development indicators are typical examples of the progress made by the Commission in carrying out its responsibilities.

High level meeting participants described a number of encouraging initiatives at the national and international levels, among which the action taken to phase out lead in gasoline. In this respect, the Commission encouraged the exchange of national experiences, particularly among developing countries, in the use of environmentally sustainable technologies such as the use of ethanol and biomass as alternative sources of energy.

The need to further pursue the implementation all UNCED decisions and commitments was highlighted by several participants.

One of the continuing areas of concern remains the financing of sustainable development aimed at supporting national efforts in developing countries and economies in transition. Much disappointment was expressed with regard to the need for new and additional resources in terms of ODA, which has declined both in absolute terms and as a percentage of GNP.

Many speakers stressed the importance of ODA in promoting institutional strengthening and other aspects of sustainable development in many parts of the world, and they urged the CSD to review the extent to which Agenda 21 recommendations were in fact implemented. At the same time, emphasis was often placed on the importance of international and domestic policies on economic instruments, financial mechanisms and other means of mobilizing financial resources in the direction of sustainable development.

The setting up of an Intergovernmental Panel on Forests was unanimously supported, and seen as a real achievement demonstrating the level of credibility attained by the CSD in fulfilling one of the main decisions reached at UNCED.

Practical action oriented guidance is expected from the Panel in order to advance international understanding and consensual agreement on this complex issue. It is essential to maintain the political momentum achieved by all parties during the Third Session and assure the Panel an early and successful start. The Panel shall have two Co-Chairmen to be proposed by the Chairman of the CSD in consultation with the Bureau and interested Ministers and elected at its first session. Regular meetings will preferably be held in New York, but may take place in other locations in order to ensure the widest possible participation, whenever possible, depending upon the availability of adequate resources.

An integrated approach to the planning and management of land resources was presented as a cornerstone in combatting deforestation, desertification and drought; promoting sustainable agriculture, rural and mountain development; the conservation of biological diversity and the sustainable management of all types of forests. An essential element in addressing those initiatives is a people-oriented, balanced approach, adapted to specific circumstances so as to solicit participation at the local and intermediate levels of decision-making.

Practical and successful tools recommended for the implementation of sustainable solutions were amongst others the development of land use planning systems, the promotion of pest management programmes in agriculture, and regional/sub-regional agreements in relation to mountain ecosystems. Enhanced productivity in agriculture and other rural activities could be further obtained through the appropriate use of renewable energy sources as well as fossil fuels.

Participants highlighted the importance of national information to document efforts and progress made at the national level in implementing Agenda 21, also in preparation for the 1997 review. They noted with satisfaction that 53 states and 2 organizations submitted national information to the Secretariat. The presentation of national experiences during this session by 10 countries representing all regions was considered as a very valuable complement to the written reports; it deserves follow-up at future sessions. The related work on indicators forms an important element in the reporting process. Donors were encouraged to support developing countries with their preparations for future sessions of the CSD. Given the heavy reporting burden and the risk of excessive fragmentation, there is a need for streamlining of the various requirements for reporting on national progress in achieving sustainable development.

The participants in the high level segment expressed their appreciation for the continued participation of major groups in the Commissions work. A conscious effort to support and encourage the involvement of civil society in the post-Rio process was felt to be a source of strength. The Day of Local Authorities was seen as a constructive approach to highlight concrete results at the local level through the contributions of specific major groups. This approach must be continued in coming sessions. A Day of the Workplace, foreseen for the fourth session, will help demonstrate the contributions of workers and trade unions and business and industry to sustainable development.



The crucial role of women as well as youth and indigenous people and other local communities in decision-making was reiterated by many delegations. They felt that the Commission should build on the dynamism displayed by NGOs and other major groups at the national and international levels through their active participation and contributions to sustainable development in general and to the work of the Commission in particular. Involvement of all relevant groups in a dialogue at the national, regional and international levels is imperative to achieving a sustainable future.

They are essential in a people-centered focus in the paradigm of sustainable development. In this context, the participants recognized the enormous contribution made by the ICPD and by the WSSD and the importance of implementing the programme of action which they adopted, noting that in so doing all of the objectives agreed in Agenda 21 in respect of combatting poverty and addressing demographic issues would be fully achieved. There was a clear recognition that poverty eradication is an indispensable requirement for sustainable development.

The Panel discussion on Employment and Sustainable Development provided a timely opportunity to highlight the critical links between the commitments made by the international community at the Rio Summit and the Copenhagen Summit on Social Development. It emphasized the role of partnership and participation of the relevant stakeholders in promoting full employment as an essential component of fulfilling sustainable development objectives. Globalization, the increased reliance on market mechanisms and the growing interdependence among nations makes this a complex and challenging task. The Panel discussion stressed the need for much greater attention to be given to these issues in future.

The adoption of the work programme on changing production and consumption patterns confirms that this issue is at the heart of the work of the Commission. How do we bring about the changes in all countries, but especially in developed countries, to make the transition to a society in which the patterns of production and consumption are sustainable? In this respect, the reassertion of the principle of common but differentiated responsibilities was particularly stressed. Many linkages with the sectoral issues will come to the forefront in the preparations for next year's session. Energy and transport, essential sectors when addressing production and consumption patterns, are an important part of the chapter on atmosphere, that the Commission will review next year.

The participants emphasized the responsibility shared by all stakeholders in society. Governments should provide an overall framework, including regulation, economic incentives and infrastructure to create the necessary conditions and facilities for business, industry and households to move toward sustainable production and consumption patterns. Business and industry, particularly those of developed countries, should fulfil their responsibility for managing the life-cycle impact of the goods and services they supply and are encouraged to provide information on the environmental and health effects arising from the production and consumption of their products. Households, particularly in developed countries, should adopt sustainable consumption habits and lifestyles. In this regard, public awareness campaigns, education and community-based voluntary action could contribute to fostering changes in lifestyles. The Panel on mass-media showed concrete examples in this respect. It also highlighted the importance of generating a higher level of interest of the CSD's achievements by the media.

It was recognized that there was a need to analyze the potential effects of environmentally related trade issues and in particular product-specific policies, such as eco-labelling and certain packaging and recycling requirements, especially as regards their potential impacts on exports, especially those of developing countries and countries with economies in transition it was also necessary to strengthen mechanisms to improve transparency in the setting of such standards and to strengthen international cooperation which could create trading opportunities for developing

countries in expanding markets for environmentally friendly products. In view of the impacts of trade liberalization on changing production patterns in exporting countries, the need for capacity building in developing countries and economies in transition to further integrating trade and environmental policies was stressed.

The participants welcomed various initiatives presented by many developed and developing countries during the high-level segment to support the inter-sessional work of the Commission with a view to enriching the preparations for the Commission's fourth session.

Following the pattern of the previous inter-sessional period, two ad hoc open-ended Intersessional Working Groups will be set up to address the sectoral items programmed for 1996, namely *Atmosphere and Oceans*, and related technology issues, on one hand, and on the other hand, the cross-sectoral issues of financial resources and mechanisms as well as changing production and consumption patterns.

Furthermore, it was underscored that the 1997 special session of the General Assembly, that is expected to take review of the overall progress achieved since UNCED, should be seen as an important opportunity to take stock of both practical experiences gained at the national and international levels to achieve sustainable development, as well as of main global political developments, such as the outcomes of the Conference on Sustainable Development of SIDS, International Conference on Population and Development, World Social Summit, Fourth UN Conference on the Advancement of Women and HABITAT II, UN Conference on Highly Migratory and Straddling Fish Stocks, in their relationship to the implementation and enhancing the outcomes of UNCED and to forwarding progress towards sustainable development worldwide. 1997 will provide the opportunity to define the key issues of sustainability and the future role of the CSD in addressing them.

The Bureau of the Commission considers as one of its main tasks the analysis of all material available as a result of CSD's work, and the review of the procedures adopted so far for the organization and clustering of the main topics of Agenda 21. Furthermore, a special effort will be made at Bureau level to consider preparations for the 1997 review.