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TARIFFS AND TRADE

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NOTE ON THE FOURTH SESSION OF THE
PREPARATORY COMMITTEE OF THE UNITED NATIONS
CONFERENCE ON ENVIRONMENT AND DEVELOPMENT (UNCED)

Introduction

This note updates the proceedings of the Preparatory Committee (PrepCom) of the United Nations Conference on Environment and Development (UNCED) and brings to date the request by the GATT Council for documentation on the discussions in the PrepCom which relate to trade issues; to GATT provisions and principles; and to possible directions for future work in the area of trade and environment. Texts included in this note supersede those of L/6892/Add.1 and those specifically related to trade are highlighted in bold. It should be noted that the Declaration adopted by the UNCTAD VIII, in Cartagena, provided a source of already agreed language on trade and environment issues and, for that reason, was referred to considerably in these discussions.

The most important result of this PrepCom, from the GATT point of view, is the chapter of Agenda 21 dealing with the cross-sectoral issue termed "International cooperation to accelerate sustainable development in developing countries, and related domestic policies". This is discussed in paragraph 63 on page 19 and is reproduced in Annex I of this document. Two programme areas, in particular, discuss the trade and environment link and the importance of GATT's role in this area.

Trade issues also arose in the chapters of Agenda 21 dealing with forestry, biological diversity, biotechnology, environmentally sound management of wastes and toxic chemicals, and protection of oceans. Principle 12 of the "Principles on General Rights and Obligations" (formerly termed "Earth Charter") deals with trade and the environment; and Principle 13 of the "non-legally binding statement of principles on forests" relates to international trade.

Although some of these chapters and instruments still contain bracketed text to be further negotiated at the Rio Conference, the portions which were agreed at this fourth and last Preparatory Committee meeting will go to Rio with the understanding that they are finalized text. In all chapters, the provisions relating to "financing and cost evaluation" are in brackets and will remain so pending agreement in the discussions on financial resources. Also, provisions relating to technology transfer under headings such as "scientific and technological means", "human resource development", and "capacity building" are in brackets pending agreement in the discussions on technology transfer which is expected at an early date during the Conference.

Further, it should be noted that the dates for the Conference on Environment and Development (or "Earth Summit") in Rio have been changed to June 3 through 14 1992. A summary of the proceedings of the Conference will be issued as the final addendum to this document series.

Finally, given the vast amount of information emanating from this PrepCom, it has not been possible to provide detailed explanations in all areas. If further information on any of the subjects is desired, please contact Ms. Janet Chakarian (739.55.65) in the GATT Secretariat.

Proceedings of the Fourth Session of the PrepCom

1. The fourth and final Session of the UNCED PrepCom was held in New York from 2 March to 3 April 1992. The Conference will be convened in Rio de Janeiro, Brazil, from 3 to 14 June 1992.

Work process

2. Discussions continued in the three Working Groups and the Plenary on their respective subjects. In Working Groups I and II chapters of Agenda 21 were further negotiated and, pending the outcome of certain bracketed paragraphs to be negotiated in Rio, were finalized for each subject. Also in Working Group I, negotiations continued on a "non-legally binding statement of principles on forests". Working Group III also continued negotiations on chapters of Agenda 21 dealing with legal instruments and mechanisms and with international institutional arrangements. However, most of its time was devoted to drafting and negotiating the "Principles on General Rights and Obligations".

I. Working Group I

3. Working Group I addressed the subjects of climate change, ozone depletion, and transboundary air pollution under the heading "protection of the atmosphere"; deforestation and desertification and drought under the heading "land resources"; conservation of biological diversity; and environmentally sound management of biotechnology.

(a) Protection of the atmosphere

4. The PrepCom adopted the chapter of Agenda 21 entitled Protection of the Atmosphere contained in A/CONF.151/PC/WG.I/L.47 and Corr.1. It covered the subject areas of climate change, ozone depletion, and transboundary air pollution. Since parallel discussions were continuing in the International Negotiating Committee (INC) on Climate Change, it was noted that insofar as this chapter referred to climate-related activities, it should not pre-empt, duplicate or be interpreted as prejudging the INC negotiations, and would have to take the state of those negotiations into account. It also noted that insofar as it dealt with combating the depletion of the ozone layer, it should not pre-empt or prejudice the deliberations within the Montreal Protocol process and should take into account the status of obligations under the Protocol and its 1990 amendments.

5. Four programme areas were elaborated in this chapter. The first deals with improving the scientific basis for decision-making. The second, "promoting sustainable development: energy development, efficiency and consumption" stated that "Governments, ..., with the cooperation of the relevant United Nations bodies and, ..., intergovernmental and non-governmental organizations, the private sector and financial institutions, should: [Develop and/or strengthen existing and/or set new energy efficiency and emissions standards or recommendations on specific technologies, as appropriate. Countries may wish to coordinate these

standards or recommendations at regional and subregional levels. Such standards or recommendations should provide ongoing incentives for more efficient and less polluting energy use, with special attention being paid to the promotion of the development and use of alternative and less polluting technologies;]".

(i) Ozone depletion

6. The third programme area of this chapter entitled "preventing stratospheric ozone depletion", supported the objectives of the Vienna Convention and the Montreal Protocol and its 1990 amendments, and stated that Governments should ratify, accept or approve the Protocol and its 1990 amendments; pay their contributions towards the various funds; and contribute towards efforts under the Protocol for making available substitutes for CFCs and other controlled substances and facilitating the transfer of the necessary technologies to developing countries.

(ii) Transboundary air pollution

7. The fourth programme area, entitled "transboundary atmospheric pollution", was concerned primarily with developing and applying pollution control and measurement technologies for stationary and mobile sources of air pollution and developing alternative technologies; developing capabilities to assess and mitigate transboundary air pollution resulting from industrial accidents; encouraging the establishment of new, and the implementation of existing, regional agreements for limiting transboundary air pollution; and developing strategies aiming at the reduction of emissions causing transboundary air pollution and their effects.

(iii) Climate change

8. The INC held the first part of its fifth session on 18-28 February, and will hold the second part from 30 April to 8 May. The first part produced a "Revised Text under negotiation".

9. Article 2 of the Revised Text, entitled "Principles", contained two draft principles related to the GATT. Principle 5 read "States shall promote an open and balanced multilateral trading system. Except on the basis of a decision by the Conference of the Parties which should be consistent with the GATT, no country or group of countries shall introduce barriers to trade on the basis of claims related to climate change".

10. Principle 7 read "Measures taken to combat climate change should not introduce trade distortions inconsistent with the GATT or hinder the promotion of an open and multilateral trading system."

11. Article 4 of the Revised Text, entitled "Commitments", also contained a draft provision related to the GATT: "The Parties shall, in accordance with the Objective and Principles stated in the Convention, and particularly in accordance with their common but differentiated responsibilities, taking into account their specific national and regional development priorities, objectives and circumstances, commit themselves to

[develop, coordinate and as appropriate, harmonize. [in order to avoid distortions to international trade and in accordance with the GATT], relevant economic and administrative instruments[.] [, such as subsidies, taxes and charges, as well as other relevant instruments] aimed at [limiting]/[controlling] net emissions of greenhouse gases;]".

(b) Land resources

(i) Deforestation

12. The PrepCom adopted the chapter of Agenda 21 entitled Combating deforestation: options for Agenda 21 contained in document A/CONF.151/PC/WG.I/L.43. It also adopted the text of a "non-legally binding authoritative statement of principles for a global consensus on the management, conservation and sustainable development of all types of forests" contained in document A/CONF.151/PC/WG.I/L.46. This statement constituted a separate instrument on forests and contained portions which were quite controversial.

13. The chapter of Agenda 21 contained activities to address four programme areas: "sustaining the multiple roles and functions of all types of forests, forest lands, and woodlands; enhancement of the protection, sustainable management and conservation of all forests, and the greening of degraded areas through forest rehabilitation, afforestation, reforestation and other rehabilitative means; promoting efficient utilization to recover the full valuation of the goods and services provided by forests, forest lands and woodlands; and establish and/or strengthen capacities for the planning, assessment and periodical evaluations of forest-related programs progress, activities, including commercial trade and processes."

14. In relation to the third programme area, the chapter stated that Governments, the private sector, scientific institutions, NGOs, cooperatives and entrepreneurs should undertake several activities. One is to "harmonize sustainable development of forests with national development and trade policies which are compatible with the ecologically sound use of forest resources, using for example the ITTO Guidelines for Sustainable Management of Tropical Forests". Furthermore, a provision under the subheading "International and regional cooperation and coordination" in this programme area states "Cooperation and assistance of international agencies and the international community in technology transfer, specialization, and promotion of fair terms of trade, without resorting to actions contrary to multilateral trade agreements, unilateral restrictions and/or bans on forest products contrary to GATT and other agreements, the application of appropriate market mechanisms and incentives will help in addressing global environmental concerns. Strengthening of the coordinations and performance of existing international organizations and in particular FAO, UNIDO, UNESCO, UNEP, ITC/UNCTAD/GATT, ITTO and ILO for providing technical assistance and guidance in this program area is another specific activity".

15. The statement of principles first reaffirmed principle 21 of the Stockholm Declaration. It also recognized the many roles of forests and

stressed the importance of national policies and international cooperation for the management, conservation and sustainable development of forests and forest lands. Principle 7 stated that "Efforts should be made to promote a supportive international economic climate conducive to sustained and environmentally sound development of forests in all countries which include, inter alia, the promotion of sustainable patterns of production and consumption, the eradication of poverty and the promotion of food security."

16. Principles 14 and 15 were concerned with international trade in forest products. Principle 14 read:

- (a) Trade in forest products should be based on non-discriminatory and multilaterally agreed rules and procedures consistent with international trade law and practices. In this context, open and free international trade in forest products should be facilitated.
- (b) The provisions of better market access and better prices for higher value-added forest products and their local processing should be encouraged to enable producer countries to better conserve and manage their renewable forest resources.
- (c) Incorporation of environmental costs and benefits into market forces and mechanisms, in order to achieve forest conservation and sustainable development, should be encouraged both domestically and internationally.
- (d) Forest conservation and sustainable development policies should be integrated with economic, trade [and other relevant] policies.
- (e) [Fiscal, trade, industrial, transportation, and other policies and practices that may lead to forest degradation, [including deforestation] should be avoided. Economic or other incentives aimed at sound forest management practices should be encouraged.]

Principle 15 read:

- (a) [All forms of unilateral action to restrict and/or ban the use of timber and other forest products in international trade should be removed, as such actions are counter-productive in terms of long-term sustainable forest management [, and relevant national legislation should be promulgated to prohibit all such unilateral restrictions and/or bans].]
- (b) [Orderly and] free international trade in forest products [from sustainably managed forest resources] should be facilitated.

(ii) Desertification and drought

17. The PrepCom adopted the chapter of Agenda 21 entitled Managing fragile ecosystems: combating desertification and drought contained in document A/CONF.151/PC/WG.I/L.39/Rev.1.

(iii) Soil loss

(a) Promoting sustainable agriculture and rural development

18. The PrepCom adopted the chapter of Agenda 21 entitled Promoting sustainable agriculture and rural development contained in document A/CONF.151/PC/WG.I/L.42. This chapter addressed the need for major adjustments in agricultural, environmental and macroeconomic national and international policies to create the conditions for sustainable agriculture and rural development. The first programme area, "agricultural policy review ...", stated the need for sound policy decisions pertaining to international trade and capital flows to overcome a lack of awareness of the environmental costs incurred by sectoral and macroeconomic policies and insufficient skills and experience in incorporating issues of sustainability into policies and programmes. In this regard, "UN agencies such as FAO, the World Bank, IFAD, GATT and regional organizations and bilateral donor agencies and other bodies should, in their respective mandates, assume a role in working with national Governments in the following activities ... Encourage, in the context of achieving sustainable agricultural development and consistent with relevant internationally agreed principles on trade and environment, a more open non-discriminatory trading system and the avoidance of unjustifiable trade barriers which together with other policies will facilitate the further integration of agricultural and environmental policies so as to make them mutually supportive; ...".

19. Two additional chapters of Agenda 21 on soil loss were adopted by the PrepCom, one entitled Managing fragile ecosystems: sustainable mountain development contained in document A/CONF.151/PC/WG.I/L.40, and the other entitled Integrated approach to the planning and management of land resources contained in document A/CONF.151/PC/WG.I/L.41.

(iv) Biological diversity

20. The PrepCom adopted the chapter of Agenda 21 entitled Conservation of biological diversity contained in document A/CONF.151/PC/WG.I/L.44. It sought to improve the conservation of biological diversity and the sustainable use of biological resources, as well as to support the draft Convention on Biological Diversity. Since parallel negotiations were continuing on that instrument, the objectives and activities in this chapter were without prejudice to those negotiations.

21. One specific objective of this chapter, although still in brackets, was to "[develop measures and arrangements to implement the rights of countries of origin - areas of origin and/or natural diversification - of genetic resources, particularly developing countries, to benefit from the biotechnological development and the commercial utilization of products derived from such resources]". A corresponding activity to this objective

said that "Governments, ..., with the cooperation of the relevant United Nations bodies and, ... intergovernmental organizations, and ... consistent with the requirements of international law, should, as appropriate ... [provide and/or facilitate the transfer of and cooperation on technologies relevant to the conservation of biological diversity and the sustainable use of biological resources or that make use of genetic resources and cause no significant damage to the environment, recognizing that technology includes biotechnology]".

22. The draft Convention on Biological Diversity (document UNEP/Rio.Div/N7-INC.5/2), as revised at the sixth negotiating session/fourth session of the INC (6-15 February 1992), contained several paragraphs which also related to the issue of access to genetic resources and technology. This draft will be presented to the seventh negotiating session/fifth session of the INC (11-19 May 1992) where it is hoped a final text will emerge. Specifically, draft Article 3.14 read "Access to genetic material and [substances and products derived from them] or to technology related or contributing to the conservation of biological diversity which are within the jurisdiction or control of a States is to be [open] [on the basis of mutual agreements]".

23. Also draft Article 16.6 on access to genetic resources read "Each contracting party shall take the appropriate measures ... and where necessary through the financial mechanisms established by Articles 21 and 22, to [promote and advance [ensure] fair and equitable sharing of the results of research [products developed] and the benefits arising from the [commercial and other] utilization of genetic resources with the Contracting Parties [of origin and/or the Contracting Parties] providing such resources]". Draft Article 17 on access to and transfer of technology read:

1. Each Contracting Party, ... undertakes subject to the provisions of this Article to provide and/or facilitate access for and transfer to other Contracting Parties of technologies that are relevant to the conservation and sustainable use of biological diversity or make use of genetic resources ..."

2. Access to and transfer of technology referred to in paragraph 1 to developing countries shall be provided and/or facilitated under [fair and reasonable] [fair and most favorable] [preferential and concessional] conditions and, where necessary, in accordance with the financial mechanisms established by Articles 21 and 22.

3. Each Contracting Party shall take legislative, administrative or policy measures, as appropriate, with the aim that Contracting Parties [in particular those] that are developing countries which [are of origin and/or] provide genetic resources are provided access to and transfer of technology which makes use of those resources, on mutually agreed terms [notwithstanding patents and other intellectual property rights.]

....

5. The Contracting Parties, recognizing that patents and other intellectual property rights may have an influence on the implementation of the present Convention, shall cooperate in this regard subject to national legislation and international law in order to ensure that such rights are supportive of and do not run counter to the objectives of this Convention.

24. Draft Article 20.2 read "Each Contracting Party shall [ensure priority access] [promote and advance fair and equitable access] [take appropriate measures to promote and advance priority access] by Contracting Parties, especially developing countries, to the results and benefits arising from biotechnologies based upon genetic resources [originating in and/or] provided by those Contracting Parties. Such access shall be on mutually agreed terms."

25. Finally it should be noted that draft Article 23.1, which read "[The provisions of the present Convention shall not affect the rights and obligations of any Contracting Party deriving from any existing international agreement relating to the conservation and sustainable use of biological diversity]", contained a footnote which said that this Article "leaves open the question of the relationship of this Convention with future agreements. The Committee may want to make an express provision for this."

(v) Biotechnology

26. The PrepCom adopted the chapter of Agenda 21 entitled Environmentally sound management of biotechnology contained in document A/CONF.151/PC/WG.I/L.45. It sought "to foster internationally agreed principles to be applied to ensure the environmentally sound management of biotechnology, to engender public trust and confidence, to promote the development of sustainable applications of biotechnology and to establish appropriate enabling mechanisms, especially within developing countries" It put forth activities under five programme areas to accomplish this. Regarding the first programme area, "increasing availability of food, feed and renewable raw materials", one activity called for the "examination of the implications of the withdrawal of subsidies and the possible use of other economic instruments to reflect the environmental costs associated with the unsustainable use of agrochemicals".

II. Working Group II

27. Working Group II addressed the subjects of protection of the oceans and all kinds of seas, including enclosed and semi-enclosed seas, coastal areas and the protection, rational use and development of their living sources; protection of the quality and supply of freshwater resources; environmentally sound management of wastes, particularly hazardous wastes; safe and environmentally sound management of radioactive wastes; and environmentally sound management of toxic chemicals including prevention of illegal international traffic in toxic and dangerous products.

(a) Protection of the oceans and all kinds of seas

28. The PrepCom adopted the chapter of Agenda 21 entitled Protection of the oceans and all kinds of seas, including enclosed and semi-enclosed seas, coastal areas and the protection, rational use and development of their living sources contained in document A/CONF.151/PC/WG.II/L.25/Rev.1. Activities were agreed to address seven programme areas: "integrated management and sustainable development of coastal areas; including exclusive economic zones; marine environmental protection, sustainable use and conservation of high seas living resources; sustainable use of living marine resources under national jurisdiction; addressing critical uncertainties for the management of marine environment and climate change; strengthening international, including regional, cooperation and coordination; and sustainable development of islands.

29. One important issue under the third and fourth programme areas related to straddling stocks (fisheries populations whose ranges lie both within and beyond exclusive economic zones). Most of the activities in this area remained in brackets.

30. In relation to the sixth programme area, one global activity read:

States recognize that environmental policies should deal with the root causes of environmental degradation, thus preventing environmental measures from resulting in unnecessary restrictions to trade. Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing international environmental problems should, as far as possible, be based on an international consensus.

Domestic measures targeted to achieve certain environmental objectives may need trade measures to render them effective. Should trade policy measures be found necessary for the enforcement of environmental policies, certain principles and rules should apply. These could include, inter alia, the principle of non-discrimination; the principle that the trade measures chosen should be the least trade-restrictive necessary to achieve the objectives; an obligation to ensure transparency in the use of trade measures related to the environment and to provide adequate notification of national regulations; and the need to give consideration to the special conditions and developmental requirements of developing countries as they move towards internationally agreed environmental objectives. (Cartagena VIII, para. 152)

(b) Protection of the quality and supply of freshwater resources

31. The PrepCom adopted the chapter of Agenda 21 entitled Protection of the quality and supply of freshwater resources: application of integrated approaches to the development, management and use of water resources contained in document A/CONF.151/PC/WG.II/L.29.

(c) Environmentally sound management of wastes, particularly hazardous wastes

(i) Hazardous wastes

32. The PrepCom adopted the chapter of Agenda 21 entitled Environmentally sound management of hazardous wastes (including prevention of illegal international traffic in hazardous wastes) contained in document A/CONF.151/PC/WG.II/L.28. Its overall targets included preventing or minimizing the generation of hazardous wastes; basing transboundary movements of hazardous wastes on environmental and economic grounds and upon agreements between the States concerned; ratification of the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal and, for the countries concerned, of the Bamako Convention on the Ban on the Import into Africa and Control of Transboundary Movement of Hazardous Wastes within Africa; and full respect for the decisions taken by the countries parties to conventions such as the Bamako Convention, and the Fourth Lomé Convention, that prohibit the import of hazardous wastes into developing countries.

33. Activities were agreed under four programme areas: "promotion of hazardous waste prevention and minimization; promotion and strengthening of institutional capacities in hazardous waste management; promotion and strengthening of international cooperation in the management of transboundary movements of hazardous wastes; and prevention of illegal international traffic in hazardous wastes".

34. Of particular interest from the GATT perspective was the last programme area. Its objectives were "to facilitate and strengthen international cooperation in the environmentally sound management of hazardous wastes, including control and monitoring of transboundary movements of such wastes, including wastes for recovery, by using internationally adopted criteria to identify and classify hazardous wastes and to harmonize relevant international legal instruments; and to adopt a ban on or prohibit, as appropriate, the export of hazardous wastes to countries that do not have the capacity to deal with those wastes in an environmentally sound way, or that have banned the import of such wastes. ..." Activities for governments with the cooperation of U.N. and other relevant organizations included to "formulate, where appropriate, regional agreements such as the Bamako Convention regulating transboundary movements of hazardous wastes; help promote the compatibility and complementarity of such regional agreements with international conventions and protocols; strengthen national and regional capacities and capabilities to monitor and control transboundary movement of hazardous wastes; and set up systems for monitoring and surveillance of the transboundary movements of hazardous wastes".

35. One bracketed activity urged "[Governments to ratify the Basel Convention and the Bamako Convention, as applicable, and to pursue the

expeditious elaboration of related protocols, such as protocols on liability and compensation, and of mechanisms and guidelines to facilitate the implementation of the conventions.]"

36. The objectives of the last programme area were "to reinforce national capacities to detect and halt any illegal attempt to introduce hazardous wastes into the territory of any State in contravention of national legislation and relevant international legal instrument; to assist all countries, particularly developing countries, in obtaining all appropriate information concerning illegal traffic in hazardous wastes; and to cooperate, within the framework of the Basel Convention, in assisting countries that suffer the consequences of illegal traffic".

37. Activities to meet these objectives said that "Governments, according to their capacities and available resources and with the cooperation of the U.N., ... should: adopt, where necessary, and implement legislation to prevent the illegal import and export of hazardous wastes; and develop appropriate national enforcement programs to monitor compliance with such legislation, detect and deter violations through appropriate penalties and give special attention to those who are known to have conducted illegal traffic in hazardous wastes and to hazardous wastes that are particularly susceptible to illegal traffic".

38. A final activity said that "Countries and international organizations, as appropriate, should cooperate to strengthen the institutional and regulatory capacities in particular between developing countries in order to prevent the illegal import and export of hazardous wastes".

(ii) Environmentally sound management of solid waste and sewage-related issues

39. The PrepCom adopted the chapter of Agenda 21 entitled Environmentally sound management of solid waste and sewage-related issues contained in document A/CONF.151/PC/WG.II/L.26. Activities were agreed under four programme areas which were interrelated and mutually supportive and which established the hierarchy of objectives. These were minimizing wastes; maximizing environmentally sound waste reuse and recycling; promoting environmentally sound waste disposal and treatment; and extending waste service coverage. Under the first programme area, one objective was to "strengthen procedures for assessing waste quantity and composition changes of the purpose of formulating operational waste minimization policies utilizing economic or other instruments to induce beneficial modifications of production and consumption patterns". The related activity said that "governments should initiate programs to provide for incentives to reduce unsustainable patterns of production and consumption".

40. Regarding the second programme area, activities for governments focused on launching programmes to demonstrate and make operational enhanced waste reuse and recycling which, inter alia, should provide incentives for waste recycling. Some that could affect trade included economic and regulatory instruments, including tax incentives, to support

the principle that generators of wastes pay for their disposal, and other legal and economic conditions conducive to investments in waste recycling.

(iii) Safe and environmentally sound management of radioactive wastes

41. The PrepCom adopted the chapter of Agenda 21 entitled Safe and environmentally sound management of radioactive wastes contained in document A/CONF.151/PC/WG.II/L.27. Activities were agreed to meet the objective of ensuring "that radioactive wastes are safely managed, transported, stored and disposed of, with a view to protecting human health and the environment ...". Among these activities, States, in cooperation with relevant international organizations, should "strengthen their efforts to implement the Code of Practice for International Transboundary Movement of Radioactive Waste and, ..., keep the question of such movements under active review, including the desirability of concluding a legally binding instrument; [not promote or allow the storage or disposal of high-level, intermediate-level and low-level radioactive wastes near the marine environment unless scientific evidence, consistent with the applicable or disposal poses no unacceptable risk to people and the marine environment or does not interfere with other legitimate use of the sea, making in this process of consideration appropriate use of the precautionary approach;] not export radioactive wastes to countries which individually or through international agreements prohibit the import of such wastes, such as the contracting parties to the Bamako Convention, to Lomé IV, or to other relevant conventions, where such prohibition is provided for; ...".

(iv) Environmentally sound management of toxic chemicals including prevention of illegal international traffic in toxic and dangerous products

42. The PrepCom adopted the chapter of Agenda 21 entitled Environmentally sound management of toxic chemicals including prevention of illegal international traffic in toxic and dangerous products contained in document A/CONF.151/PC/WG.II/L.30. Six programme areas were agreed to address the lack of sufficient scientific information for the assessment of risks entailed by the use of a large number of chemicals and the lack of resources to assess those for which data were available; to further underline the importance of the work of international organizations in this area and seek their further cooperation and promotion; and to address the growing international concern over illegal traffic in toxic and dangerous products.

43. The second programme area, "Harmonization of classification and labelling of chemicals", called for a "globally harmonized hazard classification and compatible labelling system, including material safety data sheets and easily understandable symbols to be made available, if feasible, by the year 2000". The corresponding activity said that "Governments, through the cooperation of relevant international organizations and industry, should launch a project with a view to establishing and elaborating a harmonized classification and compatible labelling system for chemicals for use in all United Nations official

languages including adequate pictograms. Such a labelling system should not lead to the imposition of unjustified trade barriers ... The new system should draw on current systems to the greatest extent possible; it should be developed in steps and should address compatibility with labels of various applications."

44. The third programme area, "Information exchange on toxic chemicals and chemical risks", related to information exchange on the benefits as well as the risks associated with the use of chemicals and aimed at enhancing the sound management of toxic chemicals through the exchange of scientific, technical, economic and legal information. As a basis for action, it stated that "the export to developing countries of chemicals that have been banned in producing countries or whose use has been severely restricted in some industrialized countries has been the subject of concern as some importing countries lack the ability to assure safe use, owing to inadequate infrastructure for controlling the importation, distribution, storage, formulation and disposal of chemicals".

45. It further discussed present action in international organizations and made reference to the work in the GATT on domestically prohibited goods. It stated "Within the GATT framework, negotiations have been pursued with a view to creating a binding instrument on products banned or severely restricted in the domestic market. Further, the GATT Council has agreed, as stated in its decision contained in document C/M/251, to extend the mandate of the Working Group for a period of three months to begin from the date of the Group's next meeting, and has authorized the Chairman to hold consultations on the timing for convening this meeting".

46. The corresponding activities stated that "Governments and relevant international organizations with the cooperation of industry should ... implement the PIC procedures as soon as possible and, in the light of experience gained, invite relevant international organizations, such as UNEP, GATT, FAO, WHO and others in their respective area of competence to consider working expeditiously towards the conclusion of legally binding instruments." They should further "provide knowledge and information on severely restricted or banned chemicals to importing countries to enable them to judge and take decisions on whether to import, and how to handle, these chemicals and establish joint responsibilities in trade of chemicals between importing and exporting countries".

47. Regarding the fourth programme area, "Establishment of risk reduction programs", one activity stated that "Industry should be encouraged to develop an internationally agreed upon code or principles for the management of trade in chemicals, recognizing in particular the responsibility for making available information on potential risks and environmentally sound disposal practices if they become wastes, ...". Further, "Governments, through the cooperation of relevant international organizations and industry, where appropriate, should: ... develop guidelines for manufacturers, importers and others using toxic chemicals to disclose toxicity information declaring risks and emergency response arrangements; develop regulatory and non-regulatory measures and procedures aimed at preventing the export of chemicals that are banned,

severely restricted, withdrawn or not approved for health or environmental reasons, except when such export has received prior written consent from the importing country or is otherwise in accordance with the PIC procedure ...".

48. In addition, a last programme area, entitled "Prevention of illegal international traffic in toxic and dangerous products", was agreed to address the international concerns related to international movement of toxic and dangerous products carried out in contravention of existing national legislation and international instruments.

III. Working Group III

49. Working Group III addressed the subjects of legal instruments and mechanisms; the "Principles on General Rights and Obligations" (Earth Charter); and international institutional arrangements.

(a) Legal instruments and mechanisms

50. The PrepCom adopted the chapter of Agenda 21 entitled Survey of existing agreements and instruments, and its follow-up contained in document A/CONF.151/PC/WG.III/L.32. It was based on the recognition that certain elements needed to be taken into account in the universal, multilateral and bilateral treaty-making process. These included "the further development of international law on sustainable development; the need to clarify and strengthen the relationship between existing international instruments or agreements in the field of environment and relevant social and economic agreements or instruments; and the essential importance of the participation in, and the contribution of all countries to, treaty making in the field of international law on sustainable development".

51. Its specific objectives were, inter alia, "to identify and address difficulties which prevent some States, in particular developing countries, from participating in or duly implementing international agreements or instruments; to set priorities for future law-making on sustainable development; to promote, through the gradual development of universally and multilaterally negotiated agreements or instruments, international standards for the protection of the environment that take into account the different situations and capabilities of countries [, thus avoiding the possible use of unilaterally set environmental standards as barriers to trade] [in order to establish a framework for coexistence between environmental measures and international trade rules, and thus aiming at preventing the use of environmental measures for protectionist purposes]; to identify and prevent actual or potential conflicts, particularly between environmental and social/economic agreements or instruments, with a view to ensuring that such agreements or instruments are consistent; to study and consider the broadening and strengthening of mechanisms to identify[, prevent] and settle international disputes in the field of the sustainable development, duly taking into account existing bilateral and multilateral agreements for the settlement of such disputes".

52. Of interest was the corresponding activity relating to "Dispute [prevention and] settlement". It stated that "in the area of [prevention and] settlement of disputes, States should further study and consider methods to broaden and make more effective the range of techniques available at present, taking into account, among others, relevant experience under existing international agreements or instruments and, where appropriate, their implementing mechanisms such as modalities for dispute [prevention and] settlement. This may include [, inter alia,] mechanisms and procedures for the exchange of data and information [, notification, consultation and fact-finding] regarding situations that might lead to disputes with other States in the field of sustainable development; and consideration of the inclusion in treaties relating to sustainable development, of clauses providing for the effective peaceful settlement of disputes. [Existing institutions, in particular the International Court of Justice, should also play a role in this field.]"

(b) Principles on General Rights and Obligations (Earth Charter or Rio Declaration on Environment and Development)

53. The PrepCom adopted the Principles on General Rights and Obligations contained in document A/CONF.151/PC/WG.III/L.33/Rev.1. It was the only document that was adopted without any bracketed language, although it was understood that certain elements may still be discussed and negotiated in Rio.

54. Twenty-seven principles comprised the Declaration. Principle 12 related to trade and the environment and read:

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. Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. 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 an international consensus.

55. Some other principles are of particular interest:

Principle 2: States have, in accordance with the Charter of the United Nations and the principles of international law, the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction.

Principle 11: ... Environmental standards, management objectives and priorities should reflect the environmental and developmental context to which they apply. Standards applied by some countries may be inappropriate and of unwarranted economic and social cost to other countries, in particular developing countries.

Principle 15: In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

Principle 16: National authorities should endeavour to promote the internationalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the cost of pollution, with due regard to the public interest and without distorting international trade and investment.

Principle 26: States shall resolve all their environmental disputes peacefully and by appropriate means in accordance with the Charter of the United Nations.

(c) International institutional arrangements

56. The PrepCom adopted the chapter of Agenda 21 entitled International Institutional Arrangements contained in document A/CONF.151/PC/WG.III/L.31. This chapter explained in considerable detail the envisaged institutional structure and was based on the need for institutional arrangements within the United Nations system in conformity with, and providing input into, the restructuring and revitalization of the U.N. in the economic, social and related fields, and the overall reform of the U.N., including changes in the Secretariat. All agencies of the U.N. system would have a key role to play in the implementation of Agenda 21 within their respective competence and, to ensure proper coordination and avoid duplication in the implementation of Agenda 21, there should be an effective division of labour between various parts of the U.N. system based on their terms of reference and comparative advantages. It was also based on the understanding that the structure it envisaged would be based on agreement on financial resources and mechanisms, technology transfer, the Earth Charter and Agenda 21.

57. Its specific objectives included, inter alia, to enhance the role and functioning of the U.N. system in the field of environment and development; to strengthen cooperation and coordination on environment and development in the U.N. system; to encourage interaction and cooperation between the U.N. system and other intergovernmental and non-governmental subregional, regional and global institutions and non-governmental organizations in the field of environment and development; and to strengthen institutional capabilities and arrangements required for the effective implementation, follow-up and review of Agenda 21.

IV. Plenary

58. The PrepCom adopted several Decisions related to cross-sectoral issues. From the GATT perspective the most important related to "International cooperation to accelerate sustainable development in developing countries, and related domestic policies". See item (iii) below.

(i) Promoting sustainable human settlement development

59. The PrepCom adopted the chapter of Agenda 21 entitled Promoting sustainable human settlement development contained in document A/CONF.151/PC/L.67. Its overall objective was to improve the social, economic and environmental quality of human settlements and the living and working environments of all people through technical cooperation activities, partnerships among the public, private and community sectors and participation from community groups and special interest groups.

(ii) Combating poverty, changing consumption patterns, and demographic dynamics and sustainability

60. The PrepCom adopted three chapters of Agenda 21 entitled Combating poverty, changing consumption patterns, and demographic dynamics and sustainability, all contained in document A/CONF.151/PC/L.68. The first chapter was based on the philosophy that country-specific programmes supported by international efforts to tackle poverty constituted a basic condition for ensuring sustainable development. An effective strategy should begin by focusing on resources, production and people, and should cover demographic issues, enhanced health care and education, the rights of women, the role of youth and of indigenous people and local communities. Various activities were agreed to be implemented at the community, national and international levels. **One specific activity at the international level stated that "The United Nations system ... in cooperation with Member States ... should ... promote international cooperation to address the root causes of poverty. The development process will not gather momentum if developing countries are weighted down by external indebtedness, if development finance is inadequate, if barriers restrict access to markets and if commodity prices and the terms of trade in developing countries remain depressed."**

61. The second chapter focused on addressing unsustainable patterns of production and consumption, and developing national policies and strategies to encourage changes in the latter. Although bracketed, the main activity stated that "[all countries should strive to promote sustainable consumption patterns; developed countries should take the lead in achieving sustainable consumption patterns; and developing countries should seek to achieve sustainable consumption patterns in their development process, guaranteeing the provision of basic needs of the poor,

while avoiding those unsustainable patterns particularly in industrialized countries, generally recognized as unduly hazardous to the environment, inefficient and wasteful, in their development processes. This requires enhanced technological and other assistance from industrialized countries ...]". Activities were also agreed to seek to encourage greater efficiency in the use of energy and resources; minimize the generation of wastes; and assist individuals and households to make environmentally sound purchasing decisions. Related to the last objective, "Governments should encourage expansion of environmental labelling and other environmentally related product information programs designed to assist consumers to make informed choices ... encourage specific consumer-oriented programs such as recycling and deposit/refund systems". Also, the chapter stated that "progress in the use of economic instruments to influence consumer behavior ... should be encouraged."

62. The third chapter focused on developing and disseminating knowledge concerning the links between demographic trends and factors and sustainable development; formulating integrated national policies for population, environment and development; and implementing integrated population, environment and development programmes at the local level.

- (iii) International cooperation to accelerate sustainable development in developing countries, and related domestic policies

63. The PrepCom adopted the chapter of Agenda 21 entitled International cooperation to accelerate sustainable development in developing countries, and related domestic policies contained in document A/CONF.151/PC/L.71. It was based on the philosophy that acceleration of development and achievement of sustainable development required a dynamic and supportive international economic environment. It stated that the "international economy should provide a supportive international climate for achieving environment and development goals through the following program areas: promoting sustainable development through trade liberalization; making trade and environment mutually supportive; providing adequate financial resources to developing countries and dealing with international debt; and encouraging macroeconomic policies conducive to environment and development". Because of the relevance of this document, particularly the first two programme areas, to GATT's work on trade and the environment, it is reproduced as Annex I to this document.

- (iv) Integration of environment and development in decision-making

64. The PrepCom adopted the chapter for Agenda 21 entitled Integration of environment and development in decision-making contained in document A/CONF.151/PC/L.70. Activities were agreed to address six programme areas: integrating environment and development at the policy, planning and management levels; providing an effective legal and regulatory framework; making effective use of economic instruments and market and other incentives; establishing systems for environmental accounting; [full cost environmental accounting;] [global corporate environmental management].

65. Under the third programme area, "Governments should consider gradually building on experience with economic instruments and market mechanisms by undertaking to reorient their policies, ... in order to establish effective combinations of economic, regulatory and voluntary approaches; remove or reduce those subsidies which do not conform with sustainable development objectives; reform or recast existing structures of economic and fiscal incentives to meet environment and development objectives; establish a policy framework which encourages the creation of new markets in pollution control and environmentally sounder resource management; and move towards pricing consistent with sustainable development objectives". It further asks governments to explore how effective use can be made of economic instruments and market mechanisms in the area of energy, transportation, agriculture and forestry, water, wastes, health, tourism and tertiary services; global and transboundary issues and in technology transfer.

66. Governments were further asked to "encourage the exchange of information about different countries' experiences with economic instruments and market mechanisms and make use of existing means of information exchange to look at effective uses of economic instruments". They were encouraged to "research and analyze effective uses of economic instruments and incentives with the assistance and support of regional and international economic and environmental organizations with a focus on the role of environmental taxation suited to national conditions; their implications for competitiveness and international trade; and the possible social and distributive implications of using various instruments."

67. Processes should be initiated, in cooperation with business and industry, at both the national and international levels to examine the implications of moving towards greater reliance on pricing that internalize environmental costs appropriate to help achieve sustainable development objectives and for resource pricing in the case of resource-exporting countries; and the methodologies used in valuing environmental costs.

(v) Protection and promotion of human health

68. The PrepCom adopted the chapter of Agenda 21 entitled Protection and promotion of human health contained in document A/CONF.151/PC/L.62. It was based on the philosophy that health and development are intimately interconnected and that Agenda 21 must address the primary health needs of the world's population since they were integral with the achievement of the goals of sustainable development and primary environmental care.

(vi) Education, public awareness and training

69. The PrepCom adopted the chapter of Agenda 21 entitled Education, public awareness and training contained in document A/CONF.151/PC/L.66. This chapter set out broad ideas to promote environmental education, especially of the younger generation, as well as other measures to increase awareness of the value of the environment.

(vii) Information for decision-making

70. The PrepCom adopted the chapter for Agenda 21 entitled Information for decision-making contained in document A/CONF.151/PC/L.63. It focused on bridging the data gap and improving information availability.

(viii) Strengthening the role of major groups

71. The PrepCom adopted the chapters of Agenda 21 entitled Strengthening the role of major groups, all contained in document A/CONF.151/PC/L.72. They focused on enhancing broad public participation in decision-making.

(ix) National mechanisms and international cooperation for capacity-building

72. The PrepCom adopted the chapter of Agenda 21 entitled National mechanisms and international cooperation for capacity-building contained in document A/CONF.151/PC/L.59. It was based on the philosophy that the ability of a country to follow sustainable development paths was determined to a large extent by the capacity of its people and its institutions as well as by its ecological and geographical conditions.

(x) Science for sustainable development

73. The PrepCom adopted the chapter of Agenda 21 entitled Science for sustainable development contained in document A/CONF.151/PC/L.61. It focused on the role and the use of the sciences in supporting the management of the environment and development.

(xi) Financial resources

74. The PrepCom could not agree on a text for this chapter of Agenda 21. Agreement was almost reached on a text from the third preparatory committee meeting contained in document A/CONF.151/PC/L.41; however in the end it was decided to leave this chapter blank pending the outcome of negotiations on this issue at the Conference in Rio.

(xii) Transfer of technology

75. The PrepCom adopted the chapter for Agenda 21 entitled [Cooperation for the] transfer of [, adaptation and diffusion] of environmentally sound technology contained in document A/CONF.151/PC/L.69. It was a heavily bracketed text that would be the subject of intensive negotiations in Rio. It was based on the idea that environmentally [safe and] sound technologies were not just individual technologies, but systems which included know-how, procedures, goods and services and equipment as well as organizational and managerial procedures. Its specific objectives included, inter alia, "[to promote, facilitate and finance as appropriate, the access to and the transfer of environmentally [safe and] sound technologies and corresponding know-how, in particular to developing countries, 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 for the implementation of Agenda 21".

76. Activities to meet the objectives included developing international information networks which would link national, regional and international systems; supporting and promoting access to and transfer to technology; improving capacity to develop and manage environmentally sound technologies; establishing a collaborative network of research centers; supporting programs of cooperation and assistance; technology assessment in support of the management of environmentally sound technology; and collaborative arrangements and partnerships.

77. Under the second, "Governments and international organizations should promote, and encourage the private sector to promote, effective modalities for the access and transfer in particular to developing countries of environmentally [safe and] sound technologies by activities including

... (d) addressing ... barriers to the transfer of privately owned environmentally [safe and] sound technologies and adoption of appropriate general measures to reduce such barriers while creating specific incentives, fiscal or otherwise, for the transfer of such technologies;

(e) in the case of privately-owned technologies the following measures could be adopted:

(i) ... enhancement by developed countries ... of appropriate incentives, fiscal or otherwise, to stimulate the transfer of environmentally [safe and] sound technology by companies, in particular to developing countries, as integral to sustainable development;

(i bis) enhance the access to and transfer of patent protected environmentally [safe and] sound technologies, in particular to developing countries;

(ii) purchase patents and licences on commercial terms for their transfer to developing countries on non-commercial terms as part of development cooperation for sustainable development, taking into account the need to protect intellectual property rights;

(iii) [compulsory acquisition with the provision of equitable and adequate compensation, in accordance with international conventions adhered to by States;]

(iv) [provision of financial resources to acquire environmentally [safe and] sound technologies in order to enable in particular developing countries to implement measures to promote sustainable development that would entail a special or abnormal burden to them;]

(f) develop mechanisms for the access to, and transfer of, environmentally [safe and] sound technologies, in particular to developing countries [including in negotiating an International Code of Conduct on Transfer of Technology]."

ANNEX I

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PREPARATIONS FOR THE UNITED NATIONS CONFERENCE ON ENVIRONMENT
AND DEVELOPMENT ON THE BASIS OF GENERAL ASSEMBLY RESOLUTION
44/228 AND TAKING INTO ACCOUNT OTHER RELEVANT GENERAL ASSEMBLY
RESOLUTIONS: CROSS-SECTORAL ISSUES

International policies cooperation to accelerate sustainable
development developing countries, and related domestic policies

(Section I, chapter 1, of Agenda 21)

Text submitted by the Chairman on the basis of negotiations
held on document A/CONF.151/PC/100/Add.3

INTRODUCTION

[In order to confront the challenge of environment and
development, States decided to establish a new partnership. This
partnership commits all States to engage in a continuous and
constructive dialogue inspired by the need to achieve a more efficient
and equitable world economy. It is recognized that, for the success of
this new partnership, it is important to overcome confrontation and to
foster a climate of genuine cooperation and solidarity. It is equally
important to strengthen national and international policies and
multilateral cooperation to adapt to the new realities.]

1. Economic policies of individual countries and international economic relations both have great relevance to sustainable development. The reactivation and acceleration of development requires both a dynamic and a supportive international economic environment and determined policies at the national level. It will be frustrated in the absence of either of these requirements. A supportive external economic environment is crucial. The development process will not gather momentum if the global economy lacks dynamics and stability and is beset with uncertainties. Neither will it gather momentum if the developing countries are weighted down by external indebtedness, if development finance is inadequate, if barriers restrict access to markets and if commodity prices and the terms of trade of developing countries remain depressed. The record of the 1980s was essentially negative on each of these counts and needs to be reversed. The policies and measures

needed to create an international environment that is strongly supportive of national development efforts are thus vital. International cooperation in this area should be designed to complement and support - not to diminish or subsume - sound domestic economic policies, in both developed and developing countries, if global progress towards sustainable development is to be achieved.

2. The international economy should provide a supportive international climate for achieving environment and development goals in the following ways:

- (a) Promoting sustainable development through trade liberalization;
- (b) Making trade and environment mutually supportive;
- (c) Providing adequate financial resources to developing countries and dealing with international debt;
- (d) Encouraging macroeconomic policies conducive to environment and development.

2 bis. Governments recognize that there is a new global effort to relate the elements of the international economic system and mankind's needs for a safe and stable natural environment. Therefore, it is the intent of governments that consensus building at the intersection of the environmental and trade and development areas will be ongoing in existing international fora as well as in the domestic policy of each country.

PROGRAMME AREAS

A. Promoting sustainable development through trade

Basis for action

3. An open, equitable, secure, non-discriminatory and predictable multilateral trading system, consistent with the goals of sustainable development, and which leads to the optimal distribution of global production in accordance with comparative advantage, is of benefit to all trading partners. Moreover, improved market access for developing countries' exports in conjunction with sound macroeconomic and environmental policies would have a positive environmental impact and make therefore an important contribution towards sustainable development.

4. Experience has shown that sustainable development requires a commitment to sound economic policies and management, an effective and predictable public administration, the integration of environmental concern into decision-making and progress towards democratic Governments, in the light of country-specific conditions, which allows for full participation of all parties concerned. These attributes are essential for the fulfilment of policy directions and objectives listed below.

5. The commodity sector dominates the economies of many developing countries in terms of production, employment and export earnings. An important feature of the world commodity economy in the 1980s was the prevalence of very low and declining real prices for most commodities in international markets and a resulting substantial contraction in commodity export earnings for many producing countries. The ability of those countries to mobilize, through

international trade, the resources needed to finance investments required for sustainable development may be impaired by this development and by tariff and non-tariff impediments, including tariff escalation, limiting their access to export markets. ~~The removal of existing distortions in international trade in agriculture is also essential. In particular, the achievement of this objective requires that there be substantial and progressive reduction in support and protection of agriculture covering internal regimes, market access and export subsidies in order to avoid inflicting large losses on the more efficient producers, especially in developing countries. The agriculture sector, on which many developing countries depend to a considerable extent, illustrates the potential for mutually supportive initiatives aimed at trade liberalisation and the introduction of policies to make agriculture production more responsive to environmental and development needs. The removal of existing distortions in international trade is essential. In particular, the achievement of this objective requires that there be substantial and progressive reduction in support and protection of agriculture - covering internal regimes, market access and export subsidies - as well as in industry and other sectors, in order to avoid inflicting large losses on the more efficient producers, especially in developing countries. Thus in the agriculture field, in industry and other sectors, there is scope for initiatives aimed at trade liberalisation and at policies to make production more responsive to environment and development needs. Trade liberalisation should therefore be pursued on a global basis across economic sectors so as to contribute to sustainable development.~~

6. The international trading environment has been affected by a number of developments which have created new challenges and opportunities and which have made multilateral economic cooperation of even greater importance. World trade has continued to grow faster than world output in recent years. However, the expansion of world trade has been unevenly spread, and only a limited number of developing countries have been capable of achieving appreciable growth in their exports. Protectionist pressures and unilateral policy actions continue to endanger the functioning of an open multilateral trading system, affecting particularly the export interests of developing countries. Economic integration processes have intensified in recent years and should impart dynamism to global trade and enhance the trade and development possibilities for developing countries. In recent years, a growing number of these countries have adopted courageous policy reforms involving ambitious autonomous trade liberalization, while far-reaching reforms and profound restructuring processes are taking place in Central and Eastern European countries, paving the way for their integration into the world economy and the international trading system. Increased attention is being devoted to enhancing the role of enterprises and promoting competitive markets through adoption of competitive policies. The GSP has proved to be a useful trade policy instrument, although its objectives will have to be fulfilled, and trade facilitation strategies relating to electronic data interchange (EDI) have been effective in improving the trading efficiency of the public and private sectors. The interactions between environment policies and trade issues are manifold and have not yet been fully assessed. An early, balanced, comprehensive and successful outcome of the Uruguay Round of multilateral trade negotiations would bring about further liberalization and expansion of world trade, enhance the trade and development possibilities of developing countries and provide greater security and predictability to the international trading system.

Objectives

7. In the years ahead, and taking into account the results of the Uruguay Round of multilateral trade negotiations, Governments should continue to strive to meet the following objectives:

(a) Promote an open non-discriminatory and equitable multilateral trading system that will enable all countries - in particular, the developing countries - to improve their economic structures and improve the standard of living of their populations through sustained economic development;

(b) Improve access to markets for exports of developing countries;

(c) Improve the functioning of commodity markets and achieve sound, compatible and consistent commodity policies at national and international levels with a view to optimizing the contribution of the commodity sector to sustainable development taking into account environmental considerations;

(d) Promote and support policies, domestic and international, which make economic growth and environmental protection mutually supportive.

Activities

(a) International and regional cooperation and coordination

Promote an international trading system that takes account of the needs of developing countries

8. Accordingly the activities of the international community should be:

(a) To halt and reverse protectionism in order to bring about further liberalization and expansion of world trade, to the benefit of all countries, in particular the developing countries;

(b) To provide for an equitable, secure, non-discriminatory and predictable international trading system;

(c) To facilitate, in a timely way, the integration of all countries into the world economy and the international trading system;

(d) To ensure that environment and trade policies are mutually supportive, with a view to achieving sustainable development;

(e) To strengthen the international trade policies system through an early, balanced, comprehensive and successful outcome of the Uruguay Round of multilateral trade negotiations.

9. The international community should aim at finding ways and means for achieving a better functioning and enhanced transparency of commodity markets, greater diversification of the commodity sector in developing economies within a macroeconomic framework that takes into consideration a country's economic structure, resource endowments, and market opportunities, and better management of natural resources that takes into account the necessities of sustainable development.

10. Therefore, all countries should implement previous commitments to halt and reverse protectionism and further expand market access, particularly in areas of interest to developing countries. This improvement of market access will be facilitated by appropriate structural adjustment in developed countries. Developing countries should continue the trade-policy reforms and structural adjustment they have undertaken. It is thus urgent to achieve an improvement in market access conditions for commodities, notably the progressive removal of barriers which restrict imports, particularly from developing countries, of commodity products in primary and processed forms as well as the substantial and progressive reduction of types of support that induce uncompetitive production, such as production and export subsidies.

(b) Management-related

Develop domestic policies which maximize the benefits of trade liberalization for sustainable development

11. For developing countries to benefit from the liberalization of trading systems, they should implement the following policies, as appropriate:

(a) Create a domestic environment supportive of an optimal balance between production for the domestic and export markets and remove biases against exports and discourage inefficient import-substitution;

(b) Promote the policy framework and the infrastructure required to improve the efficiency of export and import trade as well as the functioning of domestic markets.

12. The following policies should be adopted by developing countries with respect to commodities consistent with market efficiency:

(a) Expand processing, distribution and improve marketing practices and the competitiveness of the commodity sector;

(b) Diversify in order to reduce dependence on commodity exports;

(c) Reflect efficient and sustainable use of factors of production in the formation of commodity prices including the reflection of environmental, social and resources costs.

(c) Data and information

(i) Encourage data collection and research

13. GATT, UNCTAD and other relevant institutions should continue to collect appropriate trade data and information. The Secretary-General of the United Nations is requested to strengthen the Trade Control Measures Information System managed by UNCTAD.

(11) Improve international cooperation in commodity trade and the diversification of the sector

14. With regard to commodity trade, Governments should, directly or through appropriate international organizations, where appropriate:

(a) Seek optimal functioning of commodity markets, inter alia, through improved market transparency involving exchanges of views and information on investment plans, prospects and markets for individual commodities. Substantive negotiations between producers and consumers should be pursued with a view to achieving viable and more efficient international agreements, that take into account market trends, or arrangements, as well as study groups. In this regard, particular attention should be paid to the agreements on cocoa, coffee, sugar and tropical timber. The importance of international commodity agreements and arrangements is underlined. Occupational health and safety matters, technology transfer and services associated with the production, marketing and promotion of commodities, as well as environmental considerations, should be taken into account;

(b) Continue to apply compensation mechanisms for short-falls in commodity export earnings of developing countries in order to encourage diversification efforts;

(c) Provide assistance to developing countries upon request in the design and implementation of commodity policies and the gathering and utilization of information on commodity markets;

(d) Support efforts of developing countries to promote the policy framework and infrastructure required to improve the efficiency of export and import trade;

(e) Support the diversification initiatives of the developing countries at the national, regional and international levels.

Means of implementation

(a) Financing and cost-evaluation

(b) Capacity-building

15. The above-mentioned technical cooperation activities aim at strengthening national capabilities for design and implementation of commodity policy, use and management of national resources and the gathering and utilization of information on commodity markets.

3. Making trade and environment mutually supportive

Basis of action

16. Environment and trade policies should be mutually supportive. An open, multilateral trading system makes possible a more efficient allocation and use of resources and thereby contributes to an increase in production and incomes and to lessening demands on the environment. It thus provides ~~the~~ additional resources needed for economic growth and development and improved environmental protection. A sound environment, on the other hand, provides the ecological and other resources needed to sustain growth and underpin a continuing expansion of trade. An open, multilateral trading system, supported by the adoption of sound environmental policies, would have a positive impact on the environment and contribute to sustainable development.

17. International cooperation in the environmental field is growing, and in a number of cases trade provisions in multilateral environment agreements have played a role in tackling global environmental challenges. Trade measures have thus been used in certain specific instances, where considered necessary, to enhance the effectiveness of environmental regulations for the protection of the environment. Such regulations should address the root causes of environmental degradation so as not to result in unjustified restrictions on trade. The challenge is to ensure that trade and environment policies are consistent and reinforce the process of sustainable development. However, account should be taken of the fact that environmental standards valid for developed countries may have unwarranted social and economic costs in developing countries.

Objectives

18. Governments should strive to meet the following objectives, through relevant multilateral forums including GATT, UNCTAD and other international organizations:

(a) Make international trade and environment policies mutually supportive in favour of sustainable development;

~~(b) Improve the multilateral framework to identify and address circumstances when environment-related trade measures could be the most effective policy option for promoting the environmental goal while avoiding unnecessary restrictions to trade;~~

~~(c)~~ (b) Clarify the role of GATT, UNCTAD and other international organizations in dealing with trade and environment-related issues including, where relevant, conciliation procedure and dispute settlement;

~~(d)~~ (c) Encourage international productivity and competitiveness and encourage a constructive role on the part of industry in dealing with environment and development issues.

Activities

Developing an environment/trade and development agenda

19. Governments should encourage GATT, UNCTAD and other relevant international and regional economic institutions to examine, in accordance with their respective mandates and competences, the following propositions and principles:

(a) Elaborate adequate studies for the better understanding of the relationship between trade and environment for the promotion of sustainable development;

(b) Promote a dialogue between trade, developmental and environmental communities;

(c) In those cases when trade measures related to environment are used, ensure transparency and compatibility with international obligations;

(d) Deal with the root causes of environment and development problems in a manner which avoids the adoption of environmental measures resulting in unjustified restrictions on trade;

(e) ~~± Seek to avoid the use of trade restrictions or distortions and subsidies as a means to offset differences in cost arising from differences in environmental standards and regulations since their application could lead to trade distortions and increase protectionist tendencies. Seeking in mind case governmental subsidies may be considered useful in certain circumstances, such as during transition periods or in stimulating development of environments, technologies.~~

(f) Ensure that environment-related regulations or standards, including those related to health and safety standards, do not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on trade;

(g) Ensure that special factors affecting environment and trade policies in the developing countries are borne in mind in the application of environmental standards as well as in the use of any trade measures. It is worth noting that standards that are valid in the most advanced countries may be inappropriate and of unwarranted social cost for the developing countries;

(h) Encourage participation of developing countries in multilateral agreements through mechanisms such as special transitional rules;

(i) Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing transborder or global environmental problems should, as far as possible, be based on an international consensus. Domestic measures targeted to achieve certain environmental objectives may need trade measures to render them effective. Should trade policy measures be found necessary for

the enforcement of environmental policies, certain principles and rules should apply. These could include, inter alia, the principle of non-discrimination; the principle that the trade measure chosen should be the least trade-restrictive necessary to achieve the objectives; an obligation to ensure transparency in the use of trade measures related to the environment and to provide adequate notification of national regulations; and the need to give consideration to the special conditions and developmental requirements of developing countries as they move towards internationally agreed environmental objectives;

(j) Develop more precision, where necessary, and clarify the relationship between GATT provisions and some of the multilateral measures adopted in the environment area;

(k) Ensure public input in the formation, negotiation and implementation of trade policies as a means of fostering increased transparency in the light of country-specific conditions;

(l) Ensure that environmental policies provide the appropriate legal and institutional framework to respond to new needs for the protection of the environment that may result from changes in production and trade specialization.

C. Providing adequate financial resources to developing countries

Basis for action

20. Investment is critical to the ability of developing countries to achieve needed economic growth to improve the welfare of their populations and to meet their basic needs in a sustainable manner, all without deteriorating or depleting the resource base that underpins development. Sustainable development requires increased investment, for which domestic and external financial resources are needed. Foreign private investment and the return of flight capital which depend on a healthy investment climate are an important source of financial resources. Many developing countries have experienced a decade-long situation of negative net transfer of financial resources, during which their financial receipts were exceeded by payments they had to make, in particular for debt-servicing. As a result, domestically mobilized resources had to be transferred abroad instead of being invested locally in order to promote sustainable economic development.

21. For many developing countries, the reactivation of development will not take place without an early and durable solution to the problems of external indebtedness, taking into account the fact that, for many developing countries, external debt burdens are a significant problem. The burden of debt-service payments on those countries has imposed severe constraints on their ability to accelerate growth and eradicate poverty and has led to a contraction in imports, investment and consumption. External indebtedness has

emerged as a main factor in the economic stalemate in the developing countries. Continued vigorous implementation of the evolving international debt strategy is aimed at restoring debtor countries' external financial viability and the resumption of their growth and development would assist in achieving sustainable growth and development. [In this context, additional financial resources in favour of developing countries are essential.]

Objectives

22. [The specific requirements for the implementation of the sectoral and cross-sectoral programmes included in Agenda 21 are dealt with in the relevant programme area and in the related discussion of financial resources and mechanisms. However, in order to provide an efficient macroeconomic framework that would restore the ability of developing countries to invest for sustainable development, it is necessary to ensure substantial financial resources to developing countries. To this end, donors to developed countries should implement the undertakings they have made to attain the agreed international target of devoting 0.7 per cent of GNP to ODA. There should also be continued improvements in the quality of aid as well as its utilization. Furthermore, the continuation of the process of debt and debt-service reduction is required.]

Activities

(a) Meet international targets of official development assistance funding

23. [Developed countries should implement the undertakings they have made to attain the agreed international target of devoting 0.7 per cent of gross national product to official development assistance and 0.15 per cent to the least developed countries. Developed countries should enhance the quality and the quantity of their aid (para. 27 of General Assembly S-18/3).]

(b) Address the debt issue

24. In regard to the external debt incurred with commercial banks, the progress being made under the strengthened debt strategy is recognized and a more rapid implementation of this strategy is encouraged. Some countries have already benefited from the combination of sound adjustment policies and commercial bank debt reduction or equivalent measures. The international community encourages:

(a) Other countries with heavy debts to banks to negotiate similar commercial bank debt reduction with their creditors;

(b) The parties to such a negotiation to take due account of both the medium-term debt reduction and new money requirements of the debtor country;

(c) Multilateral institutions actively engaged in the strengthened international debt strategy to continue to support debt-reduction packages related to commercial bank debt with a view to ensuring that the magnitude of such financing is consonant with the evolving debt strategy;

(d) Creditor banks to participate in debt and debt-service reduction;

(e) Strengthened policies to attract direct investment, avoid unsustainable levels of debt and foster the return of flight capital.

25. With regard to debt owed to official bilateral creditors, the recent measures taken by the Paris Club with regard to more generous terms of relief to the poorest most indebted countries are welcomed. Ongoing efforts to implement these "Trinidad terms" measures in a manner commensurate with the payments capacity of those countries and in a way that gives additional support to their economic reform efforts are welcomed. The substantial bilateral debt reduction undertaken by some creditor countries is also welcomed, and others which are in a position to do so are encouraged to take similar action.

26. The actions of low-income countries with substantial debt burdens which continue, at great cost, to service their debt and safeguard their credit-worthiness are commended. Particular attention should be paid to their resource needs. Other debt-distressed developing countries which are making great efforts to continue to service their debt and need their external financial obligations also deserve due attention.

27. In connection with multilateral debt, it is urged that serious attention should be given to continuing to work towards growth-oriented solutions to the problem of developing countries with serious debt-servicing problems, including those whose debt is mainly to official creditors or to multilateral financial institutions. Particularly in the case of low-income countries in the process of economic reform, the support of the multilateral financial institutions in the form of new disbursements and the use of their concessional funds is welcomed. The use of support groups should be continued in providing resources to clear arrears of countries embarking upon vigorous economic reform programmes supported by IMF and the World Bank. Measures by the multilateral financial institutions such as the refinancing of interest on non-concessional loans with IDA reflows - "fifth dimension" - are noted with appreciation.

Means of Implementation

Financing and cost-evaluation

D. Encourage economic policies conducive to sustainable development

Basis for action

28. The unfavourable external environment facing developing countries makes domestic resource mobilization, and efficient allocation and utilization of domestically mobilized resources all the more important for the promotion of sustainable development. In a number of countries, policies are necessary to correct misdirected public spending, large budget deficits and other

macroeconomic imbalances, restrictive policies and distortions in the areas of exchange rates, investment and finance, and obstacles to entrepreneurship. [In developed countries such policy reforms would help to release resources for supporting the transition to sustainable development domestically and for supporting such a transition in developing countries. An increase in domestic savings in developed countries would be a complement to policies to restrain consumption on environmental grounds.]

29. Good management that fosters the association of effective, efficient, honest, equitable and accountable public administration with individual rights and opportunities, is an essential element for sustainable, broadly based development and sound economic performance at all development levels. All countries should increase their efforts to eradicate mismanagement of public and private affairs, including corruption, taking into account the factors responsible for, and agents involved in, this phenomenon.

30. Many indebted developing countries are undergoing structural adjustment programmes relating to debt rescheduling or new loans. While such programmes are necessary for improving the balance in fiscal budgets and balance-of-payments accounts, in some cases they have resulted in adverse social and environmental effects, such as cuts in allocations for health care, education and environmental protection. It should seek to ensure that structural adjustment programmes do not have negative impacts on environment and social development so that such programmes can be more in line with the objectives of sustainable development.

Objectives

31. It is necessary to establish, in the light of the country-specific conditions, economic policy reforms that promote the efficient planning and utilization of resources for sustainable development through sound economic and social policies, fostering entrepreneurship and the incorporation of social and environmental costs in resource pricing, and removing sources of distortion in the area of trade and investment.

Activities

(a) management related

Promote sound economic policies

32. The industrialized countries and other countries in a position to do so should strengthen their efforts:

(a) To encourage a stable and predictable international economic environment, particularly with regard to monetary stability, real rates of interest and fluctuations in key exchange rates;

(b) To stimulate savings and reduce fiscal deficits;

(c) To ensure that the processes of policy coordination take into account the interests and concerns of the developing countries, including the need to promote positive action to support the efforts of the least developed countries to halt their marginalization from the world economy;

(d) To undertake appropriate national macroeconomic and structural policies aimed at promoting non-inflationary growth, narrowing their major external imbalances and increasing the adjustment capacity of their economies.

33. Developing countries should consider strengthening their efforts to implement sound economic policies:

(a) That maintain monetary and fiscal discipline required to promote price stability and external balance;

(b) That result in realistic exchange rates;

(c) That raise domestic savings and investment as well as improve returns to investment.

34. More specifically, all countries should develop policies that improve efficiency in the allocation of resources and take full advantage of the opportunities offered by the changing global economic environment. In particular, wherever appropriate, and taking into account national strategies and objectives, countries should:

(a) Remove the barriers to progress caused by bureaucratic inefficiencies, administrative strains, unnecessary controls and the neglect of market conditions;

(b) Promote transparency in administration and decision-making;

(c) Encourage the private sector and foster entrepreneurship by improving institutional facilities to enterprise creation and market entry. The essential objective would be to simplify or remove the restrictions, regulations, and formalities that make it more complicated, costly and time-consuming to set up and operate enterprises in many developing countries;

(d) Promote and support the investment and infrastructure required for sustainable economic growth and diversification on an environmentally sound and sustainable basis;

(e) Provide scope for appropriate economic instruments, including market mechanisms, in harmony with the objectives of sustainable development and fulfilment of basic needs;

(f) Promote the operation of effective tax systems and financial sectors;

(g) Provide opportunities for small-scale enterprises, both farm and non-farm, and for the indigenous population and local communities to contribute fully to attain the objective of sustainable development;

(h) Remove biases against exports and in favour of inefficient import substitution and establish policies that allow them to benefit fully from the flows of foreign investment, within the framework of national, social, economic and developmental goals;

(i) Promote the creation of a domestic economic environment supportive of an optimal balance between production for the domestic and export markets.

(b) International and regional cooperation and coordination

35. Governments of developed countries and those of other countries in a position to do so should, directly or through appropriate international and regional organizations and international lending institutions, enhance their efforts to provide developing countries with the following:

(a) Increased technical assistance for capacity-building in the nation's design and implementation of economic policies, upon request;

(b) Design and operation of efficient tax systems, accounting systems and financial sectors;

(c) Promotion of entrepreneurship.

36. International financial and development institutions should further review their policies and programmes in the light of the objective of sustainable development.

37. Stronger economic cooperation among developing countries has long been accepted as an important component of efforts to promote economic growth, technological capabilities and accelerate development in the developing world. Therefore, the efforts of the developing countries to promote economic cooperation among themselves should be enhanced and continue to be supported by the international community.

Means of implementation

(a) Financing and cost-evaluation

(b) Capacity-building

38. The above-mentioned policy changes in developing countries involve substantial national efforts for capacity-building in the areas of public administration, central banking, tax administration, savings institutions and financial markets.

39. In the implementation of the four programme areas identified in this chapter, special attention should be given to the special circumstances facing the economies in transition. It is also to be recognized that these countries are facing unprecedented challenges in transforming their economies, in some cases in the midst of considerable social and political tensions.

40. Particular efforts in the implementation of the four programme areas identified in this chapter are warranted in view of the specially acute environmental and developmental problems of the least developed countries.
