

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

RESTRICTED  
COM.TD/W/509  
11 February 1994  
Limited Distribution

(94-0276)

---

Committee on Trade and Development

COMMITTEE ON TRADE AND DEVELOPMENT

Report by the Chairman on the follow-up to UNCED in GATT

1. The Committee on Trade and Development (CTD), initiated work on the UNCED follow-up last year in accordance with the Decision adopted by the CONTRACTING PARTIES at their Forty-Eighth Session in December 1992. The CONTRACTING PARTIES have assigned the Committee the task of examining those matters raised by UNCED in the context of promoting sustainable development through trade liberalization: Agenda 21, Chapter 2: Introduction and Section A, while the Group on Environmental Measures and International Trade (EMIT) has been mandated by the CONTRACTING PARTIES to examine the issue of making trade and environment policies mutually supportive: Agenda 21, Chapter 2: Introduction and Section B.

2. In pursuance to the mandate received from the CONTRACTING PARTIES, the Committee on Trade and Development held two informal debates in May and June 1993 on matters relating to trade and environment. The main topics discussed were the following: (i) the sustainable development, environment and trade interface; (ii) improving market access, in particular to exports of developing countries; (iii) monitoring and data collection; (iv) relevance of existing GATT rules relating to developing countries, including Part IV, to the concepts of sustainable development, environment and trade. Following these debates, the Committee held formal discussions on the UNCED follow-up on 26 July. At the July meeting representatives of UNCTAD and the International Trade Centre made comprehensive and valuable contributions on work being carried out in their organizations on trade and environment issues.

The sustainable development, environment and trade interface

3. The discussion in the Committee revealed that the concept of sustainable development could be looked at from different perspectives and deserved an in-depth analysis. A comprehensive examination of the concept of sustainable development would require a thorough discussion of issues such as: differences in consumption in developed and developing countries and their impact on environment; development needs of developing countries; the link between poverty eradication and environmental goals, and between the latter and access to less-polluting technologies; policies in developed and developing countries to maximize the benefits of trade liberalization for sustainable development; the relationship between environmental goals, transfer of technology, open markets and financial resources.

4. Several Committee members recalled that the primary focus of Chapter 2 of Agenda 21 was on achieving sustainable development in developing countries, an objective which might require different prescriptions than that of other countries. UNCED itself had recognized that environmental standards valid for developed countries might have unwarranted social and economic costs in developing countries. While the protection of environment was essential, in the case of developing countries this objective had to be pursued in different ways which would include access to less-polluting technologies, transfer

of know-how to developing countries to prevent them from committing errors similar to those that have occurred in developed countries, and protection of bio-diversity and compensation for those who preserved it. The importance of ensuring the resources required to protect the environment in developing countries, particularly in the least-developed countries was especially emphasized.

5. Other members of the Committee underlined UNCED's emphasis on the importance of an appropriate mix of policies in the areas of environment, trade and development to ensure growth which was an important part of the solution to environmental degradation. While UNCED's results had recognized that eradication of poverty was an important element to improve protection of the environment, it also stressed that eradication of poverty had to be based on a pattern of growth that was sensitive to environment, otherwise such growth could not be sustainable. Some members of the Committee, while acknowledging that developing countries might for a transitional period apply less tight environmental standards, stressed that in the long-run developing countries should gradually seek to undertake fuller responsibilities in the pursuit of global environmental objectives. It would be in the interest of developing countries themselves to shorten the transitional period and adhere to multilateral agreements or apply standards similar to those in developed countries. This would avoid the risk of transferring non-green or polluting industries to developing countries and of additional obstacles being raised to exports of products of lower standards to developed countries.

6. It was also pointed out that the process of examination of Agenda 21 -- which contained complex issues and provided a work programme for the beginning of the 21st century -- should be based on a number of agreed principles which would orient the discussion in the right direction. It was suggested that such principles include the following: (i) environmental problems without spill-over effect should be left to national authorities; (ii) environmental problems with spill-over effects should be resolved through international or regional cooperation and not through unilateral actions. The need to recognize the different rôles of various institutions in regard to UNCED follow-up and to deal with individual issues within the relevant institution, was also emphasized. Moreover, it was pointed out that complementarity between the work being carried out in various institutions as well as between the work in the EMIT Group and the CTD should be ensured.

7. Both in the informal and formal debates of the Committee, it was generally agreed that the best single contribution GATT could make to sustainable development would be to successfully conclude the Uruguay Round which has the potential to contribute, through trade liberalization and clear-cut and effective multilateral rules and disciplines, to a more efficient allocation of national resources, thus minimizing wastage and pollution. Improving market access to exports of developing countries, especially in areas of particular interest to them such as agriculture, tropical products and textiles, would also encourage economic growth, resulting in more resources for raising national environmental standards.

#### Improving market access, in particular to exports of developing countries

8. Many delegations emphasized that trade liberalization was consistent with environmental protection which in turn could not be sustained in the longer-run without an open, non-discriminatory, balanced and equitable multilateral trading system. In this connection, it was suggested that aside from improving market access by the liberalization of tariff and non-tariff barriers through the Uruguay Round negotiations, attention be devoted to preserving existing market access opportunities through clear-cut and effective multilateral rules and disciplines, avoiding trade distortions resulting from environmental measures and exploring new market access opportunities for developing countries. In this context, it was recalled that many developing countries had undertaken a massive effort towards

economic reforms and trade liberalization which had not yet received the appropriate response from their developed trading partners.

9. Among the specific issues suggested for further examination were: ways for improving market access of environment-friendly products such as natural packaging materials in which developing countries often had a comparative advantage; barriers to access of environmentally-beneficial products existing in some developing countries; the importance of environmental services and technologies, for developing countries; the impact of internal taxes and tariff escalation on commodity trade and granting of a more favourable treatment to environment-friendly products with different degrees of processing; ways through which developing countries could take advantage of positive environmental action to increase trade and their access to markets.

10. The rôle of market forces in increasing global efficiency and of complementary governmental measures at national and international levels were also referred to in discussions. In this connection, it was suggested that in addition to reducing barriers to access in existing markets, consideration be given to the evolution of new markets or market-based solutions to deal with emerging environmental challenges.

#### Monitoring and data collection

11. A number of delegations addressed the question of monitoring and data collection. Several of them believed that this activity was crucial for analysing possible distorting effects of environmental measures on developing countries' exports and on their development. Some delegations noted that the task of monitoring and data collection was already within the terms of references of the CTD and such responsibility could usefully be fulfilled by the Sub-Committee on Protective Measures which should therefore be reactivated.

12. Other delegations emphasized that before initiating any work on monitoring and data collection, it was necessary to better clarify the specific purposes of such an activity, the kind of data to be collected and sources to be used and whether the monitoring exercise would be effects- or measures-based.

13. There was a broad measure of agreement in the Committee that any future work on monitoring and data collection should avoid duplication with other fora, including the EMIT Group.

#### Relevance of existing GATT rules relating to developing countries, including Part IV, to the concepts of sustainable development, environment and trade

14. It was broadly recognized that the existing GATT rules in favour of developing countries, and in particular Article XVIII and Part IV, were of relevance to the concepts of sustainable development, environment and trade. However, it was not yet clear whether the existing rules were sufficient and needed simply to be interpreted in order to cover environmental issues, or whether it was necessary to adopt new provisions which would incorporate, aside from the trade and development dimensions, the environment dimension. It was also noted that the Chapter 2 of the Agenda 21 invited a reflection on rules that would promote an international trading system which would take into account the needs of developing countries and their integration into the system.

15. Several Committee members observed that the Part IV provisions aimed at improving market access to developing countries' exports, improving the functioning of commodity markets and halting or reversing protectionism to further expand market access, were particularly relevant to the capabilities of developing countries to make a contribution towards sustainable development. These provisions

needed only to be implemented without awaiting any renegotiation or interpretation of Part IV. In this context, it was suggested that the possibility of extending the time period for granting GSP treatment to a couple of years be considered. It was also stressed that the concept of special and differential treatment incorporated in Part IV was also implicit in UNCED's recognition that environmental standards valid for developed countries might have unwarranted social and economic costs in developing countries.

16. Other members of the Committee pointed out that while the question of relevance of existing GATT provisions in favour of developing countries to the concepts of sustainable development, environment and trade deserved further consideration, at present this should not be a priority issue for the CTD, which should first benefit from the work being done on rules in the EMIT Group. Nevertheless, some members believed that the CTD could start discussion on certain aspects of this issue such as the establishment of special mechanisms, e.g., environmental subsidies and transition periods, to encourage developing countries' participation in multilateral agreements.

Possible future rôle of the CTD in dealing with matters relating to sustainable development, environment and trade

17. In this respect, some delegations favoured a conceptual approach aimed, for example, at clearly defining the concept of sustainable development as it applies to trade. Others cautioned against repeating the debate taking place in other fora dealing with environment and believed that the CTD should focus on seeking agreement within GATT on steps which would give concrete meaning to the basic conceptual framework laid down at the Rio Conference.

18. Other delegations believed that the CTD could be a forum both for debate and action. The CTD should discuss the concept of sustainable development from the perspective of developing countries and at the same time serve as a forum for action to ensure the implementation of Agenda 21, Chapter 2, Section A. It was also stressed that duplication of work in the CTD and the EMIT Group should be avoided as much as possible.

19. Another view was that the CTD could act as a link between the EMIT Group, which has a mandatory rôle and the fora outside GATT such as the Commission on Sustainable Development and UNCTAD. The CTD should be the GATT forum for discussing the sustainable development, environment and trade interface in a comprehensive manner, thus providing the background for the work in the EMIT Group. Other delegations did not share the view that work to be done in the CTD should formally serve as a background for the work of the EMIT Group.

20. It was also suggested that the CTD should analyze the market access issues from the perspective of how to minimize the potential negative effects of emerging new environmental measures on developing countries' access to both developed and developing country markets. A specific area of work could be related to the impact of packaging and labelling regulations on market access for exports from developing countries.

21. Some delegations underlined that the CTD should also provide a substantive input to GATT's contribution for the next session of the Commission on Sustainable Development.

Conclusions

22. The Committee held a useful initial discussion of the issues referred to it by the CONTRACTING PARTIES. The following matters, *inter alia*, were proposed for inclusion in a future work programme for the Committee, although no consensus was reached on them.

- (i) A comprehensive examination of the concept of sustainable development with the view to identify the needs of developing countries in this area;
- (ii) The examination of the appropriate policies in the area of trade, environment and development necessary to ensure a pattern of growth in developing countries sensitive to the environment;
- (iii) The examination of specific issues such as: (a) the ways for improving market access of environmentally-friendly products in which developing countries have comparative advantage; (b) barriers to access of environmentally-beneficial products existing in some developing countries; (c) the importance of environmental services and technologies for developing countries; (d) the impact of internal taxes and tariff escalation on commodity trade and granting of a more favourable treatment to environment-friendly products with different degrees of processing; (e) ways through which developing countries could take advantage of positive environmental action to increase trade and their access to markets;
- (iv) The analysis of the possible negative effects of environmental measures on developing countries' exports;
- (v) The specification of data to be collected and sources to be used in an eventual monitoring exercise and whether it should be effects- or measures-based;
- (vi) The examination of the provisions of Article XVIII and Part IV of GATT in order to establish whether existing rules are sufficient and need only be interpreted to cover environmental issues, or whether it would be necessary to adopt new provisions which could incorporate the environmental dimension.

23. Although no agreement was reached concerning further work on the issues referred to the Committee, it was felt that further discussion and examination of the points raised should be carried out, while avoiding unnecessary duplication with work in other bodies, within and without the GATT. Developing countries in particular stressed the importance they attached to this exercise within the overall framework of future activities relating to trade and environment in GATT.