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NOTE ON THE THIRD 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 discussions in the PrepCom as they relate to GATT provisions and principles. It details the deliberations on each subject and, where appropriate, highlights any reference to or discussion of trade issues. Trade issues arose in the discussions of forestry, biological diversity, and environmentally sound management of wastes and toxic chemicals and are highlighted in bold typing.

In addition, the Plenary session, in its examination of the cross-sectoral issues termed sustainability, international economy, integrated economic-environmental accounting and economic instruments, discussed the trade and environment link as well as the GATT. The Plenary adopted a Decision requesting the Secretary-General of the Conference to continue work on these issues and to prepare and submit to the fourth session of the PrepCom proposals for action on these issues to be included in Agenda 21. International trade and the environment will therefore be examined in considerably more detail at the fourth session of the PrepCom to be held in New York from 2 March to 3 April 1992. A summary of the proceedings of that session will be issued as another addendum to L/6892.

1. The third session of the Preparatory Committee (PrepCom) for the United Nations Conference on Environment and Development (UNCED) was held in Geneva from 12 August to 4 September 1991. The fourth session will be held in New York from 2 March to 3 April 1992. The Conference will be convened in Rio de Janeiro, Brazil from 1 to 12 June 1992.

Work process

2. Discussions continued in the three Working Groups on their respective subjects. In Working Groups I and II Decisions were elaborated to guide the further work related to each subject. In addition, discussion and formulation of provisional texts of an Agenda 21 for each subject was initiated. Formulation of each provisional Agenda 21 was based on documentation prepared by the Secretary-General of the UNCED for the third session which investigated the interconnections between each subject and broader environmental, developmental and cross-sectoral issues in order to propose possible policy responses. Although they contained many brackets, the texts were adopted by the PrepCom as a basis for further discussion and negotiation at the fourth session. Finally, Working Group III elaborated six Decisions to guide the further work on various institutional and legal matters. One Decision related to the provisional text of the "Earth Charter" or the statement of principles on general rights and obligations.

Proceedings of the Third Session of the PrepCom

I. Working Group I

3. During the third session 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

(i) Climate change

4. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.I/L.21/Rev.2 to guide its further work. It requested the Secretary-General of UNCED to continue to follow the work of the Intergovernmental Negotiating Committee (INC) and to keep the INC informed on the interconnections between climate change and other environment and development issues, as they emerge from the Preparatory Process of the UNCED, in particular the elaboration of Agenda 21 (see paragraphs 10 and 11).

5. The INC held its second session on 19-28 June. It was continuing work on draft texts (see L/6892, paragraph 8) to be integrated by its plenary into a framework convention. A number of meetings were arranged between the Secretariats of the INC and UNCED to ensure full co-ordination of the work of each. It was expected that the period between the third and the fourth sessions of the PrepCom would be particularly important insofar as this co-operation is concerned. The third session of the INC was held on 9-20 September 1991 and an additional session is planned for 9-20 December 1991 in Geneva. This session will ensure that any possible decisions taken by the INC can be included in the official reports prepared for UNCED's fourth session.

(ii) Ozone depletion

6. Decision A/CONF.151/PC/WG.I/L.21/Rev.2 expressed satisfaction with the ongoing work within the framework of the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer, as amended in London in 1990. It urged States that had not already ratified, accepted or approved the Montreal Protocol and its 1990 amendments to do so and to pay their contributions towards the Interim Multilateral Ozone Fund, established under the Protocol. It encouraged expansion of global monitoring, scientific assessments, and evaluations of health, environmental, technological/economic implications of stratospheric ozone depletion.

7. The Working Group had before it document A/CONF.151/PC/58 in which the Secretary-General of UNCED summarized the current scientific understanding of the stratospheric ozone issue. Among the important points, he reported that analysis supported the conclusion that the "ozone hole" was the result of chemical ozone destruction by CFCs and halons; a possible link existed between ozone depletion and changes in the atmospheric dynamics; and provisional results indicated that total ozone had been decreasing at an average rate of about 3 per cent per decade with variations in different areas and seasons. In accordance with the Montreal Protocol, current assessments of environmental effects and technological/economic implications of stratospheric ozone depletion were being prepared for the fourth meeting of the Parties to the Protocol scheduled for September/October 1992. The document also identified potential areas for additional support action which would be considered in the formulation of Agenda 21 (see paragraphs 10 and 11).

(iii) Transboundary air pollution

8. Decision A/CONF.151/PC/WG.I/L.21/Rev.2 urged States to ensure a balanced geographical coverage of the Global Atmosphere Watch network, co-ordinated by the World Meteorological Organization, by facilitating, through multilateral and bilateral funding, the establishment and operation of monitoring stations in developing countries. It also asked that Parties to the Convention on Long-Range Transboundary Air Pollution

strengthen implementation and share their technology and information with developing countries. It also asked that appropriate international organizations identify areas that could benefit from similar co-operative programmes for transboundary air pollution monitoring and abatement.

9. The Working Group had before it document A/CONF.151/PC/59 in which the Secretary-General identified three major gaps in combating transboundary air pollution gaps in basic information, gaps in transnational communication and training, and gaps in international governance. These would be incorporated in the formulation of Agenda 21 (see paragraphs 10 and 11).

10. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.I/L.33/Rev.1 to guide its further work on the elaboration of options for Agenda 21 related to Protection of the Atmosphere. It referred to proposals related to climate change for the energy and transport sectors, contained in document A/CONF.151/WG.I/L.25/Rev.2, as a basis for further negotiations at the fourth session of the PrepCom. Background documentation prepared by the Secretary-General of the UNCED (A/CONF.151/PC/60) explained that the major policy responses to climate change should be in these sectors, i.e. those using and converting fossil fuels. Proposals specific to the issues of transboundary air pollution and the protection of the ozone layer would be prepared for the fourth session and incorporated in the final Agenda 21. Also the recommendations of ongoing activities, such as the INC and other regional and international conferences, would have major impacts on the policy responses and would be taken into account in future revisions of Agenda 21.

11. The proposals contained in document A/CONF.151/WG.I/L.25/Rev.2 were provisionally categorized into eight major programme areas for the energy, transport and industry sectors. Under each programme area the basis for action, objectives, activities, and means of implementation were elaborated:

- promoting energy transition from polluting and wasteful energy production and consumption patterns toward one relying on environmentally sound energy systems;
- increasing energy efficiency to promote less energy intensive technologies while assisting developing countries to increase their capacity with the necessary technical, research, development methods;
- promoting renewable energy sources by developing economic and other policies for increasing the contribution of renewable energy sources to the supply mix;

- promoting environmentally sound transport systems by limiting harmful atmospheric emissions from the transport sector;
- promoting industrial development that does not adversely impact the atmosphere;
- promoting agricultural development that does not adversely impact the atmosphere;
- promoting sustainable consumption patterns and life styles; and
- addressing the uncertainties by co-operating in research to improve the understanding of processes that influence the Earth's atmosphere.

12. Regarding the second programme area, activities that could affect trade related to the setting of energy efficiency standards to act as incentives for more efficient energy use, and the removal of pricing and other economic mechanisms which may lead to inefficient energy production and use, i.e. the incomplete inclusion of the full costs of the environmental impacts caused by the production transmission and consumption of energy from the energy price. Regarding the fourth programme area, activities related to fuel performance and emission standards and use of economic incentives to discourage large fuel-consuming and polluting vehicles and encourage less fuel-consuming transport.

(b) Land resources

(i) Deforestation

13. The Working Group had before it document A/CONF.151/PC/64 which had been prepared in response to the request for a factual report by the second session of the PrepCom. Two sections of this report, as had been requested (see L/6892, paragraph 12), contained in-depth analyses of current levels and structure of world trade in timber and timber products. A summary of these sections are contained in Annex I.

14. The PrepCom adopted the Decision A/CONF.151/PC/WG.I/L.35/Rev.1 to guide its further work. It recalled that there had been in-depth discussion on a non-legally binding authoritative statement of principles for a global consensus on the management, conservation and development of all types of forests (document A/CONF.151/PC/WG.I/CRP.14). Comments or additions submitted during the third session were to be included in a revision to this document that would be considered at the fourth session.

15. Document CRP.14, although containing many brackets, was a comprehensive statement of principles that accommodated different negotiating positions and whose legal status remained unclear. It was composed of a Preamble and 17 Principles/Elements. The Preamble stresses that "... forestry is related to the entire gamut of environmental and development issues and opportunities ... (paragraph (a))" and that "forestry issues and opportunities should be examined in a holistic and balanced manner within the overall context of environment and development, taking into consideration the multiple uses of forests, ... and the likely economic and social stress when these uses are constrained or restricted ... (paragraph (b))." The Principles called for the integration of all aspects of environmental protection related to forests and forest lands in social and economic programmes (Principles 3) and for the promotion of a supportive international economic climate (Principle 7). Problems faced by developing countries - external indebtedness, inaccurate economic valuation of forest products, etc. - are addressed in Principle 9.

16. Principles 14, 15, and 16 address trade-specific issues and read as follows:

"14. (a) [Trade on forest products must be consistent with international trade law and practices as embodied for example in the General Agreement on Tariffs and Trade (GATT) and its subsidiary agreements.]

(b) [Removal of tariff barriers,] the provision of better market access and better prices for higher value-added [sustainably managed] 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 mechanism, 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) [[Subsidies,] [protectionism] [and lower export revenues] [and other governmental interventions] which encourage [unnecessary] deforestation and unsound forest practices should be [eliminated] [discouraged], wherever practicable [and subsidies or incentives encouraging sound practices should be encouraged where applicable]].

15. (a) [All forms of unilateral actions to restrict and/or ban the use of timber and other forest products should be removed as such actions are counter-productive in terms of long-term sustainable forest management].

(b) Orderly and free international trade in forest products [from sustainably managed forests resources] should be facilitated.

16. (a) [Pollutants are harmful to the health of forest ecosystems at local, national, transboundary and global levels and should be strictly controlled] ...".

17. The Decision A/CONF.151/PC/WG.I/L.35/Rev.1 also referred to the options for Agenda 21 related to forests (document A/CONF.151/PC/42/Add.3) and noted that it had not been considered in detail. The Decision invited governments to submit to the UNCED secretariat further proposals for Agenda 21 on forests which would be taken into account, along with the views expressed in the third session, in the formulation of a revised document for the fourth session.

18. The present Agenda 21 on forests, formulated for the third session, proposed a series of programme areas covering different aspects of forest conservation, development, and rational utilization to achieve the global objective of "conservation and rational utilization of all forests within the context of sustainable development." Under each programme area the basis for action, the objectives and activities to implement the objectives were elaborated. One proposed programme area read "Encouraging industry and trade in forest products based on sustainably managed forest resources" with the objective of assuring that all timber and timber products used by industry or entering national and international trade originate from sustainably managed forests by the year 2000." The activities to implement this objective included, inter alia, to "encourage and strengthen international organizations and institutions already promoting sustainable management practices, such as FAO, UNESCO, ITTO; support the implementation of the ITTO Guidelines; encourage dialogue in appropriate fora as, for example, GATT, to mitigate trade restrictions on timber products of developing countries; and promote removal of market barriers of manufactured and processed timber from developing countries." Other proposed programme areas include:

- developing and intensifying forest inventories and land availability assessment for afforestation;
- developing mechanisms for global/regional/national afforestation and reforestation including provisions for large-scale global funding for forests;

- assessing potential impact of climate change on forests and initiating in-depth studies on the carbon cycle relating to different forest types;
- supporting existing and encouraging expansion of programmes for protection of selected forest ecosystems for biological diversity conservation, research areas on forest ecology and protection of cultural heritage;
- encouraging and supporting large-scale planting programmes to recover the balance of global forest cover worldwide;
- encouraging regional/national rehabilitation of degraded lands;
- developing and encouraging expansion of community and social forestry in developing countries to improve the livelihood of villagers through the promotion of expanded wooded areas and plots in their communities;
- developing more training and research and disseminating facilities for research results; and
- developing national programmes on forest accounting and mechanisms for assisting the economic values of forests.

19. In the discussions, **developing countries stressed the point that trade restrictions are a counter-productive way of dealing with deforestation, while developed countries underlined the importance of open market access for (processed) products from sustainably managed forests.**

(ii) Desertification and drought

20. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.I/L.36/Rev.1 to guide its further work. It noted that there was general agreement on the broad objectives and programme areas to be included in the options for Agenda 21 related to desertification and drought, but that the different activities proposed needed further elaboration and thereafter consideration by the PrepCom at its fourth session. Under each programme area the basis for action, the objectives and activities to implement the objectives were elaborated. These programme areas were:

- strengthening the knowledge base and developing information and monitoring systems of fragile ecosystems and the economic and social aspects of these systems;

- intensifying afforestation and reforestation activities, combating land degradation, supporting the management of biotic resources;
- developing and strengthening programmes for integrated development actions and alternative livelihood systems in areas prone to desertification;
- encouraging and supporting popular participation and environmental education;
- designing programmes to cope with environmental refugees;
- eradication of poverty;
- integrating anti-desertification programmes into national development programme and/or national environmental action plans;
- developing and improving an integrated approach to planning and management of land resources already desertified or subject to desertification;
- developing comprehensive drought preparedness and drought relief schemes for drought prone areas.

21. Regarding the third programme area, one activity proposed was to improve the terms of trade and address Africa's external debt issue.

22. The Decision further requested the Secretary-General of UNCED to further elaborate proposals for action on the subject of desertification and drought taking into account relevant new developments, and to submit to the PrepCom at its fourth session a summary of the results of the financial and technical study requested by the General Assembly from UNEP and recommendations on the financial, technical and institutional means of implementing the UNCED decisions on desertification control. It further decided that the PrepCom should consider at its fourth session the action to be taken on desertification within the framework of Agenda 21 and invited governments to submit any additional comments to the UNCED secretariat.

(iii) Biological diversity

23. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.I/L.37/Rev.1 to guide its further work. It requested the Secretary-General of UNCED to transmit the Chairman's Summary and Proposals for Action (document A/CONF.151/PC/WG.I/L.28) to the Intergovernmental Negotiating Committee for a Convention on Biological Diversity (see L/6892, paragraph 16). Document L.28 summarized the main

points that emerged from the debate on the options for Agenda 21 (document A/CONF.151/PC/42/Add.4) which the Secretary-General of UNCED had prepared for the third session, and would constitute an amendment to the latter document. The Decision further invited governments to make additional submissions regarding Agenda 21 to the Secretariat and requested the Secretary-General to elaborate, for the fourth session, a revised Agenda 21 on the Conservation of Biological Diversity taking into account those submissions and the comments made at the third session. It further agreed that the question of the relationship between biological diversity and biotechnology would be considered in more detail at the fourth session.

24. The options for Agenda 21 focused on four principal objectives which are intended to complement and support the negotiations on a Convention on Biological Diversity:

- establish a global programme by the year [1995] to ascertain the extent of the earth's biological resources;
- move biodiversity concerns into the mainstream of national and international policy-making by the year [1995];
- stabilize the depletion of biological resources at natural levels in non-tropical regions by the year [2010] and in tropical regions by the year [2025];
- promote the use of biological resources to enhance sustainable development.

25. Four programme areas were proposed to achieve these objectives. Under each programme area the basis for action, the objectives and activities to implement the objectives were elaborated:

- provide information on biodiversity through national surveys and global monitoring;
- maximize and spread the benefits of biodiversity with local, national and international policies, greater rôles for local and indigenous communities, supportive international agreements, funding mechanisms, and institutional capacities;
- improve the conservation of biological resources; and
- enhance the capacity to manage biodiversity through strengthened existing institutions, promotion of research, and enhanced awareness.

Reference was made to the GATT/TRIPS negotiations under the third programme area. The reference read, "The issue of property rights and other kinds of rights over plant and animal varieties has been raised in the GATT/TRIPS negotiations."

(iv) Biotechnology

26. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.I/L.38/Rev.1 to guide its further work. It requested the Secretary-General of UNCED to transmit the Chairman's Summary and Proposals for Action (Document A/CONF.151/PC/WG.I/L.30) to the Intergovernmental Negotiating Committee for a Convention on Biological Diversity (see L/6892, paragraph 16). Document L.30 summarized the main points that emerged from the debate on the options for Agenda 21 (document A/CONF.151/PC/42/Add.5) which the Secretary-General of UNCED had prepared for the third session of the PrepCom, and would constitute an amendment to the latter document. The Decision further invited governments to make additional submissions on Agenda 21 to the Secretariat and requested the Secretary-General to elaborate, for the fourth session, a revised Agenda 21 on the Conservation of Biotechnology taking into account those submissions and the comments made at the third session. It further agreed that the question of the relationship between biological diversity and biotechnology would be considered in more detail at the fourth session.

27. The options for Agenda 21 focused on five principal objectives which responded to the needs identified for the environmentally sound management of biotechnology to promote sustainable development:

- increase food productivity in sustainable agricultural systems through the use of [advanced] biotechnology applications in combination with conventional/traditional methods, techniques and technologies;
- [improve] contribute to improvements in human health globally [by combating both communicable and non-communicable diseases] [by the year 2000];
- prevent and halt environmental degradation, [as well as] and preserve environmental integrity, by the judicious application of biotechnology;
- implement effective global safety procedures;
- stimulate the development and transfer of biotechnology applications in water treatment and purification to facilitate the provision of safe, clean, reliable water supplies.

28. Five major programme areas were proposed to achieve these objectives. Under each programme area the basis for action, the objectives and activities to implement the objectives were elaborated:

- increase plant and animal productivity to increase food productivity in sustainable agricultural systems through the use of [advanced] biotechnology applications and reduce dependence on pesticides and fertilizers;
- promote improved human health and protection against both communicable and non-communicable diseases;
- environmental protection by applying biotechnology to prevent, halt, and reverse environmental degradation, as well as to preserve environmental integrity;
- enhance safety and develop international mechanisms for co-operation with particular reference to social, health and environmental considerations, including the widest possible public participation;
- enabling mechanisms for the environmentally sound application of biotechnology, particularly in developing countries and by the year 1994 establish a Biotechnology Consortium or Corporation for Development, as a joint venture by developing countries, bilateral and multilateral agencies, and the private sector, to provide new mechanisms for developing countries to accelerate the development, acquisition, and adaptation of non-proprietary and proprietary technologies.

II. Working Group II

29. During the third session Working Group II addressed the subjects of Protection of the oceans and all kinds of seas, including enclosed and semi-enclosed seas, and 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, and of toxic chemicals, as well as prevention of illegal international traffic in toxic and dangerous products and wastes.

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

30. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.II/L.22/Add.1/Rev.1 to guide its further work. It noted that UNEP, in co-ordination with the UNCED Secretariat, would convene an intergovernmental meeting of experts on the degradation of the marine environment from land-based sources of pollution and activities in coastal areas. It invited the Executive Director of UNEP to report the results of this meeting to the Secretary-General of UNCED in time to be presented at its fourth session. It also requested that UNEP consider the views expressed by governments at the third session of the PrepCom.

31. The Working Group had before it a draft version of options for Agenda 21 on this subject (document A/CONF.151/PC/42/Add.6) prepared by the Secretary-General for discussion at the third session. This was revised to include all comments made during this discussion and was circulated as a Chairman's Working Paper (document A/CONF.151/PC/WG.II/L.18). The Decision requested the Secretary-General of the UNCED to submit to the fourth session a revised version of this document, taking into account the results of the above UNEP meeting.

32. Document L.18, although containing many brackets, elaborated the proposed programme areas for the Agenda 21 on this subject. Under each programme area the basis for action, the objectives and activities to implement the objectives were elaborated:

- integrated management [and sustainable] development of coastal areas and [marine ecosystems] [exclusive economic zones];
- [marine environmental protection] [marine pollution, prevention and control: land-based and sea-based activities] including prevention, reduction and control of degradation of the marine environment from land-based activities and from sea-based activities;
- [marine living resources [sustainable utilization on the high seas and under national jurisdiction]] [management of the high seas: living marine resources. Sustainable use of living marine resources under national jurisdiction];
- addressing critical uncertainties [for ocean management] and climate change through research and monitoring and establishing funding mechanisms for an inter-disciplinary monitoring system and through information exchange;
- strengthening international, including regional, co-operation and co-ordination.

33. Regarding the second programme area, **trade-related activities proposed included the wider enforcement of codes of practice relating to transportation of hazardous and dangerous cargoes and detection of illicit movement of toxic chemicals and hazardous wastes; and the strengthening of channels of communication and co-ordination between the Secretariats of the Basel and London Dumping Conventions in order to prevent parties to the Basel Convention from exporting, for disposal in the ocean, substances referred to in Annexes I and II to the London Dumping Convention to States not parties to that Convention. Also included was a proposal that states should develop liability and compensation régimes for hazardous and noxious substances as well as other sea-based activities such as transboundary movements of hazardous substances and wastes.**

34. Regarding the third programme area, it was proposed that GATT, assisted by the FAO, should strengthen international technical co-operation mechanisms in relation to high seas stock-commodities with a view to identifying and eventually eliminating inappropriate trade barriers and assisting in preventing the evasion of international management régimes. Another proposal was that states should develop multilateral standards dealing with the interlinkages between trade and the protection of living marine resources, taking into account concerns on sustainable development.

35. Regarding the fifth programme area, it was proposed that:

Settlement of disputes, [such as on trade and environment, should be dealt with in appropriate bilateral, regional and international fora, e.g. GATT. In accordance with established international rules and dispute settlement agreements. Exhaustive and full use of expertise available in major international organizations shall be made.] [should be dealt with in appropriate bilateral, regional and international forum in accordance with multilateral standards to be agreed upon, giving due consideration to concerns on sustainable development. Exhaustive and full use of expertise available in relevant international organizations should be made. Pending enactment of such standards, States should refrain from taking unilaterally non-tariff measures to protect a given marine resource.]

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

36. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.II/L.23 to guide its further work. It requested the Secretary-General of the UNCED to prepare a revised Options for Agenda 21 on freshwater resources with an addendum elaborating further the programme areas and their targets, means of implementation including financing and cost evaluation, scientific and technological means, human resource development, and building capacity of developing countries for preventive and corrective action, taking into account comments from the third session. The Decision requested the Secretary-General to submit this document to the International Conference on Water and the Environment (ICWE) (see L/6892, paragraph 21) for its review and recommendations. The Secretary-General was then requested to submit the recommendations of the ICWE along with the revised Agenda 21 and its addendum to the the fourth session.

37. The draft text of Options for Agenda 21 on Freshwater Resources (document A/CONF.151/PC/WG.II/L.17) proposed the following programme areas for further consideration and elaborated the basis for action, objectives and activities for each:

- integrated water resources management to promote a dynamic, multisectoral approach to water resources management, to plan the rational utilization, conservation and management of water resources based on community needs;
- water resources assessment to ensure the forecasting of the quantity and quality of water resources in order to meet the needs of society;
- protection of water quality and aquatic ecosystems by evaluating the consequences which users of water have on the environment, to support measures to control water-related diseases, and to protect ecosystems;
- drinking water supply and sanitation to safeguard health through institutional reforms, community management of services, and sound financial practices;
- water and sustainable urban development to support local and central governments' efforts and capacities and to implement actions to ensure the continued supply of affordable water for present and future needs and to reverse current trends of resource degradation and depletion;
- water for sustainable food production utilizing the experience of the International Action Programme on Water and Sustainable Agricultural Development (IAP-WASAD), initiated by FAO in co-operation with other international organizations, to assist developing countries in managing water resources to meet the present and future needs for agricultural production, taking into account environmental considerations.

(c) Environmentally sound management of wastes and toxic chemicals

38. The PrepCom adopted the Decision contained in A/CONF.151/PC/WG.II/L.21 to guide its further work. It requested the Secretary-General to submit to the fourth session an annex to the Decision, contained in documents A/CONF.151/PC/WG.II/L.19 and Add. 1-3, containing the options for Agenda 21 on the specific topics (see paragraphs 40-51). He is also requested to revise the annex taking into account the views expressed at the third session, the results of the UNEP ad hoc meeting to consider the draft elements for a possible international strategy and action programme for environmentally sound management of hazardous wastes, and the results of the International Programme on Chemical Safety (IPCS) ad hoc meeting to consider proposals for an intergovernmental mechanism for risk assessment and management of chemicals to be held in London by mid-December 1991.

39. Background documentation on hazardous wastes, prepared by the Secretary-General of the UNCED for the third session (A/CONF.151/PC/75) described current international activities applying to control of hazardous wastes. It stated that the "General Agreement on Tariffs and Trade Working Group on Export of Domestically Prohibited Goods and Other Hazardous Substances has prepared a draft text of a Decision on Products Banned or Severely Restricted (including hazardous wastes) in the Domestic Market." In addition, the background document on toxic chemicals (A/CONF.151/PC/74) noted that:

The Working Group on Export of Domestically Prohibited Goods and Other Hazardous Substances within GATT is at the final stages of submitting to its contracting parties a proposal stating that any contracting party adopting measures to ban or severely restrict a chemical in its domestic market should examine whether the measure should also apply for export of the chemicals. If the ban or severe restriction is decided not to apply for export, the contracting party shall promptly notify the GATT secretariat which then distributes the information to all contracting parties. The GATT proposal applies in practice only to contracting parties not participating in the Information Exchange and PIC procedures, and encourages contracting parties to accept and apply the London Guidelines and the Code of Conduct along with other international instruments relating to pharmaceuticals, hazardous wastes, consumer products and the environment.

Also this document noted that control measures and regulatory provisions can be obstacles to trade; if countries establish different rules for allowing chemicals to be on the market this can create undue obstacles to trade. It further noted that:

Within GATT a Standards Code has been negotiated to ensure that when governments adopt technical regulations or standards, for reasons of safety, health, consumer or environmental protection, or other purposes, such regulations and standards, and the testing and certification schemes related to them, do not create unnecessary obstacles to trade. The Standards Code provides for notification of regulations and standards to the GATT and the opportunity for other GATT parties to comment on the actions, including their possible impact on trade. Although there have been a number of such notification and consultations, there has not been a final formal resolution of any dispute under the Standards Code procedures.

(i) Hazardous wastes

40. Document L.19 contained the options for Agenda 21 on hazardous wastes. Its overall targets included preventing or minimizing the generation of hazardous wastes, reduction of the transboundary movements

of hazardous wastes to a minimum and self-sufficiency in waste disposal to the extent practicable; ratification of the Basel and Bamako Conventions and the elaboration of related protocols, especially on liability and compensation. It proposed the following programme areas and, under each, the basis for action, objectives and activities:

- promote waste prevention/minimization by "cleaner production" methods;
- enhance knowledge and information of economics of prevention and management of hazardous waste to facilitate cost effective policies for hazardous waste prevention and management;
- increase knowledge about environmental and health impacts of hazardous wastes to assess risks to human health and the environment, and to make information available to governments and the public;
- promote institutional capacities in hazardous waste management for appropriate legislative and regulatory measures at the national level;
- promote and strengthen international co-operation in management, control and monitoring of transboundary movements of hazardous wastes, consistent with international and regional legal instruments.

41. Regarding the first programme area, proposed trade-related activities included strengthening international co-operation in monitoring the transfer to other countries of industries generating toxic and hazardous wastes, applying the polluter-pays principle, and encouraging industry to dispose of banned or severely restricted chemicals that are still in stock as soon as possible.

42. Regarding the last programme area, proposed trade-related activities for governments and international organizations included co-operating in the formulation of national and regional agreements regulating transboundary movements of hazardous wastes; helping to promote the compatibility of such regional agreements with international conventions and protocols; strengthening national and regional capacities and capabilities to monitor and control transboundary movement of hazardous wastes; and setting up monitoring and surveillance systems for the transboundary movements of hazardous wastes. Also they could collaborate in elaborating or adopting policies for the environmentally sound management of hazardous wastes keeping in mind provisions of existing international instruments; promoting voluntary as well as mandatory prohibition of export of hazardous wastes to developing countries and to countries that cannot treat and dispose of the wastes to the same stringent requirements as in the country of origin; and urging governments to introduce legislation to severely punish persons engaged in illegal waste trade and illegal traffic.

(ii) Solid waste and sewage-related issues

43. Document L.19/Add.1 contained the options for Agenda 21 on solid waste and sewage-related issues. Its overall objectives were to minimize the generation of waste and ensure that all wastes were safely recycled, treated or disposed of; ensure that the living and working environment of all people was isolated from all forms of waste; and ensure that waste-related surface and groundwater and soil pollution was eliminated. It proposed the following programme areas, and under each, the basis for action, objectives and activities:

- minimizing wastes through establishment of national per capita waste production rates to be stabilized over an acceptable time-frame;
- maximizing waste re-use through recycling, information exchange and appropriate policy instruments;
- promoting safe waste disposal to treat and dispose safely an increasing proportion of the generated wastes with time;
- extending waste-disposal service coverage to provide health-protecting, environmentally-safe waste collection and disposal services to all people.

44. Regarding the second programme area, **various activities that would provide incentives for waste recycling to industry, institutions, commercial establishments and individuals were proposed. Some that could affect trade included economic and regulatory instruments such as tax incentives to support the principle that generators of wastes pay for their disposal. Also it was proposed that governments could facilitate technology transfer for waste recycling by exempting such technologies from import taxes and other restrictions.**

45. Regarding the third programme area, **activities proposed that could affect trade included environmental quality standard setting and monitoring based on international scientific criteria and guidelines.**

(iii) Environmentally sound management of toxic chemicals. Prevention of illegal international traffic in toxic and dangerous products and wastes

46. Document L.19/Add.3 contained the options for Agenda 21 on toxic chemicals as well as on prevention of illegal international traffic in toxic and dangerous products and wastes, however the emphasis of the programme areas was on toxic chemicals. **The overall objectives in this area were the beneficial use of chemicals for sustainable development and safe manufacturing; prevention of the uncontrolled exports of banned and severely restricted chemicals to developing countries;**

promotion of procedures to enable countries concerned to take well-informed decisions on the management of toxic chemicals; and adoption of precautionary strategies for environmentally sound management of toxic chemicals in each country, not later than the year 2000. The following programme areas, with basis for action, objectives and activities were proposed:

- expanding and accelerating the international assessment of chemical risks;
- harmonization of classification and labelling of chemicals including easily understandable symbols by the year [2000];
- information exchange on toxic chemicals and chemical risks and full implementation of the Prior Informed Consent procedure [including mandatory applications through legally binding instruments] contained in the amended London Guidelines and the FAO International Code of Conduct by the year [2000];
- establishment of risk reduction programmes [to eliminate unreasonable risks and reduce risks to the extent possible, including a wide range of risk reduction options and by taking precautionary measures];
- strengthening of national capabilities and capacities for management of chemicals including legislation and provisions for implementation and enforcement in place in all countries by the year [2000].

47. Regarding the second programme area, it was proposed that **governments and relevant international organizations "should urgently finalize and establish a harmonized classification and labelling system. ... Such a labelling system should not lead to the imposition of unjustified trade barriers"**.

48. Regarding the third programme area, it was proposed to state, as a basis for action, that **"within the GATT framework, negotiations are being pursued with a view to create a binding instrument on products banned or severely restricted in the domestic market"**. It was also proposed, as an activity, that **governments and industries of countries exporting chemicals as well as international organizations should provide knowledge and information on 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 and invite UNEP and FAO to work expeditiously towards the conclusion of a necessary legally binding instrument.**

49. Regarding the fourth programme area, it was proposed that governments should develop policies for manufacturers, importers and others using toxic/hazardous chemicals to disclose toxicity information declaring risks and emergency response requirements, and require manufacturers, importers and others using toxic/hazardous chemicals to develop emergency response procedures and preparation of on-site and off-site emergency response plans. It was also proposed that industries could develop an internationally agreed upon code of principles for the management of trade in chemicals.

50. Regarding the last programme area, it was proposed that international organizations should provide assistance to developing countries in strengthening their institutional and regulatory capacities in order to prevent illegal international traffic in toxic and dangerous products and wastes, and governments should, at a national level, adopt legislation to prevent illegal international traffic in toxic and dangerous products and wastes and strengthen institutional capacities for this purpose.

(iv) Environmentally sound management of radioactive waste

51. Document L.19/Add.2 contained the options for Agenda 21 on radioactive waste. It proposed one programme area, the promotion of the safe and environmentally sound management of radioactive wastes through international agreements. The objective of this programme area was to ensure that radioactive wastes are safely managed and disposed of, with a view to protect human health and the environment. Among the activities, it was proposed that "governments should strengthen their efforts to implement the Code of Practice on the International Transboundary Movement of Radioactive Waste, and, under the auspices of IAEA, keep the question of the [the control of] such movements under active review, [including the desirability of concluding a legally binding instrument] ... " and that "governments should respect the aims of the Bamako Convention and other relevant regional conventions prohibiting the import of all hazardous wastes, including radioactive wastes."

III. Working Group III

52. The PrepCom adopted the Report of Working Group III (document A/CONF.151/PC/94) which contained six Decisions to guide its further work. This session of meetings constituted the second session of Working Group III (its terms of reference were adopted at the second session of the PrepCom) and Decision VI of the Report contained the provisional agenda for its third session.

53. Decision I related to the survey of existing agreements and instruments. It requested the Secretary-General of the UNCED to compile the necessary information in accordance with the proposed criteria for

evaluating the effectiveness of existing agreements and instruments (contained in an Annex to the Decision). This would be done on the basis of a revised list of such agreements and instruments and in co-operation with the international secretariats concerned. The revised list would be based upon the survey of existing agreements and instruments, and criteria for evaluation, prepared by the Secretariat for discussion at the third session (A/CONF.151/PC/77).

54. The Decision stated that one revision would be to include an evaluation of the relationship between existing agreements or instruments in the environmental field and relevant international trade agreements and other development-related agreements or instruments, taking into account the 1990 Declaration on International Economic Co-operation of the General Assembly, the International Development Strategy for the Fourth United Nations Development Decade, and progress in the preparation of a Code of Conduct for Transnational Corporations.

55. Decision II of the Report related to the "Earth Charter" or the statement of principles on general rights and obligations. It took note of document A/CONF.151/PC/WG.III/L.8/Rev.1 and Add.1 containing these principles. It requested the Secretary-General of the UNCED to revise and update this document for the fourth session to reflect precisely the state of discussions on it at the end of the PrepCom's third session and taking into account any proposals submitted thereafter. Document L.8/Rev.1 contained all the delegations' submissions under the draft headings of principles. Under the heading of Principle 2, "Common But Differentiated Responsibility", several proposals were made concerning environmental standards and the differing responsibilities of adherence by developed and developing countries. Under Principle 5, "Sovereignty and Responsibility to Others", several proposals regarding sovereignty over resources and actions beyond a country's jurisdiction were made. Under Principle 9, "Environment and World Trade", several proposals were made including the following:

- consistency between international trade and environmental obligations, and avoidance of trade distortion;
- global environmental considerations cannot justify restrictive trade practices, except when these are introduced in terms of specific provisions in a globally accepted environmental convention;
- States shall co-operate to promote an international economic environment supportive of the sustained and sustainable development ...;

- environmental concerns may not be used as a disguised instrument for impeding the development needs of developing countries. Environmental regulations may not be used as non-tariff barriers or as protectionist measures against exports of developing countries;
- ... issues of patterns of development and liberalization of world trade need to be addressed at a global level;
- the right of populations and countries freely to exploit and trade their natural resources and the goods and services derived therefrom or related thereto must be reaffirmed and defended ...;
- the principle of free trade benefits the world economy and promotes the development of all countries, especially the developing countries. We should seek to eliminate existing barriers against free trade and resist attempts to build new barriers under the guise of protecting the environment.

56. Decision III of the Report related to legal instruments for transboundary waters. It took note of the progress report on the development of legal instruments for transboundary waters prepared by the Secretary-General (document A/CONF.151/PC/79). It decided to consider this matter further at the fourth session taking into account further progress on this matter in the International Law Commission of the United Nations and in the United Nations Economic Commission for Europe, as well as the results of the International Conference on Water and the Environment.

57. Decision IV of the Report, related to the prevention and settlement of environmental disputes. It recalled that one objective of the Conference, as stated in paragraph 15(w) of General Assembly Resolution 44/228 on the United Nations Conference on Environment and Development (see L/6892, pages 17-23), was that it should assess the capacity of the United Nations system to assist in the prevention and the settlement of disputes in the environmental sphere and to recommend measures in this field, while respecting existing bilateral and multilateral agreements that provide for the settlement of such disputes. It decided to devote one or two sessions of Working Group III at the fourth session to this issue and requested the Secretariat, in the evaluation of international agreements for the fourth session to give special attention to the mandate of paragraph 15(w).

58. Decision V of the Report related to institutions. It requested the Secretary-General of the UNCED to prepare an updated compilation of institutional proposals made during the third session, including those made in Working Groups I and II and the Plenary with a focus on options for action. Some of the principal issues emerging in this discussion which would likely require consideration by the PrepCom included:

- the rôle of the United Nations Environment Programme;
- integration of environment and development at all levels of policy making;
- possibility of new environmental authority and/or forum within the framework of the United Nations;
- institutional implications of international agreements;
- rôle of non-governmental organizations;
- rôle of multilateral financial institutions and multilateral and bilateral development assistance agencies;
- regional institutions and the need to strengthen them and their co-operation and co-ordination with the United Nations;
- general organizational change and strengthening of the United Nations system.

IV. Plenary

59. Decision A/Conf.151/PC/L.40 related to the Structure and Organization of Agenda 21 and was based on informal consultations held to discuss a proposal by members of the Group of 77 (document A/CONF.151/PC/L.39/Rev.1). It decided that Agenda 21 shall be a wide-ranging instrument containing objectives, activities and means of implementation for specific action proposals. It requested the Secretary-General of the UNCED to integrate fully development considerations and needs and realities, in particular of the developing countries in all Agenda 21 programme documents. **It should also include, inter alia, poverty, economic growth and environment; international trade and environment; structural adjustment and environment; commodities and environment; external indebtedness, and resource flows and environment.** It also decided that Agenda 21 should take into account the identification of ways and means to provide new and additional financial resources, particularly to developing countries; proposals for effective modalities for favourable access to and transfer of environmentally sound technology to developing countries; and differentiation of actions to be taken by developed and developing countries, keeping in mind that responsibility must be borne by the countries causing damage, in relation to the damage caused and in accordance with their respective capabilities and responsibilities.

60. The PrepCom adopted several Decisions related to cross-sectoral issues:

(i) Human settlements

61. Decision A/CONF.151/PC/L.44 decided that human settlements should be treated as a distinct programme of Agenda 21. Its programme areas should address human settlements as a substantive framework for sustainable development and programme areas in other subjects should include the human settlements dimension. It requested the Secretary-General of UNCED in cooperation with the Executive Director of the United Nations Centre for Human Settlements to further develop the Human Settlements Programme of Agenda 21 and to present it to the PrepCom at its fourth session. The programme areas initially discussed at the third session included:

- adequate shelter for all;
- human settlements management;
- land-resource management;
- environmental infrastructure: water, sanitation, drainage, and solid waste management;
- energy and transport;
- construction;
- human-resource development and capacity building for human settlement development.

62. Under the programme area Construction, **proposed trade-related activities for developing countries included, inter alia, promoting appropriate standards, specifications and other regulatory measures, with a view to supporting clean, energy-efficient technologies and environmentally-sound utilization of natural resources. It was proposed that industrialized countries could introduce regulatory measures, e.g. certification and eco-labelling schemes for the use of such non-renewable natural resources as tropical hardwoods in construction; and use economic instruments, e.g. product charges, to discourage the use and consumption of construction materials and products which create pollution during their life-cycle.**

(ii) Financial resources

63. Decisions A/CONF.151/PC/L.41 and A/CONF.151/PC/L.43 were adopted as bases for further discussion and elaboration at the fourth session. They contained elements to be included in Agenda 21 as an item on financial resources. Both stressed the importance of new and additional funding resources, the establishment of a separate fund for each convention and the establishment of a general fund for the promotion of sustainable development/green fund which would cover activities not included in separate conventions, including those in Agenda 21, and which would serve the sustainable development needs of developing countries. However the former stressed no reallocation of existing multilateral or bilateral financial flows for development purposes, and the latter stressed consideration of all funding mechanisms, including existing funding mechanisms such as, inter alia, the Global Environment Facility (World Bank); the UNEP Voluntary Fund; and the Montreal Protocol Multilateral Fund. The former also added that predictability in the flow of funds should be guaranteed by mandatory contributions from developed countries; that the governance of the funding mechanisms should be with access to all developing countries without any conditionality; and that the funds from the developed countries to developing countries will be, to a great extent, of a compensatory nature. The latter made no reference to these elements. Wide divergences of views existed in relation to this issue with no specific funding commitments from any developed countries.

(iii) Poverty, sustainability, health and education

64. Four Decisions, A/CONF.151/PC/L.40, L.47, L.48, and L.51, related to the cross-sectoral issues of poverty, sustainability, health, and education. The first, L.40, related to women in environment and development and asked that the Secretary-General ensure that key elements relating to women's critical economic, social and environmental contributions to sustainable development be addressed as a distinct cross-cutting issue in addition to being mainstreamed in all the substantive work and documentation, particularly Agenda 21, the Earth Charter and the Conventions. In addition he should establish mechanisms to promote the effective participation of women in decision-making and management at local, national, regional and international levels; and recommend specific actions needed in each of the sectoral and cross-sectoral areas.

65. The second Decision, L.47 stated that the promotion of effective participation of youth should be included in the field of environment and development, and invited the Secretary-General to present to the fourth session concrete recommendations and specific actions needed in each of the sectoral and cross-sectoral areas in this regard.

66. The third Decision, L.48, related to indigenous populations and local communities and decided to incorporate several elements for examination at the fourth session including, inter alia, recognition of the knowledge and traditional practices of indigenous peoples and local communities in the management of resources; recognition of their traditional dependence on resources and the need to protect their natural habitats; and mobilization of technical co-operation and international finances.

67. Finally, the fourth Decision, L.51, requested the Secretary-General to formulate proposals for action on these issues to be included in the Agenda 21 on these subjects taking into account the views expressed at the third session.

(iv) Sustainability, international economy, integrated economic-environmental account and economic instruments

68. Decision A/CONF.151/PC/L.50 took note of the background documents prepared by the UNCED for the third session. It requested the Secretary-General to continue work on these issues and to prepare and submit to the fourth session proposals for action on relevant issues pertaining to sustainability, international economy, integrated economic-environmental accounting and economic instruments, to be included in Agenda 21, taking into account the views expressed at the third session.

69. Issues related to environment and trade were discussed under this cross-sectoral issue. The Secretariat had prepared extensive background documentation for this cluster of issues (documents PC/CONF.151/PC/47-50). One document described in detail the on-going discussions in GATT on the 1971 Group, Article XX, the Working Group on Export of Domestically Prohibited Goods, standards and the Agreement on Technical Barriers to Trade, and the consistency of the trade measures in international environmental agreements with the GATT (PC/CONF.151/PC/47, pp. 6-8). A summary of the relevant points from these documents is contained in Annex II.

(v) Transfer of technology

70. Decisions A/CONF.151/PC/L.46 and L.53 were adopted to provide the basis for further negotiations at the fourth session on transfer to developing countries of environmentally sound technology and the corresponding technical know-how taking into account the objectives and programmes that may emerge in Agenda 21. They included, inter alia, elements for mechanisms to support the development of endogenous capacity building; to ensure access to scientific and technological information; to exchange experiences of, and developing the capacity for, technology assessment, environmental impact and risk assessment of technology; and to purchase patents for their transfer to the

developing countries on non-commercial terms. In addition funding mechanisms and the easing of the transfer of patents and know-how, including the issues of the period of patent protection, should be discussed.

71. The PrepCom adopted Decision A/CONF.151/PC/L.42 and Corr.1 which decided the provisional agenda of the Conference, the organization of work and the provisional rules of procedures dealing with all aspects of the Conference.

72. The PrepCom adopted Decision A/CONF.151/PC/L.52 on the arrangements for future sessions of the PrepCom. It decided that the fourth session shall be a negotiating session. There shall be no general discussion on issues or reports but only on proposals and negotiating texts. The bulk of the work shall be conducted through the informal consultations and the plenary would meet throughout the session beginning discussion on the cross-sectoral issues, starting with financial resources and transfer of technology. It further decided that the secretariat would distribute documentation six weeks before the opening of the session and that submissions by delegations in the form of position papers shall be submitted before the session begins. During the session, the only documentation processed will be formal proposals by delegations and revisions of texts for negotiations. The dates of 2 March to 3 April 1992 in New York were approved for the fourth session.

ANNEX I

Document A/CONF.151/PC/64: Summaries of
Section V: Current Levels and Structures of the World Trade
in Timber and Timber Products, and
Section VI: Socio-Economic Impact on Timber Exporting Countries
of Restrictions and Bans on Imports of Timber and Timber Products

Section V

1. In general terms the report noted that the main international flows of forest products were from developed countries to developed countries. The main forest products exported were, in order of importance (by value), paper and paperboard, sawnwood, pulp, wood-based panels, and saw and veneer logs. For most products the developed countries provided over 90 per cent of world exports. Developed countries were also the dominant importers of forest products, accounting for 85 percent.
2. Regionally the largest exporters were Western Europe (45 per cent of world exports) and North America (33 per cent). The main developing exporting region was the Far East (largely South-East Asia) which accounted for 10 per cent of world export.
3. The report noted that world timber and timber products exports in 1989 were valued at US\$ 94.7 billion of which, US\$ 81.4 billion (86 per cent) came from developed countries. It explained that world trade of these products was generally dominated by a limited number of countries. Exports of sawlogs and veneer logs were dominated by the USA and Malaysia, sawnwood by Canada and to a lesser extent by the USSR, USA and Sweden, and solid-wood panels by Indonesia. Imports were less concentrated but still Japan and the USA were the major buyers. Log imports were dominated by Japan and to a lesser extent the People's Republic of China and South Korea; sawnwood by imports into the USA from Canada, with smaller volumes into Japan, the United Kingdom, Italy and Germany; and panels by Canada (from the USA), the United Kingdom and Japan. Imports of panels were more evenly spread over a number of countries than was the situation for logs and sawnwood.
4. In the case of tropical timber and timber products, logs were imported by a number of countries, again with Japan the largest buyer. Sawnwood also went to a large number of countries, while Japan and the USA were the main buyers of solid-wood panels. Malaysia was the largest exporter, Indonesia was the biggest exporter for panels, and Malaysia and Indonesia accounted for a significant proportion of sawnwood exports.

5. The report highlighted some important features of developing country trade:

- the high proportion of unprocessed or semi-processed products exported (i.e. logs, sawntimber and plywood);
- the importance of forest products to many countries for foreign exchange, contribution to GNP and a source of employment;
- an increasing desire by developing countries to carry out more processing in their own countries;
- increasing trade barriers as products become more processed (higher tariffs, products standards, quota, etc.);
- expanding domestic markets which must compete for supplies with export markets; and
- increasing action by developed countries to induce tropical countries to reduce forest harvests by proposing trade restrictions to control or stop imports either by direct government controls or by promoting consumer/trade boycotts.

Section VI

6. The report stated that restrictions and bans on the exploitation of selected forest resources existed all over the world at a national and international level. Measures oriented towards controlling or restricting trade were labelled trade barriers and include a series of mechanisms such as law, policy or practice including special tariffs, quantitative restrictions on exports or imports, licensing requirements, minimum pricing regulations, embargoes, prior deposits, special standards, and customs and administrative entry procedures. These could be found in developed as well as in developing countries.

7. In most cases, these measures were taken to protect local conditions such as employment or to increase added value to exports in the producing country or to favour locally produced goods in the importing country. Some of these regulations could, however, be based on more global concerns such as conservation.

8. The report stated that the impact of trade measures imposed by developed countries was closely linked to the extent to which exports to the developed countries were important to the tropical developing countries. It presented data on trade which indicated that, while only a small proportion of the wood harvested in the tropical countries was used for industrial purposes, nearly half of the wood used industrially

ended up in international trade. Thus, although only a small outlet in terms of the total tropical wood harvested, international trade was a significant outlet for wood being used industrially and about one third of the exports were in log form.

9. In terms of total harvest, and absolute volumes involved, international trade with the developed countries was not a major item for many tropical countries. However, it explained that advocates for trade bans and restrictions noted that the importance to individual tropical countries of trade with the developed countries, particularly in relation to their economies, was not reflected by the volumes involved or the proportion of their harvests entering this trade, but by the loss of biological diversity, the effects on soils, the disruption of local communities, and the benefits which would derive from the conservation of forests.

10. The report countered that opponents to trade measures tended to highlight the revenues in local and hard currency resulting from logging and exporting of timber, the employment opportunities and the consequences of forest land being converted to other land uses if these restrictions did not allow the forest products to reach appropriate markets. They also pointed out that logging activities were not the main cause of forest destruction, and that exports only accounted for a small proportion of total wood usage.

11. The report concluded that local social, economic and environmental aspects were often being hidden when global and very often incomplete statistics which did not reflect complex local realities were used. It would appear that a broader approach oriented to promote better management and conservation of forests geared towards sustainable management may be more acceptable to all parties involved.

Recent developments in bans and restrictions

12. The report noted that during the last few years interested groups, particularly NGOs in developed countries, had been advocating actions oriented towards promotion of sustainable management of forests, raising awareness both in consuming and producing countries, support for indigenous people, promoting the revision of lending policies by organizations and the restriction or banning of imports of tropical forest products and timber. In practice this has received some support and has led towards unilateral decisions taken at the level of councils, municipalities, unions or nations.

13. It reported that over 1,800 municipalities in Germany, and many in the Netherlands, United Kingdom and Belgium, had decided to ban or reduce the use of tropical timber within their jurisdictions unless produced in sustainable operations. The Government of the Netherlands had proposed to the Parliament a policy oriented towards restricting

imports of tropical timber by 1995 to those originating solely from sustainably managed forests. Some similar trends were developing in Austria and Denmark. This kind of consumer reaction was also found in the USA. For example, the report noted that restrictions regarding use of official funds for programmes associated with commercial exploitation of tropical forests were being included in a Senate Appropriation Bill and would affect some 100 million dollars of projects.

14. As a reaction, some timber importers federations had proposed putting an import levy to be used as incentives for plantations (United Kingdom, the Netherlands) or had developed their own codes of conduct (Germany, Sweden). Some timber traders were proposing certificates to guarantee the sustainable production of their products. Bolivia had launched a five-year ecological "moratorium" which included, inter alia, temporarily suspending logging concessions; Brazil had, among other measures, modified its incentive policies for cattle ranching which was an important cause of clearing in the Amazonian forest; Guyana had set aside an area of 360,000 ha. of tropical forest for conservation and research; India had launched a conservation-oriented forestry policy; and New Zealand had established a ban on the export of indigenous forests products unless harvested from a forest with a certified sustained management plan.

15. The ITTO had, in 1990, adopted "Guidelines for the Sustainable Management of Natural Tropical Forests" and set the year 2000 as the target date by which all exports of tropical timber products should come from sustainably managed forests. The report concluded, however, that no universally accepted definition of the concept of sustainable management of forest was in current use nor the methodologies for field action sufficiently developed or available to the forest manager, the concessionary or operator, nor were there mechanisms to establish any mutually acceptable control mechanism.

ANNEX II

Document A/CONF.151/PC/47 The International Economy and
Environment and Development, Report of the Secretary-General
of the Conference
Summary of relevant points

1. This report noted that trade policies that widen the options available for the efficient and sustainable use of natural resources could result both in the better use of these resources and in higher incomes for producers. But the major problems confronting developing countries had more often been problems of market access and tariff structures that discriminated against exports of these resources in more processed forms. More processed manufactures offered a useful avenue of diversification for many countries which were dependent on the exploitation of natural resources, and diversification would reduce the pressures for excessive exploitation of resources beyond the point of sustainability.
2. The report added that agricultural protectionism in developed countries and their subsidized exports of agricultural commodities contributed to lowering prices of agricultural commodities traded by developing countries, thus constraining the ability to exploit these resources in a sustainable manner, and placing these productive sectors under heavy strain. The sustainable exploitation of commodities required greater stability and predictability of earnings both at the level of the individual producer and the country. It added that the instability of commodity earnings had eroded the ability of many countries to pursue not just sustainability but any form of development.
3. The report stated that differences in standards per se could not be a basis for valid trade restraint. In fact, from the point of view of sustainability it would be desirable that differences of environmental conditions were allowed to affect competitiveness so that international specialization was efficient also from an environmental point of view.
4. The report noted that it was generally accepted that trade measures must be proportional to the environmental objectives which were sought to be achieved. In recent years trade restraint measures or technical regulations imposed on environmental grounds had often been imposed unilaterally rather than on the basis of a prior international agreement on norms or standards. The report noted that the GATT did not explicitly allow contracting parties to take action to influence conditions within another contracting party's territory or that party's policies outside the trade field.

5. It stated that the PrepCom may wish to address three broad classes of questions with regard to the issue of trade restraints on environmental grounds:

- whether environmental standards could differ between countries and what was the extent and nature of harmonization which was required;
- what was the appropriate forum for the setting of standards and for resolving trade disputes arising from the application of the standards;
- whether the standards could relate not just to the national environment of the standard setting country but to transnational considerations relating to the global commons or even to the environmental conditions in the partner country.

Document A/CONF.151/PC/48: Environment and International Trade, Report of the Secretary-General of UNCTAD, submitted to the Secretary-General of the Conference
Summary of relevant points

1. The report noted that many countries, including developing ones, were devising ways of integrating environmental concerns into decision-making in the public and private sectors of the economy, including trade. Some features of new policy approaches were:

- more emphasis on the prevention of environmental hazards by more use of risk assessment techniques. The tendency was to tighten acceptable risk margins in accordance with the precautionary principle;
- more comprehensive environmental planning aiming at more effective control of the transfer of pollutants through different environmental media - air, water, soil - (cross-media pollution control) and of exposure to hazardous substances in different stages of product cycles (cradle-to-grave control);
- establishment of appropriate mechanisms to assess and review the environmental impacts of sectoral policies and to enhance the use of sectoral policy instruments (permits, subsidies, taxes, technology development and so on) for environmental purposes;

- more extensive use of economic incentives to encourage the development and application of clean and resource-efficient technologies and to ensure a more realistic pricing of environmental resources by a more rigorous application of the Polluter-Pays Principle (PPP);
- more broadly, applying the User-Pays Principle (UPP) to resource use would be a major factor in reducing resource use conflict, minimizing environmental and social impact and improving resource-use efficiency. UPP implied that all resource users should pay for the full long-run marginal social costs of the usable resource and related services;
- more extensive international co-operation and co-ordination in tackling transboundary and global environmental problems.

2. It added that there was a need to analyze trade measures taken in the framework of international environmental agreements to see how GATT rules should be clarified or adapted to make them and the environmental agreements compatible without harming - or even better - while enhancing the development prospects of developing countries. Analyses of this kind should not ignore possible alternatives to trade measures for achieving the same purposes. Effective monitoring of environment-related trade measures constituted one aspect of this.

3. The report concluded that the effects of trade liberalization on the environment needed more analysis. In addition the impact of environmental regulations on trade, including trade-related policy measures in the framework of international environmental agreements, as well as the relation of such environmental measures and GATT principles in the perspective of the development aspirations of developing countries, needed study. One area that needed particular attention was environmental standards and their differentiation according to local and national conditions.

4. The report stated that the following principles could guide trade measures taken on environmental grounds:

- the basic GATT principles of non-discrimination were relevant for environmental purposes, stipulating that measures "must not result in arbitrary or unjustifiable discrimination between countries where the same conditions prevail" and that they should not be a disguised restriction to international trade;
- the proportionality principle should apply where trade instruments were deemed necessary for environmental purposes, i.e. the trade restrictive effects of measures for environmental reasons should be proportional to the legitimate objectives of the proposed measures;

- the precautionary principle should be applied when setting standards and establishing corresponding trade measures based on scientific evidence.

5. It added that there was need for more information and transparency regarding trade measures related to the environment and that the GATT Agreement on Technical Barriers to Trade was useful in this regard. Environment-related trade measures needed to be effectively monitored and the UNCTAD Trade Control Measures Informations System could contribute to this objective. This System collected information on trade measures which, either in practice or potentially, affected international trade flows. It was updated continuously and could be linked with computerized information on trade flows. UNCTAD was currently adjusting the system with a view to adequately covering environmental measures potentially bearing on international trade. GATT documents were an important source of information. TBT notifications, as well as all measures for which Article XX(b) or (g) justification was sought, should be included in the TCM data base.

Document A/CONF.151/PC/50: Utilization of Economic
Instruments, Progress Report of the Secretary-General
of the Conference
Summary of relevant points

1. This report sought to evaluate the increasing rôle of economic instruments and market mechanisms, as opposed to regulation and voluntary action based on persuasion and negotiation, to deal with environment and development problems. Their use could have an important rôle to play in ensuring that environmental considerations were properly reflected in decision-making and in rationalizing the use of scarce resources. This could be done through prices that reflect the full costs of activities, internalizing environmental costs and so-called "externalities", using market forces which encourage environmentally friendly behaviour on the part of industry and shift toward investment in environmentally sound technologies, incorporating polluter- and user-pay principles, removing disincentives to environmentally friendly behaviour and creating incentives, and achieving cost effectiveness and economic efficiency.

2. The report described various economic instruments in detail, including:

- resource pricing which reflected the full marginal social cost of resources;

- subsidies such as grants, soft loans, special funds, tax credits, and other forms of preferential tax treatment, although costly and often inefficient, may be desirable;
- environmental charges and taxes such as licences and fees, user charges, effluent and emission charges, product charges, tax differentiation and carbon and energy taxes;
- deposit refund systems;
- creation of new markets in pollution control and resource management such as with tradeable permits for air pollution control, water markets, and auctions and bidding;
- enforcement incentives;
- liability insurance and compensation funds; and
- labelling.

3. The report noted that there was a need to improve general knowledge and understanding of how economic instruments operate and of their effectiveness. It was also necessary to integrate economic, environmental and sectoral policies and decision-making. The trade implications of greater reliance on charges, incentives and pricing mechanisms were only beginning to be assessed. It added, however, that generally the impact of the economic instruments and market mechanisms adopted to date had been essentially domestic, and had not given rise to serious trade concerns. Their use may even have been less inclined to give rise to non-tariff barriers to trade than regulation because their primary effects were on domestic costs rather than on traded products. However, it added that increased reliance on economic instruments, especially if they begin to impact internationally, would create a need to assess these carefully in order to ensure that the positive benefits of utilizing economic instruments were not undermined by the creation of new trade barriers and distortions.