

Distr.
LIMITED

TD/B/40(1)/SC.1/L.2
29 September 1993

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Fortieth session
First part
Geneva, 20 September 1993
Agenda item 4

Sessional Committee I

**UNCTAD'S CONTRIBUTION, WITHIN ITS MANDATE,
TO SUSTAINABLE DEVELOPMENT: TRADE AND ENVIRONMENT**

Conclusions of Sessional Committee I

In accordance with Decision 402(XXXIX) of the second part of the thirty-ninth session of the Trade and Development Board, Sessional Committee I held an exchange of views on the interlinkages between trade and environment policies. Its discussion was aided and enriched by the excellent documentation prepared by the UNCTAD secretariat and the contributions of a panel of experts drawn from several regions.

The Chairman concluded that a broad convergence of views had emerged on the following elements:

1. The complex linkages between trade and environment pose significant challenges to the pursuit of sustainable development and there has only recently developed an increased awareness of the importance of these linkages. The international community should strive for the broadest possible international coordination of environmental and trade policies through intergovernmental cooperation. Such cooperation should ensure transparency and coherence in making environmental and trade policies mutually supportive.

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

3. The successful conclusion of the Uruguay Round 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 encouraging sound economic growth, and thereby creating more resources for improving national environmental standards and minimizing waste and pollution.

4. Environmental problems should so far as possible be resolved through appropriate macroeconomic and environmental policies, rather than trade restrictions. In this respect, the importance of the unsustainable patterns of production and consumption, particularly in the industrialised countries, was emphasised, as was the link between poverty and environmental degradation and between the latter and access to less-polluting technologies. The efforts of individual countries to promote the internalization of externalities should be promoted and given wide international support. The ability of developing countries to do so will, however, be strongly influenced by the conditions under which they are able to export their products.

5. Countries should seek to avoid the use of trade restrictions or distortions as a means to offset differences in cost arising from differences in environmental standards and regulations, since their application could lead to trade distortions and increase protectionist tendencies.

6. As regards product standards, a balance should be struck between the advantages of harmonization, from a trade and transparency point of view, and the advantages, from the point of view of sustainable development, of allowing for differences in national standards. With respect to processes, strict process standards may have positive benefits for sustainable development by removing some of the hidden costs of environmentally unsound practices. The harmonization of process standards would not be required where the processes in question had no transborder or global environmental effects.

7. Where harmonization is appropriate, standardization bodies such as the International Organization for Standardization (ISO) could provide useful fora in their areas of competence (e.g., eco-labelling, life-cycle analysis and eco-management). Where harmonization is inappropriate, mutual recognition of standards and/or the development of comparable standards could be considered.

The Committee agreed that the following specific elements are of particular relevance for the further work of UNCTAD:

8. UNCTAD's special role in the trade and environment field lies in policy analysis and debate, conceptual work, the building of consensus among member States on the interaction between environmental and trade policies, the dissemination of information to policy-makers and the encouragement and provision of assistance in capacity-building. Particular attention should be paid to the problems and special circumstances of the developing countries, including the least-developed among them. Attention should also be given to the countries in transition.

9. Consumer preferences in many countries are turning towards "environmentally friendlier" products. Studies are required to assess, on the one hand the economic costs associated with reducing the negative environmental effects of production processes and consumption, and on the other hand the market opportunities for exporters which may flow from the demand for such "friendly" products. The Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries will initiate such work at its forthcoming second session.

10. Increased attention needs to be paid in UNCTAD to environmentally motivated policy instruments with a trade impact, such as those on packaging, labelling and recycling. To the greatest possible extent, the impact on trading partners, in particular exporters in developing countries and countries in transition, of such instruments should be considered at as early stages of their development as possible; transparency is a key element in this regard.

11. Eco-labelling programmes should, to the extent possible, take into account the trade and sustainable development interests of producing countries, particularly developing countries and countries in transition. International cooperation on, and further study of, such programmes is required.

12. The effects of the OECD procedural guidelines on integrating trade and environment policies and its future work programme need to be studied. Interaction between UNCTAD and the OECD, as well as other intergovernmental and regional organizations working in the field of trade and environment, such as the GATT, should continue to be developed.

13. Development aid, especially technical assistance, is vital for the generation of adequate capacity to deal with the important and growing range of problems in the trade and environment field. The UNCTAD secretariat's technical assistance activities are proving to be highly useful to governments in this regard and should be pursued. Donor countries, other countries in a position to do so, and relevant multilateral agencies are therefore invited to increase significantly the funds made available for technical assistance in the field of trade and environment, particularly for the least-developed countries.

14. Countries which have not yet done so should make increased efforts to reply promptly and completely to the UNCTAD secretariat's questionnaire on environmental measures which may have an impact on trade.

The Committee recommends that:

- (a) the Trade and Development Board consider at the second part of its fortieth session the theme: "The effect of the internalisation of external costs on sustainable development";
- (b) without prejudice to subsequent decisions taken in the context of the review and evaluation of the work programmes of the intergovernmental machinery to be held in 1994, the Trade and Development Board consider at the first part of its forty-first session the theme: "The impact of environment-related policies on export competitiveness and market access".