



CSD INTERSESSIONAL WORKING GROUP: WEDNESDAY, 23 FEBRUARY 2000

The Intersessional *Ad Hoc* Working Group (AHWG) meeting on Financial Resources, Trade, Investment and Economic Growth continued with general discussion on Wednesday morning. Discussion focused on the themes of economic growth, trade and investment. In the afternoon, participants received the Co-Chairs' two preliminary draft papers: a summary of the previous day's discussions on Financial Resources and Mechanisms; and a document outlining possible elements for a draft decision. Co-Chair Seok-young adjourned the session after a brief discussion on whether the Co-Chairs' second drafts on the Finance and Trade clusters should be merged.

GENERAL DISCUSSION ON TRADE, INVESTMENT AND ECONOMIC GROWTH AND RELATED FINANCE ISSUES

United Nations Secretary-General's Report on Economic Growth, Trade and Investment: The G-77/CHINA noted that unsustainable production and consumption largely flows from wasteful and uncontrolled patterns in industrialized countries. Supported by the PHILIPPINES, he said this was not adequately reflected in the Secretary-General's Report. BRAZIL, INDIA and INDONESIA also questioned the balance in the Secretary-General's Report. BRAZIL said it appeared that developing countries were being required to comply with rules created by developed countries. The G-77/CHINA expressed concern at the Report's introduction of concepts and models not universally accepted. The PHILIPPINES and INDONESIA, for example, expressed concern that Sustainable Impact Assessments may increase costs and deter investment. INDONESIA added that the imposition of environmental regulation conflicts with the principle of common but differentiated responsibilities. POLAND noted the lack of references to economies in transition in the Report.

Globalization and Trade Liberalization: The EU underlined the Bangkok Declaration's commitment to equity and participation, and called for new initiatives on developing country access to the full benefits of trade liberalization, and on offsetting the negative social consequences of globalization.

The G-77/CHINA, supported by BRAZIL and the PHILIPPINES, called for a focus on: correcting market failures; promoting economic instruments for strengthening national institutions; providing market access to goods from developing countries; environmentally sound technologies (ESTs); capacity building; and mobilizing new resources. The US said he wanted to put a human face on global trade and suggested that capacity building is the best approach for this. He called for research to identify triple win opportunities for trade, devel-

opment and the environment, and for more work on labor standards as a means to increase trade. The RUSSIAN FEDERATION rejected the idea of taxing trade to finance sustainable development. The G-77/CHINA called for the implementation of a commitment by developed countries to grant duty free and quota free market access for LDC exports. The EU noted its support for the initiative. The EU rejected the use of environmental measures for protectionism. BRAZIL said certification schemes should not be used as trade barriers.

Financial Resources and Mechanisms: The PHILIPPINES asked why more industrialized countries have not been able to achieve the ODA target of 0.7% of GNP. NEW ZEALAND called for a recommitment to the target. The PHILIPPINES asked why some industrialized countries have not contributed to the Heavily Indebted Poor Countries (HIPC) Trust Fund.

Trade Liberalization and Social Development: The EU said it was necessary to establish how international trade may contribute to reducing poverty among women and children, and to improving labor conditions. He called for CSD input to the Copenhagen+5 Conference in June 2000. The G-77/CHINA said poverty is the ultimate systemic trait facing humanity.

Eco-efficiency, Environmental Management and Economic Growth: CHINA highlighted linkages between technology transfer and intellectual property rights. The PHILIPPINES questioned whether there have been sufficient efforts to de-link growth and resource use in developed countries. INDIA and IRAN questioned the feasibility of de-linking these elements in developing countries. The RUSSIAN FEDERATION called for the stimulation of markets for ecologically-sound products and services. INDONESIA stressed the need for developing countries to have increased access to financial resources, technology and expertise regarding efficient technologies for environmental and waste management. POLAND highlighted the role of technology transfer and changes in consumption and production patterns in meeting the Factor 4 objective of doubling output and halving resource use. POLAND encouraged the use of voluntary agreements for large companies.

Foreign Direct Investment: The EU underlined the importance of facilitating FDI flows to reach all countries, including Sub-Saharan Africa. He said a multilateral framework on investment at the WTO would help achieve the required stable, predictable, non-discriminatory and transparent climate. BULGARIA noted the role of environmental impact assessments and audits in developing a strong regulatory framework to attract FDI. The CSD NGO FINANCE CAUCUS underlined the importance of a proper framework for FDI.

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Transfer of Environmentally Sound Technologies (ESTs):

BRAZIL called for implementation of Agenda 21 commitments on technology transfer and new resources. INDIA stressed the importance of addressing the terms for accessing ESTs.

Transnational Companies (TNCs): The EU emphasized the role of TNCs in facilitating the transfer and dissemination of ESTs and environmental management practices. He said that investors' rights need to be accompanied by responsibilities. INDONESIA said there were a number of unexplored possible benefits from investment by TNCs, including, for example, the promotion of environmental management systems and the transfer of ESTs. The CSD NGO FINANCE CAUCUS called for a reaffirmation of the CSD's support for the Multi-stakeholder Review of Voluntary Initiatives and Agreements. The REPUBLIC OF KOREA called for international guidelines to promote socially responsible investment. JAPAN highlighted the OECD guidelines on TNC activity.

WTO, Seattle Ministerial Meeting and a New Trade Round:

The G-77/CHINA recalled the WTO Ministerial Meeting in Seattle and noted that Agenda 21 had established the parameters for approaches to trade and environment issues. The EU said a new comprehensive trade round could make the multilateral trading system more transparent and responsive to sustainability. The PHILIPPINES urged greater efforts to ensure an equal footing for developing countries in trade negotiations, especially on agriculture. CANADA welcomed enhanced cooperation between UNEP and the WTO after the Seattle Ministerial Meeting and called for the removal of agricultural subsidies.

Role of the CSD and Cooperation between the CSD, WTO and International Organizations:

CHINA, CANADA, NEW ZEALAND, the REPUBLIC OF KOREA, SWITZERLAND and INDONESIA supported greater institutional cooperation and coordination. NEW ZEALAND urged the CSD to highlight outstanding trade issues in need of resolution. The REPUBLIC OF KOREA suggested that the CSD focus on facilitating developing country participation in international negotiations. SWITZERLAND suggested a stronger CSD role in: capacity building; environmental impact assessment; and research on major trade-related principles, including the precautionary principle.

Harmonizing Multilateral Environmental Agreements

(MEAs) and Trade: The EU supported: the ability of WTO members to pursue levels of environmental protection they deem appropriate; greater legal clarity regarding the relationship between trade measures pursuant to MEAs and WTO agreements; and WTO accommodation of such agreements, citing the Biosafety Protocol. CANADA supported the "principles and criteria" approach to assessing the relationship between MEAs and trade agreements.

AFTERNOON SESSION

Co-Chair Seok-young introduced the Co-Chairs' draft papers: a Summary of the Discussion on Financial Resources and Mechanisms, and Possible Elements for a Draft Decision by the CSD. He noted that the Co-Chairs' Summary emphasizes the discussion of international finance, domestic finance, and innovative financial mechanisms.

In his introduction of the Possible Elements for a Draft Decision document, Co-Chair Seok-young noted its focus on elaborating priorities for future work. He highlighted the proposal that the CSD convene an *ad hoc* intergovernmental panel to analyze the lack of progress on implementing Agenda 21 commitments on finance and technology transfer, explaining that this has been added to the Elements for Decision document although no agreement exists between the Co-Chairs on its inclusion in that document. There was no agreement on a proposal from the PHILIPPINES that the Co-Chairs merge the draft documents on the Finance and Trade clusters.

SUMMARY OF THE CO-CHAIRS' FIRST DRAFT ELEMENTS FOR A DECISION ON FINANCIAL RESOURCES

The following is a summary of the Co-Chairs' preliminary paper setting out Possible Elements for a Draft Decision on Financial Resources and Mechanisms at the CSD-8:

Priorities for Future Work: This section identifies some of the principal future activities relating to finance for sustainable development, and notes that the next comprehensive discussion on the issue will occur in 2002 at the tenth Session of the CSD. It notes that this review will benefit from the outcome of the High-Level Event on Financing for Development, and from an Expert Group Meeting on Finance for Sustainable Development in Budapest in 2001. Four priority areas are identified for the review process: the promotion of international finance for sustainable development; mobilization of domestic financial resources for sustainable development; exploration of innovative financial mechanisms; and improvement of institutional frameworks and the promotion of public-private partnerships.

Further Promotion of International Finance for Sustainable Development: A number of actions to promote the level of finance for sustainable development are identified in the draft. These include: developed countries meeting the UN target of 0.7% of GNP for ODA; developing countries implementing appropriate policies to enhance the effectiveness of aid and to attract FDI; creditor countries and international financial institutions implementing the Enhanced HIPC initiative for eligible countries; governments implementing measures to counter the volatility of short-term capital flows; and developed countries providing capacity-building assistance and facilitating the transfer of ESTs to developing countries.

Mobilization of Domestic Financial Resources for Sustainable Development: With capacity-building assistance from developed countries, governments in developing countries are encouraged to promote mobilization of domestic sources of capital by adopting effective policies, integrating environmental finance into mainstream public finance, and implementing appropriate economic instruments.

Exploration of Innovative Financial Mechanisms: In cooperation with international organizations and major groups, governments are encouraged to investigate means for promoting the effective use of innovative mechanisms in sector finance. It is noted that the GEF should be enlarged and the Parties to the UNFCCC are urged to implement the Clean Development Mechanism as soon as possible.

Improvement of Institutional Frameworks; Promotion of Public and Private Partnerships: International organizations, governments and major groups are urged to: promote financial institutional improvements at the domestic and international levels; promote adoption of public-private partnerships based on common but differentiated responsibilities; and undertake research on various specific issues relating to finance and sustainable development. International organizations are urged to improve the coordination of their work.

It is proposed that the CSD should convene an *ad hoc* intergovernmental panel to examine the lack of progress in fulfilling the Agenda 21 commitments on finance and technology transfer, with the aim of ensuring progress on sectoral issues. While the panel's findings would contribute to the work of the Preparatory Committee for the High-Level Event on Financing for Development, it is recommended that the panel's work should not depend on the results of the High-Level Event.

THINGS TO LOOK FOR TODAY

AHWG GENERAL DISCUSSION: The Intersessional AHWG will reconvene at 10:00 am to begin discussion on the Co-Chairs' drafts on Financial Resources. The Co-Chairs' draft summary and elements for decision on trade, investment and economic growth will be distributed during the morning, for discussion at 4:00 pm.