



CSD INTERSESSIONAL WORKING GROUP: THURSDAY, 24 FEBRUARY 2000

In the morning the Intersessional *Ad Hoc* Working Group (AHWG) discussed the Co-Chairs' preliminary draft papers on Financial Resources and Mechanisms. Shortly before adjourning the morning meeting, the Co-Chairs presented their preliminary draft papers on Economic Growth, Trade and Investment to be taken up for discussion in the late afternoon. Delegates were given evening deadlines to submit final written comments on the drafts.

GENERAL DISCUSSION

Co-Chair Seok-young opened the meeting and invited participants to make general comments on the Co-Chairs' preliminary draft Summary of the Discussion and Elements for a Draft Decision on Financial Resources and Mechanisms.

The EU, the US, the REPUBLIC OF KOREA, SWITZERLAND and PAKISTAN called for a more focused Elements paper. The G-77/CHINA said the burden of implementing sustainable development had fallen on developing countries. The US said his country's views had not been fully elaborated, and that the drafts did not adequately reflect the increased role of private finance in development. CANADA welcomed the focus on sound national economic frameworks. PAKISTAN said the decline in ODA was only one of the challenges facing developing countries. The PHILIPPINES said the real negotiations would commence at CSD-8.

DISCUSSION ON CO-CHAIRS' FIRST DRAFT ON POSSIBLE ELEMENTS FOR A DECISION ON FINANCIAL RESOURCES AND MECHANISMS

Introduction and Priorities for Future Work: The EU, with SWITZERLAND, recommended merging the Introduction and Priorities sections, while G-77/CHINA suggested that the Priorities section be moved to the end of the document. The Co-Chair said that the document adopts the format developed at the 1999 AHWG. JAPAN urged that the document be action-oriented. The RUSSIAN FEDERATION called for specific references to countries with economies in transition (EITs). The US, with the EU and NORWAY, suggested that only "some" developing countries have been marginalized by globalization. EGYPT called for specific reference, in the Introduction, to the principles of "common but differentiated responsibilities" and to "a mutually supportive balance between the international and national environment," while the G-77/CHINA called for reference to relevant sections of text agreed at UNGASS. The EU, supported by SWITZERLAND, said the Elements paper appeared to be setting priorities for the Comprehensive Review of Agenda 21 in 2002.

Further Promotion of International Finance for Sustainable Development: On levels of ODA, the G-77/CHINA suggested that future ODA be given as grants. The EU, supported by NORWAY and the REPUBLIC OF KOREA, suggested referring to the agreed UNCTAD X target for aid directed specifically to Less Developed Countries (LDCs). JAPAN noted that reference to generally low levels of ODA does not necessarily reflect reality. The US, with SWITZERLAND and the REPUBLIC OF KOREA, noted that reference should be to "agreed UN targets" rather than "accepted targets." On developing partnerships for effective aid, the EU, supported by SWITZERLAND, CANADA, and NEW ZEALAND, advocated referring to good governance. JAPAN suggested including a reference to civil society. SUDAN said that the reference to major groups was vague. The G-77/CHINA stressed the importance to developing countries of a paragraph concerning debt relief. The US argued that HIPC and middle income developing countries should be distinguished in the text. The RUSSIAN FEDERATION agreed and, with the support of the REPUBLIC OF KOREA, added that the paragraph on HIPCs should be linked with relevant UN General Assembly resolutions. On the need to attract FDI, G-77/CHINA suggested adding a reference to developed countries' support for developing countries. The US, with the support of SWITZERLAND and CANADA, suggested additional text, noting the need for transparency in the market economy. The EU asked for clarification on what constitutes appropriate measures to counter the volatility of short-term capital flows. In a general comment, G-77/CHINA insisted that references to good governance would detract from the paper.

Mobilization of Domestic Financial Resources and Exploration of Innovative Financial Mechanisms: IRAN proposed a chapeau, calling for a balance between international and national enabling economic environments. The RUSSIAN FEDERATION introduced references to EITs. On mobilizing domestic resources, the G-77/CHINA called on industrialized countries to take the lead. On economic instruments and phasing out harmful subsidies, the G-77/CHINA introduced text from Rio+5, and the EU asked for clarification of a reference to negative effects on market access. The US questioned the appropriateness of references to harmful subsidies in the Finance draft. NEW ZEALAND said he saw no reason to refer only to the "gradual" phasing out of environmentally harmful subsidies. On the Kyoto Protocol's Clean Development Mechanism (CDM), the G-77/CHINA underlined the Mechanism's role in assisting developed countries' compliance with part of their climate change commitment. The US cautioned that the Mechanism was still under negotiation. NORWAY suggested a reference to entry into force or ratification of

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the Protocol. On the Global Environment Facility, the G-77/CHINA proposed enhancing and enlarging the mandate. The US and SWITZERLAND said they were unclear about the GEF enlargement recommendation. The RUSSIAN FEDERATION proposed expanding the GEF's "resource base." JAPAN suggested alternative text, recommending that the GEF "should continue improving its operation." NORWAY proposed a reference to augmenting the GEF's resources at the next replenishment. IRAN proposed that the CSD call on the GEF "to increase its effectiveness in providing predictable, stable and adequate resources." The RUSSIAN FEDERATION, with SUDAN, introduced a new paragraph on reversing capital flight.

Improvement of Institutional Frameworks and Promotion of Public and Private Partnerships: Discussion focused on whether to include the final paragraph calling on CSD-8 to convene an *ad hoc* inter-governmental panel to study the lack of progress in fulfilling commitments relating to finance and technology transfer. This proposal was included in the Elements document despite an absence of agreement between the Co-Chairs. The G-77/CHINA, supported by EGYPT and PAKISTAN, strongly supported the inclusion of the paragraph, while the US and EU called for it to be deleted. JAPAN cautioned against a duplication of effort, citing the High-Level Event on Financing for Development. The EU and the US suggested that reference to the principle of "common but differentiated responsibilities" should be removed, and PAKISTAN opposed an EU proposal to substitute a reference to the "polluter pays principle."

Summing up the discussion, Co-Chair Seok-young noted concern about the document's length and the need to streamline it to reflect a more action oriented approach. The meeting adjourned until 5:00 pm.

AFTERNOON MEETING

Co-Chair Gamaleldin (Egypt) invited delegates to comment, section by section, on the Co-Chairs' draft "Summary" and "Elements for a Decision" on Economic Growth, Trade and Investment.

General Comments: The EUROPEAN COMMISSION (EC), with the US, suggested a greater emphasis on the social dimension of sustainable development. The US specified labor-trade synergies. BRAZIL suggested inserting a principle that CSD should avoid discussions that disturb negotiations on related issues in other forums. The WWF, on behalf of some NGOs, drew attention to their upcoming meeting on Sustainability Assessment of Trade Liberalization.

Introduction: On the Introduction, IRAN, supported by the EC, suggested reformulating the principal objectives. The US suggested that reference be made to the over-arching framework of sustainable development. G-77/CHINA suggested Agenda 21 text on unsustainable patterns of production and consumption in industrialized countries. With support of MEXICO and PHILIPPINES, he also proposed deleting or redrafting a reference to the challenge of stimulating domestic investment and attracting foreign investment.

Priorities for Future Work: The EC and the US each suggested textual changes to the priority areas to reflect a more direct focus on sustainable development, requesting that these changes be reflected in the subsequent document headings. The US suggested inclusion of a new priority area relating to the social dimensions of trade, investment and economic development. Noting the earlier call for inclusion of EITs, the G-77/CHINA advocated references to Small Island Developing States (SIDS) and land-locked countries.

Promotion of Trade and Economic Growth: The G-77/CHINA made a number of proposals to reflect, *inter alia*, the responsibility of developed countries to support developing countries in "eradicating" poverty, "improving living standards" and enhancing market access. On the issue of market access, the RUSSIAN FEDERATION suggested that this be extended beyond developing countries' exports, while NEW ZEALAND proposed reference to the elimination of trade distorting subsidies and non-tariff barriers. Regarding the proposal to grant duty-free and quota-free access for LDCs' exports, the US and the EC underscored the need to examine the contributions of devel-

oping countries, drawing attention to the recent decisions at UNCTAD X. The US also emphasized the impact of inadequate policies on food security. The EC emphasized the role of financial and technical assistance in addressing poverty and social equity in addition to food security. The RUSSIAN FEDERATION proposed an element, highlighting the need to stimulate markets in environmental products and services.

Making Trade and Environment Mutually Supportive: Discussion focused mainly on references to sustainability impact assessment (SIA). The G-77/CHINA, supported by INDONESIA, PHILIPPINES, and the RUSSIAN FEDERATION, supported deleting references to the concept or emphasizing Environmental Impact Assessment (EIA). SWITZERLAND suggested deleting references to SIA in the absence of agreement on the concept. CANADA suggested replacing references to SIA with EIA. The US, supported by the EC, noted the importance of SIA but suggested a reformulation of the relevant text to reflect the importance of EIA and its methodologies. The EC suggested that the CSD invite the WTO to take more account of economic, environmental and social aspects of trade.

Promotion of Investment: On promoting a stable, predictable, non-discriminatory investment climate, the US qualified a call for the regulation of investor activity by adding "as appropriate and in a prudent manner." On domestic policies, the RUSSIAN FEDERATION stressed "foreign investment." The US amended the paragraph, to suggest that risks "may" arise from the volatility of short-term capital flows. MEXICO proposed deleting the reference to volatile capital flows and deleting subparagraphs on multi-stakeholder approaches to promoting environmentally sound FDI and enhancing transparency. On enhancing the potential of FDI in host countries, the EC added a reference to "applying best practices." JAPAN added a call for the development of environmental guidelines to make investment more sustainable development oriented.

Strengthening Institutional Cooperation and Promotion of Partnership: On technical assistance and capacity building for developing countries, the RUSSIAN FEDERATION added EITs. IRAN added text agreed at UNGASS. JAPAN asked for the deletion of paragraphs on researching the principle of common but differentiated responsibilities and on improving the coordination of information needs of sustainable development agencies. The G-77/CHINA added a paragraph on strengthening system-wide efforts by the UN, the WTO, the Bretton Woods institutions and governments.

CLOSURE OF MEETING

After an inconclusive discussion on merging the Co-Chairs' revised reports of the Discussions and Elements for Possible Decisions on the finance and trade clusters, Co-Chair Seok-young told delegates that separate drafts would be prepared for distribution Friday. Before CSD-8 the Co-Chairs and the Secretariat will bring the clusters together while clearly compartmentalizing their separate elements.

IN THE CORRIDORS

Delegates speculated as to the cause of the sense of "ennui" in a meeting that many feel has been less engaging than the CSD-7 Intersessional Working Groups. Some observers suggested that delegates may be feeling "flat" after having participated in the recent successful and highly charged IFF-4 and biosafety meetings. Others pointed to the quality of background papers. Next week's Intersessional discussions on agriculture and land are expected to be more colorful, drawing greater participation from the Capitals.

THINGS TO LOOK FOR TODAY

CO-CHAIRS PRESENT REVISED DRAFTS: The Intersessional AHWG will reconvene at 3:00 pm in Conference Room 4 for the final meeting. The Co-Chairs are expected to distribute their revised drafts on finance at 10:00 am. The revised drafts on the trade cluster will be distributed at 1:00 pm.