



Earth Negotiations Bulletin

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A Reporting Service for Environment and Development Negotiations

Vol. 5 No. 95

Published by the International Institute for Sustainable Development

Tuesday, 3 March 1998

THE CSD INTERSESSIONAL AD HOC WORKING GROUP ON INDUSTRY AND SUSTAINABLE DEVELOPMENT MONDAY, 2 MARCH 1998

The Commission on Sustainable Development's Intersessional *Ad Hoc* Working Group (ISWG) on Industry and Sustainable Development met for the first day of its week-long session. Delegates exchanged views on the issue during morning and afternoon meetings.

ELECTION OF OFFICERS AND OTHER MATTERS

Delegates elected Michael Odevall (Sweden) and Antonio Cruz de Mello (Brazil) to serve as ISWG Co-Chairs. Co-Chair Odevall said that, for the first time, the CSD will address the economic sector of industry and noted the opportunity for shaping something new and developing new solutions. He requested that delegates submit their contributions in writing so that all delegations can analyze them. He asked delegates to focus on four issues: how the consumer guidelines (E/CN.17/1998/5) should be handled; how industry, trade unions and other NGOs should be involved; how to address freshwater management; and how to follow-up on any recommendations made by CSD-6.

BACKGROUND DOCUMENTATION

The Secretariat presented the Report of the Secretary-General on industry and sustainable development (E/CN.17/1998/4 and Add. 1-3). He stated that sustainable development policy requires that economic, social and environmental development be addressed within an integrated policy framework, and noted that the report reflects the collaborative effort of several UN agencies. He highlighted policy challenges in the report, *inter alia*: enhancing industry's contribution to employment creation in developing countries; measuring countries' efforts in creating an enabling environment; addressing the unintended consequences of industry on social goals; ensuring compliance with core labor standards; and monitoring where trade liberalization leads to serious localized environmental impacts.

GENERAL DISCUSSION

INDONESIA, for the G-77/CHINA, commented on issues of particular importance for his Group. These included: building on Agenda 21 to alleviate poverty; the integration of social, environmental and economic concerns into industrial development strategies through partnerships; diffusion of environmentally sound technologies (ESTs); broadening foreign direct investment (FDI) to encompass investment in human capacity and ESTs; the continued need for ODA for those who do not benefit from FDI; the role of UNCTAD; avoiding the creation of obstacles to employment as a result of international

trade agreements and the creation of trade barriers through ecolabelling; south-south cooperation; the integral role of social objectives, including access to education and health care; and the desirability of voluntary codes of conduct and stockholder accountability for industry.

The UK, for the EU, urged delegates to begin preparations for an action-oriented outcome at CSD-6 and to think carefully on how to focus dialogues that build on the preparatory work and ensure progress. The EU's recommendations cover: environmental management, eco-efficiency, social responsibility, and stakeholder dialogues and partnerships. She cited the example of the dialogue at the European Roundtable on Business and Sustainability on 11 February 1998, in Brussels. Complimenting the Secretary-General's Report, she called for an emphasis on the critical task of establishing domestic frameworks for industry and governments to work in partnership for the application of economic, social and environmental policies, supported by management tools. These should include environmental reporting and accounting, green purchasing, performance indicators and benchmarking. She also called for lifecycle impact studies and other measures to help consumers make sustainable choices. On social objectives, she called for government-industry partnerships to work on ecolabelling and integration of environmental and social considerations into international work on standards, including adherence to core labor standards. She noted the importance of international trade and said the EU had extended most favored trading status to all least developed countries. On best practices, she advocated environmental management systems, voluntary environmental agreements, business charters and codes of conduct. On freshwater, she called on UNEP to cooperate with industry to develop a statement on sustainable management of water resources. The EU's specific recommendations for the CSD-6 outcome addressed: engaging industry at all levels of government; more accessible and reliable information for consumers; involvement of stakeholders, including employees; investment initiatives for Africa; assessment of work on foreign investment patterns; promoting domestic legal, fiscal and regulatory frameworks; assistance for SMEs; conclusion of the Multilateral Agreement on Investment (MAI) in favor of sustainable development; and encouraging UNEP to work with the financial services sector.

CHILE noted the importance of international cooperation and said any document should reiterate the link between industry and the eradication of poverty. He also stressed the link to Chapter 4 of Agenda 21 (consumption and production patterns) and said Chile recently adopted a policy for sustainable development that recognizes complementarity between development and environmental protection. COLOMBIA said the discussion should focus on the role of the private sector in

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general and pointed out that this intergovernmental dialogue is partial, as it leaves out non-governmental actors who are just beginning to participate in this process. She said the identification of courses of action should take into account the principle of shared but differentiated responsibilities.

The OECD reported that a January meeting of Industry Ministers affirmed the need for international cooperation to ensure that all countries benefit from globalization and technological change. They also noted the need for ministers to ensure that the role of business in solving global environmental challenges is integrated into policies. She said key areas for cooperation are: making markets work better, promoting innovation and cleaner technologies, and improving the effectiveness of international cooperation.

AUSTRALIA suggested that the CSD focus on the exchange of information, particularly best practices and the relationship between trade liberalization and technology transfer. The CSD could develop a work programme that provides countries with information and advice. She said the report does not provide a vigorous basis for action and should account for countries' varying abilities. She called for further exploration of market-based pollution abatement measures and ecoefficiency. JAPAN said the report is too inclusive and abstract, and lacks focus and analysis. He called for a focus on CSD-related themes: improving the capacity of industry to address economic and social development and environmental problems; taking measures to raise the awareness of participants in the sustainable development process; and studying different voluntary industry schemes, the effects of technology on problems and the prospect for transfer.

THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT cited progress in the take-up of ecoefficiency, product life-cycle approaches, identification of by-product synergies, and increasing recognition of the link between environmental performance and shareholder value. He expressed the hope that CSD-6 would find ways to reinforce these trends and identify impediments. He listed a number of enabling framework conditions: policies for fast dissemination of ESTs; measures to encourage adoption of standards such as those of the ISO; freer and more open markets; instruments to motivate market forces to achieve sustainable development; and realistic target setting in consultation with business. UNESCO underlined the mutually supporting role of social and industrial development and stressed the role of education in promoting development in a competitive global economy. He said UNESCO works to address shortcomings in education, placing emphasis on policy and corresponding investment in human resources. The organization will spare no effort in achieving the goals of sustainable development.

The International Confederation of Free Trade Unions (ICFTU) said he looks forward to helping implement measures adopted by CSD-6. ICFTU is prepared to help coordinate workers to change consumption habits individually and institutionally, but employers and governments must be willing to work with them.

The NGO WORKING GROUP stated her opposition to corporate abuse and anti-democratic activities and welcomed positive movements, including NGO-industry partnerships. She said the Secretary-General's report had not captured the balance between industry's economic role and other obligations and had relied too much on market-based solutions. She invited delegates to consider: moving from an emphasis on efficiency to sufficiency; integrating sustainable development principles into industrial and corporate policy and not *vice-versa*; promoting greater integration of environmental and social priorities into agreements such as GATT and MAI; and addressing corporate lobbying, responsibility, accountability and ecomanagement. She also called for: government recognition of the need for effective policies respecting ecological limits, equity and human rights

in international frameworks; guiding ecoefficiency efforts towards time-bound, measurable sustainable development targets; implementation of new sustainable development indicators and methods to redirect private investment towards sustainable development; an invitation to the CSD to address the inconsistency in industry's approach and discuss the limits of legitimate industry lobbying; consistent implementation of the Rio Principles; emphasis on the precautionary principle; the MAI and other agreements to integrate environmental, labor and social considerations with the same legal force as economic provisions; transparency in economic agreements; a CSD review of voluntary initiatives; and cooperation with NGOs in developing policy guidelines to ensure FDI supports sustainable technology exchange and cooperation.

The US said partnerships and transparency are keys to successfully developing regulatory frameworks and noted examples of voluntary partnerships. He said respect for core labor standards, including collective bargaining, freedom of association and prohibition of child labor, are key for responsible entrepreneurship and encouraged ILO discussions on core labor standards. He discussed corporate management tools for sustainable development, including education and training, and recognized the key importance of technology transfer to expand opportunities for sustainable development. He proposed that the ISWG identify and/or promote: responsible entrepreneurial activities; voluntary codes of conduct; commitment to national implementation of sustainable development frameworks; how best to develop technological cooperation; and strengthening government, NGO and business mechanisms to discuss and implement, with multi-stakeholder inputs, efforts to promote sustainable development.

IN THE CORRIDORS

Hovering in the wings of the ISWG are the on-going negotiations on a Multilateral Agreement on Investment sponsored by the OECD. NGO representatives point to the emerging MAI as a classic example of an international legal instrument that has so far failed to integrate economic, social and environmental imperatives in a balanced way. They view the on-going negotiations as a benchmark for measuring the political will of governments who have signed up to the sustainable development creed of transparency, multi-stakeholder participation, and providing an equal playing field for empowering environmental and social interests. Some European Commission representatives have signaled their support for a legally binding MAI article calling upon governments not to lower their environmental standards in order to attract or retain investment. Some indicated that MAI consideration by the ISWG is likely to meet resistance from the G-77/China given the perception of the MAI negotiations as an OECD-sponsored *fait accompli* in the making. All of this may explain one observer's view that spotting the passing reference to the MAI in the Secretary-General's report can provide hours of entertainment in the Vienna Café.

THINGS TO LOOK FOR TODAY

ISWG: The Working Group is expected to meet in the Trusteeship Council Chamber during morning and afternoon sessions. The general discussion will continue during the morning. Delegates will discuss the role of industry in the transfer of technology during the afternoon.

CORPORATE ACCOUNTABILITY: ANPED and IUCN-Netherlands will host a workshop on Corporate Accountability. It will meet from 6:15-8:00 pm in Room B.