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## THE CSD INTERSESSIONAL AD HOC WORKING GROUP ON INDUSTRY AND SUSTAINABLE DEVELOPMENT 2-6 MARCH 1998

The Commission on Sustainable Development's Intersessional Ad Hoc Working Group on Industry and Sustainable Development met from 2-6 March 1998 at UN Headquarters in New York. Delegates exchanged views on the issue and then offered comments on two iterations of the Co-Chairs' draft report. The second draft will be revised based on the closing remarks and form the basis for negotiations at CSD-6. Participants identified roles and produced recommendations for industry, governments and the international community. Delegates also briefly considered proposed elaborations of the UN Guidelines on Consumer Protection. Several delegations preferred to put off detailed discussion on these until CSD-7 in 1999. Many participants left pleased with the Co-Chairs' report, but several noted the absence of industry from the talks and stressed the importance of truly engaging the industrial sector in the CSD-6 deliberations in April.

### A BRIEF HISTORY OF THE CSD

The Commission on Sustainable Development (CSD) was envisioned in Agenda 21, the programme of action adopted by the 1992 UN Conference on Environment and Development (UNCED). Agenda 21 called for the creation of the CSD to: ensure effective follow-up of UNCED; enhance international cooperation and rationalize intergovernmental decision-making capacity; and examine progress in the implementation of Agenda 21 at the local, national, regional and international levels. In 1992, the 47th session of the UN General Assembly set out, in Resolution 47/191, the terms of reference for the Commission, its composition, guidelines for the participation of NGOs, the organization of work, the CSD's relationship with other UN bodies and Secretariat arrangements. The CSD held its first substantive session in June 1993 and has met annually since then.

In June 1997, five years after UNCED, the General Assembly held a special session to review implementation of Agenda 21 (UNGASS). Negotiations held in a Committee of the Whole, as well as several ministerial groups, produced a Programme for the Further Implementation of Agenda 21. Among the decisions adopted at UNGASS was the CSD work programme, which identifies sectoral, cross-sectoral and economic sector/major group themes for the next four sessions of the Commission. Overriding issues for each year will be poverty and consumption and production patterns. The sectoral theme for the 1998 session is strategic approaches to freshwater management and the economic theme is industry. Additional themes and sectors for 1998 are transfer of technology, capacity-building, education, science and awareness-raising.

## REPORT OF THE CSD INTERSESSIONAL AD HOC WORKING GROUP

The CSD Intersessional Working Group (ISWG) on Industry and Sustainable Development opened on Monday, 2 March 1998. Delegates elected Michael Odevall (Sweden) and Antonio Cruz de Mello (Brazil) as Co-Chairs for the Working Group. They then adopted the agenda and other organizational matters (E/CN.17/ISWG.II/1998/1) and proceeded through the agenda for their week-long meeting. They offered statements on the Secretary-General's background documentation during the first two days. They discussed the UN Guidelines for Consumer Protection on Wednesday, 4 March. The Co-Chairs also distributed a draft report on industry and sustainable development on Wednesday, which delegates discussed Thursday. Delegates reviewed a revised report on Friday. The Co-Chairs promised to incorporate their comments into the final report submitted to CSD-6. A draft report on the consumer guidelines discussion was also approved. The working group sent this report to the CSD to serve as a basis for its deliberations on industry in April 1998.

### GENERAL DISCUSSION

Delegates exchanged views on the Secretary-General's background documents on Monday and Tuesday, 2-3 March. The Secretariat first introduced the Secretary-General's reports (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, including enhancing industry's contribution to employment creation in developing countries, addressing the unintended consequences of industry on social

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goals, ensuring compliance with core labor standards, and monitoring where trade liberalization leads to serious localized environmental impacts. Background papers, prepared by NGOs, trade unions, business representatives and UN agencies, also were available to inform the discussion.

Delegates' comments covered a range of issues and a variety of actions. A number of speakers highlighted relevant chapters or principles from Agenda 21. The G-77/CHINA said any agreement should build on Agenda 21's commitment to alleviate poverty. CHILE stressed the link to Chapter 4 of Agenda 21 (consumption and production patterns). COLOMBIA said the identification of courses of action should take into account the principle of shared but differentiated responsibilities. CHINA said discussion at CSD-6 should follow Agenda 21 principles, taking into account levels of economic development in developing countries rather than imposing new obligations. BRAZIL said any CSD recommendation should be based on the right to development and Agenda 21, and should note that unsustainable production and consumption patterns occur primarily in developed countries.

Several delegates highlighted previous meetings that provided input or background to the ISWG's discussion. The EU noted the European Roundtable on Business and Sustainability in February 1998 as an example of a stakeholder dialogue and BELGIUM added that participants noted the need for: clarifying the concept of sustainable development; a balanced approach to the three components of sustainable development; training in best practices, including the adoption of ISO standards; and a smarter mix of policy instruments. The OECD reported that a January meeting of Industry Ministers noted the need for ministers to ensure that the role of business in solving global environmental challenges is integrated into policies. POLAND noted the relevance of the Kyoto Protocol to this discussion. CUBA also noted connections with the Basel Convention.

International assistance and cooperation were highlighted by several delegates. The G-77/CHINA noted the continued need for ODA for those who do not benefit from foreign direct investment (FDI). CANADA said ODA can play a role in strengthening an enabling environment to encourage FDI flows. The G-77/CHINA called for South-South cooperation. CHINA said international cooperation should encourage industrial enterprises to use ESTs and promote the sustainable development of industry. IRAN noted the international community's challenge to help developing countries reduce environmental impacts while allowing them to become more competitive.

Many speakers also addressed foreign direct investment. The G-77/CHINA called for broadening FDI to encompass investment in human capacity and ESTs. The EU called for the conclusion of the Multilateral Agreement on Investment (MAI) in favor of sustainable development. The NGO WORKING GROUP proposed cooperation with NGOs in developing policy guidelines to ensure that FDI supports sustainable technology exchange and cooperation.

The role of governments covered a range of issues. The EU proposed promoting domestic legal, fiscal and regulatory frameworks. The WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT listed a number of enabling framework conditions, including: 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. NEW ZEALAND focused on the importance of good government in creating an environment that is conducive to sustainable development and endorsed, *inter alia*, the market approach, economic instruments and eco-labeling, if voluntary and in accordance with WTO rules. CANADA said the traditional reliance on command and control measures has evolved to emphasize pollution prevention, a mix of different and innovative instruments, and public-private sector partnerships. SWITZERLAND said the role of governments is to improve labor standards, provide suitable framework conditions for

internalizing external costs and promote corporate management tools. UNEP explained how the concept of Responsible Entrepreneurship could be implemented by governments. Responsible Entrepreneurship is the appropriate way to implement the preventative approach through cleaner production and more efficient use of resources.

Many statements addressed roles and actions that industry, management and stockholders could or should take. The G-77/CHINA noted the desirability of voluntary codes of conduct and stockholder accountability for industry. The EU called for environmental reporting and accounting, green purchasing, performance indicators and benchmarking. She also proposed environmental management systems, voluntary environmental agreements, business charters, codes of conduct, involvement of stakeholders including employees, and investment initiatives for Africa. The NGO WORKING GROUP called for the integration of sustainable development principles into industrial and corporate policy and not *vice-versa* and for addressing corporate lobbying, responsibility, accountability and eco-management. POLAND said the high cost of and lack of information about the best available technologies are weak points in small and medium-size enterprises' (SMEs) relationship with the environment and hamper their international competitiveness. The INTERNATIONAL CHAMBER OF COMMERCE (ICC) stressed the need to further encourage SMEs to reorient their modes of operation and offered to work with the CSD to gather and share information on voluntary agreements. The Secretary-General and the ICC are collaborating to develop guides on investment opportunities and conditions in Africa and the least developed countries. UNEP said responsible entrepreneurship is an appropriate way to introduce a preventive approach in that it calls for early intervention in a product's life cycle and requires a better corporate environmental management system.

Partnerships between industry, government and others were also emphasized. The EU 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. The US said partnerships and transparency are keys to successfully developing regulatory frameworks. He called for strengthening government, NGO and business mechanisms to discuss and implement, with multi-stakeholder inputs, efforts to promote sustainable development. CANADA stressed that a commitment by industry to sustainable development can be best achieved through a mutually-supportive relationship with other actors, including governments and local communities. NORWAY stressed the importance of a sustained dialogue.

Issues related to trade flows and barriers were also considered. The G-77/CHINA said obstacles to employment resulting from international trade agreements and trade barriers created through eco-labeling should be avoided. The EU has extended most favored trading status to all least developed countries. AUSTRALIA said the CSD should focus on the exchange of information, particularly best practices and the relationship between trade liberalization and technology transfer. The NGO WORKING GROUP called for greater integration of environmental and social priorities into agreements such as GATT and the MAI, which is currently being negotiated. BRAZIL said eco-labeling should not create a non-tariff barrier to trade.

Several speakers addressed social development and objectives. For example, the G-77/CHINA noted the integral role of social objectives, including access to education and health care. The EU called for government-industry partnerships to work on eco-labeling and integration of environmental and social considerations into international work on standards, including adherence to core labor standards. UNESCO stressed the role of education in promoting development in a competitive global economy. The US said respect for core labor standards, including collective bargaining, freedom of association and prohibition of child labor, are key for responsible entrepreneurship and encouraged further ILO discussion on core labor standards. NORWAY



noted the need to view industry and technology transfer in a wider socio-economic context. BRAZIL highlighted language from the WTO Ministerial Conference on labor standards.

Attention to consumers' decisions was also addressed. The EU called for lifecycle impact studies and other measures to help consumers make sustainable choices, and for accessible and reliable information for consumers. The INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS is prepared to help coordinate workers to change consumption habits individually and institutionally, but he said employers and governments must be willing to work with them. The REPUBLIC OF KOREA noted consumer influence on industrial strategy.

A number of UN agencies were highlighted as relevant actors. The G-77/CHINA noted a role for UNCTAD. The EU suggested encouraging UNEP to work with the financial services sector. UNIDO highlighted interagency collaboration, citing collaboration with UNEP on Cleaner Production Centers as an example.

Additional issues discussed and proposals advanced included: JAPAN's proposal to study different voluntary industry schemes, the effects of technology on problems and the prospect for transfer; guiding eco-efficiency efforts towards time-bound, measurable sustainable development targets and implementation of new sustainable development indicators (NGO WORKING GROUP); support for the introduction of fees for natural resource use, such as mining or timber harvesting (RUSSIA); MEXICO's reaffirmation of the CSD's coordinating and policy-making role within the UN system; and BRAZIL's caution that eco-efficiency standards should not be applied uniformly.

**TECHNOLOGY TRANSFER:** Delegates commented on issues related to technology transfer on Tuesday afternoon, 3 March. Developed and developing countries concurred on the need to eliminate barriers to technology transfer, but disagreed on which policies constituted "barriers" and the necessary actions to address them. The G-77/CHINA said stronger protection of intellectual property rights (IPR) will impede transfer, and called for preserving natural genetic endowment rights for future exploitation and exploring the relationship between the Agreement on Trade Related Intellectual Property Rights (TRIPs) and the Convention on Biological Diversity. PAKISTAN said social and human resource development is a prerequisite for transfers and stressed the importance of ODA rather than FDI, which is motivated by private profit.

Developed countries highlighted other policy aspects, including: ensuring policy frameworks that create an enabling environment for private sector investment; diffusing information about available technologies, particularly via the Internet; and building and maintaining capacity in developing countries. Other points included: fostering contacts between private sector companies and associations in different companies and the use of supply chain networks (EU); regulatory structures for strong intellectual property rights protection and enforcement (US); and adoption of market-oriented policies (AUSTRALIA and CANADA).

Many delegates highlighted the conclusions of the international expert meeting on publicly-funded research and publicly-owned technologies, held in Kyongju, Republic of Korea from 4-6 February 1998. The participants found considerable differences between public sector ESTs and other technologies and made suggestions for new policy initiatives, including: strengthening linkages between the generators of EST and other users; supporting the development of a sustainable development business "culture;" and promoting innovations through reward systems. They also proposed creating incentives for EST transfers through tax incentives, tariff reductions and intellectual property protection in exchange for technology transfer.

Proposals for CSD action included: developing recommendations for sharing publicly-owned research and development (REPUBLIC OF KOREA); initiating a programme that demonstrates the implementation of best practices for river basins (NORWAY); establishing a

dialogue with all actors and removing barriers to publicly-funded technology (PAKISTAN); exploring ways of using the Internet to distribute technology and training information (US); and encouraging UNIDO and UNEP to continue providing practical and user-friendly advice (EU).

### CO-CHAIRS' REPORT ON THE WORKING GROUP

The Co-Chairs incorporated delegates' comments into a draft report, which they circulated on Wednesday, 4 March. Delegates commented on the draft on Thursday, 5 March. Based on these comments, the Co-Chairs produced a second draft report, which delegates discussed on Friday, 6 March. The following discussion highlights elements delegates wanted added to or deleted from both drafts and summarizes the draft report distributed on Friday, 6 March.

**GENERAL COMMENTS:** Delegates' general comments on the text included the EU's call for a greater effort to highlight dialogue, eco-efficiency, environmental management, the role of industry in technology transfer, and social responsibility. He expressed concern about the exclusion of EU proposals on business partnerships for integrating environmental and social considerations in international standards, a UNEP work programme on minimum standards of environmental performance, and regional-level action.

AUSTRALIA sought references to the need for more information exchange between industry and government, including information on best practices, and a greater emphasis on voluntary reporting by industry. She also proposed making dialogue and cooperation between the UN system and industry a permanent feature of the CSD's work. The US called for a sharper focus on creating an enabling framework and references to transparency and participation. He said the text should also: contain stronger language on the benefits of sustainable development; recognize progress by some businesses; and specifically mention micro-credit. NEW ZEALAND said the text emphasizes voluntary action by industry and should not ignore governmental responsibility.

During general comments on the second draft, the EU noted that the text contained 25 paragraphs that addressed governments, 17 that addressed the international community and only 8 that addressed industry, and called for a more equitable distribution.

**INTRODUCTION:** This section notes, *inter alia*, that the outcome of the ISWG is not a negotiated text, although its contents were thoroughly discussed. It also notes that the report focuses on key issues and conclusions and suggests elements and policy options for further consideration at CSD-6.

**I. BACKGROUND:** Comments on this section included the G-77/CHINA's proposal to amend a reference to promoting sustainable development through entrepreneurship "in light of country specific conditions." With POLAND, he said a reference to emissions that contaminate soils "and rivers" should be expanded to mention other bodies of water. To a list noting global problems, he proposed adding "desertification and drought." The US proposed noting that improvements to environmental efficiency and management also improve a company's profitability.

This section contains three paragraphs that recall the international dialogue on sustainable development, including Agenda 21 and the Rio Declaration, discuss key elements of sustainable development and industrial policy, and examine the impact of industrialization on the environment. Key elements include: poverty eradication; integration of economic, social and environmental concerns; sustainable consumption and production; and responsible entrepreneurship in the light of country specific conditions. The section also details the local, regional and global impacts of increasing industrialization and highlights the importance of cleaner production and ESTs. It notes that some businesses and industries have taken significant first steps to improve practices.



**II. GENERAL RECOMMENDATIONS:** During discussion on the drafts, the G-77/CHINA proposed changing the reference to "more advanced developing countries" using some policy instruments used in developed countries to "some developing countries." NEW ZEALAND added "and womens' organizations" to text calling for constructive dialogue and partnerships. CANADA added a reference to "preventing" in addition to mitigating pollution. SWITZERLAND said the text encouraging industry to develop guides and codes of conduct should refer to voluntary agreements and the conditions under which they work. The NGO STEERING COMMITTEE said governments, industry, trade unions and other organizations representing civil society should work toward ending racism as well as discrimination against women. MEXICO proposed a new paragraph noting the importance of training. The US said the call for an integrated approach should be addressed to all countries and not industrialized countries in particular. POLAND noted that TNCs' work with local suppliers can provide an important source of know-how and technology.

This section of the revised draft contains ten paragraphs. It notes that further action is needed to adjust policy approaches that have unintended adverse environmental or social effects and to establish a policy framework that fosters sustainability. Governments are encouraged to develop enabling policy environments. The text notes that constructive dialogue and partnerships between government at all levels, industry, trade unions and civil society, including women's organizations, are required and that eco-efficiency, cost internalization and product policies are important tools for making consumption and production patterns more sustainable. Governments, industry and organizations of civil society should, as appropriate, use the media, advertising, marketing and other means to promote greater producer and consumer awareness of sustainable development. Roles for foreign investment and voluntary guidelines and codes of conduct are also noted. Finally, the text indicates that particular efforts are needed to promote small and medium-size enterprises and entrepreneurial potential.

### III. RECOMMENDATIONS FOR GOVERNMENTS:

Comments on this section included the G-77/CHINA's proposal to add "Within a supportive international environment" as a preface to the call for governments to create an enabling policy environment. The NGO STEERING COMMITTEE said an enabling environment should include efforts to ensure the survival of SMEs and the livelihoods of local communities. SWITZERLAND proposed including specific elements such as sound macroeconomic policy and good governance.

With regard to ODA, the EU called for clearer drafting, stating that domestic resources are and will remain the main resources. CANADA noted the importance of ODA in a paragraph on strengthening an enabling framework for FDI. The WBCSD proposed reference to an enabling financial framework in text regarding FDI. The US said the commitment of foreign investors to sustainable development should be "encouraged" rather than "required." CANADA suggested deleting a reference to efforts by national governments of "both investor and" recipient countries to provide appropriate regulatory frameworks and incentives for private investment.

SWITZERLAND and the US called for reference to specific core labor standards, such as prohibition of child labor and freedom of association. The G-77/CHINA said the sentence listing those core labor standards to be ensured was selective and should be deleted. NORWAY, SWITZERLAND, KENYA, PANAMA, ARGENTINA and NAMIBIA said the list should remain. MEXICO, supported by CANADA and the US, proposed amending the paragraph on environmental regulatory frameworks to indicate that the traditional method of command and control based on effluent standards and permits should be modified, as appropriate, with ample participation by industry and civil society. The WBCSD said that the means to achieve "realistic" objectives and targets for internalizing environmental costs-and-benefits should be established by the authorities, "in consultation with business." CANADA also stated that, when developing voluntary

initiatives, countries should ensure, *inter alia*, broad-based participation, measurable objectives and monitoring mechanisms. He said a paragraph on incentives for technology transfer needs clarification.

The G-77/CHINA sought the deletion of references to exploration of national emissions trading schemes. He also called for deletion of a paragraph on eco-efficiency, which calls for the fulfillment of the Kyoto Protocol through consideration of the Factor 4 and Factor 10 eco-efficiency concepts in developed countries. The EU, supported by NORWAY, said the paragraph gives an unhelpful and narrow view of the Factor 4 and Factor 10 concepts, and does not need to refer to Kyoto commitments. POLAND said the reference to Kyoto should contain action-oriented recommendations for industry and suggested it could be moved to the section on industry. The US deleted the text noting that "actions in this area should focus on promoting international and national programmes for energy and material efficiency with timetables for their implementation, as appropriate."

The US also proposed deleting the text noting that eco-efficiency should not be a substitute for changes in unsustainable lifestyles of consumers and the pursuit of eco-efficiency requires efforts to assist developing countries by improving access to financial resources and ESTs. The EU proposed revising a paragraph on eco-efficiency. The G-77/CHINA proposed that a call for a common set of indicators for comparability and aggregation be rephrased to "relevant" indicators. The WBCSD said the reference to environmental management systems adapted to the capacities and needs of SMEs should indicate that no reduction in standards should be made. The ICC added a reference to the UNEP-ICC environmental management kit.

This section of the draft report contains 25 paragraphs and addresses a range of issues, including: enabling environments for industry; ODA and FDI; environmental regulatory frameworks; labor standards; social objectives; fulfillment of the Kyoto Protocol; eco-efficiency; voluntary initiatives; and technology transfer.

The section states that governments should create an enabling policy environment to encourage domestic private enterprise and economy-wide competitiveness through improvements in infrastructure and education, financial and legal institutions, and facilitation of exports and liberalization of markets. Regarding ODA and FDI, the section states that not all developing countries can attract adequate levels of FDI, and ODA remains a main source of external funding. It also notes that a stable policy environment is necessary to attract FDI.

Regarding regulatory frameworks, governments are called upon to provide frameworks that: promote long-term investment flows to developing countries; encourage private sector activities that promote sustainable development; and make existing subsidies more transparent. Governments should also encourage: implementation of environmental management systems (EMS); address occupational health and safety standards; ensure compliance by industry with core labor standards; and create a market for more environmentally friendly products and services. Regarding social objectives, governments should give priority to ensuring universal access to basic education, expanding access to secondary education and strengthening social security.

The section also calls for the achievement of greenhouse gas reduction targets in the Kyoto Protocol and states that action in this area should focus on promoting international and national programmes for energy and material efficiency. Governments should also continue to encourage voluntary initiatives by industry in both the formal and informal sectors, including codes of conduct, charters and codes of good practice and voluntary agreements.

To strengthen domestic technological capabilities, governments are called upon to develop a science and national technology strategy and support capacity building to promote partnerships with industry. Governments should also provide incentives for the development of institutional and human capacities. Developed country governments should encourage private sector companies to transfer ESTs to developing countries.



**IV. RECOMMENDATIONS FOR INDUSTRY:** Delegates introduced amendments and a number of new ideas in their comments on recommendations for industry. On technology transfer, the EU called for greater emphasis on industry's role. AUSTRALIA underscored the benefits for technology transfer to be derived from sectoral trade liberalization. UKRAINE introduced language on the conversion of military technology. The G-77/CHINA proposed text encouraging Chambers of Commerce and other business organizations to cooperate in transfers and in the development of management tools and institutional frameworks.

On reliable information for consumers, SWITZERLAND amended a reference to accurate information to include the "conditions of production" of products. On industry's environmental performance and adoption of environmental management systems, compliance with standards and certification, the G-77/CHINA proposed alternative text calling for national certification schemes to be based upon the principles of transparency and non-discrimination and proposing that they should not be used as non-tariff trade barriers. The NGO STEERING COMMITTEE said that the text should call on transnational corporations (TNCs) to implement environmental management systems and pay attention to local communities. CANADA said the paragraph should not refer only to TNCs' adoption of environmental management systems. The US said all companies, not just TNCs, should consider setting a time-frame for fully implementing EMS and all companies, not just large corporations, should apply best practices.

The recommendations to industry are set out in eight paragraphs and address, *inter alia*, consumer information, education, environmental management, technology transfer, industry accountability and the role of the financial sector. The section notes that companies can enable consumers to make informed choices by providing accurate information about their products, using advertising and reporting. Industry and civil society are invited to work with governments to ensure that provision of education meets developmental needs. Recommendations on environmental management, compliance with standards and national certification schemes include more efficient use of resources and pollution and waste reduction, use of Environmental Management Systems (EMS), and embedding environmental and social planning into strategic planning and time-frames for TNC implementation of EMS. Large corporations are encouraged to apply best practices domestically and abroad, provide ESTs to host countries and promote core ILO labor standards. Chambers of Commerce and other business organizations are urged to cooperate on technology transfer. Industry and business are urged to respond positively to stakeholder attempts to make them accountable by, *inter alia*, developing voluntary codes of conduct and codes of practice. The section also calls for the further development and implementation of voluntary commitments and initiatives in the financial sector to promote sustainable development.

**V. RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY:** Comments on this section included the G-77/CHINA's proposal to delete the reference to developing countries' efforts to "progressively raise their environmental standards." UNESCO said this section should include references to the role of education and the role of relevant UN organizations. The G-77/CHINA proposed references to UNIDO in paragraphs on industrialization, FDI and financial and technical support. In a paragraph on trade agreements, RUSSIA welcomed a reference to the need to avoid negative impacts on trade for economies in transition. NEW ZEALAND expressed concern with the reference to trade and trade agreements posing an obstacle to the creation of employment and said the general aim of trade agreements is overall growth. AUSTRALIA and CANADA said the text on eco-efficiency cast the concept in a negative light.

The G-77/CHINA proposed adding two sentences to the paragraph on the Multilateral Agreement on Investment (MAI): one calling for participatory, transparent and non-discriminatory negotiation on

multilateral investment and the other calling for such agreements to take into account the specific social, economic and environmental needs of developing countries. He also said the text should mention the OECD's role in the talks. The EU said the text should indicate that it is important to ensure that the MAI is concluded and implemented in such a way that it forwards the objectives of sustainable development. JAPAN, NEW ZEALAND, the US, CANADA, MEXICO and AUSTRALIA said the paragraph on the MAI should be deleted or reworked. The NGO STEERING COMMITTEE said the text should call for the full integration of economic, environmental and social consequences and take into account the outcome of recent conferences.

To the paragraph on the 20:20 Initiative, the G-77/CHINA added text noting that the Initiative is making a significant contribution to some developing countries, particularly the LDCs. SWITZERLAND proposed adding a reference to the ILO's role in monitoring the implementation of related agreements. The EU called for deletion of a paragraph on clearinghouse functions in international environmental agreements. CANADA proposed deleting text noting that concern was expressed regarding the impact of the current intellectual property regime on the transfer of ESTs.

The Co-Chairs' revised draft text contains 17 paragraphs in this section. It indicates that the principles of transparency, mutual recognition and non-discrimination, which serve as building blocks for the multilateral trading system, should also serve as basic principles in areas such as sustainable development. It states that there is a need to disseminate information about ESTs to developing countries on a broader scale and that UNIDO, UNEP, UNCTAD and other relevant agencies should be invited to focus their programmes in order to promote EST transfer. The international community, UNIDO and other relevant UN agencies are encouraged to provide appropriate financial and technical support to enable industries in developing countries to comply with national environmental goals. The text identifies a need for further assessment of the implications of foreign investment for sustainable development and invites UNCTAD to investigate the issue and report to CSD-7 and for UNCTAD and the World Trade Organization (WTO) to report on their activities in this field. Multilateral financial institutions are called on to contribute to sustainable development and the use of ESTs.

Negotiations on multilateral agreements should be participatory, transparent and non-discriminatory, and future agreements should take into account the objectives of sustainable development. The section also calls for policies to implement the Copenhagen Declaration and the outcome of the Beijing Conference and for further work to develop criteria to improve corporate environmental reporting. UNEP, working jointly with other relevant UN agencies, should be invited to develop a voluntary statement of business-led commitment on the protection and management of water resources. Secretariats of international conventions on the environment are encouraged to include technical information in a "clearinghouse" mechanism to facilitate the commitments of the conventions and the international community should promote, facilitate and finance, as appropriate, access to and transfer of ESTs and the corresponding know-how, taking into account the need to protect intellectual property rights. Finally, South-South cooperation is noted as an important instrument for facilitating the diffusion of technology, and industry and regional cooperation should be encouraged and strengthened.

**VI. FUTURE WORK:** Comments on this section stressed the need to make the engagement with industry an on-going activity at the CSD. The INTERNATIONAL CHAMBER OF COMMERCE recommended a CSD work programme that invites business to submit information on voluntary initiatives, invites others to do the same, and decides how to review the information. NORWAY supported a proposal from the ICC for the mapping of existing networks and cooperative arrangements. The EU called for this section to address a process for ensuring that there is a mechanism for maintaining the



dialogue with industry, keeping track of follow-up and ensuring effective input from industry into the CSD Work Programme. The US said a proposal to have the CSD evaluate voluntary initiatives deserves further elaboration. Continuing on the theme of review processes and ongoing dialogues, JAPAN, supported by INDONESIA, said that it was important that the CSD continues to address the role of industry in the context of those themes allocated for future sessions. CANADA proposed that the CSD examine the unique and successful model of the Intergovernmental Forum on Chemical Safety (IFCS) as a good example of a multi-stakeholder forum.

The section on Future Work, set out in three paragraphs, contains proposals for activities by international organizations (IOs), the CSD, government and industry. Relevant IOs are urged to study industry voluntary schemes, the effects of technologies used to cope with problems, and the prospects for their application elsewhere. The CSD is urged to consider, with industry, how the dialogue with industry might be followed up to ensure an effective and continuing input from and consultation with the sector. The CSD is also urged to cooperate with a number of major groups to establish a review process on the effectiveness of voluntary initiatives. Governments and industry are encouraged to improve their progress reports on voluntary initiatives and environmental protection. The active involvement of relevant UN agencies together with the ICC, the WBCSD and other trade associations is proposed. It is suggested that the CSD-7 discussion on consumption and production patterns could provide the first opportunity for such enhanced voluntary reporting.

#### **UN GUIDELINES FOR CONSUMER PROTECTION**

On Wednesday, 4 March, the Secretariat introduced the Report of the Secretary-General on "Consumer protection: guidelines for sustainable development" (E/CN.17/1998/5), which contains information on the background to and implementation of the guidelines and an annex containing the report of the Interregional Expert Group Meeting on Consumer Protection and Sustainable Consumption, held in São Paulo, Brazil, from 28-30 January 1998. The report of the Expert Group Meeting includes general conclusions and proposed textual elaborations on the existing guidelines. The Secretariat recalled that the General Assembly adopted the guidelines for consumer protection in 1985, and developed and developing countries have since used them to elaborate national consumer protection policy. In 1995, the CSD recommended that the guidelines be expanded to address sustainable production and consumption patterns. ECOSOC subsequently requested the Secretary-General to elaborate such guidelines (Resolution 1995/53) and requested that an interregional working group be convened to further the work (Resolution 1997/53).

**DISCUSSION:** A number of views emerged on the most appropriate way to take the discussion of the guidelines forward. INDONESIA, on behalf of the G-77/CHINA, said his group had not had time to discuss the guidelines and invited the ISWG to provide an overview of key elements. BRAZIL underlined the need for an intergovernmental discussion on the guidelines and stressed the principle of common but differentiated responsibilities. ECUADOR underlined the Expert Group's recognition that unsustainable patterns of production and consumption patterns, particularly in industrialized countries, constitute a major cause of global environmental deterioration. The REPUBLIC OF KOREA called for references to the cultural dimension of consumerism and noted the harmony between the objectives of sustainable consumption and Buddhist and Confucian values. The PHILIPPINES supported the view that there would not be sufficient time to review the guidelines at the ISWG or CSD-6. RUSSIA called for serious and detailed work and additional negotiations on the guidelines.

A number of countries, including the US, JAPAN, SWITZERLAND, and CANADA proposed that consideration of the guidelines take place at CSD-7. The US said that the CSD had not yet addressed sustainable consumption patterns in a comprehensive way; the issue is slated for CSD-7 in 1999. He argued that it would be both difficult and

premature to make recommendations this year. He proposed that CSD-6 invite CSD-7 to explore the guidelines fully. He also noted that some of the proposed extensions to the guidelines reach beyond the normal cluster of issues. JAPAN proposed consideration of the guidelines at CSD-7 and, in the meantime, that the CSD submit the recommendations from the Expert Group to ECOSOC in July 1998. He suggested that consideration be given at ECOSOC to the question of whether the CSD should leave further decisions to ECOSOC or whether that body should recommend that CSD be authorized to continue to address the issue. CANADA invited the CSD Secretariat to provide further analysis to help with preparations for discussion at CSD-7. The ICC argued that the guidelines should not make decisions for consumers but help them make informed decisions.

The EU, supported by NORWAY, welcomed the opportunity to review the guidelines, given that the links between consumption and production patterns and the global environment have become much clearer. She proposed detailed amendments to the guidelines in the areas of: awareness and information services; minimizing misleading information; economic instruments; government and IO procurement policies; publication of environmental and social assessments by governments and business; core indicator development; energy and materials efficiency; and eco-labeling. The NGO STEERING COMMITTEE called on governments to develop agreed criteria and mechanisms for "Ethical Labeling," to ensure that consumer goods are also socially and ethically sound. She stressed educational provision for female consumers. CONSUMERS INTERNATIONAL expressed disappointment at a US proposal to postpone discussion of the guidelines until CSD-7 in 1999 and underlined how the extension of the guidelines to cover sustainable consumption would encourage governments to adopt policies that harness consumer demand for "greening" production.

**DRAFT CO-CHAIRPERSONS' REPORT ON GUIDELINES FOR SUSTAINABLE CONSUMPTION:** On Thursday, 5 March, the Co-Chairs introduced their Report on Guidelines for Sustainable Consumption (E/CN.17.ISWG II/1998/CRP.2). The report notes the need to extend the Guidelines to reflect new understandings of the importance of sustainable development and sets out the respective responsibilities of governments, business and industry and consumers. Governments should establish frameworks and set an example of sustainable consumption through their procurement policies and other activities. Business and industry should be encouraged to provide consumers with information, including environmental and social assessments, to assist informed decision making. The text notes that the CSD will consider consumption and production patterns as its cross-sectoral theme at CSD-7 in 1999. It also states that the proposed new elements for guidelines prepared by the Interregional Expert Group, as called for by ECOSOC (Resolution 1997/53), provide a good basis for further work. Further consideration for elaboration of the guidelines should be undertaken at CSD-6. Finally, the report states that the CSD should consider how to proceed with a detailed consideration of new guidelines and report to ECOSOC at its 1998 substantive session, as requested in Resolution 1997/53.

On Friday, 6 March, delegates were invited to comment on the Co-Chairs' draft report. The G-77/CHINA invited the Co-Chairs to qualify the paragraph on the respective responsibilities of government and industry, stating there had been no detailed discussion on sustainable consumption. The PHILIPPINES said that things must be put in proper perspective and asked why the paragraph should be included when the issue had not been discussed. JAPAN asked that the report be sent to CSD-6.

**OTHER MATTERS AND ADOPTION OF THE REPORT**

At the close of the meeting on Friday, 6 March, Co-Chair Odevall invited delegates to raise any other matters. The US asked for clarification of the status of background papers on industry that had been supplied to delegates at the beginning of the week. He asked whether these would form part of the negotiating process at CSD-6. Odevall explained that this question would be considered at a CSD Bureau meeting on 19 March. He said the documents, prepared by three participating groups, were not formal negotiating texts but he hoped that their content would form a fruitful contribution to the negotiations at CSD-6.

Delegates authorized the Co-Chairs to incorporate their comments into the final report of the meeting and adopted the report of the *Ad Hoc* Working Group (E/CN.17/ISWG.II/1998/L.1). The Co-Chairs thanked the delegates, the Secretariat and the interpreters before closing the meeting at 1:15 pm.

**A BRIEF ANALYSIS – CHASING AWAY THE UNGASS BLUES**

The Intersessional Working Group on Industry and Sustainable Development was an early testing ground for the CSD's attempt to recover from the low point of the 1997 General Assembly Special Session (UNGASS). The test was to focus discussion and add value to the all too familiar agreed language and thus begin to rescue the Commission from the creeping danger of degenerating into a solely environmental forum. Thus, the question of the hour is whether or not the CSD is on track to pass the test.

**HOMEWORK:** Since UNGASS, the CSD Secretariat and others within the UN system have been acutely aware that there could be no better time than this year's ISWG to return to the Rio mandate for a balanced treatment of all three elements of sustainable development: the environmental, the social and the economic. At a September inter-agency meeting in Geneva, a division of labor among UN agencies was agreed for the preparation of documentation for the ISWG on industry. The input from a spread of agencies with expertise in one or more of the three components of sustainable development was designed to kick-start the process of restoring balance to the discussion among delegations.

The new attempt to focus the work of the CSD on sectors such as industry is intended, in part, to take the discussion and conclusions beyond the well-rehearsed agreed language of Agenda 21 and the post-Rio agreements of the CSD. During its first five years, the CSD's discussions about consumption, finance and technology transfer have added little value to its work insofar as they were not embedded within a more focused agenda theme. It is hoped that discussions, such as that on industry, will reveal linkages and help clarify familiar concepts. One example at the ISWG was the clarification that emerged around the concept of eco-efficiency. This concept means making better use of existing levels of materials and energy inputs to increase productivity. The Secretariat reportedly viewed the subsequent output from the ISWG on industry as better than expected and, in response to detractors, they were keen to point out that the ISWG's deliberations would not be the last on the subject now that work on the sector had been operationalized.

**TECHNOLOGY TRANSFER:** A good place to look for shifts is the discourse on technology transfer, an issue that regularly invites an almost ritual-style repetition of positions. Some subtle and not so subtle changes stemming from both procedural and substantive innovations in the discussion were noted this year. A perennial critique of the discussions on technology transfer and finance has been that, when couched as they have been in a broad context or discussed as transfers *per se*, delegates fall back on familiar rhetorical refrains and have difficulty agreeing on specific actions. The agenda adopted at UNGASS called on delegates to consider technology transfer in the context of their deliberations on one sectoral issue and one economic sector,

rather than as a stand alone issue. To avoid diverting attention entirely from the cross-sectoral issues, the developing countries ensured that one afternoon at each session of the ISWG was designated for comments on technology transfer in the context of primary issue on the week's agenda. The resulting discussions on technology transfer as it relates to both freshwater and industry were viewed to be more constructive and specific than in the past, albeit marginally.

Two substantive innovations in the debate may help lay the groundwork for greater specificity as the dialogue continues. The first stemmed from the expert meeting hosted by the Republic of Korea (4-6 February 1998) on publicly-funded research and publicly-owned technologies. Participants there identified policies through which governments generate publicly funded research and development on ESTs and policies for the diffusion and accelerated transfer of publicly-funded ESTs. Delegates to the ISWG commented that the meeting in the Republic of Korea recognized that the much heralded private sector is not the only actor in technology transfer and pointed out ways in which government can and does play a role. The second substantive change was delegates' focus on how this other actor, the private sector, can facilitate technology transfer. Developing countries have been told that the private sector owns the ESTs and will be the primary actor in their transfer. Delegates to the ISWG finally focused on industry's role in this regard. The text on this issue remains fairly general, however: "companies are encouraged to provide ESTs." Some delegates expressed hope that new proposals will emerge during CSD-6's dialogue with industry representatives. The degree to which the CSD can encourage companies to provide ESTs depends on how well the CSD engages the private sector in the sustainable development dialogue.

**INDUSTRY PARTICIPATION:** Despite its Industry Segment title, some ISWG participants commented that the presence of industry was difficult to detect. During the recent negotiation of the Kyoto Protocol, the prospect of a legally binding instrument with direct economic impacts brought business leaders running from around the world. The CSD, however, lacks a truly comparable incentive and participation appeared limited to a few association representatives. One observer stated that industry had not been invited and that some industry representatives viewed UNGASS's attempt to forge linkages as little more than a lecture and were not likely to return. Still other delegations confessed there had been little if any industry participation in the development of their positions.

During the remaining weeks prior to CSD-6, delegates will need to look seriously at ways to ensure stronger industry participation and launch a follow-up process. One course of action proposed by the US, and advocated by NGOs, would have the CSD establish a process to review the effectiveness of voluntary initiatives intended to promote sustainable and equitable business practices. Canada suggested that the Intergovernmental Forum on Chemical Safety, where governments and industry representatives jointly reach recommendations for the chemical industry, could provide a model for a multi-stakeholder dialogue on CSD agenda topics. Whether the CSD takes up these or generates new ideas will test its resolve to build partnerships for sustainable development.

**CONSUMER GUIDELINES:** A number of NGOs, notably Consumers International, lobbied for negotiations at CSD-6 on the basis of recommendations in the report from the São Paulo Interregional Workshop on expanding the UN Guidelines on Consumer Protection. The NGO Steering Committee pushed for agreement on criteria for "ethical labeling," stressing the need to take account of criteria reflecting the social as well as the environmental components of sustainable development. The US and members of the G-77/China (notably the Philippines, where the tourism authority promotes the country as "The Shopping Center of the East"), resisted full negotiation of the guidelines at CSD-6. The Co-Chairs recommended a procedural discussion and recommendation to ECOSOC on what to do next. All of this takes place in the run-up to CSD-7's consideration of the



overriding issue of changing consumption and production patterns. Supporters of the guidelines agenda, including the European Commission, are keen that delegations arrive at CSD-7 engaged with the issues, including the guidelines, and prepared for an informed and useful negotiation. The Commission is expected to support some kind of formal and inclusive preparatory process on the guidelines prior to CSD-7. This could take the form of a parallel working group at CSD-6, an ECOSOC *ad hoc* working group or a regional meeting. As part of their preparation, NGOs are expected to focus on national lobbying efforts to ensure the engagement of key States, including the Philippines and the United States. The final test on the CSD's performance on this issue will come at CSD-7 in 1999.

**CONCLUSION:** The ISWG on Industry and Sustainable Development presented an obvious opportunity for genuinely engaging business leaders and regaining some credibility that may have been lost at UNGASS. Industry's engagement with the challenge of sustainable development was much clearer and well defined during the Kyoto process. That engagement, of course, consisted of outright opposition as well as a desire to participate in the design of legally binding commitments. Since the CSD's decisions are not legally binding, there is far less impetus for the participation of industry. However, there are some opportunities for the CSD to enhance the currency of its exchanges for the industry sector. The CSD can complement the activities of organizations like the WBCSD and the International Chamber of Commerce insofar as their memberships have already recognized that the environmental and social limits that need to be integrated into the dominant development model, through the systematic application of such concepts as eco-efficiency, represent an economic opportunity. The CSD can offer industry a menu of recommendations, focusing on best practices, and perhaps an opportunity to both guide and ground the debate. The *quid pro quo* must be a thoughtful attempt by the CSD to guide governments in the establishment of consistent and appropriate national legal, fiscal and policy frameworks. The lack of consistent treatment of the need for these frameworks at the ISWGs on freshwater and industry has not impressed industry representatives.

A significant opportunity for political influence over industry's level of engagement, however, is the CSD's work on issues such as the consumer guidelines. The global democracy made up of the world's citizen-consumers includes a number of highly informed constituencies who will prove more than receptive to a credible and coherent set of expanded consumer guidelines that render transparent the true economic, social and environmental costs of every act of consumption. As Secretary-General Kofi Annan commented recently: "People move governments." The political influence will not come so much from top-down delivery as from a recognition at the CSD that certain elements of its agenda can hit the ground running where they reinforce the objectives of already mobilized constituencies.

## THINGS TO LOOK FOR BEFORE CSD-6

**WORLD TRADE ORGANIZATION:** From 17 - 18 March 1998 in Geneva, the WTO Committee on Trade and Environment (CTE) will convene a second NGO Symposium: Strengthening Complementarities between Trade, Environment and Sustainable Development. The Committee on Trade and Environment will then meet from 19 - 20 March. For further information contact Scott Vaughan at the WTO Secretariat, Environment Division: tel. +41-22-739-5091; fax: +41-22-739-5620; e-mail: webmaster@wto.org; Internet: <http://www.wto.org>.

## GLOBE '98 ENVIRONMENTAL INTERNATIONAL

**TRADESHOW AND CONFERENCE:** This event for businesses will be held from 18 - 20 March 1998 at the Vancouver Trade and Convention Centre. More than 12,000 participants from 50 countries will attend to see some 400 companies exhibit their new technologies and eco-processes. Contact: John Wiebe, Chair, Globe Foundation, #504 - 999 Canada Place, Vancouver, B.C., Canada; tel.: +1-604-775-1994; fax +1-604-666-8123, e-mail: [info@globe.apfn.net](mailto:info@globe.apfn.net); Internet: <http://www.globe.ca>.

**ENVIRONMENT AND ECONOMY WITHIN THE FRAMEWORK OF SUSTAINABLE DEVELOPMENT:** This meeting will be held in Tunis, Tunisia, from 24 - 26 March 1998. The conference's primary objective is to exchange ideas in the fields of assessing the costs of pollution, analyzing the constraints, opportunities and international experiences in applying economic instruments in environmental protection. For more information contact: CITET; tel.: +216-1-770 285; fax: +216-1-772 255.

**INTERNATIONAL SUSTAINABLE DEVELOPMENT RESEARCH CONFERENCE:** This meeting will be held from 3 - 4 April 1998 in Leeds, UK. For more information contact ERP Environment; tel.: +44-1274-530408; fax: +44-1274-530409.

**WORKSHOP ON PARTICIPATORY NATURAL RESOURCE MANAGEMENT IN DEVELOPING COUNTRIES:** This meeting will be held from 6 - 7 April 1998 in Oxford, UK. For more information contact Bhaskar Vira, Oxford; tel: +44-1865-2846; fax: +44-1865-2708; e-mail [Bhaskar.vira@mansfield.oxford.ac.uk](mailto:Bhaskar.vira@mansfield.oxford.ac.uk).

**SUSTAINABILITY AND IMPACT ASSESSMENT:** The conference, "Sustainability and the Role of Impact Assessment in the Global Economy: Excellence, Innovation and Adaptability" will be held from 19 - 24 April 1998 in Christchurch, New Zealand. For more information contact the IAIA Executive Office; e-mail: [iaia@ndsuxt.nodak.edu](mailto:iaia@ndsuxt.nodak.edu).

**ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC (ESCAP):** ESCAP will hold its fifty-fourth session in Bangkok, Thailand, from 16 - 22 April 1998. For more information contact ESCAP, Rajdamern Ave., Bangkok 10200, Thailand; e-mail: [unisbkk.unescap@un.org](mailto:unisbkk.unescap@un.org); Internet: <http://www.unescap.org/>

**ECONOMIC COMMISSION FOR EUROPE:** The UN Economic Commission for Europe (ECE) will hold its fifty-third session in Geneva from 20 - 23 April 1998. For more information contact the ECE Information Office, Palais des Nations, 1211 Geneva, Switzerland; tel: +41-22-917 2893; fax: +41-22-917 0036; e-mail: [info.ece@unece.org](mailto:info.ece@unece.org); Internet: <http://www.unicc.org/unece/>.

**CSD-6:** The CSD will hold its sixth session (CSD-6) in New York from 20 April - 1 May 1998. For more information contact the Division for Sustainable Development, United Nations Plaza, Room CD2-2270, New York, NY 10017 USA; tel: +1-212-963 3170; fax: +1-212-963 4260; e-mail: [dpcsd@un.org](mailto:dpcsd@un.org); Internet: <http://www.un.org/esa/sustdev/>.