



## **1. Overview**

Can trade contribute to sustainable development? The answer is that it has to. If anything the World Summit on Sustainable Development (WSSD) this year made clear that the term sustainable development will not go out of fashion and be off the agenda in a year or two; rather it has to be at the centre of our trade policy. Sustainable development, including trade's contribution to it, must be a concept and a leitmotiv for the long term.

The 1987 Brundtland Report called for development that would allow us to meet the needs of the present without compromising the ability of future generations to meet their own needs. The WSSD held in Johannesburg, marking the 10<sup>th</sup> anniversary of the Earth Summit allowed us to further developing trade policy to mesh even more closely with this fundamental requirement.

In mid-2001 the European Council in **Gothenburg** did much to further our aims. Following this, the Commission came up with proposals for a **sustainable development strategy for the European Union as a whole**. Community policy is multifaceted, and every facet counts in achieving a sustainable outcome. A full contribution to this process starts first of all by stimulating dialogue on how trade can be a force enhancing sustainable development.

As the Marrakech agreement establishing the **WTO** makes clear, sustainable development is an ambition for both developed and less developed countries. Relevant issues need to be raised in all key forums, at national, Community and international level, if we are to ensure that the sustainability benchmark is built into the thinking of trade policy-makers worldwide. This is not an excuse to tell developing countries what to do; it is an opportunity for the entire world to consider the ways in which **an open trading system can promote environmentally-friendly growth** that allows economic and social development to take place, adjusted to take account of finite resources.

**In the Community**, we must build sustainable development considerations into policy at the earliest possible stage including efforts to make room for sustainable, environmentally-friendly growth in developing countries. In order to achieve this, we use Sustainability Impact Assessments (SIAs) as appropriate

**On trade policy** specifically, there is a need to move towards a framework of rules that favour the integration of sustainable development into all fields of national policy-making, and which avoid creating obstacles to sustainable policies. These twin objectives for sustainable trade need to be fleshed out with new ideas, ideas which must be supportive of each pillar of sustainable development: economic, environment and social. It is hard to hit all three targets at once but to over-emphasise any one of them would be to miss the point of sustainable development. Trade policy must aim to produce an overall net positive development taking into account all three issues, stable growth, equity and ecology.

The **contributions of civil society representatives** and non-governmental organisations to this process are vital. Part of the process of further developing the Commission's ideas for a sustainable development enhancing trade policy is through our dialogue with civil society representatives in the DG Trade issue groups. Dialogue so far has brought into sharper focus the main doubts and questions that need further attention but we need to ensure that the debate continues to develop.. The output should help to ensure that there is a strong and valid trade

pillar in the EU's sustainability strategy.

## **2. What are we working on in detail?**

### **2.1. WSSD Plan of Implementation/ assessment and follow up**

WSSD sets a new benchmark:

**Trade specific elements:** the WSSD Plan of Implementation

- Secures the principle that WSSD should be supportive of Doha
- Calls for increased TRTA and capacity building throughout the text.
- Welcomes Doha's focus on placing the needs of developing countries at the heart of negotiations and the mainstreaming of sustainable development throughout the negotiations.
- Confirms the mutual supportiveness of trade, environment and development.
- Supports trade in environmentally friendly and organic products
- Confirms the need for other industrialized countries to emulate EBA
- Confirms the need to evaluate the inter-linkages between trade, environment and development (but a reference to SIAs was not acceptable to the developing world).
- Emphasises the importance of strengthening international actions in support of corporate social responsibility
- Requests closer co-operation between key international organizations relevant to trade and sustainable development.

On some points like **the greening of export credits, GSP and SIAs**, results are poor. But overall, WSSD provides a very good basis to continue efforts to make trade contribute more to global sustainable development.

**In following up these results, the Commission will focus on:**

#### ***(i) Sustainable Trade***

A comprehensive review of all components of sustainable trade, including fair trade, ethical trade and organic trade will be undertaken. The analysis will cover all aspects of DDA and also include instruments such as the GSP. Consultations with NGOs and industry will be undertaken.

Continued support for the Sustainable Trade and Innovation Centers to further promote our important WSSD commitments on the promotion of markets for environmentally friendly goods and organic products.

#### ***(ii) Corporate Responsibility***

The Commission will contribute to the implementation of the WSSD recommendations in the following areas:

- Ensure the consistency and sustainability of our trade policy by reinforcing links between

CR, SIAs, the DDA, and all other components of sustainable trade;

- continue to raise and promote CR issues with our trade partners (Chile, ACP, ASIA...etc) ;
- deepen, inter alia, the issues of reporting, accounting and measurement

***(iii) SIAs***

The Commission will continue our close co-operation with UNEP on SIAs.

In February 2003, the Commission is organising an SIA seminar with the purpose of building capacity developing countries' capacity on SIAs

***(iv) Trade Related Technical Assistance and Capacity Building***

The Commission will implement measures aimed at improving the delivery of trade related assistance in key areas to help developing countries, and in particular the least developed countries.

Overall, the Commission will continue to work on three different paths on TRTA:

- in the framework of the WTO
- close cooperation with UNEP
- technical assistance and capacity building projects undertaken directly by the Commission:

***Strengthening sustainability in bilateral and regional trade***

DG Trade will enhance our efforts to integrate the sustainable development aspects into regional and bilateral trade agreements by building sustainable development objectives and dialogue into the agreements starting with SIAs being undertaken on all these agreements.

**2.2. Measuring the Impacts: SIA**

The Commission is running an ambitious programme to assess the impact of trade liberalisation on sustainable development. These Sustainability Impact Assessments (SIA) are applied to the Doha Round and the bilateral and regional initiatives underway. SIA should enable European policy makers and other interested parties to understand more clearly how trade liberalisation can contribute to sustainable development.

With the help of Sustainability Impact Assessment, it will be possible for the EU to focus negotiating effort on objectives that can advance trade growth while enhancing sustainable development worldwide. The SIA will also enable us to identify policy areas where trade liberalisation is desirable, but where the impact of liberalisation will be enhanced if accompanied by more "flanking" measures. These would probably fall outside the field of trade policy, but would enable developing countries, for example, to make sure extra growth does not harm the environment. The need for such capacity building has from the start been central to the Community's approach to WTO negotiations. It is one of the reasons why Europe has stressed the need for the WTO to pursue more coherent policy making, both on trade, but also in co-operation with the IMF, World Bank and other major international organisations.

SIA can only be one input in the making of a sustainable trade policy. The political conclusion to be drawn from such an assessment is ultimately a matter for the Council, Parliament and Commission, and for WTO members. Still, those who decide on a WTO package will be better informed on linkages between trade and other policy areas. SIA will also draw in new actors to help shape the EU policy debate.

The EU can thus check whether trade negotiations can produce more trading opportunities which are compatible sustainable development. Furthermore, integrating sustainability into trade negotiating objectives, both in the EU and WTO, should boost economic welfare while enhancing international co-operation. We can pursue economic, environmental and social equity goals simultaneously. SIA will be built into the EU-ACP regional trade negotiations now mandated and may also be applied to other major negotiations (e.g. EU-Mercosur).

### **2.3. The Doha Development Agenda: the EU approach to a more sustainable WTO**

Sustainable development is not alien to the WTO: the concept is enshrined in the first preambular clause of the Marrakech Agreement establishing the WTO. It has been repeated in the Doha Declaration. However, trade policy is more than the sum of WTO rights and obligations, both for the EU and for other WTO members. The WTO leads in the development of trade policy world-wide, but developing a sustainable trade policy depends on national actions that go well beyond abiding by WTO agreements. So-called “non-trade flanking measures” will most often be completely outside the WTO’s remit.

Some **specific topics** for negotiations that enhance the WTO’s contribution to sustainable development are:

a) Substantial improvements in **market access** across the board, including products that developing countries are likely to export. This would imply (a) the EU and other developed countries being willing to liberalise substantially in sectors where developing countries are competitive; and (b) ensuring that the subsequent increase in production takes place within a framework of technical assistance or other policies that limit risks of environmental or social degradation.

b) New WTO rules on **investment, competition and trade facilitation** to improve governance of the world economy. The contribution of such rules to development should be an important objective of the negotiating process. New rule making in these areas should contribute to enhancing the regulatory capacity of developing countries and help all countries to address new challenges raised by globalisation.

#### **c) WTO rules and Multilateral Environmental Agreements (MEAs), para 31 (i) DDA**

The Commission believes that Multilateral Environmental Agreements (MEAs) are the most effective way of tackling international environmental problems. Furthermore, the fact that trade measures MEAs may contain were negotiated and agreed by consensus in a multilateral context should be a guarantee against discriminatory action and their use for protectionist purposes.

The relationship between WTO rules and MEAs in general is unclear, however. If MEAs were deemed to justify discriminatory and protectionist action, it could set a damaging precedent for the Multilateral trading system. Similarly, subordinating MEAs to the WTO would undermine international efforts to tackle environmental problems and would fuel the arguments of those opposed to the WTO. The delay in agreeing the Cartagena Protocol on Biosafety demonstrates that this is a very real problem. How the provisions of MEAs relate

to and/or could be defended, notably under GATT Article XX, is also the object of debate and interpretation. Given the growing interface between MEAs and WTO rules, uncertainty over the relationship between the two sets of rules in the WTO is increasingly affecting MEA negotiations which in our view unnecessarily exacerbates tensions between MEAs and WTO.

In particular, uncertainty surrounds the issue of non-parties to MEAs even if this issue is not explicitly covered by the Doha mandate. So far, no trade measure taken pursuant to an MEA has been challenged in the WTO by a non-party. It is unsure whether this would happen in the future but the legal ambiguity surrounding the possibilities of such a challenge causes uncertainty and doubt over the effectiveness and legal status of such measures and thus weakens MEAs.

**d) WTO/MEA information exchange, observership, para 31(ii) DDA**

Transparency and good governance start with better information flow and better understanding of various regulatory fields of activity. The Commission is pushing hard to ensure an early harvest on improvements in this field.

**e) Enhanced Market Access for environmental goods and services, para 31 (iii) DDA**

Negotiations on these important “win-win” issues are getting under way in the industrial goods and services negotiations. Clarification of the definition of environmental goods is essential in moving ahead in the goods negotiation. On services, the Community has included requests on environmental services in most of the 190 requests to other WTO members.

The views expressed represent the views of the author and in no way can be attributed to the European Commission

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