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**FIFTH INFORMAL CONSULTATION BETWEEN THE OECD TRADE COMMITTEE AND CIVIL SOCIETY ORGANISATIONS (CSOs)**

**Submission by WWF International**

**WWF'S PRELIMINARY RECOMMENDATIONS TO THE OECD FOLLOWING THE FAILURE OF THE FIFTH WTO MINISTERIAL**

**Paris, 20 October 2003**

*This paper has been submitted by WWF International. The views expressed herein are those of the author and are not necessarily shared by Members of the OECD.*

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**WWF's preliminary  
recommendations to OECD  
members following the failure of  
the Fifth WTO Ministerial**

*15 October 2003*



**A new and narrower focus for WTO negotiations is long overdue. Since the early rounds of the GATT, when negotiations focused on tariff and quota reform, the purview of the WTO has expanded dramatically. We should now reflect on where this expansion is leading, what its implications are for the contribution of the WTO to the pursuit of sustainable development, and what this implies for other international agencies. WWF views the events in Cancun as presenting an opportunity. With the right political will and vision, the OECD members could use this to begin to put sustainable development at the heart of international policy making.**

## ***1. The challenge of sustainable development***

Although our understanding of the serious environmental problems with which we are faced is constantly improving – and with this, an understanding of how to address these problems – the political will and ability to act seems to be receding. In recent years we have seen a litany of international conferences on sustainable development – Stockholm in 1972, Rio in 1992 and Johannesburg in 2002. All recognise the urgent need for change. All bemoan its absence.

The UNEP Global Environment Outlook 3 looks ahead to 2032 and a world shaped by the current ‘markets first’ economic orthodoxy, based on the “values and expectations prevailing in today’s industrialised countries”.

The report foresees a world where “[s]ocial stresses threaten socio-economic sustainability as persistent poverty and growing inequality, exacerbated by environmental degradation, undermine social cohesion, spur migration and weaken international security”.

The fact that our economic institutions have delivered such significant – albeit unequal – prosperity begins to explain why so little has been done to address the sustainability challenges that we face. It helps us to understand why many of today’s decision-makers still struggle even to discuss the impacts that current economic development patterns have on the environment, and the implications of these for future generations – let alone act to address these problems.

## ***2. Trade policy as a component in governance for sustainable development***

If international governance frameworks are to operate to promote sustainable development, then these must be capable of striking a balance. Macroeconomic policy must address immediate economic needs, whilst ensuring that these are not provided through the irreversible depletion of natural resources or degradation of the global environment in a way that will threaten the welfare of future generations.

The WTO is designed to promote the liberalisation of trade in goods and services. But its work-programme extends into many other areas. This frustrates attempts to use other, more appropriate, institutions to address many issues which are central to the sustainability debate, but peripheral to the areas of core WTO competence. (The OECD itself has expertise on some of these issues, and this should be drawn upon.) This was experienced directly in Johannesburg, which failed manifestly to begin to strike the balance, which the Commission’s Communication of 13<sup>th</sup> February recognised as so essential.

The ‘trade and globalisation’ chapter of the Draft Johannesburg Plan of Implementation was of central importance to the negotiations, and yet there was a point-blank refusal to negotiate on issues



which might – however marginally – be seen to impinge on the WTO work-programme. This led to the breakdown of talks in the Preparatory Meeting in Bali, and the rejection of the corresponding elements of the text in Johannesburg as ‘abysmal’ by a coalition of major NGOs<sup>1</sup>.

Romano Prodi noted in addressing the European Parliament in 2001 that we should ensure “all policies have sustainable development as their core concern”, but he recognised too that “[p]olicymaking will often mean reconciling divergent interests and, in certain cases, achieving trade-offs between policy-sectors”<sup>2</sup>. The international system must create a framework that can make sure that synergies are captured and tensions relieved between trade policy and policies directed at sustainable development.

The WTO, with its focus on liberalisation as an end in itself, is manifestly the wrong forum for attempting to achieve the trade-offs of which Romano Prodi speaks. Nor will these concerns be reconciled in the interests of sustainable development whilst the WTO continues to address a range of issues at the interface of trade and environment – it simply doesn’t have the expertise.

Rather, we need a structure where those institutions which are expert in sustainable development set targets and define the role of the WTO in contributing to this. The WTO must recognise the limits of its competence, and scope must be created for other institutions to negotiate solutions to problems that are now seen as being the preserve of the WTO.

### ***3. The failure of the Cancun meeting, and its implications for the multilateral rules-based trading system***

The precise reasons for the failure of the Cancun meeting are far from clear. What is clear, however, is that one important contributory factor was the insistence of some WTO Members – both in the run up to Cancun, and over the course of the Ministerial itself – that the WTO agenda should be expanded to include a range of new issues. A new and narrower focus for WTO negotiations is long overdue. Since the early rounds of the GATT, when negotiations focused on tariff and quota reform, the purview of the WTO has expanded dramatically. We should now reflect on where this expansion is leading, and what its implications are for the contribution of the WTO to the pursuit of sustainable development.

WWF believes that it is important that international trade is based on a multilateral rules-based system. The response of the OECD member countries to events in Cancun will clearly be of central importance in determining whether the opportunities with which we are now presented are to be used to promote a fairer and more sustainable multilateral trading system, or whether they augur a descent into a free-for-all scramble for bilateral trade deals. They also provide an opportunity for reviewing the role of the WTO in upholding and developing this system.

The emergence of a self-confident alliance of developing countries – the G21 – within the WTO is a positive development, and one which presents new opportunities for working with developing countries to forge a more sustainable international trading regime.

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<sup>1</sup> Scrap the Trade Text and Start Again. EcoEquity Press-release, Johannesburg, South Africa 30 August, 2002. (EcoEquity included: ANPED, Consumers International, Danish 92 Group, Friends of the Earth International, Greenpeace, Oxfam International, World Development Movement, WWF).

<sup>2</sup> Romano Prodi, European Parliament, Strasbourg, 15th May, 2001.



#### ***4. Sustainable development concerns in the WTO***

A subset of OECD members, particularly the members of the European Union, are the main *demandeurs* for the negotiation of sustainable development concerns within the WTO, and considerable resistance is encountered in the course of trying to develop this position within the WTO.

The reasons for this resistance are multifold. It springs in part from a systemic opposition on the part of developing countries to further expansion of the WTO agenda to address issues, which they have neither the appetite nor resources to negotiate. It is also attributable to a concern that the pursuit of an environment agenda within the WTO is essentially for protectionist ends. This concern is expressed by many developing countries.

These problems are compounded by the fact that developing countries themselves – although frequently *demandeurs* for robust provisions in multilateral environment agreements – do not have a proactive sustainable development agenda in the WTO. Rather there is a danger that they are co-opted to the position of some developed countries, which view the environmental proposals put forward in the WTO as being motivated primarily for protectionist ends.

#### ***5. The shape of WTO reform***

Although there is no *necessary* reason why it should be the case, there are instances where trade liberalisation and the pursuit of sustainable development coincide. The reform of some agricultural and fishing subsidies provides an example. Such policies – once identified through use of sustainability assessments – should be pursued through the WTO. It is here that the conjunction between the dual aims of the WTO, as identified in the Marrakech Agreement establishing the Organisation, is achieved<sup>3</sup>.

The WTO is also ill suited to the further development of such measures – or even to safeguard the legitimacy of those which have already been internationally agreed. Indeed, the WTO has as yet failed to resolve the tensions between its own set of rules – focussed narrowly on promoting liberalisation – and the trade provisions under some Multilateral Environment Agreements (such as, for example, the Kyoto Protocol on climate change).

Policies aimed at liberalisation, but which undermine sustainable development should clearly not be pursued at the WTO. Reciprocally, though, it is widely accepted that there are policies which, whilst interventionist, nonetheless promote sustainable development. Consider, for example; some agricultural subsidies aimed at providing environmental benefits, the retention of specific tariffs to safeguard the livelihoods of small subsistence farmers, or restrictions on trade in environmentally harmful goods – as provided for under some Multilateral Environment Agreements. In view of the WTO's explicit agenda of progressive liberalisation, these too should be shaped elsewhere.

Sustainable development – for which all international economic policy should aim – is a vague concept. In practice, it is approached through some *balance* of policies, addressing both immediate and long-term needs. This balance must be approached through drawing on a broad range of expertise, and through the exercise of circumspection. This requires the input of a range of agencies – for example, UNEP, CSD, ECOSOC, UNCTAD, and UNDP – in addition to the WTO.

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<sup>3</sup> The Marrakesh Agreement Establishing the World Trade Organisation foresees “expanding the production of trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development”.



## ***6. The role of OECD members in responding to events in Cancun***

- **OECD members should work with developing countries to set out an agenda for re-examining the scope of the WTO's work-programme**

We need new mechanisms for deciding where the expertise for tackling a range of policies for sustainable development issues lies, and for pursuing international negotiations on these.

Some policies – such as the reform of some agricultural and fishing subsidies – are consistent with the pursuit of a liberalised trading regime, whilst also contributing to the pursuit of sustainable development. By focussing on these issues, the WTO would simultaneously work towards an open trading system, in those respects that promote sustainable development, whilst presenting a more manageable set of issues for negotiation. This would help to ensure that the WTO focussed on its areas of core competence, allaying developing country grievances that the WTO agenda is over-loaded, and relieving public criticism of the organisation.

Other issues should be dealt with by agencies with the relevant expertise.

- **OECD members should set out an agenda for re-examining the relationship between the WTO and other institutions**

The EU Trade Commissioner, Pascal Lamy, asked, in the aftermath of Cancun, “*are we still looking to strike a dynamic balance between market opening and rule-making, rules without which market opening is neither effective, nor in line with our values?*”<sup>4</sup> We do indeed need rules governing market opening – rules which explicitly view this as one policy tool of many that should be pressed into service to deliver more sustainable development. The problem is, the WTO is poorly equipped to make many of these rules.

Negotiations on many issues are complex, and fall outside the proper competence of the WTO. This leads to resistance – particularly from developing countries – to their negotiation in the WTO.

Issues which should be tackled outside the WTO include frameworks for sustainable investment; approaches to dealing with scientific uncertainty – whilst safeguarding these against protectionist abuses; defining environmental goods and services; and the use of ecolabelling schemes.

Re-examining the scope of the WTO will require the input of other agencies – both in defining this scope, and in undertaking to pursue international agreement on issues falling outside it. Such agreements, once reached, may nonetheless benefit from a reformed WTO. There may be ways, for example, in which appeal can be made, under these agreements, to the robust dispute-settlement mechanisms, which the WTO wields - in order to enforce policies that they develop.

- **OECD members should work to strengthen international governance for sustainable development in other forums**

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<sup>4</sup> Pascal Lamy, Strasbourg, 24 September, 2003.



The role of the UN Agencies and other intergovernmental bodies' will be critical in the process outlined above. Within a few days of the failure of the Cancun meeting, the UN Secretary General expressed the view that *“the role of the Economic and Social Council – and the role of the United Nations as a whole in economic and social affairs, including its relationship to the Bretton Woods institutions – needs to be re-thought and reinvigorated.”*<sup>5</sup> Such re-thinking must surely provide an opportunity for considering the appropriate distribution of responsibilities between international bodies, and the proper role of WTO.

- **OECD members should work with developing countries to develop a joint, proactive, agenda for sustainable development**

A proactive agenda for sustainable development, which clearly delineates the WTO's role, will clearly not emerge at the WTO. Nor will it be successfully promoted by the industrialised countries alone. At present, many developing countries are sceptical of the pursuit of the environment agenda – particularly through the WTO. This is exacerbated by moves to co-opt them into opposing environmental regulations on the grounds that these are protectionist. The industrialised countries need to work with developing countries to develop a common proactive agenda for the development of governance regimes supportive of sustainable development, whilst allaying developing country concerns about green protectionism. Indeed, developing country concerns about green protectionism are perhaps exacerbated by the fact that it is only a few developed members that have a clearly articulated proactive agenda on trade and environment.

One approach would be to work with other international agencies to identify those developing countries which will be impacted by particular environmental regulations. These agencies would then be mandated to develop, in collaboration with the affected countries, an effective set of policies to mitigate any impacts – through technical and financial assistance programmes, for example. One project which recognises the importance of this is the joint International Centre for Trade and Sustainable Development (ICTSD), International Institute for Sustainable Development (IISD), Regional International Networking Group (RING) initiative to gather and present Southern perspectives in order to determine priorities for promoting and negotiating proactive positions which reflect their own 'Southern Agenda' on environment and trade in the multilateral trading system.

Although UNCTAD and UNEP engage in work on capacity building on trade, environment and development (through, for example, the UNEP-UNCTAD Capacity-Building Task Force) these initiatives are woefully under-funded, and are undermined by some developed country WTO members opposed to such initiatives.

But there is also a need to work with developing countries to develop policies to address domestic environmental problems on their own terms – even where these conflict with the short-term economic interests of their developed country trading-partners. The emergence of the G21 group of countries in Cancun presents one opportunity for working with a developing country bloc to develop such a proactive agenda.

- **OECD members should reform the way that they develop trade policy internally**

Attention will focus – rightly – on the failures of decision-making processes within the WTO. But this should not lead us to ignore the failures of policy-making processes in OECD member countries. Trade-policy making in many OECD countries are opaque processes that draw too little on the input of

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<sup>5</sup> The UN Secretary-General Address to the General Assembly, New York, 23 September, 2003



experts outside the Ministries of Trade, and too little on the expertise of other government departments. It is conducted with too little accountability to elected representatives.

Reform of the type envisioned in this paper – reform that would lead us to view trade policy, and the WTO, as an important, though small, component in a broad policy framework for sustainable development – would require the full involvement of a broad range of actors in the course of formulating national trade policy. This would require a more open and accountable process for its development.

- **OECD members should make full use of sustainability impact assessments**

Some OECD members have undertaken to conduct ‘sustainability impact assessments’ (SIAs) for all of its major bilateral, regional and multilateral agreements, and to use them to inform the negotiations. Such studies are complex, and can never aim to be exhaustive in foreseeing all impacts of particular trade policies. They can nonetheless be of great value in identifying those areas where liberalisation in specific sectors, or under specific circumstances, can be anticipated to promote sustainable development. They can also signal circumstances under which far greater circumspection should be exercised prior to negotiating particular policies, or where the complexity of particular policies and their probable impacts suggests that the WTO should not be left to negotiate these alone.

So far, there is still little evidence that these are actually influencing countries' trade negotiating positions. SIAs are conducted at arms-length from policy formulation and need to be integrated into the policy-making machinery. What is more, rather than fundamentally questioning and influencing the thrust of national trade policymaking, the studies so far have focused on mitigating and enhancing measures – mainly to be taken by trading partners – to offset the negative effects of liberalisation.

*Please send any comments on this paper to:*

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