

STIC-Mini-Ministerial Meeting in CANCUN

Background paper

Session 1. About STIC.

WTO's Members have expressed the desire to ensure that the Doha Round Trade negotiations promote the objective of sustainable development. This objective is deeply embedded in the WTO framework

STIC is addressing the implementation of

- The Marrakech Agreement and subsequent WTO legal texts
- The Doha Development Agenda
- The WSSD Conclusions

1. What is on STIC's agenda is not the WTO Ministerial Agenda:

- The new industrial revolution
- The global chain management
- Private standards setting
- Institution and capacity building

International business in trade is much governed by the supply chain. Supply chains are complex today –in terms of linkages, breadth and depth. They are dynamic and keep evolving. The driver of STIC agenda today is not the political debates but the permanent dialogue between enterprises, (multinationals, retailers) and their stakeholders. A permanent dialogue and a dynamic resulting of pressures, risks management (including reputation risks), sustainable development performance assessment ratings influencing the stock exchange market.

It is about innovation, new business opportunities, new markets, new products, new services, new joint ventures and start-up.

It is also about rebalancing the standardisation system towards Developing Countries and influencing the drafting of private companies supply chain guidelines. It is about testing, validation and certification facilities in Developing Countries, standards reciprocal recognition and harmonization.

It is definitely as well about SME's, which are playing a major role in the supply chains but which are also under particular threat.

2. The definition of sustainable trade proposed by IISD is a very useful starting point for discussion on how to reach sustainable trade. Sustainable Trade is said to take place when the international exchange of goods and services yields positive social, economic and environmental benefits, reflecting the four criteria of sustainable development. It:

- Generates economic values
- Reduces poverty and inequalities
- Regenerates the environmental resources
- Is carried within an open governance system.

3.The First STIC Regional Consultations. Findings.

The consultations for West Africa (Benin), Latin America (Costa Rica), South Asia (India) are underlying the role STIC could play in addressing the four criteria of sustainable trade:

- *Generates economic values:* market intelligence and launching a buyers projects group will be two first focus for STIC helping producers to find buyers.
- *Reduces poverty and inequalities:* STIC could concentrate on two issues (i) the costs of certification process is too high for many; (ii) the future of many SME's is at stake which is becoming a "social issue"
- *Regenerates the environmental resources:* STIC could help to promote the high value of protecting and making better use of natural resources.
- *Carried within an open governance system.* STIC will focus on private standardisation initiatives to change the balance of standards setting towards Developing Countries

As Mr. Prasak Modak, from the Environmental Management Centre in New Delhi, noted "innovation is the key to turn the challenge to an opportunity at an operating level.

STIC Objectives are:

- To create a "market intelligence" service
- To develop tools to rebalance the standardisation system towards a co-evolution of standards
- To create new market opportunities and joint ventures, in particular by facilitating a partnership between vendors and buyers

3. What should sustainable trade ask for ?

As Mr. Prasak Modak, from the Environmental Management Centre in New Delhi underlined, the environmental, social, ethical awakening is the result of a complex set of factors and dynamic, including for instance new research and finding on health and safety, specific demands from the Customer, part of the marketing strategy of fashion, design and retailers, perception of new risks including reputational risk, strategy to leverage in the supply chain, need to create a levelling ground, interest to promote certain materials and select technologies, mainstreaming due to broad based national policy and regulations, need to comply with the essence of Multilateral Environmental Agreements, ... Better social and environmental performance are expected to lead to higher quality products and better levels of productivity.

In response, what should sustainable trade ask for ?

- Common principles, through codes of conduct ?
- Common management and reporting systems?
- Common practices, through specific labels ?

In the framework of Escalator 51, we could add

- A policy debate platform, between Developing and Developed Countries, (as the European Sustainable Trade Forum bringing together the European Commission and Producers from Developing Countries of “sustainable products”)
- A joint purchasing policy. (As developed with the European Buyers Projects Group. It is expected that similar initiatives will be undertaken in North America and Japan)

4. What is the role of Governments?

Sustainable Trade is a challenge. It might indeed result in:

- Impositions on phasing
- Higher costs of substitute
- Investments requirements for essential modernization
- Higher need of technical skills
- Regular supervision/audits to be faced
- Expensive and copious sampling/monitoring
- Higher operating costs of certification
- Requirements to stay updated instead of getting informed by surprise.

How those barriers could be overcome :

- Partnering with the private sector (see session 2)
- Mobilise special funds and create guarantee funds (see session 3)
- Change the standard setting dynamic. (see 4.1.)
- Increase the South-South Co-operation and debate at regional level for accreditation and testing procedures (see 4.2).
- Build a Domestic Market for “sustainable and fair products” (see 4.3.)

So far, there are no national and domestic policies in developing countries that promote sustainable trade.

4.1. The objective should be to change the standard setting dynamic.

It is the fourth dimension of sustainable trade that STIC is addressing. What are the gaps towards an open governance system ? During STIC-Asian consultation, Mohammed Saqib, Rajiv Foundation, gave a very good summary

- Lack of participation in formulation of standards
- Standards are not harmonized, vary country by country
- Lack of knowledge (testing procedures...)
- Lack of trust (mistrust in intentions behind the enforcing of standards by the developed world- any new development is perceived as a non tariff barrier)

The presentation by S. SRIKADATH from Sri Lanka and Willie Beuth underlined the imminent and urgent need to design a common framework .

- There is no reciprocal acceptance
- There are standards without certification

- Certain standards are missing key components of sustainability.

4.2. Mohammed Saqib, identified in particular an issue we also observed in Benin: the lack of incentives to implement domestically the concept of sustainable/environmental products :

- Non existence of, or poor enforcement, of domestic standards : emphasize the role of Developing Countries Governments as Purchasers, to create incentives by Newmarket access.
- Debate at regional level (SARC, ASEAN) the need for regional approach to accreditation procedure, standards harmonisation, testing institutes.

4.3. To change the balance of standards setting towards Developing Countries requires

- to have a purchasing power. From this point of view, Countries as those invited to the mini-Ministerial (China, India, Brazil, South Africa...)are very attractive
- open a debate not with standards setting organisations but with major buyers using voluntary but competing and not harmonised standards..

Session 2. A Global Alliance on Sustainable Trade, Purchasing and Investment.

1.The agenda.

1.1.The global chain management agenda, the new industrial revolution, including foreign direct investments, purchasing decisions, private standardisation and guidelines, are issues requesting a public-private partnership.

1.2. The future of SME's is a major industrial and social issue requesting a partnership between Governments and Multinationals.It should address a partnership between Governments and Companies in support to SME's related to:

- Harmonization or reciprocated recognition of private and competing standards on compliance used by multinationals as : Ethical Trading Initiative (ETI), Fair Labor Association (FLA), Social Accountability(SA8000), Worldwide Responsible Apparel Production (WRAP), ISO 14000 series, EMAS,
- Market Intelligence
- Training, Capacity Building
- Domestic Market for sustainable and fair trade products

1.3.The objective to meet the Millennium Targets are another imperative for a strong partnership between Governments, Companies and Civil Society.

- The sustainable livelihoods program of the Private Sector (WBCSD) underlines that for enlightened businesses, manufacturing and services sectors alike, the poverty agenda is now a major issue both in terms of global security and innovation and competitiveness, new prices, products, services.
- The financial community, both public and private banks in particular, are expected to join forces to offer new financial instruments, set up guarantee funds for access to the export market as well as for micro-credits.

2. The Champions

To accelerate the transition towards sustainable development, **we need leaders:**

- Governments, Multinationals, Civil Society Groups committed towards the implementation of the Millennium Goals and the WSSD Conclusions
- Heads of Governments, CEO's, Leaders of Civil Society, catalysts of change.

This is why an Alliance is proposed towards a Global Well Being Society. It's enemy should be "global apartheid". It 's objective, as far as trade is concerned, to secure that Developing Countries stakeholders have a say in private standards setting by Developed Countries Companies and their stakeholders.

3. The definition of sustainable trade requires a strong involvement of the private sector, fair trade movement, consumers organisations:

- Generates economic values
- Reduces poverty and inequalities
- Regenerates the environmental resources
- Is carried within an open governance system.

The gaps towards an open governance system and the objective to change the private standard setting dynamic towards Developing Countries requires

- to have a purchasing power. From this point of view, a joint "Purchasing Initiative" involving the private and the public sector of Developed and Developing Countries should be important.
- To open a debate **not** with standards setting organisations **but with major buyers** using voluntary but competing and not harmonised standards, testing, certification and validation procedures.

Session 3. A First Alliance Meeting on Finance.

In line with the Monterrey Conclusions supporting innovative public-private partnerships financing mechanisms ;

In order to accelerate the transition towards sustainable development, meet the Millennium Goals and the WSSD outcomes in order to improve human security ;

In support to WSSD coalitions of the willing as the Renewable Energy Coalition and the Sustainable Trade Initiative

In view of creating a multiplier effect and to change the system of "facilities"

Noting that

- (i) the sustainable livelihoods program of the Private Sector (WBCSD) underlines that for businesses, manufacturing and services sectors alike, the poverty agenda is now a major issue both in terms of global security

- and innovation and competitiveness, new prices, for enlightened products, services.
- (ii) the financial community, both public and private banks in particular, are expected to join forces to offer new financial instruments, set up guarantee funds for access to the export market as well as for micro-credits.

Large scale investment do not match the small scale needs.

Observing that today, in the framework of existing financial mechanisms and funds, important sums are not used due to the lack of eligible projects (**);

Noting that this observation is valid for funds made available for many Developing Countries, (for example 25 billions euro have not been spend and are still available within the ACP Framework;)

Underlining that the lack of eligible projects often is a question of minimum size requested for each application and that, consequently, it is very important to recognise that large scale investment do not match the small scale needs.

Bridge the gap

The First Alliance meeting would review initiatives taken to

- bridge the gap between small scale needs and large scale investment requirements;
- develop North-South and South-South Joint Ventures in support to sustainable trade
- facilitate Business to Business partnerships.

Initiatives in support to sustainable trade and green productivity to be invited, would include :

- New Micro-Finance Institutions in place as the **Banque Régionale de Solidarité for West Africa**, a joint venture of BCEAO, BOAD (in which the EIB has shares) and UEMOA.
- **SIGN3-Asia, Sustainable Investment – Global Network for Asia**, launched at the WSSD and involving EPÉ will work on micro-credit as well.
- **“Guarantee Fund”** for the ACP Countries at the initiative of the European Investment Bank.
- **“European Micro-Credit Facility for a Global Well-Being Society**
- **Electricity for the poor and renewable energy** (with possibly the participation of Deutsche Bank, Sony, Eriksson, ABB) (*)
- **Agri-Food** (with possibly the participation of the Rabobank, Dole, Carrefour, Delhaize...)

The Conference should prepare contributions in view to:

- 2004 review of the EU Sustainable Development Strategy;
- 2005, EIB Conference on Public-Private Partnership;
- 2005, UN “Micro-Credit Year”;

- 2007 Mid-Term Summit of Summits preparing the World Summit 2015 related to the Millennium Goals.

The Conference will bring together “Champions”:

- Heads of Governments promoting new financial mechanisms contributing to sustainable development
- The Presidents of the European Investment Bank and Development Banks
- CEO’s of Public and Private Banks having Green Funds in place
- CEO’s of the manufacturing and service sectors, including retail companies, having a sustainable purchasing policy and/or sustainable investments initiatives
- Delegates from Accession countries and Developing Countries
- Leaders of Type II initiatives related to sustainable trade and green productivity,
- Leaders of Developing Countries and Accession Countries initiatives addressing the “poverty gap”.

On the agenda, partnerships in relation with:

- Session 1. Green Funds
- Session 2. Micro-Credits
- Session 3. Risk Management/ Guarantee Funds.
- Session 4. Roundtable facilitated by a journalist of the Financial Times with participation of Heads of Governments, the President of the European Investment Bank, CEO’s.

Followed by a Dinner, chaired by the Irish Prime Minister, with each table chaired by a Head of Government, with participation of CEO’s and Civil Society Leaders.