

**PARTNERSHIP FOR GROWTH – A BUSINESS AGENDA FOR GROWTH AND SUSTAINABLE DEVELOPMENT**

**UNICE POSITION ON THE PREPARATION OF THE UN WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (WSSD)  
(26 AUGUST / 4 SEPTEMBER 2002)**

**1. INTRODUCTION**

**From Rio to Johannesburg**

The WSSD will hopefully bring forward a new agenda for sustainable development. The need for change is obvious and the need to focus on collaboration with business is equally important. Given the right circumstances, business can be the driving force towards sustainable development.

During the last decade significant improvements have been made by the business community. Environmental awareness has increased and a wide range of activities have been deployed in order to improve the environmental performance within business and industry.

Demographic forecasts show that the world's population will have reached 9 billion people in 50 years, as compared with 6 billion today. The main obstacle to sustainable development is poverty. The starting point for the World Summit on Sustainable Development should be how to combat poverty and to give access to energy, clean water, food, education and a basic health system to more people without increasing the pressure on natural resources.

The European business community recognises the enormous challenges that faces global sustainable development and is willing to assume its role and responsibility in working towards global growth and sustainable development.

Sustainable development is about improving the lives of people.

**2. BACKGROUND**

In August/September 2002 world leaders will meet in Johannesburg for the World Summit on Sustainable Development.

The concept of sustainable development was firmly established on the international stage in 1992 at the UN summit in Rio de Janeiro. The necessity for sustainable development was clearly exposed in the Brundtland Commission report "Our Common Future"(1987). According to the report sustainable development is "*a development that satisfies the present needs without jeopardising the following generations' possibilities of satisfying their needs...Ultimately, sustainable development is not a definitive state of harmony, but a process of change in which the exploitation of resources, the management of investments, the direction of the technological development and the institutional changes are tuned with future as well as with present needs*".

In a process of change where more has to be produced for an increasing number of people with significantly better resource efficiency, public authorities and enterprises face major challenges.

### **3. ANALYSIS OF THE CHALLENGES**

Sustainable development is about improving the lives of people for present and future generations.

Demographic forecasts show that the world's population will have reached 9 billion people in 50 years, as compared with 6 billion today. The main obstacle to sustainable development is poverty. The starting point for the World Summit on Sustainable Development should be how to combat poverty and to give access to energy, clean water, food, education and a basic health system to more people without increasing the pressure on natural resources.

Economic growth in developing countries is a precondition for environmental and social development. All countries in the world have not benefited to the same extent from the economic development, fuelled by the globalisation process, that has taken place in recent decades. The World Summit on Sustainable Development should have as its primary target combating poverty through extending economic growth to developing countries. In other words, it should aim at making globalisation truly global by bringing forward a new agenda to deliver the promise of Rio.

The expansion of trade and investment is the driving force for the growth that is particularly needed in developing countries. However, this will only benefit the poorest countries if business, government and international agencies join forces to promote growth and investment in these developing countries.

The European business community recognises the enormous challenges of global sustainable development, and is ready to assume its role and responsibility in working towards more equitable global growth and sustainable development. However, public authorities should also recognise their responsibility in creating the right framework conditions that will allow business to play its role.

Since the beginning of the 1990s, corporate investment in developing countries has increased from € 38.3 billion to € 196.8 billion a year, while development aid has fallen from € 65.6 billion to € 49.2 billion a year<sup>1</sup>. The challenge for developing countries will be to attract Foreign Direct Investment. For developed countries, it will be to reverse the trend towards the decrease in development aid and to foster partnership between all the players involved (governments, business, international agencies, non-governmental project managers, beneficiaries of aid, etc.) in order to optimise the use of existing resources.

**UNICE therefore supports the Monterrey consensus<sup>2</sup> and endorses the six development targets agreed:**

- mobilising domestic financial resources for development, mobilising international financial resources (Foreign Direct Investment and other private flows),
- international trade as an engine for development,
- increasing international financial and technical co-operation for development,
- debt relief, and –
- addressing systemic issues by enhancing the coherence and consistency of international monetary, financial and trading systems in support of development.

<sup>1</sup> Exchange rate: 1 US \$ = € 1.0936

<sup>2</sup> <http://www.un.org/esa/ffd/aac257L13E.pdf>

## **4. FIVE PRIORITY AREAS FOR ACTION**

### **4.1 FOCUS ON ECONOMIC GROWTH**

The rate of economic growth determines a society's ability to solve various challenges.

As has been illustrated in UNICE's manifesto (May 2001) on EU environmental policy-making for sustainable development, actions by companies (innovations, investments, etc.) – developed in the framework of regulation and on their own initiative – have been a decisive source of major environmental improvements. Establishment of framework conditions favouring entrepreneurship and growth is therefore vital from the angle of global environmental progress.

It has to be noted that poverty is a central cause of environmental damage. Trade and investment liberalisation and the resulting economic welfare thus result in win-win situations by increasing willingness and resources for more sustainable use of natural and environmental resources also in the developing countries.

### **4.2 PRODUCING MORE WITH LESS**

Satisfying the demands and needs of 9 billion people with recent technology will put enormous pressures on natural resources and the environment. To produce more with less means developing new resource-efficient technologies and spreading new and existing technology.

A new way of securing capital and investment in developing countries is offered by the instruments of Clean Development Mechanism and Joint Implementation defined in the Kyoto Protocol.

The private sector, especially private industry, is the driving force in the development, use and spread of new technologies. But there is an urgent need to focus more on research and development if the de-coupling of economic growth and resource-use is to be successful.

Design of policies should consider the use of natural resources from the point of view of global impacts and global efficiency. It is not meaningful to decrease the resource use or pollution in some countries if it will result in a greater increase somewhere else (e.g. carbon leakage).

Companies are the driving force not only in developing and spreading new resource-efficient technologies but also in spreading good environmental, health and safety management practices - according to their corporate-wide principles, which are applied irrespective of the location and which often also include rules for the supply-chain management. Voluntary initiatives for dissemination of good practices should be supported. This should be an important element in policies aimed at preventing situations where environmental damage generates poverty.

### **4.3 IMPLEMENTATION OF THE DOHA DEVELOPMENT AGENDA (DDA)**

#### **a) The benefits of trade and investment liberalisation**

Trade and investment liberalisation can bring progress on the three pillars of sustainable development: stable growth for both developed and developing countries, greater environmental protection and social development. Progressive market opening and liberalisation of investment regimes has proven to be formidable engines of world growth, productivity and raising living standards over the last decades.

**To establish the conditions for sustainability, trade and investment liberalisation must be framed by multilateral rules and backed up by international cooperation.**

#### **b) The Doha Development Agenda: a major step towards sustainable development**

On 14 November 2001, the successful launch of the Doha Development Agenda (DDA) gave the world a clear and timely signal that international cooperation between the developed and developing countries was still functioning. To European business, Doha's positive outcome is in itself a forceful and promising illustration of how 142 nations with diverse interests can work together to ensure that global economic governance is geared towards sustainable development.

Conforming the WTO Agreement, the DDA is committed to achieving sustainable development via implementation of an integrated agenda: the inclusion of environment on the international trade agenda, together with new issues such as investment, trade facilitation, competition and transparency in government procurement will ensure that liberalisation takes place in a broader regulatory framework, to the benefit of developing countries (DC) inter alia. The needs, concerns and interests of DC, including that of the least developed countries, are at the heart of the WTO work programme.

**The intrinsic relationship between the Doha integrated mandate and Johannesburg agenda is unequivocally clear.**

#### **c) European business priorities for the DDA**

Through the DDA, the EU must therefore continue to contribute actively to a more sustainable global system. **With this in mind, European business priorities for the DDA are:**

##### **Improved market access**

Market access for non-agricultural products is an integral part of the development agenda. High tariffs and other barriers to trade limit economic development. Special and differential treatment should be granted to developing countries, or to sectors within DC, according to their level of development (graduation approach). The prime focus should be on least developed countries. UNICE welcomes initiatives such as "everything but arms" aimed at introducing quota-free and duty-free access for all least developed countries to the markets of developed countries. Such initiatives should be supported by other developed countries.

##### **Further liberalisation of services**

The more advanced economies become, the higher the percentage of GDP generated by the services sector. Services are not only important in themselves as a source of employment and income generation, but their development is also a pre-condition for other sectors to

prosper. Trade and investment liberalisation of services is therefore a crucial component of sustainable development. The transfer of key business personnel is of particular importance in this context, to help transfer knowledge and income to developing countries, by bringing in qualified professionals from abroad.

### **Development of a multilateral framework for foreign direct investment**

Foreign direct investment can bring major benefits to DC, not only in terms of enhanced financing, export capacity, growth and employment, but also skills and technology transfer, including environment-friendly technology. The establishment of a non-discriminatory, transparent and stable multilateral regime to protect foreign direct investment, while preserving WTO members' right to regulate, should rebalance foreign direct investment flows in the direction of DC. European business therefore strongly supports the launch of negotiations on trade and investment at the fifth Ministerial Conference in Mexico with a view to concluding negotiations no later than 31 January 2005.

### **WTO agreement on trade facilitation**

Trade facilitation, the simplification, harmonisation and computerisation of customs rules, is one of UNICE's priorities in the DDA. A WTO Agreement on trade facilitation will be unequivocally advantageous to all members, especially to DC. Legal certainty will give new impetus to trade and investment in those countries. To assist DC to implement trade facilitation rules, monitored technical assistance programmes tailored to meet the needs of individual countries should be developed and adequate funding provided (see below). Trade facilitation also leads to the development of a culture of co-operation between government and business in DC. For all these reasons, UNICE supports the launch of negotiations on trade facilitation at the fifth Ministerial Conference in Mexico with a view to their conclusion on 31 January 2005, at the latest.

### **d) Other important issues for European business include:**

#### **Trade and environment**

The Doha round is the first to include trade and environment as an explicit negotiating target. This successful inclusion is groundbreaking news from a sustainable development perspective. European business is convinced that trade and environment are - or need to be made more - mutually supportive.

But the WTO should not become an environmental organisation. It is not the task of the WTO to set international environmental standards. While recognising that "no country should be prevented from taking measures for the protection of human, animal or plant life or health or of the environment at the levels it considers appropriate" (Doha Ministerial Declaration paragraph 6), the WTO must ensure that these very measures do not contravene the fundamental principles of most-favoured nation, non-discrimination and transparency.

The Doha Ministerial Declaration mandates clarification of the relationship between the WTO and multilateral environmental agreements (MEAs). The DDA will thus contribute to increased international policy consistency between multilateral environmental agreements and multilateral trade rules. The reduction or elimination of tariff and non-tariff barriers to environmental goods and services is a further key objective agreed at the DDA. The Committee on Trade and Environment will also continue to work on the effects of environmental measures on market access, relevant provisions of the TRIPs agreement and eco-labelling, with a view to making recommendations at the fifth Ministerial, including on the desirability of negotiations.

European business supports the EU in its active stance on these important issues for sustainable development.

### **Dispute Settlement Understanding (DSU) and functioning of the WTO**

As far as WTO dispute settlement is concerned, UNICE calls for equality of treatment for all WTO members through the primacy of implementation of the panel reports as opposed to the alternative solutions of compensation or retaliation (last resort option).

The WTO must work in a more inclusive and transparent way, so that smaller and least developed countries can participate more fully, without jeopardising the efficiency of its decision-making process.

### **Trade and social standards**

European business is convinced that the multilateral trade system is the best way to maximise the growth needed to secure a worldwide improvement of living, working and educational conditions. Trade and investment liberalisation can be associated with better training, employee remuneration practices and improved social standards. However, it is not the task of the WTO to set global social standards. The International Labour Organisation (ILO) is the competent organisation to promote the development of international social standards. UNICE welcomes the decision to institute a working group on social aspects of globalisation within the ILO and supports strengthened cooperation between the ILO, other international organisations dealing with social development and WTO.

## **4.4. GOOD GOVERNANCE AT ALL LEVELS**

Good governance is a prerequisite for sustainable development. It is a precondition for improving living standards in general, for attracting Foreign Direct Investment and for optimising the benefits of FDI. Efficient global governance requires the WTO to cooperate actively and consistently with both the Bretton Woods institutions (World Bank, International Monetary Fund) and the UN system (UNCTAD, UNEP, UNDP, ILO, etc.). The solution does not lie in inventing new rules but in devising ways of ensuring that existing standards are better applied and enforced.

It is also important to have fora for exchanging best practice and developing new ways of approaching the challenges of globalisation and sustainable development.

Local governments also have a crucial role to play. At national level, governance concerns democracy, judicial system (courts), participation (of genuinely representative stakeholders), but also the ability to implement legislation and international conventions. Corruption, bad governance and lack of judicial systems are the greatest barriers to development in many countries.

Using Official Development Aid to build capacities for better public governance in developing countries is therefore essential.

Business governance also matters. European companies are prepared to play their leading role, including through peer pressure and engaging business partners along the supply chain.

Various initiatives aimed improving business governance throughout the world exist at the international level: UN Global Compact, OECD Guidelines for Multinational Enterprises, labour standards guaranteed by the core ILO conventions, etc. The ILO-Declaration on Multinational Enterprises and Social Policy should also be mentioned in this context. It is to be noted that the core labour standards of the ILO are addressed to governments and not to companies, which cannot be expected to take the place of governments, as is sometimes suggested in the corporate social responsibility debate.

Voluntary initiatives involving individual companies directly such as the UN Global Compact is a promising tool. But the onus of improving governance in developing countries cannot only be placed exclusively on the business community. UNICE therefore also fully supports the strengthened efforts within the ILO to monitor the implementation of the core ILO conventions. When doing so, it is important to focus not only on foreign investors but also to deal with difficult issues for small and medium-sized enterprises in developing countries.

Finally, it is also important to have fora for exchanging best practice and developing new ways of approaching the challenges of globalisation and sustainable development. UNICE supports the proposal to strengthen cooperation between WTO and ILO as agreed in the Doha declaration and the decision to institute a working group on social aspects of globalisation within the ILO.

#### **4.5. CAPACITY-BUILDING**

The present capability of the business sector in many Least Developed Countries is far from adequate to secure sustainable growth. UNICE therefore urges development programmes to give first priority to the development of the business sector in Least Developed Countries through partnership programmes and local capacity-building in the business sector and in relevant public institutions.

UNICE supports efforts by developed countries to build confidence among DC, to enable them to maximise the benefits of trade and investment liberalisation and increase their participation in the world economy. The DDA's commitments to enhanced and better coordinated capacity-building and technical assistance, notably through the integrated framework, needs to be made operational in relation to implementation of existing WTO agreements by DC, participation in negotiations and implementation of their results. Promotion of the private sector in DC must be an integral part of capacity-building programmes.

European business will continue to contribute to capacity-building and technical assistance exercises.

Capacity-building should be seen in a broad context. Corruption is in some areas of the world the primary obstacle for development. Building capacities to combat corruption is not only a matter of a judicial system, but is also about education and culture.

Capacity-building is also needed in the developed countries. Here the capacity-building concerns education, science and research, which is needed to develop new resource-efficient technologies.

## 5 THE SOLUTIONS

The Business agenda		
	Objectives:	Means:
<i>Economic growth</i>	Create basic foundation for solving economic, social and environmental problems	<ul style="list-style-type: none"> <li>- Implement favourable political and legal frameworks at national/local levels, worldwide</li> </ul>
<i>Producing more with less</i>	Development of new resource-efficient technologies	<ul style="list-style-type: none"> <li>- Promote market economy and market-based incentives</li> <li>- Education</li> <li>- Research and development</li> </ul>
	Spreading of technologies	<ul style="list-style-type: none"> <li>- Trade</li> <li>- Foreign Direct Investment</li> </ul>
<i>Implementation of DDA</i>	Accelerate and maximise benefits of trade liberalisation	<ul style="list-style-type: none"> <li>- Further liberalisation of markets</li> <li>- New rules (investment, competition, trade facilitation, etc.)</li> <li>- Capacity building / technical assistance</li> </ul>
<i>Good Governance</i>	Global Governance	<ul style="list-style-type: none"> <li>- Strengthened cooperation between: UN, Bretton Woods institutions and World Trade Organisation</li> <li>- Implementation of International conventions</li> </ul>
	Local Governance	<ul style="list-style-type: none"> <li>- Capacity-building</li> </ul>
	Business Governance	<ul style="list-style-type: none"> <li>- UN Global Compact</li> <li>- OECD Guidelines for Multinational Enterprises</li> <li>- ILO Declaration on Multinational Enterprises and Social Policy</li> <li>- Capacity-building in the business sectors of Least Developed Countries</li> </ul>
<i>Capacity-building</i>	Enhance confidence and participation of DC in the world economy	<ul style="list-style-type: none"> <li>- Monterrey consensus</li> <li>- Official Development Aid</li> <li>- DDA / integrated framework</li> </ul>



## **6. CONCLUSION**

UNICE sees the WSSD as the chance for a new beginning. It is a unique opportunity for the political leaders of the world to formulate a vision and an action plan that addresses the primary obstacle to sustainable development, which is poverty.

The WSSD agenda must take full and explicit account of the DDA and also take on board the Monterrey consensus. The EU bilateral relationships must not jeopardise the benefits of its multilateral agenda. Similarly, the EU should ensure consistency between its external and its internal policies.

The business sector is a part of the solution - and has the potential to be a strong partner - in a strategy for growth and sustainable development. The agenda should therefore be about ensuring that enabling and motivating framework conditions for responsible business conduct is put in place. There is an urgent need for strengthening the partnership between industrial investment and development policy (aid), especially to pave the way for the investments needed in the least developed countries.

Implementing sustainable development also very much depends on local conditions, such as better education, improvement of public health and combating epidemics, soil conservation and irrigation, controlling desertification and deforestation, adjustment of market prices through reform of harmful subsidies. Capacity-building should therefore be given sufficient attention.

UNICE's preliminary views may be complemented and/or revised as the debate develops.