**Session 42: Preparing for Rio 2012: Trade opportunities and challenges in a green economy**

Sub-theme II: Trade in Natural Resources

Moderator

Ms Deborah Vorhies, Managing Director-Director of Operation, International Centre for Trade and Sustainable Development (ICTSD)

Speakers:

Mr Mark Halle, Executive Director, International Institute for Sustainable Development (IISD)

Mr Guillermo Valles Galmés, Director, Division on International Trade in Goods and Services and Commodities, UNCTAD

H.E. Mr Manuel A.J. Teehankee, Former Ambassador of the Philippines to the WTO

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**Abstract**

With the Rio 2012 meeting coming up less than a year after the WTO Public Forum, ICTSD organized this session with the aim of generating a broader and deeper understanding of green economy issues as they relate to trade. Up until now, the preparatory process for Rio 2012 has hit obstacles due to anxiety or unease among some parties with regard to the green economy concept, specifically due to trade-related concerns and fears of green protectionism.

These issues merit more nuanced exploration and input from the trade community, as the debate so far has been limited mainly to the environment community.

Forging coherence between wider issues of trade, sustainable development, and the nexus between trade and sustainable development governance will be of key importance to the future of the trade system – and a challenge to it. The session sought to contribute to a better understanding of the linkages between trade and the sustainability issues which will be addressed at the Rio 2012 conference.

**1. Presentations by the panellists**

The session was opened by Ms Vorhies. She noted that, since Rio, the international policy community has achieved a more nuanced understanding of the integrated sustainable development issues the world is facing. While some issues have been resolved over the last 20 years, many have not. Today, looking towards Rio, attention has tended to be crowded out by other important topics, especially those related to the current macroeconomic climate. Fresh thinking on the role and opportunities of trade is needed, especially regarding how to integrate the concepts of a green economy and of green growth.

*(a) Mr Mark Halle, Executive Director, International Institute for Sustainable Development (IISD)*

Mr Halle focused his presentation on the green economy concept, stressing the need for the trade community to engage with the topic, which may otherwise create considerable friction. When the concept was launched, it appeared to prioritize “greenness” over other aspects, such as social ones, which complicated the politics surrounding it. Defining the green economy remains challenging; there is no single definition. Overall, it refers to an economy that functions differently and more broadly, based on an idea similar to that of sustainable development. However, there is a key difference: until recently, the economy was seen as a fixed element into which the environment had to be mainstreamed. Since the 2008 financial crisis, a fundamentally different understanding has emerged. It underscores that the nature of economic organization needs to be fixed, because mainstreaming sustainability has failed. The genius of the green economy is that, if it is organized properly, by its very functioning it delivers employment, social progress, and sustainable natural resource management. This is why the green economy represents an important re-evaluation of environmental thinking.

However, there is little traction at the political level. A number of fears related to the green economy are directly linked to trade. Among these are standards and technical regulations, which could potentially be used for protectionist purposes. Second, massive technological transformation and accompanying investment are required, and these would be vulnerable to challenges. Third, with regard to action on climate change, where countries move at different speeds, border carbon adjustments are a risk. Overall, unless carefully crafted, green economy measures risk becoming a strain on the trade system and the Dispute Settlement Understanding (DSU} in particular.

The challenge is to work out a path towards a green economy that delivers for human beings and entails minimum disturbance. Fundamentally, a fairness agenda is needed. There will be no forward movement if current privileges are maintained. This is what we need to understand in Rio.

*(b) Mr Guillermo Valles Galmés, Director, Division of International Trade in Goods and Services and Commodities, UNCTAD*

Ambassador Valles highlighted the history of the engagement of the trade community in the environment and in sustainable development, which dates back to the Stockholm Conference in 1972. On the green economy, he stressed that the concept is embedded within sustainable development. It cannot be seen as curtailing economic growth, otherwise it will fail. Rather, the green economy must be about green growth, equity and inclusiveness.

There are common goals that make sense: using less natural resources, having a less carbon-intensive production system, and finding a more equitable path to economic development. Governments, consumers and civil society will all be the actors of the green economy, creating their own conception of that economy by accessing different products and services. To move towards a green economy, there are three steps to be taken: identifying new sources of funding; creating an enabling environment for private investment in funding the transition; and seeing trade clearly as advantageous to promote the change needed. One cannot get to the green economy with less open trade.

The transition to a green economy is already happening on the ground. For example, private sector initiatives on corporate social responsibility have grown exponentially – in developing countries as well – and there are now more than 200,000 ISO 1400 certified companies in 250 countries. Governments will need to enable more such transitions.

There are challenges as well, related to government interventions, such as subsidies, taxes and standards that distort the playing field for developing countries with less capacity to adjust and compete. The issues need to be debated, and UNCTAD could provide a forum for all stakeholders to do so, as well as provide the information and space for neutral fact-based debate. This could take pressure off the DSU, preventing potential disputes at the WTO and overloading the system. As different actors play different roles, UNCTAD will undertake initiatives to bring coherence to the system.

*(c) H.E. Mr Manuel A.J. Teehankee, Former Ambassador of the Philippines to the WTO*

Ambassador Teehankee stressed that trade and sustainable development can support a triple-win strategy. However, to move forward, unity and cooperation are needed. He stressed the need for cooperative consensus on core goals, based on shared values, in order to best deliver for the global community and the global poor. Processes such as Rio and Rio+20 have generated the concepts of sustainable development and the green economy. In the end, we arrive at a triple win, with trade and investment gains as well as environmental gains and gains from sustainable development. The WTO negotiations could potentially provide a contribution to this.

Ambassador Teehankee provided an account of the aims and state of play of the negotiations process under the Doha mandate on trade and environment. He noted that much progress has been made, but that unresolved issues still remain, and he said this is part of a growing-up progress. He highlighted the need for balanced regulation, as it is the first time in history that these trade, environment and development goals are being integrated. He said that governments need to provide an enabling environment for the goals of a green economy. Governments do need to regulate, he said, highlighting a paradigm shift in this regard in 2008 with the financial crises.

Ambassador Teehankee said that the CTESS (Committee on Trade and Environment in Special Session) does have a deliverable, in the form of a draft ministerial decision. However, the section on environmental goods and services (EGS) in particular needs much more work. Meanwhile, the world is not standing still, and exports in EGS have grown to a value of trillions of US dollars annually. The EU and China are the main exporters as well as importers in the area. However, the picture is much more diverse, with many other smaller actors also playing important roles. In response to a question on the importance of the Doha Round for environmental cooperation, Ambassador Teehankee stressed that an international agreement would allow for the spread of best practices – especially beyond the main players – and the release of much-needed cooperative energy.

*(d) Mr Ahmed Abdel Latif, Intellectual Property and Technology Senior Programme Manager, ICTSD*

Mr Abdel Latif noted the key role that technology plays, both as a catalyst and engine, in the transition to the green economy. This was recognised at UNCED in Rio in 1992. Indeed, Agenda 21 contains a chapter on technology transfer and many of the multilateral environmental agreements (MEAs) that came out of Rio contain technology transfer provisions. However, implementation – the role of markets, enabling environments, funding for developing countries – has been a challenge. The MEA secretariats have carried out needs assessments, but struggled to move forward. In the area of climate change, therefore, a new technology mechanism was agreed at Cancun with the aim of operationalizing technology transfer.

Today, negotiating positions on technology transfer are becoming less flexible. This is due to the growing importance of the knowledge economy and intellectual property (IP) assets. There has been a paradigm shift, and innovation now tops the policy agenda, with a focus not only on science or technology, but on bringing new products to market. The new UNFCCC technology mechanism provides a good example. It focuses on building networks of innovation centres in developing countries.

Green innovation tops the innovation agenda. Emerging economies are now playing important roles, and patent filing trends reflect this new reality. Today, greater empirical evidence is available on what drives technology diffusion. For example, there is evidence of the importance of the Kyoto Protocol and the signals it sent in the area of climate technology, as demonstrated by research carried out by ICTSD, UNEP and the EPO. New ways to improve technology transfer include fast-tracking green tech patent applications, open innovation, green patents commons and green tech exchange platforms. On the diffusion side, least-developed countries (LDCs) are lagging behind other countries, and for them licensing in particular would need to be improved.

Overall, bilateral and regional cooperation on green technology is growing in importance. The focus is not just on North-South partnerships, but on South-South partnerships. Rio+20 could provide an opportunity to capture some of the positive experiences from the last 20 years of learning.

**2. Questions and comments by the audience**

During the discussion, participants touched on the huge efforts needed to make the transition to a green economy, and the need for political will and inclusiveness to mainstream all stakeholders into the political debate. In the same vein, inclusiveness and balance are needed to quell the very real fear of green protectionism. Concrete and genuine experiences could also show the way forward. Some felt that the green economy concept does not go far enough, as our resource consumption and population growth need to radically diminish in real terms.

In terms of the necessary investments, the private sector is not going ahead despite huge opportunities, due to risks inherent in current investment frameworks, which have a chilling effect. As such, we should be open to revising trade and investment agreements in order to make them supportive of the transition to a green economy, opined some participants.

One speaker from the floor stressed the need to exploit synergies among trade and green agricultural practices, as this is necessary to feed a growing global population. Others talked about green technology, noting that the technology is owned by companies, not countries. Looking towards Rio, the meeting could provide an important signal on operationalizing technology transfer, while recognising that one size does not fit all across sectors and countries.

During the closing of the meeting, the WTO ministerial coming up in December was also mentioned, and the need to ensure it does not become a lost opportunity for the environment on the road to Rio.