



House of Commons  
Environmental Audit  
Committee

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**Government response to the  
Committee's Eleventh Report of  
Session 2005-06: Outflanked:  
The World Trade Organisation,  
International Trade and  
Sustainable Development**

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**Fourth Special Report of Session 2006–07**

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## The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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### Powers

The constitution and powers are set out in House of Commons Standing Orders, principally Standing Order No. 152A. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: [www.parliament.uk/parliamentary\\_committees/environmental\\_audit\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/environmental_audit_committee.cfm).

A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are: Mike Hennessy (Clerk); Sara Howe (Second Clerk); Richard Douglas (Committee Specialist); Oliver Bennett (Committee Specialist); Louise Smith (Committee Assistant); Caroline McElwee (Secretary); and Robert Long (Senior Office Clerk).

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### References

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by page number as in 'Ev12'. number HC \*-II

# Fourth Special Report

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## Outflanked: The World Trade Organisation, International Trade and Sustainable Development —Government Response

1. The Environmental Audit Committee published its report on *Outflanked: The World Trade Organisation, International Trade and Sustainable Development* on Thursday 23 November 2006 as HC 1455.
2. The Government's Response to the Committee's Report was received on Monday 19 February in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

## Government response

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**GOVERNMENT RESPONSE TO ENVIRONMENTAL AUDIT COMMITTEE REPORT: "Outflanked The World Trade Organisation International Trade and Sustainable Development " (Eleventh Report of Session 2005-06)**

**Recommendation 1 (Para 13) The Millennium Ecosystem Assessment shows that extensive environmental degradation has taken place, which will have devastating impacts on the poor and vulnerable in developing countries. The Assessment is clear; concerted effort is required to address the root causes of such damage including tackling market failures, weak regulation and a lack of coordination between international organisations. The Department for Trade and Industry (DTI), Department for Environment, Food and Rural Affairs (DEFRA) and DfID all have a clear responsibility to ensure that messages from the Assessment are heeded and incorporated across all policies.**

1. The Government agrees that the Millennium Ecosystem Assessment is an important report. DEFRA provided funding to help with condition and trends aspects of the Assessment, and to assist with data management. DfID provided funding for the coordination of the forests working group.
2. We believe the Millennium Ecosystem Assessment provides a useful and comprehensive overview of recent trends in ecosystem functions and their relationship with human wellbeing. It has informed Government thinking in a number of areas, as detailed in our evidence to the Committee on its inquiry on the Assessment, and also in our response to the Committee's previous report, Trade, Development and the Environment: The Role of DfID. We are committed to working across government to ensure that the Assessment continues to inform our policies and approaches.

**Recommendation 2 (Para 23)** It is clear that the relationship between trade liberalisation and the environment is an uneasy one. It appears that the main international focus has been on the liberalisation of trade, with the benefits that this may bring, while failing to recognise the full environmental or social impacts that this liberalisation may have. It is paramount that, where liberalisation is pursued, effective accompanying measures are adopted to prevent or limit the environmental and social impacts. Without such measures, international trade liberalisation is only likely to add to environmental degradation.

3. The relationship between trade and the environment is undoubtedly complicated. Trade liberalisation increases the efficiency with which goods and services can be produced, and can also remove incentives for environmentally damaging overproduction (e.g. agricultural subsidies). Trade and foreign investment are also the main mechanisms for transferring technology, which increases efficiency and can reduce the environmental impact of industrial processes. The evidence available suggests that increased foreign investment can improve environmental standards. However, liberalisation can also foster economic development that can have negative social and environmental impacts, for which mitigating policy measures need to be introduced.

4. The Government supports the Committee's view that flanking measures are needed to mitigate any negative environmental or social impacts, particularly in developing countries, resulting from the liberalisation of trade. As the Committee has noted, we have commissioned some research to look at the effectiveness of existing flanking measures. The research is due for completion in March 2007, and we plan to use the results from this and other studies, such as the Sustainable Impact Assessments (SIAs) commissioned by the European Commission (EC), in developing future policy.

**Recommendation 3 (Para 29)** Although research commissioned by the Government highlighted the importance of flanking measures, the fact that the 2004 DTI White Paper neglects to consider explicitly the role that these may play suggests that the DTI has failed to get to grips with sustainability issues in trade.

5. The Government rejects this conclusion. We have taken a number of steps regarding the relationship between trade and sustainable development. The EU, strongly supported by the UK Government, was instrumental in securing the inclusion of the environment dossier in the Doha Development Agenda (DDA) Single Undertaking, with a broad mandate to seek both to liberalise trade in environmental goods and services and to develop a clearer framework of rules relating to trade and the environment.

6. The UK Government has also strongly supported the development of the Trade Sustainability Impact Assessment SIA by the EC, as a means of identifying the likely impact of trade agreements on economic growth, social development and the environment, to enable complementary policy measures to be introduced to maximise welfare gains through mitigating the adverse economic, social or environmental impacts of trade agreements. The Commission is committed to conducting SIAs for all new Free Trade Agreements (FTAs) as well as for the Economic Partnership Agreements (EPAs) seeking to identify the likely effects of trade liberalisation. These SIAs look across different dossiers including agriculture, Non-Agricultural Market Access (NAMA) and services, thereby

ensuring that environmental considerations are taken into account in all areas of the negotiations.

7. We accept that the SIA process itself is still under development, and could be improved. However, the EC is committed to this, and to ensuring that SIAs are used more effectively. The Commission is currently exploring ways to better integrate them into trade policy making, a move which the UK Government very much supports. One crucial element in this process will be to ensure that flanking measures are put in place to minimise the potentially negative impact of trade liberalisation on the environment.

**Recommendation 4 (Para 30) We commend the Government's support for international environmental organisations. We are nevertheless concerned that there is a clear lack of consideration as to how trade and environmental policies can be made mutually supportive. This must include specific commitments in UK policy that the impact of trade on the environment will be fully considered, and effective flanking measures to offset the negative impacts of trade introduced. This issue is too important for it not to be expressed specifically as Government policy; the Government must set out how it will seek to address the environmental impact of trade.**

8. The Government does not agree that the impact of trade on the environment has not been considered when formulating trade policy, and is not convinced by the argument that a separate statement of Government policy on these issues is required. The UK Government's approach to the inclusion of the environment as a dossier in the DDA and support for the EC's development of the Trade SIA reflects the importance attached to environmental issues in Government policy. We continue to consider how trade and the environment policies can be made more complementary and mutually supportive. In addition, the UK Government's Sustainable Development Strategy committed the UK to working through the WTO to:

- reduce unsustainable and environmentally damaging agriculture and fishing subsidies;
- promote the mutual supportiveness of trade liberalisation, environmental protection and sustainable development, for example through strengthening the links between the WTO and the Multilateral Environmental Agreements that incorporate trade provisions; and
- through liberalising trade in environmental goods and services.

**Recommendation 5 (Para 34) We look forward to the Government's formal response to the Sustainable Procurement Task Force National Action Plan. We trust that the Government will take a positive stance on the document. We hope that sustainability will be the driving force of procurement policy and adequately take account of climate change and other global environmental threats.**

9. The Government has accepted the Sustainable Procurement Task Force's challenge to "use its immense buying power" to make rapid progress towards our sustainable development goals as set out in the UK Government Sustainable Development Strategy - Securing the Future. To achieve this we will take action through the policies, performance frameworks and procurement practices that support our sustainable development goals

and specifically deliver progress towards the Government's sustainable operations targets. The Government will work with the supply-chain to provide the solutions that will be needed to take the sustainable procurement agenda forward.

10. Government Departments and the Office of Government Commerce (OGC) will increasingly seek out innovative solutions and approaches to procurement, including through early engagement with the marketplace and the use of outcome-based specifications. During 2007 Government will be looking to engage strategically with key sectors to help drive low carbon resource efficient supply-chain.

11. The Government will be driving markets for innovative eco-technologies through their joint work with procurement professionals to demonstrate the Forward Commitment Procurement (FCP) model, pioneered by the business-led Environmental Innovations Advisory Group. This involves articulating current and future environmental needs to the market in a way that is credible and focuses on outcomes and performance standards. This approach is already being piloted by HM Prison Service to help deliver a zero waste prison mattress. The Government will work to replicate the FCP model more widely in the public sector, focussing on those areas where better, cost effective solutions are needed to achieve the sustainable operations targets and wider sustainable development goals.

**Recommendation 6 (Para 46) It is paramount that the CTE fulfils its mandate in scrutinising the interface between the environment and trade. It is essential, not only for the environment, but also for development objectives, the CTE is not sidelined in addressing a wide range of environment-trade issues. We are concerned that the Government seems to believe that the CTE is fulfilling its role when we have seen evidence to the contrary. If the Government is truly committed to a sustainable international trade system it must, with the EU, be a strong advocate for a serious and urgent debate on these issues in the CTE.**

12. The Government accepts that progress within the Committee on Trade and the Environment (CTE) has been slow. However, in light of the restarting of informal negotiations in the DDA, the EC, fully supported by the UK, intends to work proactively with developing countries and other members, to reach an ambitious agreement on all three parts of paragraph 31 of the CTE mandate.

**Recommendation 7 (Para 55) It is essential that MEAs are more extensively involved not only in the CTE but also in other WTO bodies, especially in light of potential conflicts which may arise if trade rules and MEA rules are contradictory. An agreement between relevant MEAs and the WTO which establishes a mutually supportive relationship with information exchange is essential for sustainability to be better incorporated into WTO negotiations. It is also important that MEAs are able to have substantial impact on negotiations. We agree with the Government that observer status and information exchange should be a priority, and we advocate the Government and EC taking a strong line to ensure that this will be included as part of a completed Round.**

13. The Government welcomes the Committee's line on Multilateral Environmental Agreement (MEA) involvement in the CTE and other relevant WTO bodies. Both the UK and the EC want to seek clarification that there is no legal hierarchy between WTO rules

and MEAs. This will lend legal certainty, allowing WTO Members who are also party to MEAs, to implement trade measures mandated by MEAs in a manner that is coherent and consistent with WTO rules. To demonstrate to WTO members that paragraph 31(ii) is an indispensable part of the trade and environment mandate, the EC, fully supported by all Member States, submitted a paper on 31(ii) of the DDA to the CTE in Special Session CTE (SS) in May 2006, highlighting the importance of information exchange between WTO committees and the secretariats of MEAs; and the granting of observer status to MEAs in relevant WTO committees. Many comments were put forward from WTO members, and the EC is giving consideration to these.

**Recommendation 8 (Para 60) The concerns that developing countries have with regards to environmental measures, either that they will be used for protectionist purposes or that they could hinder development objectives, must be addressed if we are to move forward on these issues in a truly sustainable manner.**

14. We firmly believe that environmental measures should not be misused for protectionist purposes against developing countries. A key element to an ambitious and pro-development outcome to the Doha Round is opening up developed country markets to improve developing country trading opportunities. Some developing nations have expressed concerns that the motives of developed nations for including the environment in the Doha Round are more to do with securing market access for goods or for protecting domestic industries (sometimes referred to as eco-protectionism) than with protecting the environment. For example, agreement in the Committee on Trade and the Environment in Special Session (CTE SS) on an approach to identify those goods which should be classified as “environmental goods” and should benefit from tariff reduction is difficult to reach, not least since developing countries are concerned that the list of goods proposed by developed countries has been compiled on the basis of trade rather than environmental considerations.

15. The EC is seeking to address these concerns through submissions to the CTE (SS), bilateral discussions and through technical assistance to enable developing countries to engage in negotiations and implement any future agreement. For example, the EC, with the strong support of the UK Government, recently co-sponsored together with 6 countries, including the US and Japan, a submission to the CTE (SS) outlining in more detail the environmental and developmental benefits of goods proposed by developed countries in the areas of Waste Water Management and Solid and Hazardous Waste Management Products.

16. The UK is also demonstrating support through the Sustainable Development Dialogues. The Government have signed agreements with the governments of Brazil, China, India and Mexico and intends to sign an agreement with South Africa. The Dialogues are bilateral partnerships that provide an effective mechanism to promote collaboration and exchange of good practice on a range of sustainable development issues.

**Recommendation 9 (Para 61) We are concerned that the CTE is now hindering a more holistic approach to the consideration of these issues. Lack of joined-up thinking will result in missed opportunities to make trade, environment and development policies mutually supportive and risks environmental and developmental objectives being undermined by trade agreements.**

17. The Government shares the Committee's concerns and is keen to work with the EC and Member States to ensure the CTE advances the progress of trade, development and environment considerations. Given that the potential outcomes of other parts of the negotiations could have some negative environmental consequences, it is disappointing that it is proving difficult to demonstrate our commitment to the environment through the CTE mandate. It is nonetheless important for the EU, and the UK, to do all it can. At official level we are doing this through the CTE and through bilateral contacts with other delegations. Ministers are also prepared to raise trade and environment in the context of WTO/Doha discussions with their foreign counterparts, to emphasise the importance we place on reaching a successful outcome on the CTE mandate.

**Recommendation 10** The UK Government and the EC must urgently act to reinvigorate the consideration of environmental issues in the CTE, by insisting that environmental consequences associated with wider negotiations also be considered. It is imperative that the UK and the EU works with developing country members to ensure that they are aware that poverty eradication is heavily dependent upon a functioning environment, and that the EU will not compromise their need to develop and eradicate poverty.

18. In many cases, awareness of these issues in developing countries is already high. However, countries do lack capacity and tools and technologies to address environmental degradation. They also need support in balancing environmental issues with other development priorities, and planning and budgeting appropriately.

19. The 2006 White Paper on International Development acknowledges the imperative for development that is sustainable and fair. It commits the UK Government to identify and respond to environmental opportunities and risks, for example by helping them to undertake strategic environmental assessments. It also states that the Government will work with international partners to help countries make efficient use of natural resources (particularly energy and water).

20. An example is the Yunnan Environment and Development Programme in China. DFID helped the Yunnan provincial government to integrate environment into policies and programmes addressing rural poverty. The DFID programme identified ways to improve poor people's access to environmental resources and provincial government's environmental management policies.

21. DFID and the German aid agency GTZ co-led OECD Development Assistance Committee (DAC) work to review experiences in eight developing countries of national sustainable development strategies. This resulted in DAC guidance and a resource book of practical ways to identify poverty-environment links, to balance local and global issues, to set priorities, and to put in place systems and capacities for cross-sectoral working and continuous improvement.

**Recommendation 11 (Para 65)** We recommend that the Government and the EU strive to ensure that the WTO process becomes much more open following conclusion of the Doha Round. We believe this will encourage the delivery of more sustainable negotiation outcomes. This would have the added benefit of helping to ensure that countries can be held more accountable for their negotiating stances.

22. The report *The Future of the WTO* (often referred to as the Sutherland Report), concluded that the organisation has achieved much regarding external transparency over the past few years, while recognising that the framework for the WTO's relations with non-governmental organisations, as well as with the public generally, should be kept under review. Since the report, the WTO has taken further steps to increase the transparency of trade negotiations and processes; the UK Government strongly supports these developments.

23. Some useful steps have been taken to date, including establishing the annual WTO Public Forum meeting (held in September), which enables representatives of Government, multilateral institutions and civil society to meet and discuss trade issues. Over 1,000 delegates from all over the world attended the 2006 Public Forum, with the EC providing financial support to enable the event to take place. We also welcome the decision of the WTO General Council on the 15 May 2006 to make public all documentation issued under the General Agreement of Tariffs and Trade (GATT). These documents can be viewed on the internet at [http://www.wto.org/english/docs\\_e/gattdocs\\_e.htm](http://www.wto.org/english/docs_e/gattdocs_e.htm). To date, 51,000 out of a total of approximately 88,000 documents have been published, and the WTO Secretariat continues to work to expand this digital archive through cataloguing, scanning and publishing these papers.

24. The WTO has also sought to address concerns about the transparency of dispute resolution procedures. As a first, informal step, public hearings were held in the EU-Hormones case, and we expect similar public hearings to be held in future. The WTO has also recently begun publishing one page summaries of cases, including both key facts and the findings of the panels, which can be viewed by the public online at [http://www.wto.org/english/res\\_e/booksp\\_e/dispu\\_summary06\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/dispu_summary06_e.pdf). Although a formal change of the rules of the Dispute Settlement Understanding to allow for public hearings would need a final DDA agreement, this is one of the issues currently being considered by the relevant committee, and the EU and UK would support such a change. The Government believes that if the WTO process is to become more open then clear rules must be established about levels of information disclosure, public conduct of proceedings etc. However, as with all decisions affecting the WTO, this could only be achieved through consensus of all WTO members; we would expect this to take some time.

**Recommendation 12 (Para 77) We are concerned that a lack of clarification of the legal interface between the WTO and MEAs is leading to unnecessary uncertainty in the formulation of new, and the application of existing, MEAs. This therefore must be addressed as part of a successful Doha Round. We therefore urge the Government and EC to do all in their power to move forward on this issue. However, it is of utmost importance that any agreement reached must acknowledge that MEA and WTO rules have to be mutually supportive. If negotiations develop in such a way that MEAs look set to become disadvantaged in comparison to the current situation, the Government should strongly resist such a conclusion.**

25. The Government remains fully committed to negotiations on trade and environment in the WTO. The UK's desired outcome is to establish the principle that there is no legal hierarchy between WTO rules and specific trade obligations in MEAs and that these equal bodies of law are mutually supportive. Within the negotiations in the CTE SS, the EC has been leading attempts to define a set of principles to guide the relationship

between the WTO and the MEAs, to facilitate mutual complementarity. This is a policy objective the UK supports, although we are reserving our position until the text of any final agreement in this area has been produced, in case this undermines existing agreements or is insufficiently robust.

26. The Government considers that clarifying that there is ‘no legal hierarchy’ between WTO trade rules and trade obligations found in some MEAs will increase the level of legal certainty, allowing WTO Members who are also party to MEAs to operationalise the trade mechanisms provided for in a manner consistent with WTO rules. This will also further extend to the policy makers negotiating MEAs, providing the legal certainty for the inclusion of trade measures in an MEA, if that is the most appropriate method of achieving the environmental objectives.

27. Whilst the WTO has an important role to play in promoting sustainable development and environmental benefits, environmental issues cannot be resolved solely within the WTO. Other international institutions have more relevant expertise and are better placed to take the lead in tackling these issues, primarily the MEA Secretariats. However, it is important that clear and formalised mechanisms for observership and information exchange between the WTO and the MEA Secretariats are agreed as part of the DDA negotiations. The EC will continue to press for these negotiations to be concluded.

**Recommendation 13 (Para 81) Moves to address environment-trade issues may ultimately prove inadequate unless the WTO can be used to ensure that sustainable development is more fully considered in trade negotiations, and unless MEAs are able to protect the environment without the risk of contravening WTO rules. Although we accept that the Government may be correct in saying that a new body may create new problems, the current lack of progress on formulating a coherent approach to these issues within the WTO suggests that an alternative approach may be needed.**

28. The Government recognises and shares the Committee's concern about the integration of sustainable development considerations in WTO negotiations. For this reason, the EC and the UK continue to press in the CTE negotiations for recognition of the mutual supportiveness of WTO rules and trade-related measures in MEAs. However, it is important to note that WTO rules do not prevent countries from introducing environmental legislation, and nor do they seek to assert legal primacy over MEAs; the two bodies of law are deemed to be separate but equal. The focus of negotiations within the WTO has been to develop a set of principles to guide the relationship between the two and to ensure greater coherence between them as separate but mutually supportive bodies of international law. At present, approximately 10% of the total of around 200 MEAs require or permit the employment of trade measures to limit environmental harm or to incentivise participation by non-parties to the agreement. Trade measures take many forms, including bans, quotas, labelling requirements and requests for information prior to export. MEAs that include trade provisions include the Convention on the International Trade in Endangered Species (CITES), the Cartagena Protocol on Biosafety and the Montreal Protocol (on ozone-depleting substances).

29. In addition, environmentally-related exemptions are included in many of the WTO agreements, allowing trade measures to be taken to protect human, animal or plant life

(e.g. GATT Article XX b). Such measures are allowed, but must be justified on the basis of a risk assessment, must not arbitrarily discriminate against another WTO member (e.g. on the basis of country of origin) and should be the least trade-restrictive measures reasonably available to achieve the environmental objective intended.

30. Successive rulings by panels convened under the Dispute Settlement Understanding of the WTO have affirmed the importance of the principle of sustainable development in interpreting WTO agreements. To date, panels have ruled that the principles of sustainable development should be used to inform both the reading of WTO commitments of members and WTO rules (e.g. US/Gasoline, which ruled that clean air was a potentially exhaustible resource and therefore that measures to stop pollution were permissible under WTO rules). Other cases have affirmed the precautionary principle can be used to ban imports considered to pose a risk (EU-Hormones), and to allow products to be banned on the basis of the process and production methodology used (US-Shrimp II case, 2001, which was a response to the US banning imports of shrimp caught in ways that endangered turtles). So it is inaccurate to suggest that WTO treaties prevent MEAs from operating effectively or constrain countries from protecting their environment through legislation.

31. For these reasons, the Government continues to believe that no new institution is necessary and that the most effective approach will be to work through the established mechanism of the CTE (SS) to ensure greater coherence between trade and environmental law and a more formalised and closer working relationship between the WTO and the MEAs.

**Recommendation 14 (Para 81) We call on the Government to raise this issue with the EC and other EU Member States, with a view to the adoption of a policy to ensure interactions between international organisations can be made more mutually supportive.**

32. The Government has an established policy of encouraging all the multilateral institutions of which it is a member to pursue reforms which will improve their capabilities and their ability to co-operate effectively to address key international challenges. Modern, effective and transparent multilateral institutions with the capability to act quickly and in collaboration will be essential to helping countries adapt to the economic, social and environmental consequences of globalisation. We will continue to encourage the multilateral institutions to co-operate closely and to develop mechanisms, such as mutual observership or information sharing that can facilitate this.

33. With regard to the WTO, this issue was considered by the Sutherland Report, which considered how links between the WTO and other multilateral institutions, particularly the World Bank and IMF, could be strengthened. The report made a number of specific recommendations. However, at the time the report was published, WTO members decided to postpone consideration of its recommendations as the Doha Round negotiations were in progress. At the present time, we do not think it appropriate to raise the question of specific reforms within the WTO or within the EU, although we retain a close interest in developments, and the UK is prepared to play an active role in any process

agreed by WTO members to consider the recommendations of the Sutherland Report in this and other areas.

**Recommendation 15 (Para 91)** Although the Government acknowledges that there may be some negative environmental consequences of the Round, we are surprised that it does not appear to be more concerned. WTO Members have failed to consider adequately the environmental impacts of the negotiations, making it likely at this stage that the legacy of a completed Round will include a loss of biodiversity and increased greenhouse gas emissions. We urge strongly the Government and EC to pursue aggressively a more sustainable outcome. Failure to address these issues will give the lie to the EU and UK Government assertions that they are at the forefront of action on climate change and sustainable development.

34. The Government is very concerned about potential negative environmental consequences of the Round, and for this reason has fully supported the EC's SIA process, which seeks to identify such consequences, and capacity building programmes, to address them. The EC was instrumental in incorporating environmental considerations into the Doha mandate and has been one of the most proactive delegations in pushing forward this agenda. At the same time, we must recognise the positions of other delegations and the need to reach a conclusion to the Doha Round that is acceptable to all WTO members.

**Recommendation 16 (Para 96)** The EU has displayed a lack of political will to address sustainability issues by, for example, failing to remove agricultural market distorting measures within the EU. Until the EU has the political will to ensure that our negotiation positions are fully consistent with sustainable development objectives, we cannot expect other WTO Members to take these issues seriously. The UK Government and the EU must demonstrate clear leadership on this, even when it may be against our short-term economic interests to do so.

35. The Government does not agree that the EU has shown a lack of political will to address sustainability issues. Both the UK and the EU remain fully committed to securing an ambitious, pro-development outcome to the DDA negotiations. The UK Government believes that in order to reach a final DDA agreement, the EU will have to reduce agricultural market distorting measures within the EU and allow greater agricultural market access to the EU. We believe that this will help achieve a balanced and sustainable outcome to the DDA. However, other EU Member States and WTO members have different views of what constitutes a balanced and sustainable outcome. We need to recognise the difficult position of the EC in reaching a position that balances these views within the EU and one which forms part of an agreement with the wider WTO membership. The UK is working closely with the EC and other Member States to deliver this.

36. The UK Government vision for the Common Agricultural Policy (CAP) is to ensure the competitiveness and market-orientation of the European agriculture sector, which is not subsidised in ways that distort international trade, but subsidises wider public goods, for example environmental protection. The DDA is aiming to significantly reduce trade-distortion in agriculture. Some progress has already been made, for example agreement was reached at the Hong Kong Ministerial meeting in December 2005 to end agricultural export subsidies by 2013 (contingent on a final balanced DDA deal).

37. The EC has already taken, and will continue to take, steps to reform the structure of its agricultural subsidies to make these more sustainable and less trade-distorting. Within the EU this has largely been achieved through decoupling, the ending of the link between production and subsidy payments, whilst allowing payments which deliver public goods such as environmental benefits. Once fully implemented, these reforms should achieve a better equilibrium between supply and demand in both the EU and the global agricultural markets, reducing overproduction and artificial price distortion, as well as the practice of dumping surplus agricultural products on world markets. The UK Government has consistently supported this reform process, and will continue to do so.

**Recommendation 17 (Para 99) We commend the Government for pushing for more action to reduce agricultural tariffs and quotas. Although the EU and the US have sought to address this imbalance in international trade, they have not gone far enough. As it is widely held by WTO Members that agriculture can help raise people out of poverty, it is very disappointing that more has not been offered by the EU and US. A lack of movement on these key issues has now, in part, caused the suspension of these negotiations. The UK Government should do its utmost to ensure that the Round does not fail in its stated development aims, and do more to fight for the interests of the poorest people. This not only means that the Government should work to improve the EU offer, but should also use our special relationship to seek to ensure that the US goes much further.**

38. The Government remains committed to doing all we can to secure an ambitious, pro-development outcome for the DDA. We share the disappointment that a deal has not yet been reached, and would like to see further progress on the reduction of agricultural tariffs and quotas in particular.

39. The group of Least Developed Countries already has 100% Duty-Free Quota-Free access to EU markets, except for arms and ammunition, sugar and rice (the latter two have quotas, which are due to be phased out by 2009). The WTO Hong Kong Ministerial Conference in December 2005 provisionally agreed a minimum of 97% duty-free quota-free access to all developed markets, as part of a final Doha deal. We continue to discuss with all our partners to ensure this offer can be both confirmed and improved.

**Recommendation 18 (Para 105) As it is now known that liberalisation in the agricultural sector may have serious consequences for some developing countries, it is paramount that the G33 proposals to protect developing country agriculture are taken seriously. This is needed to ensure that the Doha Development Round can truly lead to gains for the poorest countries. We are convinced that a level of special and differential treatment must be granted to developing countries in agricultural products in order to prevent the most vulnerable in these countries from being devastated by trade liberalisation.**

40. Special and Differential Treatment (S&DT) measures are a key part of the Doha negotiations. They aim to enable developing countries, especially small and vulnerable economies, to integrate gradually and sustainably into the global trading system.

41. The Government strongly supports agreement of robust Special and Differential Treatment measures in the Doha negotiations. These measures should be designed so that

they are flexible, enabling developing countries to adapt them according to need. Both EC and UK officials discuss these measures regularly with G33 and other interested partners.

42. Needs vary under different parts of the Doha negotiations, so measures should be tailored accordingly. Given the aim of integration into the global trading system, they should not lead to wholesale and long-term exemptions that could lead to a two-tier or multi-tiered system. A good example is found in Article 10 of the Uruguay Round Sanitary and Phytosanitary Agreement, which allows for the phased introduction of new sanitary or phytosanitary measures and longer timeframes for compliance on products of interest to developing country members, so as to maintain opportunities for their exports.

43. DFID has funded a range of work on operationalising Special and Differential Treatment concepts, including work to propose possible indicators for identifying Special Products in agriculture negotiations, and support for dissemination of the results. Special Products classification enables countries to specify particular products for protection from immediate international competition. Further support will be considered.

**Recommendation 19 (Para 105) The Government and EC must actively engage with the G33 proposals and urge those resistant to it to change their stance. Failure to do this could lead to the completion of a Round which exacerbates poverty and is therefore likely to accelerate environmental damage. Such an outcome could be considered a fundamental betrayal of the poorest people on Earth.**

44. We refer the Committee to our response to recommendation 18.

**Recommendation 20 (Para 107) Although Aid for Trade will greatly assist poor countries in developing their capacity for trade, this does not preclude the need for some of the poorest countries to be able to protect their agricultural sector, or to ease slowly into the global market.**

45. We refer the Committee to our response to recommendation 18.

**Recommendation 21 (Para 110) We welcome the statement in the Aid for Trade recommendations that it should take full account of sustainable development goals. However we are concerned that there is little in the way of specific examples of how the programme will indeed be made sustainable. The EC and UK Government should make strongly the case for the inclusion of a specific commitment to the strengthening of domestic capacity in environmental analysis, regulation and enforcement in developing countries. This is required to help avoid environmental degradation being an outcome of the programme.**

46. We agree that strengthened environmental analysis, regulation and enforcement is required in developing countries, as part of the Aid for Trade package, to help avoid environmental degradation being an outcome of increased and improved trade. As far back as November 2001, the Doha Ministerial meeting recognised, “the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them”.

47. Aid for Trade is in its early stages. The WTO Director General, Pascal Lamy, is in the process of forming a Consultative Group to take forward the recommendations of the Aid for Trade Task Force. The Consultative Group will operationalise those recommendations and the UK is encouraging the Group to take full account of sustainable development goals.

48. Both the EAC report and the Aid for Trade Task Force recommendations note the importance of the Paris Declaration on Aid Effectiveness and the commitment to apply environmental assessments and strengthen environmental capacity. This commitment is echoed in the 2006 White Paper on International Development (page 67), which commits the UK to, “help partner countries identify and respond to environmental opportunities and risks, for example by helping them to undertake strategic environmental assessments”. The challenge therefore is to strengthen work on governance, growth, trade and country-driven planning so that it can also achieve pro-poor environmental management. There are several good examples of how UK and international support can be used to support environmental objectives:

- In 2005 the G8 committed to supporting improvements to climate observation networks in Africa to address gaps in climate data. This will be supported by developing the ability to analyse and use that data so relevant national and sectoral plans and action can be properly informed.
- DFID is helping develop ‘environmental wealth diagnostics’ and similar tools to ensure that Poverty Reduction Strategies (PRSs) and national development processes are informed of environmental opportunities and sensitivities. DFID has already reviewed how environmental issues have been included in four PRSs.
- In Ghana, DFID helped to launch the strategic environmental assessment of the first PRS. DFID is now providing technical support to enhance the capacity of the government body responsible for drafting the new PRS.
- In Tanzania, DFID and UNDP helped the government develop its ability to address poverty and environment links in its growth and poverty reduction strategy. Assistance included developing poverty-environment indicators as part of the strategy's poverty monitoring system, working with the Vice President's Office, and with local stakeholders.
- DFID has been working with the OECD-DAC and several multilateral financial institutions to develop a joint approach to strategic environmental assessment, which enables the environmental implications of policies and programmes to be assessed and managed.

**Recommendation 22 (Para 116) It is essential that relevant MEA secretariats are granted observer status on the WTO Agriculture Committee. MEA secretariats must also be able to contribute effectively to the negotiations, to ensure more effective consideration of the environment in its deliberations.**

49. The Government believes that it may be helpful for MEA secretariats to be granted observer status on the WTO Agriculture Committee. The Government recognises that it

would be beneficial for MEA secretariats to work with all WTO members to ensure proper consideration of the environment in agriculture deliberations.

**Recommendation 23 (Para 117) Seeking to integrate environmental concerns more fully into WTO agricultural negotiations will seem like hypocrisy if we do not fully integrate this issue into all UK policies. The fact that policy documents are still produced by UK Government departments which fail adequately to account for the environment makes it harder to argue a case for more sustainable practices in the WTO. It also raises questions as to the Government's commitment to sustainable development in practice.**

50. The Government is committed to ensuring that the principles of sustainable development, including the potential impact of policies on the environment, are incorporated into policy making.

**Recommendation 24 (Para 124) In the short-term, dealing with the question of food miles and the impact of increased global trade on climate change is too thorny an issue for the WTO. The Government should act to remove the most egregious of imbalances in the international trade regime as part of a longer process to start dealing with climate change through the WTO.**

51. The Government is aiming for an ambitious and pro-development outcome to the Doha Round and has been working closely with the EC and other partners to achieve this. As the evidence to the Committee on this issue revealed, the relationship between increased global trade and its potential impact on climate change is complex and one on which we are gathering further information to inform policy development.

**Recommendation 25 (Para 125) As other Members of the WTO are unwilling to deal with climate change in the short-term, and given its pressing nature, the UK Government and the EU must themselves do much more to tackle emissions from international transport. In line with our previous reports, we recommend that transport emissions be better accounted for through, for example, taxation of aircraft fuel, the robust inclusion of aviation in the EU emissions trading scheme and the reduction of emissions from shipping at European ports. The Government should also explore the potential to help tackle this issue through consumer awareness programmes linked to labelling of country of origin. Eventually we consider it necessary to ensure that all the external costs of products are internalised in their final price.**

52. The Government agrees that reducing emissions from transport is essential to tackling the problem of climate change. The Government supports the inclusion of the aviation sector in the EU Emissions Trading Scheme (EU ETS), and welcomed the EC's publication of a legislative proposal to include aviation in the EU ETS in December 2006.

53. The EU ETS sets an overall cap on carbon emissions and clear targets for business sectors. Participants are allocated or have to buy tradable emissions allowances. This enables the market to determine the best way to make reductions in emissions that contribute to climate change. Businesses that emit less carbon dioxide than their allocation are able to sell allowances on the carbon market to businesses that need to buy allowances to cover extra emissions. This approach will allow the environmental costs of aviation to be covered through a mixture of emissions reductions within the sector and purchase of

reductions that can be produced more cheaply and easily by other sectors. The advantage of emissions trading is that in an industry with minimal abatement options, such as aviation, it guarantees a specific environmental outcome in a way that other instruments do not. It also ensures that the emissions reductions required to achieve a particular environmental outcome take place in as cost-effective a manner as possible.

54. The current EC proposal would expand the ETS to include all internal EU flights from 2011, extending to all flights arriving at or departing from EU airports from 2012. It also aims to tackle the nitrogen oxide effects of aviation through a proposal published by the end of 2008. The Government does, however, also recognise that trading may not provide a total solution. In view of this, we will continue to explore and discuss the options for the use of other economic instruments for tackling aviation's climate change impact.

55. We recognise that the exemption of aviation from fuel tax is anomalous, but this exemption stems from International Civil Aviation Organisation (ICAO) policy and hundreds of bilateral air services treaties that cannot be unilaterally amended. At the last ICAO Assembly, European members succeeded in getting recognition for the first time that policy on the exemption of aviation fuel from taxation has been called into question in some states that impose taxes on other forms of transport modes and sources of greenhouse gases. However, the great majority of ICAO's member states still oppose any change. Without international consensus on fuel taxation, a unilateral approach would not be effective as market and environmental distortions could result. For example, carriers could purchase fuel in other countries and carry the additional payload to avoid paying duty (and increase emissions).

56. The success of land based emissions trading schemes raises the possibility of developing an appropriate market based approach to reduce atmospheric emissions from ships. Developing an appropriate emissions trading scheme to incorporate the globally mobile shipping industry will require input from all stakeholders. A successful emissions trading scheme for shipping will need to incorporate as a minimum the following critical components:

- Measurement and verification of emissions
- Trading rules
- Enforcement
- Administration of the scheme

57. The complexity and variability of the shipping industry adds to the size of this task, but experience in other industries suggests that the benefits available from implementing an emissions trading scheme are worth this investment.

58. The ratification of International Maritime Organisation (IMO) MARPOL Annex VI (the international convention for preventing pollution from ships) ensures that the first international legislation restricting atmospheric emissions from shipping activity comes into effect. Additional regional legislation was passed by the European Parliament in April 2005, also enforcing the reduction of sulphur oxide from ships. Both regulations encourage

the development of pollutant abatement technologies to reduce emissions, as an alternative to the use of lower sulphur fuel while inside the Sulphur Emissions Control Areas (SECAs).

59. In existing trading schemes, emission reductions are generated by actions such as installing more advanced pollution control technology or switching to cleaner fuels. IMO MARPOL Annex VI allows the use of onboard technology as a method of reducing sulphur oxides (exhaust gas scrubbing for example) and nitrous oxides (selective catalytic reduction or humid air motors for example) to comply with the requirement for reduced emissions. Such technologies have the potential to significantly reduce emissions well below the legislative limits, and could provide the basis for developing emissions trading schemes for shipping.

60. The benefits that may be achieved by the use of market mechanisms for shipping has been reviewed in a report commissioned by the EC and undertaken by NERA Consulting. In its recommendations, the 2004 NERA report notes that further work is necessary to develop the details of appropriate schemes, and suggests that three approaches to emission trading be investigated; voluntary port dues differentiation, offsetting and credit based schemes.

61. The EU ETS Directive lists transport as one of the sectors that should be considered when assessing whether to expand the scheme in its current review. We therefore feel that it is appropriate for the EC to start a serious debate now around the potential inclusion of surface transport and for further work to be carried out as part of this process. Emissions trading in the surface transport sector could potentially be a cost-effective way for the transport sector to reduce its climate change impact. However, it will be important to take account of how emissions trading might work alongside other important policy measures at our disposal for reducing greenhouse gas emissions from the transport sector, such as biofuels obligations, tailpipe emissions targets and consumer information. The best way to tackle transport emissions is likely to be a combination of a number of such measures. It will also be necessary to look at the potential impact on carbon price, fuel price and industrial competitiveness of including surface transport in the EU ETS.

62. Country of origin labelling is unlikely to be a robust indicator of emissions associated with transport. For example, shipping is very efficient whereas airfreight has the highest green house gas emissions on transportation method. Production method is also a factor; some goods can be produced in developing countries using less carbon than the often carbon-intensive methods used in developed countries. Research suggests that some flowers flown in from Africa, for example, use less energy overall than the same flowers produced in Europe because they are not grown in heated greenhouses. The issue is also complicated by other environmental considerations such as use of water and pesticides. A scheme labelling products purely on the basis of country of origin could therefore be very misleading.

**Recommendation 26 (Para 132) We believe that in the short term there is a case for the liberalisation of environmental goods and services, although we are sceptical as to the extent to which any agreed list produced could be considered sustainable. Key to this whole debate is ensuring that the goods and services listed are relevant to developing countries. There may also need to be flanking measures adopted so that developing countries will not be negatively affected.**

63. The Government is committed to working towards an ambitious pro-development outcome to the DDA, including in the negotiations on the environment dossier. We believe that significant liberalisation in the trade in environmental goods and services will bring benefits to developing countries, many of which face significant environmental challenges. Liberalising environmental markets will increase the speed of diffusion of technologies that remove pollutants or low levels of carbon and other greenhouse gases, as well as creating economic opportunities for developing countries, for example through developing markets for biofuels.

64. We agree with the Committee that it is important to ensure that the goods and services listed are relevant to developing countries. The EC list which has been submitted to the CTE(SS) has specifically attempted to include products of export interest to developing countries.

65. The importance of liberalising trade in environmental goods and services was highlighted by the Stern Report on climate change, which identified the need to harness market forces in order to create a global price for carbon and a global market for low carbon technologies, as well as incentivising investment in these technologies.

**Recommendation 27 (Para 132) Ultimately we feel that there must be a much tighter linkage between trade policy and sustainable development. The Government should initiate a debate on whether it would be possible to develop a more sustainable global trade system. This could focus on the formulation of sustainability indicators by which to classify different products or services. Classifications could then be used to lead more sustainable trade through labelling schemes, or more directly through tariffs on the basis of sustainability. We accept that these issues are challenging, but the Government must start to look for more long-term solutions to environment-trade problems.**

66. As mentioned in our initial submission to the Committee, the principle of sustainable development is embodied in the first paragraph of the treaty establishing the WTO. The Government also believes that the WTO has taken many steps to ensure that international trade rules are established on a sustainable basis and contribute to the broad objective of sustainable global economic growth. The development focus of the Doha Round, and the inclusion of the environment for the first time in these negotiations with an ambitious mandate are evidence of this; much would be achieved through a successful conclusion of the DDA. Environmental issues have also been considered in a number of cases brought to the WTO's Dispute Settlement Understanding, and the judgements made in a number of cases (e.g. those cited in our response to recommendation 13) indicate the importance the WTO attaches to the concept of sustainable development.

67. We accept, however, that there is more that could be done to build closer links between trade and sustainable development. The Government is working to improve the evidence base on sustainable production and consumption. We are developing roadmaps for ten products, to assess their lifecycle impacts. This evidence will inform the development of interventions (short-, medium- and long-term) to help transform the product (or market) towards a more sustainable future

68. The development of sustainability indicators and the use of these to develop labelling schemes would pose a range of difficulties. Firstly, this is an issue that would

require international agreement, at a minimum within the EU, but possibly within the WTO, on what indicators should be used, to which products they should be applied and what information would need to be included in the labelling. Gaining agreement on these issues would be likely to be very difficult in practice. There is also the question of how such a set of indicators would fit with, and what they would add to existing mandatory EU labelling rules and voluntary labelling schemes such as Fairtrade or for organic farming. There is also the question of how such a scheme and consequent regulatory or non-tariff barriers to trade would affect developing countries, and whether imposing additional barriers would be consistent with our broad development objectives. Previous experience suggests that increasing trade barriers is not the answer, and that trade liberalisation complemented by flanking measures offers the most sustainable outcome over the long term.

**Recommendation 28 (Para 135) The fact that the EU has adopted a stance against the liberalisation of natural resources in order to avoid negative environmental impacts is very positive and we commend the UK Government and EU for this.**

69. The Government welcomes the Committee's support for the EU and UK position.

**Recommendation 29 (Para 137) We are heartened that the revised EU Sustainable Development Strategy includes a commitment to incorporate the principles of sustainable development into its international trade policy. It is essential that these do not become empty words and that they are actually translated into concrete action.**

70. The Government and the EU are committed to ensuring that the commitments in the EU Sustainable Development Strategy to incorporating the principles of sustainable development into its international trade policy are realised. Within the WTO negotiations, the EC has been active in promoting the sustainable development agenda, and the EU Trade Commissioner, Peter Mandelson, reaffirmed this commitment in a recent speech. In the same speech Mandelson also underlined that the EC would be pursuing the same sustainable development agenda in any new FTAs it makes.

**Recommendation 30 (Para 138) We fear that there is still a lack of consideration of sustainable development issues in some EU negotiating positions and call on the Government and EU to urgently reassess our positions to ensure that they are fully compatible with the revised Sustainable Development Strategy.**

71. The EU has committed to integrating sustainable development principles into its negotiating positions, and the Trade SIAs are a significant tool in working towards this objective. The Government supports this approach. Whilst the negotiating mandates and Council directives set the broad framework for EC negotiators in the DDA and other trade negotiations, EC negotiating positions are continuously reassessed and adjusted in the light of developments in the course of trade negotiations, and in consultation with EU Member States. This offers the opportunity to review the EC's negotiating positions, and to ensure that these are consistent with wider sustainable development objectives, including those of the Sustainable Development Strategy. The Government will continue to take a close interest in this issue and in ensuring that a final DDA outcome is consistent with the principles of sustainable development.

**Recommendation 31 (Para 140)** We reluctantly accept that there will be occasions when the economic or development benefits of a policy will mean that it is adopted, even where there will be negative environmental impacts. It is therefore imperative that adequate emphasis is placed on the need to adopt flanking measures to mitigate negative environmental impacts. Indeed, without the use of effective flanking measures, it is unlikely that trade liberalisation can be sustainable. The significance of such measures makes it extremely important that their effectiveness is evaluated following adoption.

72. The Trade Sustainability Impact Assessment Stocktaking Conference, which was hosted by the EC in March 2005 identified more effective use of flanking measures as an area where further action was needed. Following the conference, the EC undertook to consider whether it would be possible to make funds available to assist with this. At UK level, we have commissioned some ex post research to assess the effectiveness of flanking measures already in place. The research includes case studies of three developing countries and is due for completion in March 2007. Once complete, we will share the conclusions with other EU Member States and make them publicly available.

**Recommendation 32 (Para 144)** We greatly welcome the use of SIAs in trade negotiations. Nevertheless we are concerned that its full findings are not being incorporated into our negotiating positions. Given that the EU SIA anticipates that the outcome of Doha will be negative for the global environment, and will have variable social benefits, the EU could fail in its commitments to more sustainable trade. It is paramount that the principles established in the Sustainable Development Strategy, and the recommendations highlighted in the SIA, are brought into Doha to ensure a more sustainable outcome. This may involve a change of negotiating stances where possible, such as on agricultural subsidies, or the full implementation of an effective range of flanking measures to offset any negative impacts.

73. The UK strongly supports the use of Sustainability Impact Assessments (SIAs), designed to analyse the social and environmental impact of any potential trade agreement and feed in to final negotiations, and fully recognises they have an overall positive impact. This is an important means to ensure sustainable development is appropriately reflected in the overall DDA outcome. We agree with the Committee's view that the findings of SIAs could be better integrated into the policy making process. We therefore welcomed the Commission's stocktaking conference in March where this was discussed as one of the key issues, and fully support the Commission's intention to explore ways of improving their integration.

**Recommendation 33 (Para 146 )** We are concerned that in what could have been the end stages of the Doha Round, the EU's primary method for ensuring that trade agreements will be sustainable, SIAs, could be described as a work in progress. It is of utmost importance that our trade policies are sustainable and we therefore urge the Government to ensure that the effectiveness of the SIA process is fit for purpose by calling for its complete reassessment.

74. We acknowledge the Committee's concern regarding the current effectiveness of trade SIAs. The Government, along with other Member States, are working together to ensure there is continual improvement in the process. It has been fully accepted by the

Commission that issues such as the timing of a trade SIA and increased involvement of developing countries need to be addressed. However, it must be recognised that SIAs have been hugely beneficial and have influenced the EU's negotiating position.

75. The Commission has committed to carrying out SIAs on any new FTAs. This will be an opportunity to address some of the problems that have been hitherto identified in the SIA process.

**Recommendation 34 (Para 150) Although we are concerned at the shift of emphasis onto bilateral and regional trade agreements from the WTO and the multilateral trading system, we do believe that these provide a unique opportunity for the UK Government and EU to demonstrate its commitment to sustainable development, particularly in the short term. We should pursue innovative agreements that seek to address global environmental challenges through trade, such as free trade in energy efficient goods.**

76. The Government shares the Committee's view that achieving a successful outcome to the DDA and supporting the WTO and the multilateral trading system must remain the first priority of the EU's trade policy. FTAs must act as building blocks towards future multilateral negotiations, and not undermine the WTO. This view is shared by the EC, which stated that "The world needs a strong multilateral trading system. It is the most effective means of expanding and managing trade for the benefit of all...there will be no European retreat from multilateralism". For this reason, the UK and the EC welcomed the agreement of the WTO General Council on 14 December 2006 to implement a new transparency mechanism for FTAs until the Committee on Regional Trade Agreements has had time to complete its review of the existing rules on FTAs (set out in Article XXIV of the GATT and Article V of GATS), which may lead to a further revision of the rules as part of a final DDA agreement. The UK and EC will continue to follow this review closely.

77. However, as the Committee recognises, the new FTAs with India, South Korea, the ASEAN countries that the EC has requested negotiating mandates for, as well as potential future agreements with the Community of Andean Nations and Central American Common Market countries, offer an opportunity to advance the objective of sustainable development. The Government has urged the EC to ensure that the environmental and developmental implications of the new FTAs are considered in parallel with the economic benefits of an agreement. We are confident that the approach set out in the recent EC Communication Global Europe: Competing in the World, embodies these principles and will ensure that new FTAs facilitate sustainable development.

"In considering new FTAs, we will need to work to strengthen sustainable development through our bilateral trade relations. This could include incorporating new co-operative provisions in areas relating to labour standards and environmental protection. We will also take into account the development needs of our partners and the potential impact of any agreement on other developing countries, in particular the potential effects on poor countries' preferential access to EU markets. The possible impact on development should be included as part of the overall impact assessment that will be conducted before deciding to launch FTA negotiations. In line with our position in the WTO, we will encourage our FTA partners to facilitate

access by least developed countries to their market, if possible by granting duty and quota free access”.

78. The EC is currently consulting on the text of the negotiating directives for the FTAs with India, South Korea and the ASEAN countries. The Government has already emphasised the importance of pursuing a high level of ambition with regard to sustainable development; the Commission and other EU Member States also support this objective. We will continue to press for this, and to support this Commission in this aspect of the subsequent FTA negotiations.

**Recommendation 35 (Para 151) Should agreement be reached on the Doha Round, we believe that the WTO, and the international trade system itself, will be ripe for an urgent reassessment with regards to its interaction with the environment and sustainable development. The current system must be improved to make it better equipped to deal with the wide-ranging environmental and development consequences of international trade.**

79. As set out in our responses to recommendations 12-14, the Government continues to believe that it is unnecessary to create new institutions or to seek radical changes to existing mechanisms, which have worked effectively, and have the confidence of the international community. In addition, we do not believe that an international consensus exists on the need for radical WTO reform. The challenge is to ensure that all multilateral institutions, including the WTO and the MEAs, improve their capabilities and coherence to enable them to respond effectively to globalisation. The Government is committed to taking this work forward across all the multilateral institutions to achieve this, although the particular circumstances of each institution and the external environment in which it operates must be taken into account in pursuing this work.

**Recommendation 36 (Para 152) The Government and the EC should now focus its efforts on getting the Doha Round restarted, with the ultimate goal being to achieve a pro-poor, environmentally sustainable conclusion. Anything less than this will mean that the developed world will have reneged on its commitment to making international trade work for, and not against, those people who need it most.**

80. Achieving an ambitious, pro-development outcome to the DDA remains the top priority of both the Government and the EC. We welcomed the resumption of informal negotiations in Geneva in November 2006, and continue to work within the EU and with other WTO members to ensure that these negotiations make progress towards a final agreement that delivers real liberalisation in global markets and benefits for developing countries.

81. The Government remains committed to ensuring progress on issues outside the Single Undertaking of the DDA, such as Aid for Trade. Aid for Trade builds on the commitments made by the G8 at Gleneagles in 2005 and reiterated at St Petersburg in 2006. G8 and WTO members have a responsibility to fulfil those promises. The Government welcomed the adoption of the recommendations of the Aid for Trade Task Force by the WTO General Council on 10 October 2006, and continues to press for these to be implemented, within the EU and bilaterally with non-EU nations. The UK has pressed for a commitment from the EC to take forward the negotiations on Aid for Trade

and to take forward work on other areas of importance to developing countries, such as the EU's implementation of 100% DFQF access for Least Developed Countries by 2008. We are pleased that the EC has committed itself to doing this.

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Second	The Greening Government Initiative, HC 517 ( <i>Reply, HC 426, Session 1998-99</i> )
Third	The Pre-Budget Report: Government response and follow-up, HC 985
Fourth	Climate Change: UK Emission Reduction Targets and Audit Arrangements, HC 899 ( <i>Reply, HC 88, Session 1998-99</i> )