



Turning Ideas into Action –

Sustainable Trade and Innovation Centre

2004-2006

1. STIC – Progress to Date

Achieving sustainable trade is now a recognised global imperative. Trade offers substantial opportunities for raising living standards across the developing world. But historical patterns of trade need to be changed if developing countries are to benefit on a truly long-term basis. One of the critical areas where breakthroughs are required is at the interface between exports, environmental protection and social responsibility. Considerable distrust exists about the motivations behind the introduction of new social and environmental requirements on developing country exports – whether these are regulatory norms, independent standards or corporate codes. Exporters need practical support to meet these requirements – boosting their expertise so that they can reap the financial benefits of improved environmental and social performance.

The Sustainable Trade and Innovation Centre (STIC) has been formed as a developing country-led initiative to meet this need. Launched in September 2002 at the World Summit on Sustainable Development in Johannesburg, STIC's mission is to *“to assist developing country exporters to respond, anticipate and ultimately shape the environmental and social dimensions of international trade, thereby capturing a greater share of the value-added”*. Chaired by the Dr. Ben Ngubane, Minister of Arts, Culture, Science and Technology of South Africa, STIC is a not-for-profit foundation, governed by an international board of trustees (see Annex 1 for membership). Its operations are coordinated by an Executive Director and a small administrative unit, with the emphasis on supporting its network of partners from the public, private and civil sectors (see Annex 2 for list of partners).

Since WSSD, substantial progress has been made in realising this mission:

- Internationally, sustainable trade was one of the few positive themes to emerge from the 2003 Cancun WTO ministerial. STIC was active at both the Sustainable Trade Day and Symposium, and organised a ministerial meeting of trade delegations from North and South to discuss how to tackle the practical challenges faced by businesses along the value chain.
- Regionally, STIC has hosted seven regional consultations to generate bottom up recommendations for priority action. The consultations were held in the Caribbean, South Asia, West Africa, Southern Africa, Central America, Europe, and the Mediterranean. The consultations have produced regional action plans which will be implemented by STIC's regional focal points. All of the meetings reinforced the need for: market intelligence on environmental and social standards and their impact on trade; sector specific dialogue on standards and codes of conduct between retailers, as well as between western buyers and developing country suppliers; and capacity building for sustainable trade. In Europe, the European Forum for Sustainable Trade has been established as a unique platform for developing country producers to voice their concerns about sustainability factors in trade.
- Sectorally, two pilot projects for the clothing and electronics sector have been completed. For the clothing sector, the primary objective is to strengthen skills and capacity for innovation to meet international requirements relating to environment, social, health & safety issues. A secondary objective is to facilitate mutual recognition and eventual harmonization of voluntary codes of conduct set by private retailers. In the electronics industry, environmental issues are increasingly starting to impact on the global electronics and white

goods sectors. Forthcoming EU and Japanese legislation focusing on eco-design, recycling and hazardous materials reduction will have significant implications for manufacturers and assemblers in developing countries that export or plan to trade with EC and Japan. STICs pilot programme brought together the environment/managing directors of multinationals based in Europe/Japan with suppliers/representatives of the trade associations in countries from which they source their products. Supplier country representatives were briefed about MNC requirements following from the legislations and directives mentioned above. Suppliers also had the opportunity to discuss problems they faced in meeting these requirements. This formed the basis for defining what STIC can do to assist the sector in meeting sustainability requirements along the value chain.

- Institutionally, STIC's organisational structure has been defined. STIC will be established as a not-for-profit foundation, located in Geneva, governed by a board of trustees chaired by Dr. Ben Ngubane, Minister of Science, Technology Arts and Culture. The Board will be supported by an Advisory Council. The Executive or core secretariat will be responsible for implementing the Board's decisions. Regional activities will be implemented by regional hubs and coordinated by the executive.
- Financially, STIC was able to secure funding from the Dutch Ministry of Physical Planning, Environment and Housing (VROM) and the European Union to support the implementation of a number of its activities in 2003. Funding to support additional activities in 2003/4 is being negotiated with the European Union. The German development organisation INWENT has also agreed to support some of the project based work for the next years. Contacts have also been made with the Swedish government (SIDA and the Ministry of Foreign Affairs). In addition, technical assistance proposals for project based work have been submitted to various EU programmes. Regional partners are also in the process of formulating proposals to implement the regional action plans.

Currently, STIC is engaged in a range of initiatives to take forward the momentum that has been generated. These include: capacity building activities; partnerships with technology centres to encourage innovation; business to business meetings; facilitation of dialogues on standards and voluntary codes; information provision; an annual review of sustainable trade and the development of a sustainable trade index; and, forging alliances with existing initiatives such as the UN Global Compact. Section 2 below gives a brief description of the ongoing and planned activities.

2. STIC - Strategy 2004-2006

Over the next three years, STIC intends to build on the foundations that have been laid over the past 12 months and deliver a range of services to its core constituency: producers, exporters, governments and others in developing countries. Critical to this will be *innovation* – finding new solutions to reinforce developing country capabilities for future growth. STIC is also rigorously *practical*: while its agenda is informed by trade policy negotiations, its focus is on the measures required to support exporters in the face of real world challenges.

Based on the action plans flowing from the regional consultations and the pilot projects, STIC's strategy focuses on the provision of six main services:

2.1 Brokering

STIC will help broker solutions between companies and other key players in different regions through:

- Negotiating strategic alliances between companies in different regions
- Hosting business to business meetings
- Facilitating discussion platforms for harmonization, reciprocal acceptance and mutual recognition of standards and sustainability criteria
- Organising processes to adapt and streamline norms and standards for governments, standardisation bodies and other stakeholders

Potential clients could be producers, traders, retailers and buyers associations, and governments as purchasers, in developing and developed countries.

2.2 Capacity Building

STIC will enhance the capacity of developing country producers through:

- Identifying, analysing and disseminating best practice in the management of sustainability in international trade chains (e.g. garments, agri-foods)
- Developing support services to enable companies to meet sustainability requirements in import markets (e.g. electronic component suppliers)
- Producing develop training materials for 'Training the Trainers' programmes on sustainable trade
- Forming an alliance with business schools to offer specialised sustainable trade courses for MBAs and other business qualifications
- Researching innovations to fill gaps in practice, and working with R&D facilities and other partners to develop, pilot and apply these.

Potential clients are universities, research organizations, as well as companies and industry associations.

2.3 Market Intelligence

STIC will broaden the base of market intelligence on social and environmental aspects of trade relations by:

- Evaluating the opportunities and barriers to sustainable trade in specific sectors and countries.
- Analysing investment opportunities in the innovation sector in developing countries.
- Producing market reports on sustainability factors for developing country producers
- Producing reports on implications of specific regulations for producers in developing countries

Potential clients are industry associations and trade bodies

2.4 Awareness Raising

STIC will act to raise awareness in the international business community, both of the challenges faced as well as solutions being delivered by:

- Producing an annual review of sustainable trade in partnership with major international publishers, incorporating a novel Sustainable Trade Index
- Operating a regularly updated website to disseminate its work and provide information on sustainable trade in general.

2.5 Networking

STIC will leverage its own global membership and contacts to offer networking opportunities such as:

- A bi-annual Sustainable Trade symposium, linked with the WTO Ministerial Conferences
- Specialised conferences on a commercial basis
- Regional consultations in North America, South East Asia, China, Latin America and East Africa.

Potential clients are industry associations and chambers of commerce.

2.6 Regional activities

In addition to the above global services, the regional hubs of STIC will carry out their own activities based on the action plans emerging out of the regional consultations. Action plans have already been drawn up for regions where consultations are complete: Caribbean, Southern Africa, West Africa, South Asia, Europe, Mediterranean, and Central America. The regional focal points have undertaken to implement the activities listed in these action plans, with some assistance from the international executive.