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ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the Latin American and Caribbean Region, Mexico City, 27-28 March 2003

Report of Day 2

1. *Opening session:*

Introduction to the day and presentation of LAC Consultants Report

Enrique Leff of UNEP ROLAC reminded the participants of the objectives of the meeting and emphasized that the discussions and activities of the second day should focus on the key capacity building needs on the Environment, Trade and Sustainable Development policy interface for the LAC region. He drew attention to the significance of encompassing all aspects of the trade negotiations and taking into account the trade, environment, economic, social and the political agenda of the countries in the region. He pointed out the importance of issues such as bio-trade, technology, bio-ethics, technology transfer, the rights of indigenous populations and other social considerations which may not be necessarily be appraised in economic terms but which must be taken into account in any capacity building programme. Enrique then invited Charles Arden-Clarke of UNEP-ETB to list the highlights of day 1 and the salient features of the presentations from countries and regional institutions. The day 1 report covers those highlights in more depth.

This was followed by the presentation of a paper prepared by consultants from the LAC region whose purpose was to frame and give a regional perspective to the environment, trade and sustainable development issues. Carlos Murillo, the first consultant to speak, noted the fact that the environmental issues though implicit in the current policies of most countries in the region, had not been fully incorporated into national policy frameworks and were often viewed as incompatible with the trade agenda. For instance, while most countries had changed their legislation to attract foreign direct investment and strengthen bilateral and regional relations, the environmental realities had not been adequately reflected in the countries' legislations. There was still a tacit sidelining of environmental issues in actual working agendas. He noted that most environmental ministries were under-financed and weak in political terms, sometimes making even physical presence at negotiations difficult. He noted however that there was a clear willingness on the part of governments, civil societies, and legislatures to incorporate environmental considerations in the agenda.

Additionally, he noted the absence of a regional agenda for the environment. Although most hemispheric and sub-regional initiatives for the region do have trade and environment initiatives most did not have these initiatives incorporated in a common agenda but rather ran them as separate trade and environment initiatives. For instance he pointed out that the FTAA is a very modern agreement with very high expectations for the environment but environmental considerations are not given priority in most countries' negotiating proposals. Environmental measures are viewed as defensive or reactive to the position of one negotiating party (usually the USA) and not as proactive LAC country initiatives. This was also apparent in the case of bilateral agreements between two LAC countries.

He continued to note that the economic effects of trade liberalization on fragile and small economies in the LAC region included displacement and unemployment. In addition the main environmental problems of the region included loss of biodiversity, pollution, and solid and liquid waste management. He concluded that the development of a strong and proactive environmental

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agenda for countries would depend on the relative power of the countries advocating this approach, as well as the internal policies in place with regard to the environment.

Ana Maria Majano, co-author of the paper, focused her presentation on the international discussions on trade and the environment, including trade and Multilateral Environmental Agreements, the Doha Development Agenda and the position of LAC countries in these negotiations. She stressed that governments are reluctant to link trade to environmental issues but emphasized that this linkage must be made in order to ensure that the policies adopted contribute to sustainable development. She highlighted the importance of strengthening the capabilities and participation of civil society and enhancing the capacities to promote environmental protection.

The policy options she recommended included working in bilateral and regional blocs, enhancing the capacity for dialogue particularly at the national level as well as increasing financing to the key capacity building providers, and coordinating capacity building efforts so as to maximize the synergies of similar regional programmes. She also called for research into the impact of existing trade and economic agreements on the environment. In addition she pointed out that the paper contained examples of organizations working on issues provided that could be potential partners in a regional capacity building programme.

The Meeting then broke up to four Working Groups: *Key Issues in Environmental Goods and Services, Intellectual Property Rights and the Environment, Agriculture Trade and Sustainable Development* and *The Use of Integrated Assessment to realize Trade and Environment Objectives*. The purpose of breaking into Working Groups was for in depth exploration of issues including the identification of specific problems in each of the issue areas and developing concrete proposals for future action and the possible partners for such action. The outcomes of these working groups are summarized in the next section, whereas the full rapporteurs' reports are attached as annexes.

2. Afternoon Session

Presentation of Working Group Reports

The early part of the afternoon was devoted to the presentation of Reports from the Working Groups.

- Ron Steenblik of OECD who was the rapporteur of Working Group 1 dealing with *Key Issues in Relation to Environmental Goods and Services (EGS)* presented this group's report. He noted that the Working Group began with two presentations. One by himself providing a summary of the multilateral context of the current negotiations on Environmental Goods and Services and the other by Rene Vossenaar of UNCTAD who was the moderator of the group. Mr. Vossenaar's presentation focused on the issues faced by developing countries noting that Paragraph 16 of the Doha declaration calls for taking into account developing country concerns in the negotiations regarding market access for non-agricultural products. He highlighted that while there was considerable interest in the negotiations on goods from developing countries, there was variation of understanding of the issues at stake in the negotiations. As such there was reluctance by some countries to engage in and take positions on the various issues. It was pointed out that even those countries that had put significant efforts into developing a position were reluctant to formalize that position at the WTO. Rene concluded that there are two basic types of capacity building needed: (1) helping negotiators with tools and information; (2) promoting national dialogues so that negotiators understand clearly what is acceptable domestically.

The rapporteur pointed out the key issues that arose in the Working Group including whether an agreement on EGS should provide a permanent tariff preference for environmental goods. Some participants thought that it should. The example of organic coffee provided an illustration of the potential negative implication of this position: coffee generally faces zero or low tariffs, and to follow the logic through could imply raising tariffs on “non-organic” coffee —something that many believe would not be in the interests of developing countries.

Another issue emphasized was whether an agreement on EGS should include goods defined by their processes or production methods (PPMs). Again, some participants in the group seemed to favour the idea, pointing out that it was precisely products produced sustainably in which developing countries have a comparative advantage. Others however, acknowledged the strong opposition against tariff discrimination on the basis of PPMs and stressed the considerable problems that countries faced in getting sustainably produced goods certified and recognised by importers.

Participants placed emphasis on definitional issues in the group discussions. As one participant had observed, “Just about any services, any goods could potentially be defined as ‘environmentally friendly’”. With regard to services, there was much interest in having tourism, or more precisely eco-tourism or environmentally responsible tourism, recognised as an environmental service.

On capacity building needs and objectives for EGS, the following salient features were noted. There is value for developing countries to conduct studies to identify areas of their export interest and market opportunities in areas in which they have comparative advantage. In this regard the rapporteur observed that although it had not been mentioned during the working group discussions OECD, CEC and UNCTAD were currently sponsoring studies on this issue in rapidly industrializing countries such as Mexico. In addition the group highlighted the critical need to consider life-cycle issues related to large capital items, particularly waste disposal for small-island developing states. The group also identified a need for enhanced capacity for trade negotiators through workshops, new programmes and other training and activities at the institutional level.

Finally the group noted that although capacity building with regard to the negotiations and liberalization was important, it was also important to address issues relating to improving capacity of workers displaced by liberalization to diversify occupations and improve their incomes.

- Group 2 Report on *Intellectual Property Rights and the Environment* was presented by the rapporteur of the group Mindahi C. Bastida Munoz. He pointed out that the group’s discussions began with a presentation by the moderator Francisco Cannabrava of the Embassy of Brazil in Mexico summarizing the key points of the group’s Background Paper and highlighting the relationship between the *Trade Related Aspects of Intellectual Property Rights (TRIPS)* and the *Convention on Biodiversity*.

In the ensuing discussions, the group noted the failure to include Public Health in the background paper though this was a concern for many countries. The group also discussed the intrinsic link between TRIPS and CBD and the ongoing discussions at WIPO on the issue. In particular, the group pointed out the aim of TRIPS to promote the transfer of technology as

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well as the objectives of the CBD with regard to access and benefit sharing of genetic resources. The group called attention to the importance of coherence between the international tools on these matters and the need for closer approach between IGOs and communities and also within national territories. They underlined the importance of better training for negotiators and enhanced institutional abilities for example with regard to the development of *sui generis* systems for the protection of intellectual property rights.

The group pointed to the importance of workshops for capacity building targeted towards small islands and the Caribbean and highlighted the significance of promoting the participation of all stakeholders including agricultural and indigenous communities, academia and research institutions. They also called for more seminars, manuals and the establishment of a data bank as elements for capacity building. Last but not least the group noted the importance of training for negotiators and suggested that the negotiating aspects at national level need to be broken down and specified to facilitate more participants at the various relevant fora, as well as to foster the ability to deal substantively with key elements of the different aspects of the negotiations.

- The Report of Group 3 on the relationship between *Agriculture, Trade and Sustainable Development*, was presented by Carlos Murillo. It was noted that the focus of the group's discussions was aided by questions on the key interconnections between trade policy and sustainable agriculture posed by Chantal Line Carpentier of CEC, who served as the group's moderator. The key elements of these linkages were identified as food security, multi-functionality, subsidies, rural development, tariff escalation and access to clean technology.

The group noted that increased market access does not guarantee that countries will be able to resolve their agricultural problems, particularly with respect to food security. The opening of markets leads to changes in production, with basic products being replaced by export products, leading to an increase in exports without necessarily an increase in the production of basic products. As such the group observed that there was a need to focus on domestic production and staple foods.

On the issue of subsidies, the group noted that agriculture is highly subsidised, particularly in developed countries. Besides resulting in distortions of prices and trade flows, these subsidies have a negative environmental impact. The group also noted that developing countries need financial support to promote environmentally friendly production of staple food for instance through taxation of imports to compensate domestic production.

The group noted the high cost in importing technology and called for strengthening of domestic technologies. They called attention to the fact that agricultural trade liberalization created both winners and losers and it was important to find ways in which losers can minimize their losses particularly small farmers displaced by trade liberalization. The group suggested some key target areas as promotion of organic farming, extension of finance-credit to Small and Medium-Sized Enterprises, technology transfer, enhancement of domestic capabilities, extension programmes, and the promotion and support of institutions that promote these initiatives.

- Charles Arden-Clarke of UNEP-ETB presented the final working group report on the *Use of Integrated Assessment to Achieve Trade and Environment Objectives*. He noted that the group was moderated by Gillian Guthrie of Jamaica who began with a synthesis of the background paper. This synthesis provided a brief background on assessment, uses, approaches and techniques. She called attention to the importance of a participatory approach to assessment

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as well as working with national institutions, noting that this approach had good governance benefits. She also pointed out that assessment tools were still in their infancy and the process of assessment presents a learning curve for all.

The ensuing discussion noted the importance of including the scientific community and academia in assessment work. The importance of using local policy institutes at national level was also emphasized as well as enhancing the opportunity for trade and environmental policy makers to interact and collaborate on the projects. Key concerns raised included issues regarding the motivation of the assessment, the provisions for post assessment evaluation and modalities regarding the incorporation of results into the policy making process. The group also noted the importance of carrying out assessment within the appropriate and comprehensive inter-ministerial context as well as the importance of investing in the political process parallel to the assessment.

A participant gave an important illustration regarding bilateral cooperation on assessments conducted by governments, in this instance involving Canada, China and Hong-Kong. Another example given of where this cooperation might work is the EU-ACP Economic Partnership Agreements. The group also noted the value of building links with NGOs and academic sector and gave examples of universities in the region that could contribute to such projects. In the long-term, it was noted that assessment must be embedded in the ministries as opposed to individuals working in them to ensure policy utility and continuity, due to high turnover of human resources within ministries and policy research institutions. It is also important to take into account the cost implications of a multi-disciplinary teams and the differences in approach between trade and environment ministries.

The following sectors were suggested as priorities for application of assessment techniques: Fisheries, Tourism, Manufacturing, Environmental Goods and Services and, Environmentally Preferable Products. The importance of including the private sector for example, with respect to the particular challenges faced by SMEs in upgrading their environmental performance, was noted. On modalities for cooperation to avoid friction between national institutions, it was noted that the project could be placed under one ministry given the formal lead but the technical coordination left to a steering committee comprised of all the represented agencies and ministries.

Short-term needs with regard to capacity building were identified as training, funding, improved capacity for environmental data collection and improved inter-ministerial coordination. Long-term needs include, the formulation of integrated policies, identification of environmentally preferable products and better regional and sub-regional understanding of sustainable development.

Elements of a Capacity Building Programme for the LAC Region

The closing session of the meeting consisted of a floor discussion of the key elements of a Capacity Building Programme for the region. A representative of OAS noted that they have a Consultative Group of small economies of FTAA. This is a programme for the hemispheric countries, which aims to assist them in the development of a national strategy for the environment. They find priority areas from the government before coming up with projects or policies. Details of this are to be found on the FTAA website.

The discussions also gave emphasis to the importance of including civil society in discussions when developing a capacity building programme and enhancing legislation and regulations in

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different countries to deal with the pertinent issues in the trade and environment interface. A good example of this need is in the case of drafting rules on biodiversity to provide safeguards for indigenous people. In addition, there should be initiatives to train representatives of indigenous and peasant groups.

A participant from Group 3 on *Agriculture, Trade and Sustainable Development* noted the importance of indicators after training courses to measure efficiency of courses. The importance of developing standardized indicators, which are applicable to countries with similar conditions and priorities, was also noted. Another participant suggested bio-taxes for small countries with vulnerable economies. A representative from Cuba noted the importance of training systems to develop indigenous national capacity and the significance of realizing synergies within capacity building programmes. In addition, the representative from Costa Rica expressed significant capacity building needs in the area of environmental services.

The representative from IADB made the observation that financial institutions finance what governments request. As such there is need to strengthen governments' assessment of their needs and to involve representatives of ministries of Finance and Planning in such exercises since they are normally the main players in the financing requests. He noted that Development and Environment ministries were usually not part of the financing negotiation process. He pointed to the importance of embedding environmental issues into sectoral issues and other policy areas.

Ana Maria, co-author of the paper on LAC capacity building needs, pointed out the importance of an information sharing process. A representative from the Sustainable Development Unit OAS shared information about previous programmes with Argentina, Brazil, and Uruguay with regard to the FTAA and pointed out that their next programmes would focus on the Caribbean. Participants also called for the design of programmes and sub-programmes focused by region for example, Central American, Andean, Caribbean. It was noted that small island states share similar challenges and building programmes around those needs could be cost effective and minimize duplication of effort at national levels. It was also noted that it was important to identify potential partners and assess their level of commitment in order to ascertain who to partner with in capacity building programmes.

Participants also emphasized the need for involvement of the private sector and the need for training of negotiators. One participant highlighted that discussions on the capacity building needs had been ongoing for two years and it was important to forge ahead with a concrete programme. He called for identification of capacity building priorities per sub-region (rather than subject area as had been done by the working groups). One contributor noted the importance of sending to countries proposed capacity building programmes for final round of consultation and the importance of using both the *Forum of the Ministers of Environment for Latin America and the Caribbean* and the countries' representation in Geneva in this consultation process.

In response to a question on what were the five capacity building programme areas arising from the conference (directed at UNEP), Charles Arden-Clarke of UNEP-ETB noted that many participants had mentioned capacity building needs with regard to the four working group areas and this was a possible starting point. Other possible areas included fisheries. He pointed out that a capacity building programme could focus on specific sectors or the development of policy tools for assessment of linkages, and designing and implementing policies which successfully integrate trade, environment and development objectives.

He reminded participants of the objectives of the meeting and indicated that the next step would be development of concrete proposals for capacity building activities, which are demand driven

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and ensure collaboration and cost-effectiveness. He pointed out that these proposals would be developed in a participatory manner following the meeting, and then submitted to potentially interested donors. He noted that the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development would hold a back-to-back workshop with the WTO Regional Seminar on Trade and Environment, due to be held in Jamaica in November. There may also be an additional civil society-oriented event included in this sequence of meetings. He noted that so far UNEP country projects have had success in promoting research and policy dialogue.

The meeting was then closed by Cristina Montenegro of UNEP-ROLAC who thanked the attendees for their participation. Charles Arden-Clarke also expressed special thanks to the North American Commission for the Environment who had co-sponsored the meeting in addition, to the *Forum of the Ministers of Environment for Latin America and the Caribbean*.

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