

Country projects on economic reforms, trade liberalization and the environment

What are the UNEP country projects?

Over the past five years, UNEP has supported work on “*integrated assessments*” of the economic, environmental and social impacts of trade and trade liberalization at the national level in 11 countries. These assessments, undertaken by domestic policy research institutions and focused on specific sectors, provide data on the linkages among trade, environment and development policies, identifying positive and negative impacts of trade and trade liberalization. Each country project concludes by recommending a set of practical measures and policy responses, including economic instruments for environmental protection, designed to maximize the net gains from trade.

The most recent six country projects were undertaken simultaneously with the drafting of UNEP’s *Reference Manual on Integrated Assessment of Trade-Related Policies*, published in June 2001.

The practical experience gained in these projects, supplemented by the knowledge of a dedicated group of experts, provided invaluable input to the manual, early drafts of which in turn were useful to the research institutes undertaking the country projects. Building the capacity of national research institutes to apply integrated assessments is a central objective of both of these UNEP activities.

A learning-by-doing process

The country case studies aim to help countries take a more integrated approach to designing and

implementing trade, environment and development policies. Almost all the studies to date have been conducted in a developing country context, by local policy research institutes, with the explicit aim of enhancing the capacity of local institutions, and fostering networking between researchers and policy-makers. The studies are entirely country-driven—designed and undertaken under the guidance of a “National Stakeholder Committee” specifically established for this purpose. These committees include government departments, academia, the private sector, local communities and NGOs as well as relevant UN organizations working in the country.

Almost all the studies to date have been conducted in a developing country context, by local policy research institutes, with the explicit aim of enhancing the capacity of local institutions, and fostering networking between researchers and policy-makers.

Sectoral coverage

To date, UNEP has conducted 11 country projects in the following sectors:

- *Agriculture*: China, Ecuador and Nigeria
- *Forest Management*: Tanzania
- *Mining*: Chile
- *Fisheries*: Bangladesh, Argentina, Senegal and Uganda
- *Transportation*: India
- *Water Management*: Romania

United Nations Environment
Programme
Programme des Nations Unies
pour l’environnement
Programa de las Naciones
Unidas para el Medio
Ambiente
Division of Technology,
Industry and Economics
Economics and Trade Branch

chemin des Anémones, 11-13,
CH-1219 Châtelaine,
Geneva 10, Switzerland

Tel: +41.22.917.82.43;
Fax: +41.22.917.80.76
E-mail: etb@unep.ch
URL: <http://www.unep.ch/etu>



Selected assessments – key findings

China – Cotton

This study is an *ex-ante* assessment forecasting the potential effects of future import liberalization (through tariff rate quotas) on the production and import of selected agricultural products. The focus is on the environmental, social and economic effects of changes in production and consumption of cotton. The assessment predicts a decrease of the cotton under cultivation by 1.11 per cent (about 92,600 hectares). This reduction is expected to have positive effects on the environment because of the reduction in the application of chemical pesticides and fertilizers. However as textile production based on cotton imports grows, environmental damage may increase, since textile production can be pollution intensive and consumes a great deal of water. Increased export revenues may thus be offset by more environmental damage. Furthermore, a cost-benefit analysis predicts that negative economic and social effects from contraction of cotton production will outweigh positive effects from liberalization within the agricultural sector.

Argentina – Fisheries

This *ex-post* assessment looking at the effects of past liberalization focused on a marine fishery, almost exclusively export-oriented. The study found strong links between overfishing, and the related depletion of fish stocks, and subsidies from developed countries, which give them access to other countries' fish stocks. Deregulation of the sector and liberalization of investment also contributed to the rapid expansion of activities, followed by a collapse of the resource base. A cost benefit analysis of the pattern of exploitation of one particularly valuable fish species showed that liberalization and expansion of the sector led to serious net negative economic impacts. During the 1990s, increased and unregulated fishing activity led to a net direct cost of about US\$500 million for the most exploited species. The study estimates that if expansion of the sector had been properly managed, respecting maximum sustainable yield, net economic gains from the sector could have amounted to US\$5,100 million for the same species, over the same 10-year period.

Bangladesh – Shrimp Farming

This project examined the environmental impacts of trade liberalization policies undertaken as part of structural adjustment programs in Bangladesh. Shrimp aquaculture is a major economic activity in this country, and exports rose by 70 per cent between 1980 and 1998. A partial cost benefit analysis (CBA) was undertaken accounting for costs of land degradation, human health impacts and mangrove destruction related to shrimp farming. The CBA estimated the cumulative costs of these negative impacts as between 21 per cent and 30 per cent of the revenues earned from shrimp production. The study recommended a range of policies to minimize environmental damage and natural resource depletion, and thus maximize the net welfare gains from shrimp production. These included a mix of market-based and regulatory measures, and decision-making processes which involve all stakeholders, particularly local communities.

Sad story, Thailand (Somyot Chamnanrith/ UNEP).



...all of the country projects conclude with policy proposals to mitigate any negative impacts of trade and to strengthen any positive ones.

Policy responses

As in the Bangladesh study summarized above, all of the country projects conclude with policy proposals to mitigate any negative impacts of trade and to strengthen any positive ones. The solutions proposed as an integral part of these assessments are very diverse, including command-and-control regulations, voluntary initiatives, and economic instruments. This is to be expected, since the policy responses selected by

the research institutions were designed to reflect the specific country situations and institutional structures, and be practical and implementable. As a rule, they tend to involve reforms of policies other than trade policies, a major exception being recommended measures to promote higher value addition to exports. In some of the country projects, the recommended policies are being further refined and implemented on pilot basis.



Rice fields (UNEP).

Lessons learned

... about the effects of trade liberalization

The country projects have shown that trade expansion, where trade, environment and development policies are not well integrated, can result in serious and costly environmental and social impacts. The damage may even be irreversible, and in any case can substantially reduce the net economic benefits of trade to the exporting country. Most of the UNEP country studies conducted so far have indicated larger economic and social effects than environmental ones. However, the environmental effects are also more difficult to identify and quantify. The studies also show that trade distorting policies can be a major cause of environmental degradation, and that the reduction of such distortions brings environmental benefits.

... about the conduct of assessments

There is a broad array of assessment methodologies to choose from, and the final choice will

always have to be adapted to local conditions, needs and priorities. Environmental and social data in developing countries are less comprehensive than those in developed countries, meaning that assessment approaches in developing countries require even more flexibility and innovation. To make assessments policy relevant, and to gain a meaningful picture of the overall impacts, it is important to use valuation methods that allow economic, social and environmental effects to be compared.

An effective and accurate assessment demands an open, transparent multi-stakeholder process, allowing for sharing of perspectives, expertise and experience.

An effective and accurate assessment demands an open, transparent multi-stakeholder process, allowing for sharing of perspectives, expertise and experience. Coordination at the national level between government line ministries, industry and non-governmental organizations should be actively encouraged. Country ownership of projects is an essential factor in ensuring that assessments focus on national priorities, and that policy recommendations have a higher chance of implementation. The multi-stakeholder participation encouraged in these projects can have spin-off benefits, promoting general good governance.

Forward-looking (*ex-ante*) assessment is increasingly being recognized as an important tool to achieve policy integration. One aspect of that integration is identifying and realizing “win-win opportunities,” in which removal of trade distortions (e.g., subsidies and tariff escalation) also advances environment and development objectives.

... and about capacity-building for assessment

UNEP’s experience is that there is no shortage of in-country expertise to identify trade-environment problems and design policies that respond effectively. However, there is a need to build a



*Trees in our backyard, Philippines
(Sigfred Jr. Balatan/UNEP).*

much greater awareness of the range of trade-environment-development linkages for more informed policy-making. For this type of capacity building, as well as for the development of integrated assessment techniques, there is no substitute for “learning by doing.”

The country projects have been designed as exercises in action-oriented research and policy development, explicitly aiming to put in place a national process and network of stakeholders with an ongoing interest in conducting assessments. These projects, and those national networks, provide building blocks for South-South cooperation on integrated assessment and on trade, environment and development policy integration more generally. Experience with the UNEP country projects has shown that only modest financial support is needed to launch assessment processes and promote government interest in and capacity to apply assessment techniques.

Capacity building is key to reducing developing countries’ suspicion of the motives behind integrated assessment of trade liberalization, as well as to increasing their ability to use the tool to maximize the net development gains from trade and trade-related policies.

UNEP publications

The first round of country studies (1997-99) can be found on the Internet at: <http://www.unep.ch/etu/publications/index.htm>

A synthesis of the results of these studies is available in the following publication:

“Trade Liberalization and the Environment, Lessons learned from Bangladesh, Chile, India, Philippines, Romania and Uganda,” UNEP, New York and Geneva, 1999.

http://www.unep.ch/etu/publications/Ctry_studies.htm

The preliminary synthesis report of the second round of country studies (2000-2002) can be found on <http://www.unep.ch/etu/doha/papers.htm>

“From Globalization to Sustainable Development, UNEP’s work on trade, economics and sustainable development,” UNEP, Geneva, 2002.

<http://www.johannesburgsummit.org/html/documents/prepcom4.html> and <http://www.unep.ch/etu/wssd/index.htm>

“Capacity Building on Environment, Trade and Development: Trends, Needs and Future Directions,” Discussion Paper, UNEP, Geneva, 2002.
http://www.unep.ch/etu/etp/events/Capacity_Building/CB_discussion.PDF

“Environment and Trade: A Handbook,” (also available in French and Spanish) UNEP-IISD, 2000.

http://www.unep.ch/etu/publications/Envi_and_Trade.htm

For more information on integrated assessment, see the UNEP Briefing on the subject from this same series, in particular its reading list. Also see UNEP’s manual for conducting such assessments at http://www.unep.ch/etu/publications/Envi_and_Trade.htm

www.unep.org

United Nations Environment Programme

P.O. Box 30552 Nairobi, Kenya

Tel: (254 2) 621234

Fax: (254 2) 623927

E-mail: cpinfo@unep.org

web: www.unep.org

