



Policies and Tools (2): International Level

Background: The need for an integrated and coordinated approach to policy-making has been recognised by the international community through major UN Conferences, particularly UNCED and sessions of the United Nations Commission for Sustainable Development (CSD), which have recognised the interdependence and mutual supportiveness of economic and social development and environmental protection. At the international level, greater efforts are needed to build coherence between trade and environment policy regimes. As a first step, analysis and dialogue are needed to better understand issues where trade, development and environment policy objectives may be in opposition. The international debate now focuses on several such issues.

The Precautionary Approach: The Rio Principles state that *“in order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”* There are many instances where lack of scientific certainty with respect to the environmental implications of undertaking a specific activity require precautionary action to protect the environment. However, there is intensive debate about the extent to which the Precautionary Approach can be used to restrict trade because there is a potential for it to be used for trade protectionist purposes. This issue, as well as the relationship between precautionary measures and international trade rules require more analysis.

Subsidy Reform: A growing body of evidence suggests that undistorted and fully cost-internalised resource prices enable markets to work efficiently in order to protect the environment. To this end, subsidies for resource extraction, production and consumption, should be reduced and the environmental costs of resource production and use reflected in pricing. Many governments continue to provide subsidies to their economic agents, which allow resource prices to be held artificially below the costs of production and use. This may be done to enhance national competitiveness in global markets or to promote development goals, including not only industrialisation but also poverty alleviation, the wider use and dissemination of environmentally sound technologies (ESTs) and rural development. In the former case, subsidies might be both trade-distorting and environmentally damaging. However, in the latter cases such subsidies may be environmentally beneficial. There is thus a need to better analyse and understand these relationships and their implications for subsidy reform.

Intellectual Property Rights: Another issue of prominence in the trade-environment debate concerns trade-related intellectual property rights, or TRIPs. Allocations of such rights are required to create incentives for the development of certain technologies, including ESTs, that protect the integrity of the environment, and biotechnology that can reduce the severity of disease or enhance the productivity of agricultural enterprises. Such technologies are clearly instrumental for sustainable development, contributing to both environmental protection and poverty reduction. However, TRIPs may put the costs of these technologies out of reach of developing countries and the poorer communities where they are most needed. There is a need to strike a balance between ensuring TRIPs-related economic incentives, and promoting progress in the achievement of sustainable development in developing countries where financial resources remain limited. There is also a need to provide protection for the informally developed technologies and practices of indigenous peoples and local communities.

Integrated Assessment: Improved environmental assessment methodologies would clearly assist policy makers in addressing the environment-related challenges of policy reform. The close relationships between environmental protection, economic development and enhancing social welfare point to the need for integrated assessments techniques to be developed and applied by policy makers in order to guide their policy formulation process to optimise trade-offs between conflicting objectives. Such methodologies need to be applied not only ex-post, but also ex-ante, to both the national and international trade and trade-related policies.

Goals and Objectives: Through background research and policy dialogue, UNEP’s work on international trade and environment policy aims to bridge the gap and make concrete linkages between these international policy regimes. By bringing experts and decision makers together in informal dialogue to raise awareness and enhance understanding of major international trade-environment issues, and identify areas of shared perception and approach among major stakeholders, options to carry forward the environment-

trade agenda may be identified. Specific objectives for current topics covered include clarifying the trade and environment implications of:

- application of the Precautionary Approach at national and international levels;
- subsidy reform in trade-relevant sectors such as energy, fisheries and agriculture;
- the effect on rights and access to environmental technologies of the WTO TRIPs Agreement;
- the environmental implications of international trade rules and agreements.

Activities: UNEP's activities on international policy analysis take place in the form of research, policy dialogue and publications aimed at fostering policy integration. Arranged thematically, these activities currently include:

The Precautionary Approach: To date, this activity has been of an analytical nature resulting in a paper exploring the role of the precautionary approach in international and national environmental law-making, and its implications for issues related to environment and trade. The first draft of the paper was distributed to Geneva missions and was discussed at a peer review meeting organised by UNEP in June 1999. The second draft, incorporating views and comments expressed by governments, was circulated in May 2000 to Permanent Missions in Geneva for comments. Revision of the document on the basis of these comments is underway and the paper will be published in early 2001.

TRIPs and the Environment: Building on the analytical work of UNEP, a policy dialogue was convened by UNEP in October 1999 to examine the environmental implications of the WTO Agreement on Trade Related Intellectual Property Rights (TRIPs). Dialogue focused on the special sustainable development needs of developing countries under this new regime, within the context of the Biodiversity Convention, and explored how the transfer of environmentally sound technologies might be affected by the implementation of the TRIPs Agreement. It also examined the need for an alternative to the TRIPs regime to protect indigenous knowledge and community rights. In cooperation with UNCTAD, UNEP is currently exploring possibilities to facilitate further dialogue among stakeholders on TRIPs and the environment and to undertake further work examining intellectual property rights, technology transfer and community rights.

Subsidies and the Environment: Building on the analytical work of UNEP, an expert meeting was convened by UNEP in October 1999 on environmentally damaging subsidies, especially relating to fisheries and agriculture. Discussions identified the major obstacles to the removal of such subsidies and the need for a methodology to assess the trade impacts of subsidies. The objective was to advance dialogue and inform future WTO negotiations on the elimination of trade-distorting subsidies, many of which are environmentally damaging.

In February 2001, UNEP convened an international workshop designed to advance discussions of fisheries subsidies reductions and eventual elimination. Additionally, in a separate project, UNEP and the International Energy Agency hosted a series of regional workshops in Europe (November 2000), Africa (December 2000), Asia (January 2001) and Latin America (March 2001) designed to enhance in-country capacities to identify and outline subsidy reform options needed to support sustainable energy production and consumption. The results of this series of workshops will be fed into CSD-9 discussions on energy in April 2001.

Integrated assessment of trade and trade-related policies:

In September 1999, UNEP commissioned an International Expert Group on Integrated Assessment to develop the UNEP Reference Manual for the Integrated Assessment of Trade-related Policies. The manual is UNEP's response to the growing demand for a tool to assess the environmental and sustainable development effects of trade policies. It is designed to assist both developed and developing country negotiators, policy makers and trade-environment experts to assess multilateral trade policy during and after negotiation. To prepare the manual, the expert group – comprised of experts on assessment from governments, intergovernmental organisations and academia as well as national team members of UNEP Country Projects who field-tested the manual – met in four international workshops during 1999 and 2000. The final version of the Manual will be available in early 2001. The manual will be used a primary reference tool in both UNEP and CBTF Country Projects (See separate Fact Sheets). It will also be introduced to WTO negotiators in a 2001 UNEP workshop to be convened in Geneva.

Further Information on UNEP's assessment and policy development tools is available at the website: www.unep.ch/etu and through numerous publications available in electronic format online and in hardcopy format through the Online UNEP EarthPrint Bookshop.