



# United Nations Environment Programme

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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE

ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

## Economics and Trade Programme Priorities and Activities

July 2000

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### UNEP'S ECONOMICS AND TRADE PROGRAMME

Examining how economics, trade and finance interact with the environment at local, regional, and global levels, the Programme aims to enhance understanding of the relationships between environment, trade, finance and development. Through an increased awareness of these relationships, the Programme encourages decisionmakers in government to integrate environmental considerations in macroeconomic and trade-related policies.

*The Economics and Trade Programme is implemented by the UNEP's Economics and Trade Unit (ETU). The ETU is one of the units of the UNEP's Division of Technology, Industry and Economics. The work of ETU is focused on the environmental aspects of economics, trade and financial services. Consult the ETU website [www.unep.ch/etu](http://www.unep.ch/etu) for further information on ETU programmes and activities.*

#### Activities

The Programme comprises four integrated and complementary activities specifically designed to meet objectives elaborated through extensive stakeholder consultations:

**RESEARCH** on major issues in the environment-trade domain and on practical approaches to integrate these policies to secure sustainable development.

**CAPACITY BUILDING** to enhance countries' capacities to develop mutually supportive environment and trade policies.

**CONSENSUS BUILDING** through awareness raising, consultations and dialogue to seek out areas of shared perception and approach among major stakeholders.

**PARTNERSHIPS** to build synergies and complementarities with other organisations working in the environment-trade domain.

#### Objectives

- Enhance understanding of the environmental as well as social and economic impacts of trade liberalisation

and the trade impacts of environmental policies and agreements.

- Demonstrate and clarify the interlinkages and complementarities between trade, environment and development.
- Raise awareness of policy- and decisionmakers on the relationships between trade, environment and development.
- Develop and assist countries in the use and application of assessment and incentive tools, including impact assessment, valuation, natural resource accounting and economic instruments.
- Enhance the capacities of countries, particularly developing countries and countries with economies in transition, in integrating environmental considerations into trade policies.
- Strengthen coherence between Multilateral Environmental Agreements (MEAs) and the World Trade Organisation (WTO), including clarifying the relationship between WTO rules and trade measures in MEAs.

#### Approach

- Working closely with national governments to ensure that their environmental and developmental concerns are taken into account in programme activities.
- Involving national institutions and experts in the formulation and implementation of activities.
- Building capacity through a participatory, 'learning by doing' approach to addressing countries' economic, environmental, and social needs according to national development priorities.
- Providing practical and cost-effective approaches to the assessment (environmental, social and economic) of trade policies and to the implementation of environmentally sustainable trade policies.
- Working closely with, building on ongoing work and ensuring complementarity and coordination of efforts with the WTO, the United Nations Conference on Trade and Development (UNCTAD) and other relevant

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intergovernmental and nongovernmental organisations (NGOs).

- Further promoting dialogue with and between governments to promote their involvement in, and effective contribution to, the environment-trade debate.

### PROGRAMME ACTIVITIES RESEARCH

Since the early 1990's, UNEP has been engaged in research on problematic environment-trade issues and on the development of practical methodologies for environmental management. Publications resulting from this work directly support UNEP's capacity building and consensus building activities.

*Ordering information for UNEP/ETU publications, and access to online versions, are available at the website: [www.unep.ch](http://www.unep.ch).*

#### RESEARCH ON EMERGING ISSUES

Widely disseminated studies in the *Environment & Trade Monograph Series* provide technical input to the environment-trade debate. The series comprises comprehensive studies by leading international experts and practitioners. The 17 topics covered by the series to date include:

- trade and sustainable development
- international environmental law
- reconciling environment and trade
- trade in genetic materials
- environmental risk analysis
- environmental trade measures
- trade and hazardous waste
- dispute resolution
- economic reform and the environment
- globalised production
- fisheries subsidies
- policy effectiveness and MEAs
- trade related environmental measures in the field of biotechnology

#### RESEARCH ON POLICIES AND TOOLS

There has been increased recognition of the need to assess the environmental impacts of trade liberalisation and trade-related policies. Such assessments provide guidance in formulating integrated policy packages to mitigate trade's negative environmental and socio-economic impacts while maximising its positive ones. The ultimate objective is to ensure that environmental and natural resources are sustainably managed and support the long-term achievement of countries' trade objectives and maximise the net benefit of trade.

Assessments can also ensure the integration of environmental considerations in the formulation and implementation of trade policies. Policies

designed should be practical, implementable, and meet countries' socio-economic circumstances and development priorities.

UNEP believes that assessment and policy development should not only be country specific, but also sector specific. Towards this end, UNEP is working closely with sectoral experts to develop new methodologies for sectors where assessment tools remain to be fully elaborated.

#### REFERENCE MANUAL FOR INTEGRATED ASSESSMENT OF TRADE AND TRADE-RELATED POLICIES

UNEP is preparing a manual for the assessment of trade and trade-related policies. The manual provides a general approach and framework to integrated assessments (economic, environmental and social) comprising a menu of options through which a user can develop a methodological approach to integrated assessment that responds to a particular situation and set of priorities.

The manual will help negotiators, policymakers and practitioners to assess trade and trade-related policies against widely accepted sustainable development criteria. By enhancing decisionmakers' understanding of potential environmental impacts – and related developmental and economic implications – of these policies, the manual aims to facilitate the negotiation, formulation and implementation of trade policies and agreements.

The manual, currently in preparation, was reviewed by relevant institutions and experts on June 29<sup>th</sup> 2000 during the 3<sup>rd</sup> Expert Group Meeting. A first expert meeting last December in Geneva reviewed the draft version of the guide. Another review took place on March 9<sup>th</sup> 2000 in Imbabura, Ecuador.

#### TRAINING MATERIAL ON TOOLS FOR THE INTEGRATION OF ENVIRONMENTAL CONSIDERATIONS IN DEVELOPMENT PLANNING AND DECISION-MAKING

UNEP has undertaken research aimed at producing a wide range of application-oriented publications and training resource material for practitioners on environmental management policies and tools. These documents are aimed at enhancing capacities of practitioners to understand the linkages between trade environment and development and available tools for policy integration. This work is published in the UNEP Trade and Environment monograph series and the Environment and Economic Series.

Over 43 titles are now available in the series on the following topics:

- environmental impact assessment (EIA)
- environmental resource valuation
- environmental accounting

- economic instruments for environmental management
- trade and environment

#### PAPER ON IMPLEMENTATION OF THE PRECAUTIONARY PRINCIPLE/APPROACH

This paper explores the role of the precautionary principle/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/ETU in June 1999. The second draft, incorporating views and comments expressed by governments, has been circulated to Permanent Missions in Geneva for comments. Revision of the document on the basis of these comments is starting this month.

#### EIA TRAINING RESOURCE MANUAL AND GUIDE ON INTEGRATED ASSESSMENT

Based on field trials and requests from governments, UNEP is revising its EIA Training Resource Manual to better enable trainers, particularly, in developing countries and countries with economies in transition to develop tailor-made training courses for different target groups concerned with EIA. Widespread acceptance and use of the first edition of the manual has helped build local capacity to develop EIA procedures and legislation, conduct EIAs, and monitor and evaluate the implementation of EIAs.

Additionally, experiences with EIA, particularly from developing countries, will be compiled and published as a collection of case studies to supplement the revised manual.

UNEP is also preparing a Guide to Integrated Assessment to enhance the capacity of countries to devise suitable country-specific guidelines to extend the scope of EIA to sustainable development (i.e., examining not only the environmental, but also the economic and social impacts of development activities). A new draft of this manual was reviewed at a workshop of international experts on 21 June during IAIA 2000 held in Hong Kong.

#### MANUAL ON INTEGRATED ENVIRONMENTAL AND ECONOMIC ACCOUNTING

UNEP has been involved in the preparation of an operational manual on *Integrated Environmental and Economic Accounting (IEEA)*. The objective of the manual is to provide hands-on guidance for the implementation of the more practical system of IEEA modules. The Manual is intended to serve as a reference document for the implementation of integrated environmental and economic accounting at the national level. It supplements the United Nations handbook and work undertaken by the United

## Priorities and Activities

Nations Statistical Division (UNSD) and other international and national organisations in this area. The main target groups for the manual are the data producers, who may either be part of the 'official' statistics system or research institutes charged with conducting 'pilot projects'.

### CAPACITY BUILDING

UNEP works closely with governments, particularly those of developing countries and countries with economies in transition, to assist them in their efforts to enhance their institutional and human capacities for integrating environmental considerations in development planning and decision-making. Emphasis is placed on a practical *learning by doing* approach.

#### COUNTRY PROJECTS

Over the past two years, UNEP has worked closely with Bangladesh, Chile, India, the Philippines, Romania and Uganda on comprehensive projects to identify the impacts of trade and trade liberalisation on national environmental resources and to use economic instruments to sustainably manage these impacts. All six country projects, and a synthesis report summarising their main results and conclusions, have recently been published and are available from UNEP/ETU at its website.

These projects are entirely country-driven – conceived, designed and conducted by national teams of practitioners. Project studies encompass new solution-oriented research on unique trade-related environmental problems and their social and economic implications in diverse sectors.

Importantly, country projects involve multi-stakeholder participation to identify the dynamics involved in environmental degradation, and to develop widely acceptable national response strategies.

Each country project concludes by recommending a set of practical measures – comprising command-and-control regulations, voluntary initiatives and economic instruments designed to meet national conditions – that significantly reduce trade-related environmental degradation while not negatively affecting trade. The projects do not end with published studies; their final component involves pilot implementation of proposed measures undertaken by national authorities in collaboration with each project's national team and with technical assistance from UNEP.

In response to country demand, this spring UNEP launched a new round of six country projects on trade liberalisation and environment (in Argentina, China, Ecuador, Nigeria, Senegal, and Tanzania) and three country projects on the design and implementation of policy packages including economic instruments (in Chile,

Kenya, and the Philippines). These projects will be initiated with workshops in these countries over the next 2-3 months.

#### SEMINARS ON TRADE, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

UNEP participated in a number of capacity building seminars with WTO, UNCTAD and the International Centre for Trade and Sustainable Development (ICTSD). Organised in Harare, Caracas and Geneva, these seminars provided environment and trade officials with a better understanding of the linkages between trade, environment and sustainable development. They also helped identify environment-trade issues where further capacity and consensus building are needed.

#### HANDBOOK ON ENVIRONMENT AND TRADE

In collaboration with the International Institute for Sustainable Development (IISD), UNEP has recently published a basic handbook on environment-trade issues. Aimed at a non-expert audience, it seeks to increase an understanding of these issues through clear, user-friendly writing and presentation. This handbook is also available on the website.

### CONSENSUS BUILDING

Since its establishment in 1994, the WTO Committee on Trade and Environment (CTE) has provided a forum for examining major unresolved environment-trade issues. The CTE has yet to provide conclusive recommendations to the WTO Council on these issues. This has been mainly due to the complexity of issues being discussed and a divergence of government views on the issues and their implications.

Consensus building activities of UNEP's Environment and Trade Programme seek to bring experts and decisionmakers together in informal and unofficial dialogue to raise awareness and enhance understanding of issues so that options to carry forward the environment-trade agenda may be identified. These activities take place in the form of conferences, workshops and round-table consultations, and policy dialogues.

#### MEETING OF THE ARAB LEAGUE

Jointly organised by the Egyptian and UNEP, the Arab Regional Symposium on Trade and Environment was held on 6-8 September 1999 in Cairo. Participants were from 16 Arab countries and 12 regional and international organisations. The main objective of the Symposium was to assist Arab delegations in their preparations on environment-trade related issues for the WTO Ministerial meeting in Seattle. Several recommendations on how to approach environment-trade issues within the context of multilateral trade policy resulted from the meeting. In

collaboration with UNCTAD and the WTO, UNEP plans to conduct similar regionally specific seminars in Africa, Asia and Latin America.

#### BRIEFING SESSIONS WITH GOVERNMENT MISSIONS IN GENEVA AND NAIROBI

UNEP organises regular briefing sessions with Missions based in Nairobi and Geneva on its environment-trade activities. These meetings provide an opportunity for an informal exchange of views on major environment-trade issues and developments, and allow UNEP to assess the needs of governments in the environment-trade domain.

#### CONSULTATIONS WITH GOVERNMENTS

To ensure that country needs are met by the Programme, UNEP regularly consults with individual governments on the progress of Programme activities. Such consultations provide an opportunity for governments to express their concerns on particular environment-trade issues and their related interest to participate in specific programme research, capacity building and consensus building activities.

#### EXPERT MEETING ON ENVIRONMENT IMPACTS ON TRADE LIBERALISATION

In December 1999, UNEP/ETU convened an international meeting of trade-environment experts in Geneva to review results and lessons learned from the first round of UNEP country projects. As a set of six projects had recently been completed and published, the meeting was designed to make a collective review of progress and accomplishments achieved from technical and capacity building process perspectives. Specific meeting objectives were to: evaluate first round projects, examine follow-up action, launch a new set of projects and initiate the development of a set of criteria for environmental impact assessments to be used by UNEP as input for its Reference Manual for Integrated Assessment of Trade and Trade-related Policies.

This review permitted national teams to gather insights on how to promote pilot implementation of their studies' recommendations and it provided UNEP with a range of ideas on how future country projects could be made more effective. Conclusions of the meeting were that the studies provide an effective means to promote capacity and confidence building at the national level to deal with trade-environment problems, and that additional capacity building is needed to assist countries identify emerging trade-environment problems and apply assessment and policy formulation tools.

#### WORKSHOP ON TRIPS AND THE ENVIRONMENT

On 11 October 1999, UNEP/ETU convened a brainstorming meeting on the environmental implications of the WTO

Agreement on Trade Related Intellectual Property Rights (TRIPs). Participants examined the special sustainable development needs of developing countries under this regime within the context of the Biodiversity Convention. They also explored whether the transfer of environmentally sound technologies could be monitored either by a third party or by international organisations to ensure maximum benefit from implementation of the TRIPs Agreement. Some felt that alternatives to the TRIPs regime were needed to protect indigenous knowledge and community rights. Lastly, the group explored a possible role for UNEP to facilitate further dialogue among stakeholders on TRIPs and the environment. Participants agreed to undertake further work examining intellectual property rights, technology transfer and community rights.

### **WORKSHOP ON SUBSIDIES AND THE ENVIRONMENT**

On 21 October 1999, UNEP/ETU convened an expert meeting on *perverse* or trade distorting subsidies, especially relating to fisheries and agriculture. Participants included experts from the WTO, OECD, UNCTAD, research institutions, universities and NGOs. Discussions identified main obstacles to the removal of perverse subsidies, including: the vested interests of certain regions, countries, and/or stakeholder groups; the unbalanced bargaining power of stakeholders; and substantive concerns over food security and balance of payment impacts in net food importing countries. Moreover, the lack of a definition for 'perverse subsidies' and methodologies to assess their impacts, makes the issue difficult to analyse, discuss and negotiate.

The group felt that in addition to undertaking further research, UNEP should play a consensus building role in the area of environmentally perverse subsidies. As follow-up to the workshop, UNEP will prepare a discussion paper on perverse subsidies and may organise a follow-up workshop on the issue in 2000.

### **WORKSHOP ON MEAS AND THE WTO**

On 29 June 1999, UNEP convened the first in a series of informal workshop with the Secretariats of UNEP-Administered Conventions and the Secretariat of the WTO. The workshop sought to: enhance understanding between the Secretariats of UNEP-Administered Conventions and the WTO of their respective underlying principles; clarify institutional and operational aspects; and discuss issues of mutual interest. Over twenty participants from intergovernmental and nongovernmental organisations informally shared views on how coherence between environment and trade agreements could be improved.

Recognising the historically separate development of the trade and MEA regimes, participants discussed how these regimes might be made more compatible and mutually supportive in the future. MEA Secretariats will present further information on this subject at the July 2000 meeting of the WTO CTE.

### **FORUM ON MEAS AND THE WTO**

On 27 April 2000, UNEP/ETU organised a high-level panel discussion on MEAs and the WTO during the High-Level Segment of the Eighth Session of the Commission on Sustainable Development (CSD-8) held in New York. The meeting sought to:

- illustrate the contribution of MEAs - including provisions on trade, enforcement, compliance and dispute settlement to sustainable development;
- demonstrate the role of trade measures in MEAs as part of carefully negotiated and balanced packages of measures;
- identify and build consensus around innovative ideas to increase information exchange, enhance cooperation, and reduce potential tensions between trade and environment rules and institutions;
- consolidate UNEP's growing role in facilitating cooperation among the MEAs.

Four environment ministers, including the Chairman of the CSD joined UNEP's Executive Director on the podium with the Executive Secretaries of Montreal Protocol and CITES, and a senior WTO official. The discussion between the panelists was open and constructive, while containing differing perspectives, and took place before an audience including other ministers and senior officials. One of the key points was that WTO 'savings clauses' placed in MEAs were designed to give the WTO equal status with, and not precedence over, MEAs. The meeting's proceedings are being reviewed carefully to maximise their contribution to an increased understanding of this important policy interface. The constructive nature of the meeting should also facilitate enhanced collaboration between UNEP, MEAs and the WTO and feed into WTO CTE sessions. The next scheduled session will be held on 5 July 2000.

### **PARTNERSHIPS**

There is a need to ensure proper coordination and collaboration between international organisations, including non-governmental organisations, working in the environment-trade domain. UNEP thus seeks to build synergies and complementarities with such organisations.

### **COLLABORATION WITH UNCTAD: CBTF**

Efforts to enhance countries' capacity to deal with trade-environment-development issues are critical to the sustainable management of globalisation. For this

reason, UNEP and UNCTAD initiated a joint task force to strengthen the capacities of countries, particularly developing countries and countries with economies in transition, to effectively address trade-environment-development issues at the national level and to participate effectively in trade-environment-development deliberations at the international level.

The UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF) is conceived to combine the unique strengths of UNEP to build capacities on environmental aspects of trade, and of UNCTAD to build capacities on the development aspects of trade. By enhancing synergies between UNEP and UNCTAD, and drawing on the two organisations' technical expertise and comparative advantages, the CBTF will more efficiently make resources available to a wider range of beneficiaries.

Through research, training and country projects, the CBTF will seek to enhance countries' appreciation of the sustainable development benefits that accrue when environmental considerations are integrated into national economic and trade policies. Through research and policy dialogue, it will also aim to raise countries' awareness of the need to ensure that international environmental and trade policy regimes remain mutually supportive and consistent, with each other, and with countries' national sustainable development objectives.

A briefing session for the Geneva missions was organised on 17 March 2000 to present the CBTF to Governments and obtain their views on how it can be best implemented to meet their interests, needs and concerns. A second briefing session was held on 6 June 2000 to present and discuss proposed first year activities, eliciting a very favourable response from mission staff.

### **COLLABORATION WITH THE WTO**

On 16 November the Executive Director of UNEP and the Director General of the WTO met and agreed to intensify the collaboration between the two secretariats through enhanced information exchange, consultation, participation in joint activities and capacity building efforts. On 29 November 1999 in Seattle, a joint press conference between Dr. Töpfer and the WTO Director-General Mr. Michael Moore was held to announce the framework of cooperation between the two organisations. The framework, which builds on the on-going work between the two organisations, emphasises the importance of continued collaboration between the secretariats of UNEP and WTO.