



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

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 1

Opening Session

The meeting was opened by Cristina Montenegro of UNEP-ROLAC who noted that Mr. Ricardo Sanchez the Director of UNEP-ROLAC was unable to attend as he was on official mission to New York. She welcomed all participants to the meeting and expressed her gratitude to the Forum of Ministers for Environment for Latin America and Caribbean, the North American Commission for Environment (CEC), the Consumer Choice Council, the National Wildlife Federation and Environment Canada for their support of the meeting. She then introduced the opening session speakers who included, Hugo Guzmán Sandoval representing Mr. Victor Lichtinger the Minister for Environment for Mexico, Mr. Victor Shantora of the North American Commission for Environment, Ms. Alicia Barcena of ECLAC, Mr. Rene Vossenaar of UNCTAD and Mr. Charles Arden-Clarke of UNEP-ETB.

Ms. Montenegro noted the importance of capacity building on the environment, trade and sustainable policy interface for the LAC region. She recalled an earlier meeting held in February 2001 organized under the auspices of the Capacity Building Task Force on Trade, Environment & Development (CBTF) where UNEP, UNCTAD and their partners in the region examined regional perspectives on these issues. She noted that this meeting was followed by another meeting in Montreal in April 2001, which took the debate to the hemispheric level. Ms. Montenegro also mentioned the two preceding meetings of the week; the Public Workshop on NAFTA Chapter 11 hosted by the Joint Public Advisory Committee (JPAC) and the second CEC symposium on assessing the environmental effects of trade.

The speakers in the opening session noted the mandates of the World Summit on Sustainable Development (WSSD) and Doha Ministerial Conference on priorities for sustainable development. Notably, paragraph 33 of the Doha Ministerial Declaration, which establishes the trade and environment work programme, and paragraph 84 of the WSSD Plan of Implementation, which recognizes the major role that trade can play in achieving sustainable development. They noted the complexity of this inter-twined agenda and emphasized the importance of capacity building in this regard. Three areas were identified as significant for the region: Environmental Goods and Services; Intellectual Property Rights and Bio-diversity; and possibilities for market access for environmentally friendly products including organic agricultural produce. Speakers also emphasized the importance of conducting national needs assessments prior to designing capacity building programmes.

Mr. Charles Arden-Clarke of UNEP-ETB outlined the objectives of the meeting to include: developing a long-term capacity building programme on environment, trade and sustainable development for the Latin American and Caribbean region; clarification of UNEP and other organizations' roles with a view to increasing co-ordination and cost-effectiveness of capacity building programmes; enhancement of collaboration and engagement amongst ministries for environment, trade ministries, and regional trade and economic agreements; and lastly, identification of key approaches to delivering capacity building programmes. He noted that the programme for the meeting included presentations from governments and regional organizations

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on priorities for capacity building on the first day and, working group sessions on issues of potential relevance for the region on the second day. Several background papers had been prepared to support discussions in the meeting including, an over-arching paper on the environment related issues in the Doha Work Programme, a paper on approaches to capacity building, a paper giving a LAC regional perspective of the issues on the policy inter-face, and a paper for each of the Working Group topics (Environmental Goods and Services, Intellectual Property and the Environment, Agriculture and Integrated Assessment).

Mr. Arden-Clarke stated that it was hoped outputs of the meeting could include elements of a cost-effective and complementary capacity building programme for the region that was: responsive to countries demands; relevant to the WSSD Plan of Implementation and Doha Work Programme as well as regional and bilateral trade negotiations; and self-sustaining and capable of continuing in the region in the long-term. He however emphasized that the meeting was aimed at getting feedback from countries on their needs and any programme designed would reflect the input received at the meeting.

Summary of day 1 presentations from governments and regional organizations

There was broad agreement on the importance of developing a capacity building programme for the region, which takes into account the specific needs of the countries, sub-regions and regions; promotes the exchange of experience and knowledge between countries, and the coordination of efforts by multilateral, regional and national institutions; and provides the basis for a greater integration of environmental objectives into other sectoral policies.

A wide range of views on capacity building needs and modalities were expressed by the different countries, ministries, regional institutions, IGOs, and NGOs at the meeting. It was noted by a number of participants that countries in the LAC region still tend to have a defensive agenda on environment, trade and sustainable development issues. It was noted that it is important to balance trade liberalization with a proper environmental policy framework and to evaluate the socio-environmental impacts of trade liberalization. For example, displacement of small farmers and self-sufficient local economies, impacts on food security, issues of production, pollution and use of clean technologies, technology transfer, etc. It is necessary for LAC countries to develop positive and proactive programmes on the policy interface and for capacity building programmes to address topics of regional relevance on the policy interface. The two main objectives for capacity building in support of the development of a positive agenda, could be summarised as: developing an understanding the linkages between trade, environment and development; and designing policy responses to these linkages to secure sustainable development.

Understanding the linkages

Better understanding of environment-trade-sustainable development linkages is required in general. More specifically:

- More data is needed and an enhanced ability to gather and manage data relating to these linkages.
- Analytical frameworks and environmental and integrated assessment methodologies should be developed to better understand the linkages, and assess the socio-economic and environmental impacts of trade liberalization (e.g. FTAA, WTO negotiations), and the economic effects of environmental degradation.
- Timing of assessments and delivery of their results is an important issue, and a real challenge given the accelerating pace of trade negotiations, and their proliferation.

- More sectoral studies and collection of reliable data will contribute to the development of those frameworks/assessments.
- Examination of the linkages should be done in the public domain, so as to create momentum for policy changes that may follow.

Designing policies for sustainable development

- Good practice in governance for policy making:
 - mechanisms for civil society participation; and
 - improved coordination between Ministries.
- Capacity to create appropriate domestic instruments to address problems.
- Capacity to negotiate in international fora, including trade and environment negotiations, and on standard setting.
- Capacity to address and take advantage of environment and trade linkages for sustainable development, which requires:
 - knowledge of international environmental standards;
 - creation of domestic institutions to help achieve those standards (testing, certification, specific export promotion, etc.); and
 - ability to diversify the economy away from traditional activities to more environmentally sound ones.

There are valuable lessons in the region on which to draw, for instance related to the establishment of institutions to integrate economic and environmental considerations (e.g. Costa Rican examples). Learning from each other's best practice should form an important part of any effective strategy for capacity building in the region.

Current activities or interests of regional organizations are reviewed below, followed by reference to specific issues and capacity building needs, including in relation to trade negotiations. This could provide the most appropriate entry point for prioritizing and designing capacity building activities. Some additional trade-related issues that need to be taken into account when designing this programme, are also noted.

Relevant activities of regional and sub-regional institutions

The *Commission on Environmental Cooperation of North America* (CEC) was established to protect the shared environment of Canada, Mexico and the USA, and more specifically to address trade-related environmental issues. These included concerns that trade liberalization within the bloc could create negative impacts such as pollution havens, a race-to-the-bottom on environmental standards, and increases in cross border pollution. Through participatory and consultative mechanisms the CEC provides ongoing assessment of the effects of trade and trade liberalization so as to guide closer cooperation between these countries on environmental protection and sustainable management of natural resources.

Empirical evidence gathered by the CEC has shown that trade liberalization is neither necessarily good nor bad for sustainable development. Rather the effects depend on the sector under liberalization and the existing policies, including environmental ones, which influence activities in that sector. Some environmental impacts associated with trade do occur at the level of the trading bloc, emphasizing the need for cooperation between trading partners to tackle them. Other lessons from CEC's work on environmental assessment of trade liberalization are that it is not worth spending valuable resources on separating out the effects of different liberalization

policies (e.g. NAFTA versus WTO), but that resources should rather be focused to enable countries to move from assessment to the design of appropriate policies, which respond to the results of assessment. CEC is also undertaking an increasing amount of work on promoting trade in environmentally preferable products.

In both the *Andean Community of Nations* (CAN) and the *Caribbean Community* (CARICOM), trade-environment-sustainable development programmes have not been formally established until very recently. In the CAN, the current focus of work concentrates on biodiversity, energy and climate change. As home to one quarter of global biodiversity, the Community is exploring linkages between biodiversity and trade, including market opportunities for biodiversity-related projects. CAN has also developed a programme to support negotiators from its members in the CBD, WIPO, FAO and WTO on trade and biodiversity related issues. The aim is to design policies, which secure the conservation and sustainable use of biodiversity, and the maintenance of environmental quality. Training is delivered according to the specific needs of the country.

The Sustainable Development Unit in CARICOM is responsible for trade and environment issues which are discussed in the Council for Trade and Economic Development. The aim of these discussions is to promote national level coordination on these issues, which is generally lacking. There is no formal policy on sustainable development at this time in CARICOM, nor any work programme on trade and environment issues. Caribbean input to international trade negotiations is dealt with by the Regional Negotiating Machinery (RNM), but to date this has provided no guidance on trade and environment issues.

There is a recognized need to develop expertise on trade and environment issues in the CARICOM Secretariat including to: identify the economic, social and environmental effects of trade liberalization; to coordinate among countries and develop integrated policies between ministries; and to enable participation in WTO negotiations on these issues. CARICOM needs to be able to undertake both environmental and sustainability assessments of trade policy, and assess the effects of multilateral environmental agreements (MEAs) on trade. Conducting workshops at sub-regional level and developing a cadre of trained professionals are seen as priorities for developing capacity on this policy interface. There is also a need to strengthen the RNM to enable it to provide leadership in ongoing trade negotiations. Representatives of the CEC, CAN and CARICOM all noted the need for more and better environmental data, statistics and baseline information to undertake assessments.

CCAD noted that there was no automatic linkage between trade and sustainable development, and that liberalization of trade without a proper environmental policy framework could lead to very negative impacts. Regional institutions urgently need to be reinforced to address this policy interface, in particular because management of ecosystems needs to be addressed on regional basis. It is necessary to ensure that ongoing negotiations in the FTAA lead to an upgrading rather than a downgrading of environmental policies in the region. To do this it is necessary to generate a positive agenda on trade and environment, which promotes sustainability in development and trade. CCAD is conducting work on the use of economic instruments for management of natural resources, and payments for environmental services generated by rural areas, both of which have relevance to the environment, trade and sustainable development nexus.

The Sustainable Development Division of the CAF has been created to accurately value the human, social and natural capital of CAN members, and to promote sustainable use of natural resources by its membership. The representative of CAF noted a number of barriers to generating more sustainable trade in the region including the absence sustainable management policies for natural resources, lack of technology, trade and market barriers to sustainable goods, including

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high costs of certification of environmentally preferable products, and significant financial risks in the start up phase of environmentally friendly business ventures. CAF is working with UNEP's Finance Initiatives and more generally on building capacities of business to address environmental issues. CAF indicated that collaborative training by regional and international organizations, delivered at local or regional levels, could be valuable for capacity building.

ECLAC laid out its training and capacity building activities in five programme areas, which relate to this policy interface, namely:

- public policies for sustainable development;
- economic instruments and financing for sustainable development;
- governance and environmental justice;
- international negotiation of environmental agreements and treaties; and
- indicators and information systems for sustainable development.

A training seminar on trade and sustainable development conducted in Chile in November 2002, will be followed up with another one in Brazil in December 2003. A workshop on economic instruments and finance for sustainable development was held in Chile in October 2002. Another regional organization asked if ECLAC could hold events back-to-back with their events, in times and at locations where officials for whom they would be relevant had gathered for other purposes. ECLAC stressed its cooperation with UNCTAD on training and capacity building activities.

Some region-specific needs and issues

The slower advance of environmental protection capacities relative to trade liberalization and economic integration initiatives creates particular challenges in the LAC region. Whereas trade-environment discussions have been underway for a decade, the rapidity with which priorities change on this policy interface creates challenges for governments. Assessing trade-environment linkages is complex also because of the large number of parallel trade accords in effect or under negotiation in the region.

During the presentation sessions by countries there was recognition of the need for more systematic and institutionalized mechanisms of dialogue and consultation between different bodies and stakeholders (ministry-to-ministry, IGO to regional organization, government to civil society etc.). These are required for more pro-active participation of countries in the international negotiating fora, as well as for the implementation of national sustainable development policies. There has been progress on the development of these mechanisms, but more is needed including ability to analyze and respond to specific trade and environment issues.

There is a need for special consideration of the needs of small island states. These tend to be open to external shocks, both economic (through terms of trade) and natural (through natural disasters), and generally lack the human and financial resources necessary to address problems. Also there is an unusually direct relationship between trade and environment, through the important tourism and fisheries sectors, which depend directly on a healthy environment to operate.

It was noted that there are important interactions between trade and Foreign Direct Investment flows, which have to be taken into account when designing policies to secure sustainable development. In addition, access to credit, especially micro-credit for small-scale producers and enterprises, can be a very important factor in limiting the development of trading opportunities,

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including for environmentally preferable products. Furthermore, the evolving structure of the private sector, such as the increasing trend towards vertical integration of business activities in trans-national corporations, can have important implications for the interactions between the environment, trade and sustainable development. All these factors underscore the need to include the private sector in programmes that seek to promote integrated assessment of design of trade and environmental policies for sustainable development.

Priorities for capacity building identified by representatives of both countries and regional institutions included:

- assessment of economic, social and environmental impacts of trade policies;
- the relationship between multilateral trade and environment regimes, especially between intellectual property rights agreements and the Convention on Biological Diversity, labeling and trade in genetically modified organisms;
- different aspects of the relationship between trade, agriculture and the environment, including assessment of the effects of trade liberalization;
- negotiations on liberalization of trade in environmental goods; and
- exploring market access opportunities for environmentally preferable products or to add value to such exports by marketing their environmental friendliness.

Examples of capacity building needs within the CARICOM region include developing cohesive regional positions on trade-environment issues; strengthening national assessment capabilities; bolstering the ability to negotiate within the WTO; and improving training of policy and decision-makers in such areas as economics.