

**ENVIRONMENT, TRADE AND SUSTAINABLE DEVELOPMENT – AN
OVERVIEW OF KEY ISSUES ARISING FROM THE WORLD SUMMIT ON
SUSTAINABLE DEVELOPMENT AND THE WTO DOHA WORK PROGRAMME**

DRAFT WORKING PAPER

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ENVIRONMENT, TRADE AND SUSTAINABLE DEVELOPMENT – AN OVERVIEW OF KEY ISSUES ARISING FROM THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT AND THE WTO DOHA WORK PROGRAMME¹

1. Introduction

What is the role of trade and trade liberalization in promoting sustainable development? How does trade relate to other aspects of the economy, society and the environment? How can countries, particularly developing and transition countries, maximize the contribution of trade to their sustainable development? Answering these questions, and designing appropriate policies in response, represents one of the fundamental challenges of sustainable development.

Trade liberalization has significant potential to promote the alleviation of poverty, and to help achieve sustainable development. As emphasized by heads of state and governments at the recent World Summit on Sustainable Development, trade provides an important means of implementation for sustainable development. The WSSD Plan of Implementation states that assisting developing countries to respond to the challenges and opportunities of globalization will require action to continue to promote an open, equitable, rules-based, predictable and non-discriminatory multilateral trading system that benefits all countries in the pursuit of sustainable development. At the World Trade Organization's Fourth Ministerial Conference trade ministers emphasized that "upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive."

Among the most effective tools for converting the prospects of trade into practice is capacity building. It can provide policy-makers and other stakeholders with the capability to deepen their understanding of the complex linkages between trade and other facets of national development, and to respond by designing and implementing integrated policies. Capacity building – particularly at the sub-regional and regional levels in Latin America and the Caribbean, in Asia, and in Africa – thus provides important opportunities to maximize the sustainable development gains from trade. Addressing current, emerging and long-term capacity building needs in these regions will require institutions at the national and regional levels, in cooperation with the international community, to design more coordinated capacity building programs of a broader scope.

As background to discussions of capacity building, this paper summarizes selected key issues of environment, trade and sustainable development arising from the WSSD and the WTO Work Programme agreed in Doha. Its purpose is threefold: first, to provide a general introduction to a set of issues that have been identified in collaboration with partners at the regional and national levels; second, to support discussions by policy-makers and other stakeholders at the regional level about their perspectives and priorities, and to support them in providing feedback to UNEP and other capacity building providers about their needs; and third, to provide one basis among others for future training packages. As with any paper of this kind, it is not possible to raise and address all the relevant issues, and participants in discussions about capacity building should feel free to raise and discuss additional issues.

¹ This background paper was prepared by Matthew Stilwell for the March 2003 UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the Latin American and Caribbean Region. While the paper draws on materials prepared by UNEP, as well as the five draft working papers prepared for this meeting, the views expressed are those of the author.

This paper draws on and is supported by four complementary draft working papers designed to help raise issues in the areas of: 1) integrated assessment of trade policy; 2) agriculture, trade and sustainable development; 3) environmental goods and services; and 4) intellectual property and the relationship between the Convention on Biological Diversity and the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement). It also builds on a fifth paper that focuses directly on capacity building – its main objectives, tools and processes – in the field of environment, trade and sustainable development. The discussion in these papers is also supplemented by relevant information on the UNEP website www.unep.ch/etu.

2. The changing trade and environment discussion

During the last decade a significant evolution has occurred in discussions of trade and environment. A decade ago, the debate was often characterized principally as one arising from North-South tensions between the interests of developing countries in market access, and the interests of industrialized countries in environmental protection. While these tensions still exist, today the picture is more nuanced.

As seen in recent negotiations on biosafety and agriculture, the balance of concerns about trade and environmental protection do not always divide neatly along North-South lines. In other areas, such as the relationship between intellectual property and biodiversity conservation, developing countries have been among the main demandeurs on behalf of the environment. With the volume of trade increasing between developing countries, many developing countries are concerned both about the potential for protectionism by their Southern neighbors, and about the need to conserve and maintain their shared environment. In each of these areas, the issues are multifaceted, interdependent, and so require careful analysis by officials and other stakeholders when developing policies and positions.

At the national level, officials are developing a deeper understanding of the complex linkages between trade and the other key processes that are critical to addressing poverty, promoting human well-being and achieving sustainable development. They understand that trade liberalization can have both positive and negative impacts on the economy, society and environment. They know that the nature and pace of liberalization matter as well as its extent. And they are aware that building sound policies at the local and national levels – before liberalization takes place – is an essential prerequisite for maximizing the net benefits of trade liberalization to their national development goals.

The effectiveness of trade in helping to promote these goals depends as much on its *quality* as its volume. It also depends on the development of more forward-looking, integrated policy packages that manage the interdependencies between trade and other aspects of national development. Conducted well, trade can play a major role in sustainable development and the alleviation of poverty. Trade liberalization can, however, have significant negative effects, as illustrated by recent studies conducted at the national level with the assistance of UNEP. In one country, for example, trade liberalization, combined with an absence of appropriate environmental policies, was estimated to result in a *net direct economic cost* of over US\$ 500 million and *lost economic opportunities* of over US\$ 5 billion over a ten year period, in one sector alone (See working group paper on integrated assessment). In other countries, significant economic, social and environmental costs were identified in other sectors, as well as unrealized benefits from trade.

Reaping these benefits, and avoiding or mitigating the costs, requires careful assessment of trade and related policies, it requires efforts to build and strengthen capacity, and it requires integrated policy-making among a range of agencies at the national level. Many policy-makers – including those in trade ministries – are at the forefront of promoting such efforts. Increasingly, policy-makers in both developed and developing countries are seeing trade liberalization not as an end in itself, but rather as one means among others of implementing sustainable development.

3. Trade as a means of implementing sustainable development

The importance of trade as a means to implement sustainable development was emphasized at the recent World Summit on Sustainable Development, held in Johannesburg, South Africa. At that meeting, Heads of States and governments agreed a Declaration and a Plan of Implementation that commits to advancing and strengthening the interdependent and mutually reinforcing pillars of sustainable development – economic development, social development and environmental protection – at local, national, regional and global levels. Among the most important outcomes of the meeting was the recognition that international trade can and must serve as a means of implementing sustainable development.

Under the heading, *Means of Implementation*, the Plan of Implementation states “Recognizing the major role that trade can play in achieving sustainable development and in eradicating poverty, we encourage WTO members to pursue the work programme agreed at the Fourth WTO Ministerial Conference” (paragraph 84). It stresses the need for cooperation between the United Nations system, the WTO and other organizations to enhance, within their mandates, cooperative efforts to promote effective and collective support to the implementation of Agenda 21, and to enhance implementation of the outcomes of the World Summit on Sustainable Development, relevant sustainable development aspects of the Millennium Declaration, the Monterrey Consensus and the outcomes of the WTO Doha Ministerial (paragraph 133). In particular, it emphasizes the need to “strengthen cooperation among UNEP and other United Nations bodies and specialized agencies, the Bretton Woods institutions and WTO, within their mandates” (paragraph 136).

The Plan of Implementation also notes that developing countries and countries with economies in transition face special difficulties in responding to the challenges and opportunities of globalization. It provides that “there is a strong need for policies and measures at the national and international levels, formulated and implemented with the full and effective participation of developing countries and countries with economies in transition, to help them to respond effectively to those challenges and opportunities” (paragraph 45). And it emphasizes that this will require urgent action at all levels to, inter alia, “continue to promote open, equitable, rules-based, predictable and non-discriminatory multilateral trading and financial systems that benefit all countries *in the pursuit of sustainable development*” (emphasis added)(paragraph 45).

As well as identifying the role of trade in promoting sustainable development, the Plan of Implementation offers a number of specific recommendations for future actions on capacity building. These include the need to enhance “the delivery of coordinated, effective and targeted trade-related technical assistance and capacity-building programmes, including to take advantage of existing and future market access opportunities, and to examine the relationship between trade, environment and development” (paragraph 45(e)). The Plan also emphasized the need to “enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development” by encouraging “efforts to promote cooperation on trade, environment and development, including in the field of providing technical assistance to developing countries, between the secretariats of WTO, UNCTAD, UNDP, UNEP and other relevant international environmental and development and regional organizations” (paragraph 91(c)).

Capacity building efforts, undertaken pursuant to these and other mandates, will play an especially important role in ensuring that developing countries can participate fully in new trade and environment negotiations and discussions arising from the WTO Doha Work Programme, and on related issues in other regional and bilateral discussions.

4. Trade and environment elements of WTO Doha Work Programme

The Doha Ministerial Declaration includes a number of elements that relate to trade, environment and sustainable development. These include references that mandate new negotiations, that define priority areas of work for existing or new WTO bodies, and that comment more generally on relevant issues.

New negotiations on trade and environment. The Doha Declaration initiates the following four areas of negotiation on trade and environment issues:

- Negotiations on the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs) (paragraph 31(i)).
- Negotiations on procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for granting observer status (paragraph 31(ii)).
- Negotiations on the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services (paragraph 31(iii)).
- Negotiations on subsidies which aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries (paragraphs 28 and 31).

Emphases in future WTO work on trade and environment. Additionally, the Ministerial Declaration defines the following priority areas for work by existing WTO bodies, or establishes new WTO bodies to address certain issues. Specifically, the Ministerial Declaration:

- Instructs the Committee on Trade and Environment (CTE) to give particular attention to the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development (paragraph 32(i)).
- Instructs the TRIPS Council to examine the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge, and other relevant new developments, taking into account the development dimension (paragraph 19). And instructs to the CTE to give particular attention to the relevant provisions of the TRIPS Agreement (paragraph 32(ii)).
- Instructs the CTE to give particular attention to labeling requirements for environmental purposes (paragraph 32(iii)).
- Establishes a Working Group under the auspices of the General Council to examine the relationship between trade and transfer of technology, and of any possible recommendations on steps that may be taken within the mandate of the WTO to increase flows of technology to developing countries (paragraph 37).
- Notes the non-trade concerns reflected in the negotiating proposals submitted by Members in the context of negotiations on Agriculture, and confirms that non-trade concerns (which includes protection of the environment) will be taken into account in the negotiations as provided for in the Agreement on Agriculture (paragraph 13).
- Instructs the Committee on Trade and Development and the Committee on Trade and Environment, within their respective mandates, to each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help

achieve the objective of having sustainable development appropriately reflected (paragraph 51).

Other guidance on trade and environment in the Doha Ministerial Declaration. References to negotiations and discussions are complimented in the Ministerial Declaration by a number of other statements on issues of trade, environment and sustainable development. These include, *inter alia*:

- Encouragement “that expertise and experience be shared with Members wishing to perform environmental reviews and assessments at the national level” (paragraph 33).
- Recognition of “the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular to the least developed among them” (paragraph 33).

Responding to these mandates and references, and securing outcomes that make maximum contribution to sustainable development at the national level, will require countries to commit significant human and financial resources to understanding linkages between trade, the economy, society and the environment, and renewed efforts at all levels by governments, intergovernmental organizations and the public and private sectors to develop coordinated and longer-term efforts to build capacity.

5. The need to strengthen capacity for trade and sustainable development

Capacity building on the relationships between environment, trade and sustainable development has been consistently recognized as an important priority by the international community. Recent events – including the launch of new trade and environment negotiations at the WTO, as well as ongoing and future regional and bilateral negotiations – emphasize the need to substantially enhance governments’ capacity to design and implement policies which maximize the contribution of trade to sustainable development.

Technical assistance and capacity-building activities on trade, environment and development has been seen as an increasingly important priority since the WTO Ministerial in Seattle. This importance is reflected in specific references in the Doha Declaration. Since the Doha Ministerial, additional financial resources have been committed to support technical assistance and capacity building activities. To some, capacity building on these issues is seen as both a technical and political pre-requisite for significant progress in the Doha-mandated negotiations on trade and environment. At a minimum, many countries would benefit from strengthening their capacity to identify trade, environment and development linkages if they are to develop negotiating positions and parallel national policies that effectively address their specific conditions and needs, and secure the contribution of trade to sustainable development.

The Doha Ministerial Declaration recognizes the importance of technical assistance and capacity building in the field of trade and environment. It also states that “enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play” in ensuring “developing countries ... secure a share in the growth of world trade commensurate with the needs of their economic development” (paragraph 2). References to capacity building in the Ministerial Declaration are paralleled by references in the related Implementation Decision, which:

... requests the Director-General ... to ensure that WTO technical assistance focuses, on a priority basis, on assisting developing countries to implement existing WTO obligations as well as on increasing their capacity to participate more effectively in future multilateral trade negotiations. In carrying out this mandate, the WTO Secretariat should cooperate more closely with international and regional intergovernmental organizations

so as to increase efficiency and synergies and avoid duplication of programmes (Paragraph 14).

Although both the Doha Declaration and the WSSD Plan of Implementation refer to the need for more cooperation and coordination of activities in this area, coordination between capacity building providers has often been relatively lacking, and many activities are delivered on an *ad hoc* and non-programmatic basis. Coordination and cooperation between the WTO, UNCTAD and UNEP in this area is however growing rapidly, for example, in the context of the WTO Regional Seminars on Trade and Environment, and the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF) (see www.unep-unctad.org/cbtf).

Activities in these partnerships have shown the value of combining the trade, environment and development expertise of the different institutions, to deliver balanced analytical and policy-making advice on this interface. More emphasis by providers of such cooperation, and more awareness and demand for such collaborative activities by beneficiaries, would increase the scope and enhance the coordinated of those activities.

Addressing current, emerging and long-term needs will require the international community to develop coordinated, long-term capacity building programs of a broader scope. Programs should be developed to enhance national institutional and human capacities in a range of areas, including those for integrated assessment of economic policies including trade policies; the development and implementation of market-based and regulatory policies to maximize the net sustainable development gains of trade; and the adaptation and use of environmentally sound technologies for sustainable development and market access opportunities.

Capacity building efforts should be based on a careful needs assessment. Needs assessments should precede the development of new capacity building programs, and accompany existing ones. When initiated by countries with the assistance of donors and capacity building providers, they can identify the objectives of capacity building requirements of a country or region, ensure that projects are well targeted and meet the needs of their recipients, and contribute to the development of a longer-term program or “stream” of capacity building exercises. If designed well on the basis of a needs assessment, capacity building activities can empower national policy-makers and negotiators by strengthening their understanding of the linkages between trade, environment and development, and enabling them to more effectively formulate and implement mutually supportive policies in response to a spectrum of issues to meet national goals and build cooperation with relevant organizations working in their field.

6. Selected issues arising from the WTO Doha Work Programme

A range of important issues for environment, trade and sustainable development arise out of the WTO Doha Work Programme, including those relating to the use of integrated assessments to promote sustainable trade; liberalization of trade in agricultural products; liberalization of trade in environmental goods and services; and between intellectual property and the environment, the CBD and the TRIPS Agreement. These issues and others are discussed briefly below and are explored further in the set of five working documents that accompany this overarching paper.

A. *Integrated Assessment*

The launch of new negotiations at the WTO’s Doha Ministerial Conference in November 2001, as well as ongoing and future negotiations at the regional and bilateral level, has increased the urgency for national policy-makers and negotiators to understand and evaluate interactions between international trade, the economy, society and the environment.

One of the most effective tools for gaining such an understanding is integrated assessment. Integrated assessment – the systematic evaluation of the environmental, social and economic

effects of trade liberalization and associated policies – provides policymakers with an essential tool to maximize the contribution of trade to sustainable development. The role of integrated assessments has been emphasized at recent international meetings.

- The WTO Doha Ministerial Declaration notes the “efforts by Members to conduct national environmental assessments of trade policies on a voluntary basis” (paragraph 6) and “encourages expertise and experience to be shared with WTO Members wishing to perform environmental reviews and assessments at the national level” (paragraph 33).
- The WSSD also calls on governments to use impact assessment procedures as a mechanism to encourage “relevant authorities at all levels to take sustainable development considerations into account in decision-making” (paragraph 18). It calls for efforts to “Continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development through actions at all levels to ... encourage the voluntary use of environmental impact assessments as an important national-level tool to better identify trade, environment and development interlinkages. Further encourage countries and international organizations with experience in this field to provide technical assistance to developing countries for these purposes (paragraph 91(d) and chapeau).

Integrated assessment is thus a central element of national and regional efforts to enhance mutual supportiveness with a view to achieving sustainable development. Meeting this challenge will require further strengthening the capacities of countries to carry out integrated assessments.

UNEP’s experience has demonstrated that integrated assessments can serve a number of purposes. Among other things, they can:

- Allow officials, experts and the public to explore the linkages between trade, the economy, society and the environment.
- Inform policymakers across a range of government departments of the implications of proposed trade policies.
- Empower negotiators to pursue trade-related policies in ways that promote sustainable development.
- Assist policy-makers to design complementary national policy packages.
- Increase transparency in decision-making by involving NGOs, private sector, local communities, industry and other domestic interest groups to build consensus and assist with implementation.

Looking forward, there is considerable scope to improve and develop the use of integrated assessments. Efforts to build capacity should build on past experiences, and consider a range of priorities including:

- **Expanding the use of ex-ante assessments** – By looking forward, *ex-ante* assessments can provide policy-makers with the information they need to develop fully integrated and coherent policies for sustainable development.
- **Enhancing the quality of trade** – Integrated assessments can help policy-makers to ensure that liberalization promotes the movement of goods and services that most benefit their economy and society, in a manner that protects the environment.
- **Making trade work for the poor** – Integrated assessments can also identify ways to ensure that trade works for the poor. Assessments, and the policies they lead to, can promote trade in areas that benefit the poor, and can suggest ways to minimize or mitigate negative impacts.

- **Encouraging trade as a means of implementing sustainable development** – Integrated assessments allow policy-makers to understand the linkages between trade and other facets of sustainable development, to develop approaches that achieve the goals set out in Agenda 21 and the outcomes of the recent WSSD.

A more detailed discussion of these and related issues is included in the accompanying working paper entitled, *Enhancing Capacity Building for Environment, Trade and Sustainable Development*.

B. Liberalizing trade in agricultural products

The Doha Ministerial Declaration calls for negotiations on agriculture taking into account non-trade concerns as provided for in the Agreement on Agriculture (paragraph 13). The existing WTO Agreement on Agriculture’s preamble, as well as Article 20 on further negotiations, note the need to consider non-trade concerns, including a variety of sustainable development issues such as food security and environmental protection.

The WSSD Plan of Implementation calls on governments to “promote the conservation, and sustainable use and management of traditional and indigenous agricultural systems and strengthen indigenous models of agricultural production” (paragraph 38(r)). The WSSD also urges WTO Members to “Take note of the non-trade concerns reflected in the negotiating proposals submitted by WTO members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture, in accordance with the Doha Ministerial Declaration” (paragraph 86).

Core sustainability issues associated with agricultural practices vary greatly among regions and within commodity chains and agricultural sub-sectors. Understanding the economic, environmental and social factors associated with the agricultural sector requires an in-depth assessment of sustainability issues at sectoral level, and in the context of particular issues, regions or eco-systems.

- **Economic issues.** Agricultural activity covers around a third of the world’s land surface and provides a livelihood for many of the world’s poorest people. For many countries – particularly developing countries – agriculture is an economic sector of primary importance in environment and development terms. Understanding links between farm economics and the use of natural resources is critical to fostering greater harmony between agriculture and the ecosystems that support humans and other species.
- **Environmental issues.** Agriculture is also a critical sector for the global environment. By virtue of its large land and water requirements, agriculture uses and affects a greater share of most nations’ natural resources than any other industry. Agricultural activities have a direct impact on the full range of environmental media including water, land, biodiversity, and air.
- **Social issues.** Agriculture is also rooted in the fabric of many societies. This is particularly true where the “family farm” continues to be important to the social fabric of rural communities. It is also tremendously important for countries in the developing world that rely on large amounts of subsistence and traditional production for both domestic consumption and for export and where the vast majority of the population lives in rural areas. The WSSD recognized this role and highlighted the sector’s contribution to poverty eradication. The WSSD further observed that sustainable agriculture and rural development are essential to increasing food production and enhancing food security and food safety in an environmentally sustainable way.

As well as having implications for the economic, social and environmental aspects of sustainable development, agriculture is critical in terms of international trade. Since the conclusion of the Uruguay Round, however, developing countries have not managed to increase their share of agricultural exports, even though their share of world industrial exports has increased steadily. Many developing country exports still face high tariffs and other barriers and their attempts to develop processing industries are hampered by tariff escalation. This is particularly problematic for the least developed countries, where agriculture often constitutes the single most important sector in the economy.

At the WTO, negotiations are continuing in the context of the Agreement on Agriculture (Article 20). These negotiations now have the impetus given by the Doha Declaration, which recognizes the work undertaken so far, reaffirms and elaborates the objectives of the Agreement, and sets a timetable and a series of deadlines. Agriculture is now part of the single undertaking which WTO Members are mandated to conclude by 1 January 2005.

In broad terms, negotiations for further liberalization of agricultural trade can be broken down into some general categories: 1) Market access (i.e. tariff reduction and tariff rate quotas); 2) export subsidies and competition; and 3) domestic support measures (i.e. certain national policies with potential to distort production and trade). In addition, WTO members are considering a fourth category entitled “non-trade concerns” in which they seek to address a range of the cross-cutting social, environmental and other issues.

These negotiations present significant challenges and opportunities for sustainable development. The challenge for governments and institutions providing support and capacity building is to identify the key policy linkages and sustainability challenges on this policy interface, and design sets of complementary capacity building programs that promote agricultural trade that is supportive of sustainable development. These issues, and others, are considered in more detail in the accompanying working paper entitled, *Agriculture, Trade and Sustainable Development*.

C. Environmental goods and services

The WTO’s Doha Ministerial Declaration calls for negotiation on reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services (paragraph 31(iii)). The WSSD also calls for action to “support voluntary WTO compatible market-based initiatives for the creation and expansion of domestic and international markets for environmentally friendly goods and services, including organic products, which maximize environmental and developmental benefits through, *inter alia*, capacity-building and technical assistance to developing countries” (paragraph 93(b)).

International market opportunities for environmental goods and services are substantial, relatively stable, and growing. Global expenditures on the environment are in the range of US\$525 billion per year. Demand for organic agricultural products in the United States, Europe and Japan remains among the fastest growing segments within the food market, with growth rates of 20-30 percent per year. Demand for green products and services is also growing in some developing countries: for example, China’s environmental labelling and certification schemes recorded revenues in 2002 of US\$6 billion. Similar demand patterns are recorded in other developing countries, including some countries of the Latin American and Caribbean region.

Generally, there are two ways of approaching the development of markets in environmental goods and services. The first is to examine and support specific market opportunities for specific product and services groupings that already exist, with a particular emphasis on opportunities presented to developing country exporters. Second, is to pursue opportunities to reduce or eliminate tariffs and non-tariff barriers affecting environmental goods and services at the WTO arising from the Doha Ministerial mandate. These two options are mutually reinforcing.

Particularly important for developing countries, however, is to begin to exploit the market opportunities that already exist for developing country producers, consumers, investors, marketing intermediaries to trade in environmental goods and services.

Realizing these opportunities requires overcoming a range of challenges, including:

- **Defining the environmental sector.** Defining the environmental sector is an important but complex challenge. The primary focus in discussions of environmental goods and services so far has been on capital technologies of the kind produced in developed countries. There are thus opportunities to expand the agenda to focus increasingly on areas of export interest for developing countries – including sustainable tourism, agriculture, forestry and fishing.
- **Classifying environmental goods and services.** The practical and administrative challenges involved in classifying environmental products in a sensible way for trade negotiators and customs officials is considerable. The backbone of the international trading system is goods and services customs codes. How should environmental goods and services be classified, and how can national classifications be coordinated (e.g. through the Harmonized Systems (HS) is maintained by the World Customs Organization) in a manner that facilitates trade in environmental goods and services?
- **Identifying constraints and opportunities.** While there may be significant benefits to developing countries in expanding trade in environmental goods and services, there are also significant constraints. What are the principal constraints and opportunities; where are existing supply capacities; what are the niche markets?

Resolving these issues will again require considerable capacity in developing countries. Capacity building should focus not only on overcoming information failures regarding potential export markets, but also improving the understanding of domestic needs for the importation of environmental goods and services – including environmentally sound technologies – that meet current sustainable development needs. A more detailed discussion of these and related issues is included in the accompanying working paper entitled, *Trade Preferences and Environmental Goods and Services*.

D. Relationship between the TRIPS Agreement and the Convention on Biological Diversity

The Doha Ministerial Declaration calls for examination in the TRIPS Council of the relationship between the TRIPS Agreement and the Convention on Biological Diversity, traditional knowledge and folklore, (paragraph 19), and calls for future negotiations on relevant provisions of the TRIPS Agreement if recommended by CTE (paragraph 32).

The WSSD reaffirms this (paragraph 42(r)), and also calls for action to “encourage technical and financial support to developing countries and countries with economies in transition in their efforts to develop and implement policies, as appropriate, inter alia, national *sui generis* systems and traditional systems according to national priorities and legislation, with a view to conserving and the sustainable use of biodiversity” (paragraph 42(m)).

It also establishes the mandate to “Negotiate within the framework of the Convention on Biological Diversity, bearing in mind the Bonn Guidelines, an international regime to promote and safeguard the fair and equitable sharing of benefits arising out of the utilization of genetic resources” (paragraph 42(o)). These mandates – and the underlying relationship between intellectual property and the conservation and sustainable use of biological diversity – raise a broad spectrum of policy issues including:

- **Genetic resources.** The CBD and the TRIPS Agreement each touch on issues of genetic resources and intellectual property, giving rise to a set of practical and legal issues concerning

their relationship in international law, and their implementation at the national level. In particular, discussions have focused on the need for prior informed consent when accessing genetic resources, the relationship between intellectual property in benefit sharing arrangements, and the role of disclosure of the origin of genetic resources in intellectual property applications.

- **Traditional knowledge.** Discussions on the relationship between intellectual property rights and traditional knowledge have centered around the need for protection of traditional knowledge against misappropriation (through, for example, the inclusion of disclosure requirements in existing patent systems); for protection of traditional knowledge (through, for example, existing forms of intellectual property rights, bilateral contracts, *sui generis* systems, and other approaches); and about where these issues should be addressed – at which level (national, regional, international) and in which institution (CBD, WTO, World Intellectual Property Organization etc).
- **Agriculture and biodiversity.** The conservation and sustainable use of agricultural biodiversity is affected by a range of factors, including intellectual property rights. Intellectual property rights – such as patents and plant breeders’ rights – may affect incentives for the maintenance of existing crops, for the development of new crop varieties, and for agricultural practices regarding the sharing and saving of seeds.
- **Technology transfer.** What is the relationship between intellectual property and technology transfer? This relationship is complex – technology transfer may be encouraged depending on the nature and strength of intellectual property rights as well as a range of other factors. It therefore requires careful consideration by policy-makers as they further develop national rules for both intellectual property and the environment, bearing in mind developments at the WTO and the CBD.
- **The development dimension.** Cutting across each of these issues, as well as other issues arising in the relationship between intellectual property and the environment, is the need to promote the interests of developing countries. What are the main dimensions relating to development? How will existing and proposed future policies and rules in this field affect the interest of developing countries – economic, social and environmental?

These and other controversial issues arise at the interface of intellectual property and the environment, the TRIPS Agreement and the CBD. The complexity of these issues, as well as the multitude of international, regional and national institutions working in this realm, underpins the need for more cooperation, including in the area of capacity building with developing countries. It also demands greater efforts at the national level between relevant ministries – trade, planning, environment, agriculture, industry and other sectoral ministries – to develop both coordinated national policies, and consistent strategies at the bilateral, regional and multilateral levels. A discussion of these issues is included in the working paper to this meeting entitled, *Intellectual Property and Environment: The Relationship Between the Convention on Biological Diversity and the TRIPS Agreement*.

E. Other key issues

In addition to the four areas identified above – integrated assessment, agriculture and biodiversity, environmental goods and services, and intellectual property – there are a range of other issues of trade and sustainable development arising from the Doha Work Programme.

- **The relationship between WTO rules and trade obligations within MEAs.** The Doha Ministerial Declaration establishes negotiations on: 1) “the relationship between existing WTO rules and specific trade obligations set out in MEAs” (paragraph 31(i)); and 2) procedures for regular information exchange between MEA Secretariats and the relevant

WTO committees and the criteria for granting observer status to relevant WTO bodies (paragraph 31(ii)). The WSSD, similarly, calls for efforts to “promote mutual supportiveness between the multilateral trading system and the multilateral environmental agreements, consistent with sustainable development goals, in support of the work programme agreed through WTO, while recognizing the importance of maintaining the integrity of both sets of instruments” (paragraph 92).

- **Fisheries subsidies.** The WTO’s Doha Ministerial Declaration calls for negotiations to clarify and improve WTO disciplines on fisheries subsidies (paragraph 28 and 31). The WSSD calls on governments to “Eliminate subsidies that contribute to illegal, unreported and unregulated fishing and to over-capacity, while completing the efforts undertaken at WTO to clarify and improve its disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries” (paragraph 30(f)). The WSSD also makes a broader call to “Continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development” by supporting “the completion of the work programme of the Doha Ministerial Declaration on subsidies so as to promote sustainable development and enhance the environment, and encourage reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development” (paragraph 91(b)).
- **Labeling for environmental purposes.** The Doha Ministerial Declaration calls on the CTE to pay particular attention to labeling requirements for environmental purposes (paragraph 32(iii)), and suggests future negotiations if recommended by the CTE (paragraph 32). The WSSD in turn calls for a shift to sustainable production and consumption, and asks governments to “develop and adopt, where appropriate, on a voluntary basis, effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools to provide information relating to sustainable consumption and production, including human health and safety aspects. These tools should not be used as disguised trade barriers” (paragraph 14(e)).
- **Effect of environmental regulations on market access.** The Doha Ministerial Declaration calls on the CTE to pay particular attention “to the effect of environmental measures on market access”, and identifies the need for future negotiations if recommended by the CTE (paragraph 32). The WSSD calls on WTO Members to “aim to reduce or, as appropriate, eliminate tariffs on non-agricultural products, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries” (paragraph 86(b)). The WSSD also recommended action to “support measures to simplify and make more transparent domestic regulations and procedures that affect trade so as to assist exporters, particularly those from developing countries” (paragraph 93(c)).

7. Looking forward

Trade liberalization has significant potential to promote sustainable development and the alleviation of poverty – if it is conducted well. As noted in the introduction to this paper, increasing the quality of trade, as well as its volume, and ensuring that integrated policies are developed in parallel with efforts to liberalize trade can ensure that trade fulfils the overarching goal of implementing sustainable development. Making this goal a reality, however, will require a significant scaling-up of efforts at the interface of environment, trade and sustainable development. It will require a concerted effort to build capacity at all levels – local, national, regional and international – to understand and respond to the complex interdependencies between trade, the economy, society and the environment. In designing future capacity building efforts, a number of factors could be taken into consideration, including:

Particular priorities for future capacity building efforts include:

- **Assessing needs.** A careful assessment of the needs of individual countries and groups should precede any effort to build capacity. Needs assessments should help to clearly identify the objectives of capacity building, map relevant issues and actors, identify relevant national development priorities, explore ways to ensure public participation, and look at how to coordinate capacity building efforts to achieve these goals.
- **Improving manuals and materials.** Better training requires better manuals and materials. Already there are many excellent materials to support capacity building. More, however, can be done to develop materials such as reference manuals and materials – including checklists and menus of options – that can be made country, issue, or sector specific and that empower trainers to scale up capacity building efforts.
- **Training the trainers.** Scaling up efforts to build capacity will also require building the number and capacity of trainers. Reference materials can also be developed to train the trainers, and provide them with the tools to pass on knowledge and skills to others. Capacity building efforts can focus on training the trainers, and providing tool kits and training packages for regional, sub-regional and national institutions to conduct training in a way that is customized to national needs.
- **Networking for the longer-term.** Building and sustaining capacity over the longer-term will require denser networks of partners at the local, national, regional and international levels. Many countries have an untapped wealth of local expertise, located in national ministries, research institutions, universities and non-governmental organizations. Identifying these people, bringing them together, and sustaining their relationships can strengthen national capabilities.
- **Cooperating and coordinating on capacity building.** Already there is much cooperation among agencies to build capacity – but more can be done. How, for example, can the relevant international, regional and sub-regional institutions that provide capacity building services cooperate more closely to provide integrated efforts to build capacity, across a range of related issues, in response to a national needs assessment?

In implementing these initiatives, UNEP stands ready to work with other relevant partners at the local and national levels, and to cooperate with other regional and international partners including UNCTAD (including in the context of the ongoing Capacity Building Task Force), WTO, UNDP, the World Bank and others, to develop capacity and ensure that trade and trade liberalization can maximize its contribution to the goal of sustainable development for all.