

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**PROMOTING TRADE
FOR SUSTAINABLE DEVELOPMENT**

**UNCTAD'S CONTRIBUTION TO
THE WORLD SUMMIT ON
SUSTAINABLE DEVELOPMENT**



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"Since the 'invention' of agriculture in the Middle East some 12,000 years ago, seeds and domesticated animals have moved freely between different countries and civilizations. One could say that these seeds lie at the root of the globalization process, which gathered pace five centuries ago with the discovery of new continents and the subsequent trade in tropical fruits, herbs and spices. They paved the way for the industrial revolution 200 years ago, that brought about an era of rapid industrial expansion and increase in wealth and well being. More recently, we realize that these gains have been coming at a cost. They are posing a threat to the atmosphere, the climate, the oceans, the forests, and most recently, the intimate secrets of life itself".

Rubens Ricupero, Secretary-General of UNCTAD

Established in 1964 as a permanent intergovernmental body, UNCTAD is the principal organ of the United Nations General Assembly dealing with trade, investment and development issues. Its main functions are intergovernmental work, policy analysis and capacity building.

Since the Earth Summit, UNCTAD has been examining the linkages among trade, investment, technology, finance and sustainable development.

TRADE, ENVIRONMENT AND DEVELOPMENT

UNCTAD's special role within the United Nations system is to examine trade and environment issues from a development perspective. UNCTAD covers a large number of issues of particular interest to developing countries, ranging from support for their participation in multilateral trade negotiations to commodity diversification, the promotion of trade in environmentally preferable products and harnessing traditional knowledge for development and trade.

In carrying out its activities, UNCTAD works closely with a number of international organizations, including the United Nations Environment Programme (UNEP), the World Trade Organization (WTO) and the United Nations Development Programme (UNDP), and civil society.

TECHNICAL ASSISTANCE AND CAPACITY BUILDING

UNCTAD has developed a broad programme of technical assistance and capacity building in trade, environment and development. Some key elements are listed below.

Capacity Building Task Force for Trade, Environment and Development (CBTF)

UNCTAD and UNEP launched, in 2000, a Capacity Building Task Force for Trade, Environment and Development (CBTF) to help developing countries analyse linkages between trade and environment, deal with environment-related trade problems and trade-related environmental problems, and participate fully in multilateral negotiations.

Although small in terms of size and funding, the CBTF projects implemented so far have been very successful. In 2001, some 10 countries in Central America and the Caribbean were involved in a project to find ways of managing the disposal of used vehicle batteries.

Training workshops covering a range of trade and environment issues were held in Cuba and Viet Nam, and projects on the environmental and social effects of trade policies were initiated in Lebanon and Indonesia. The secretariat of the African, Caribbean and Pacific (ACP) countries hosted a CBTF meeting in Brussels to explore opportunities for production and trade in organic agricultural products from developing countries.

Several projects under a special CBTF component for the least developed countries (LDCs) are in the pipeline. These include activities for Lusophone countries and Cambodia and training for African LDCs .

CBTF activities are funded by the Governments of Germany, Norway, Sweden, the United Kingdom and the United States, as well as the European Commission.

CBTF is now poised for new and larger initiatives, particularly at the regional level. New initiatives will be announced at the World Summit on Sustainable Development (WSSD).

UNCTAD/FIELD project on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues

UNCTAD and the London-based Foundation for International Environmental Law and Development (FIELD) have started a new project, funded by the UK Department for International Development (DFID), to assist selected developing countries of Asia, Africa and Latin America in building up their national and regional capacities to deal with trade, environment and development issues. Apart from supporting developing countries in improving national and regional coordination and participating in WTO negotiations and discussions, an important objective of the project is to help countries introduce legal and policy initiatives in specific trade and environment areas at the national level.

UNCTAD's follow-up to the 4th Session of the WTO Ministerial Conference (Doha, Qatar, November 2001)

The UNCTAD technical assistance and capacity building programme to help developing countries participate more effectively in the WTO Post-Doha work programmes is now under way (www.unctad.org/en/docs/pormstcsd1.en.pdf).

The programme includes a specific "window" on environmental issues. Developing countries themselves have requested that the following topics be included:

- promotion of a "positive agenda": a specific programme on trade and environment issues of particular benefit to developing countries;
- support for understanding the development aspects and implications of multilateral environmental agreements;
- market access;
- environmental goods and services;
- environmentally preferable products, in particular organic agricultural products;
- agriculture and environment;
- traditional knowledge;
- training in trade and environment;
- impact assessments.

The programme is implemented in close cooperation with WTO and the United Nations Environment Programme.

Training workshops on trade, environment and development

The UNCTAD secretariat has developed a training package on trade, environment and development. Eight modules have been developed, dealing with a range of issues:

- Trade, environment and sustainable development – the international context;
- Trade and environment in the multilateral trading system;
- Environmental requirements and market access;
- Trading opportunities for environmentally preferable products (EPPs);
- Multilateral Environmental Agreements;
- International standards for Environmental Management Systems, such as ISO 14001;
- Harnessing traditional knowledge for trade and development;
- Integrated trade assessments.

The training materials are adapted to the conditions and needs of the beneficiary country or region and are updated periodically to reflect changes in the relationship between trade and environment. They are available on-line to authorized users in beneficiary countries.

Training workshops have so far been held in Cuba, Viet Nam and Benin.

BIOTRADE

UNCTAD's BIOTRADE Initiative was launched in 1996 as a concrete response to the call of the Convention on Biological Diversity (CBD) to promote the sustainable use of biodiversity. The Initiative helps developing countries produce value-added products and services derived from biodiversity for both domestic and international markets.

It consists of a number of partnerships with national and regional organizations, which have their own networks of community workers in the field. This public-private approach enables partners to address all aspects of the value chain of natural products, including market and policy issues. It also builds on the comparative advantages of each organization, creating synergies, minimizing duplication, and maximizing the use of scarce resources.

Among the activities carried out so far are the creation of market information systems, business development schemes and trade support services, and support for integration of sustainability criteria in productive processes.

National programmes have been established in Bolivia, Colombia, Ecuador, Peru, and Venezuela, in close collaboration with UNDP.

At the regional level, UNCTAD collaborates with the Andean Development Corporation (CAF) and the Andean Community of Nations (CAN) on the implementation of BIOTRADE in the Andean countries.

Bolsa Amazonia

(www.bolsamazonia.com.br)

UNCTAD and the NGO Poverty and Environment in Amazonia (POEMA) have started a programme to help local communities find business opportunities for natural products of the Amazonian region. The programme, called Bolsa Amazonia, has helped businesses forge ties with a number of large private sector enterprises and banks such as Mercedes Benz, Henkel, the National Economic and Social Development Bank (BNDES) and the Amazon Bank (BASA).

BIOTRADE Colombia

(www.humboldt.org.co/biocomercio)

The first BIOTRADE country programme, coordinated by the Alexander von Humboldt Institute, one of the leading world biodiversity research institutes, was started in Colombia in 1999. The programme, called “Biocomercio Sostenible”, is involved in different lines of work: networking, information systems, business development, market information, investment, and financial mechanisms. A number of projects, for instance, are being developed to market medicinal plants and ecotourism. Communities receive help to improve their business skills, formulate market strategies, and obtain market information.

The programme's most notable achievements include:

- Nine BIOTRADE offices opened in Colombia in cooperation with the regional development corporations.
- An information system for entrepreneurs, providing market and contact data as well as background studies.
- A project developed to set up production chains for medicinal plants and essential oils.
- A special programme to help integrate indigenous communities in local BIOTRADE activities.
- Sustainability criteria developed by the Alexander von Humboldt Institute.
- The 'Concurso Biocomercio Sostenible', a contest organized together with the Andean Development Bank (CAF) to reward the most successful enterprises in the sustainable production of goods and services from non-timber forest products, timber products, agricultural products and ecotourism.
- An export promotion programme for 'natural ingredients for pharmaceuticals and cosmetics'. The selected companies will receive technical assistance, export promotion training and special funding to participate in European trade fairs.

CLIMATE CHANGE

UNCTAD's work on greenhouse gas (GHG) emissions trading began in 1991. The aim was to help create a global emissions trading system to reduce the impact of climate change. In 1997, the UNCTAD secretariat joined forces with the Earth Council to create the Carbon Market Policy Forum.

With the negotiation of the Kyoto Protocol and its final adoption in November 2001 in Marrakech, UNCTAD now focuses on the trade and investment aspects of the implementation of the Protocol. It also assists developing countries in preparing for the opportunities offered by the Kyoto Protocol, in particular the clean development mechanism (CDM). For instance, UNCTAD has been advising developing countries and countries with economies in transition on the formulation of national CDM implementation guides and appropriate domestic emissions trading schemes.

In cooperation with the Earth Council Institute and the Climate Change Secretariat, UNCTAD has developed an e-learning facility to provide more effective learning opportunities on the various issues concerning the emerging carbon market.

COMMODITIES

More than two and a half billion people depend on commodity production for their livelihood

In many developing countries, particularly least developed countries, the commodity sector provides employment for a large proportion of the work force and generates savings and foreign exchange necessary for development. It is estimated that, overall, more than two and a half billion people depend on commodity production for their livelihood and one billion people in developing countries derive a significant share of their income from export commodities.

The incidence of poverty in developing countries is most acute in the rural sector, where commodity production is the principal occupation. Poverty is also associated with low skills, inability to take risks and lack of resources for investments.

Prices in the world commodity economy are at historically low levels. Low prices and low incomes discourage investments and production practices required for sustainable development and environmental management. Agricultural products face increasing market access barriers and distortions. International markets and value chains are dominated by large firms that appropriate an ever-growing share of value added. Developing countries, on the other hand, are unable to increase or even maintain their market shares for many high-value and processed products.

Using the commodities sector to promote sustainable development

The focus of UNCTAD's work on commodities is on maximizing the contribution of the commodity sector to the sustainable development of commodity-dependent developing countries and economies in transition.

In the modern world, increasing reliance on markets and private initiative gives rise to many new challenges. Enterprises need to acquire new marketing expertise and modern management skills. At the same time, policy makers are pressed to develop sound institutional and regulatory frameworks for markets to function in a fair and efficient manner and to ensure the social, economic and environmental sustainability of commodity production and natural resource

exploitation. UNCTAD's flexible approach allows it to respond constructively to varying requests from its member countries.

An important aspect of this work is the diversification of production and export structures in developing countries. The aim is to improve supply capacities and the ability of producers and exporters to respond in a timely and flexible manner to emerging market opportunities. Activities include:

- the design and implementation of commodity sector development and diversification policies, and assessment of their social and sustainable development implications;
- the identification of the special needs and concerns of commodity-dependent developing countries in multilateral trade negotiations;
- the analysis of commodity value chains and international markets, and the distribution of gains from globalization and trade liberalization;
- support for participation in international value chains;
- the assessment of diversification as an option for mitigating the effects of low commodity prices on sustainable development;
- the development and application of frameworks for planning regional development in areas depending on natural resource exploitation.

UNCTAD's work on commodities and sustainable development also includes:

- the analysis of recent developments and prospects in commodity markets;
- the exploration, development and implementation of viable, innovative commodity finance mechanism;
- the development of legal and regulatory reforms to ensure credit access on reasonable terms.

UNCTAD-CFC joint initiative on Commodities and Sustainable Development

Based on the premise that production and trade of commodities can have both positive and negative effects on the environment and that there are ways of improving the sustainability of natural resources, UNCTAD and the Common Fund for Commodities (CFC) are launching a partnership for further sustainable development of the commodity sector in developing countries.

The initiative, which covers all aspects of the commodity economy, aims to strengthen the competitiveness of commodity production and increase developing country exports while minimizing negative environmental effects. It will address all three components of sustainable development:

economic growth, social development and environmental conservation. Poverty eradication and changing unsustainable patterns of commodity production and consumption, where they exist, will also be essential elements of the initiative. The areas targeted include:

- environmentally sound intensification and diversification of agricultural production;
- sustainable livestock farming;
- sustainable exploitation of forestry resources and fishery stocks;
- combating desertification through appropriate commodity production;
- sustainable development in mining areas and environmentally sound mining methods;
- rehabilitation of mined-out areas and their return to other economic activities.

Sustainable tourism in the least developed countries (LDCs)

The tourism sector is one of the most important sources of national income. For many developing countries, tourism is the only economic sector to provide real trading opportunities. Since tourism plays an important role in improving living standards, it should be put to use to overcome poverty.

UNCTAD and the World Tourism Organization are currently developing a programme to promote sustainable tourism in LDCs. Activities will aim at strengthening their capacity to benefit from international tourism.

Sustainable tourism as a tool for eliminating poverty

Tourism is one of the top five sources of foreign exchange earnings for 31 of the 49 LDCs and the main source in 24 of them.

The growth of international tourism receipts in the LDCs more than doubled between 1992 and 2000, from US\$ 1.0 to US\$ 2.2 billion.

However, the long-term sustainability of tourism in LDCs is threatened:

- In all 49 LDCs, the benefits of tourism are lessened by leakages accounting for up to 70 per cent of tourism revenues.
- Since the 1990s, tourist arrivals have risen faster than revenues, in some cases leading to an actual drop in income per tourist.
- Most LDCs are marginalized from international air transport networks, and their competitiveness is eroded by high airfares.

INVESTMENT

Promoting FDI for sustainable development

As part of its Series on issues in international investment agreements (IIAs), UNCTAD has prepared a paper on the interface between environment and FDI. It discusses key issues in protecting the environment, the transfer of environmentally sound technologies (ESTs) and environmental management practices.

TNC contribution to sustainable development

Together with the Copenhagen Business School and the European Business School in Germany, UNCTAD has examined transborder environmental management practices of Danish and German transnational corporations (TNCs) with operations in China, India and Malaysia.

Investment promotion and good governance

To help the least developed countries improve the efficiency and transparency of their investment promotion practices, UNCTAD has launched a programme on Good Governance in Investment Promotion (GGIP). Programme activities at the country level include advisory work on how to reduce non-transparent practices and other “hassle costs” for investors, and the definition of concrete plans of action. It also provides training to officials on investment-related good governance issues.

The project focuses on LDCs which have shown a clear will to put in place a transparent, client-oriented administrative system to attract foreign investors and ensure that Governments' development priorities are met.

TECHNOLOGY

Intellectual property rights and development

UNCTAD and the International Centre for Trade and Sustainable Development (ICTSD) are implementing a capacity building project on intellectual property rights and development. The project, funded by the United Kingdom, deals with a number of concerns of Agenda 21, including biodiversity and biotechnology, and looks at the issues of traditional knowledge, folklore and cultural property.

Science and technology diplomacy

In June 2002, UNCTAD and Harvard University launched the Science and Technology Diplomacy Initiative which targets a number of areas of current diplomatic attention such as international arrangements on technology transfer, biotechnology and trade, managing technological risks and benefits, and standard setting. Environment and health requirements in international trade are one area where the benefits of science and technology diplomacy may turn out to be particularly important, making it easier for countries to share costs and resources and, at the same time, serving as insurance against bad commercial decisions and diplomatic failures.

ENTERPRISE DEVELOPMENT

Environmental accounting

One of the challenges of environmental accounting is to ensure that environmental costs and liabilities are adequately reported. Intended as a practical tool to measure and report more precisely on environmental and financial performance, UNCTAD has developed a methodology to calculate environmental performance indicators (EPIs).

In response to the lack of national accounting standards for environmental information disclosure in financial statements, UNCTAD has synthesized the existing guidance offered by various standard setters. Guidelines for reporting environmental costs and liabilities were also produced and endorsed by the Intergovernmental Working Group of experts on International Standards of Accounting and Reporting (ISAR). The guidelines will assist national standard-setters, thus avoiding the risk of devising radically different solutions for the same problems. The EUs draft recommendation on environmental issues has been influenced by the guidelines.

UNCTAD: A FORUM FOR DISCUSSING NEW IDEAS

Much of UNCTAD's work in this area is carried out through intergovernmental meetings, where experts discuss specific topics, exchange experiences, including on solutions and policies to adopt, and identify future areas of work.

Recent Expert Meetings covered the following issues:

- Environmental management systems (ISO 14001 Geneva, October 1997);
- Enabling measures to promote the objectives of multilateral environmental agreements (Geneva, November 1997);

- Gender and sustainable development (Geneva, November 1997);
- Making foreign direct investment (FDI) work for sustainable development (Geneva, November 1999)
- Traditional knowledge (Geneva, November 2000);
- Production and export of environmentally preferable agricultural and food products (Geneva, July 2001);
- Environmental services (Geneva, July 1998);
- Energy services (Geneva, July 2001);
- Diversification in commodity-dependent countries (Geneva, June 2002);

(For more information, consult the UNCTAD website under "Events and Meetings").

UNCTAD has hosted a number of other meetings and workshops with Governments and civil society organizations. Recent meetings include:

- Rubber and the environment, in cooperation with the International Rubber Study Group (IRSG). Since 1998, four international workshops have been organized on how to reflect environmental costs on the prices of natural rubber and rubber products.
- Greenhouse gas emissions. The Fifth Rio Policy Forum "Trade and Climate Change: The State of the GHG Market" was held in Rio de Janeiro in August 2001.
- Workshop on Sustainable Management of Recoverable Material and Resources (Bangkok, September 2001).
- Seminar on Traditional Knowledge, organized by the Government of India and UNCTAD (New Delhi, India, April 2002).
- Workshop on Standards and Trade to discuss the results of case studies on the trade implications of sanitary and phytosanitary (SPS) measures and environmental standards and regulations for developing countries (Geneva, May 2002).

- A post-Doha workshop on trade and environment, organized with the Ministry of Foreign Trade of Costa Rica (San Jose, Costa Rica, July 2002).

Traditional knowledge

What it is

According to the World Health Organization, up to 80 per cent of the world's population depends on traditional medicine for its primary health needs. In India, for example, there are 600,000 licensed medical practitioners of classical traditional health systems and over one million traditional community-based health workers. Over 90 per cent of food in sub-Saharan Africa is produced using customary farming practices. For those comprising the poorest segments of societies, particularly women, indigenous people and rural inhabitants of developing countries, traditional knowledge (TK) is indispensable for survival.

Such TK-based products as handicrafts, medicinal plants, traditional agricultural products, and non-wood forest products (NWFPs) are traded in both domestic and international markets and already provide substantial benefits for exporter countries. For example, some 150 NWFPs, including rattan, cork, essential oils, forest nuts, and gum arabic, are traded internationally in significant quantities. TK is also used as an input into modern industries such as pharmaceuticals, cosmetics, agriculture, food additives, industrial enzymes, biopesticides, and personal care. In this case, most of the value added is captured by firms based in developed countries whose advanced scientific and technological capabilities make this possible.

Possible instruments for the protection of TK include traditional/customary law, modern intellectual property rights instruments, *sui generis* systems, documentation of TK, and instruments directly linked to benefit-sharing. In addition to national systems, the protection of TK and equitable sharing of the benefits derived from the use of biodiversity resources and associated TK may also require measures by user countries and cooperation at the multilateral level.

UNCTAD's contribution

In UNCTAD, the emphasis has been on exchanging national experiences on policies and measures to protect TK in a broad sense and on identifying policies to harness TK for trade and development.

In October 2000, some 50 papers on country experiences were presented at an expert meeting on Systems and National Experiences for the Protection of Traditional Knowledge, Innovations and Practices. Most of the papers are now available on the UNCTAD Website (www.unctad.org/trade_env). These papers have been edited and revised and will be published in book form in 2002.

At a seminar on the protection and commercialization of TK held in New Delhi, India, in April 2002, participants recommended that their countries would work together in various intergovernmental forums particularly CBD, FAO, WIPO, WTO, and UNCTAD to develop an international framework for the recognition of national systems of protection of traditional knowledge, including diverse *sui generis* systems

Traditional knowledge has been given special attention in trade, environment and development capacity building projects, particularly the project funded by the United Kingdom on enhancing research and policy-making capacity in 10 developing countries, as well as BIOTRADE and UNCTAD/UNDP country projects. Traditional knowledge is also a main topic considered by the UNCTAD/ICTSD capacity building project on TRIPS and Development.

CONTACTS

For more information on UNCTAD activities, visit the following UNCTAD webpages:

General:	www.unctad.org
Trade and Environment:	www.unctad.org/trade_env
BIOTRADE:	www.biotrade.org
GHG:	www.unctad.org/ghg
Commodities:	www.unctad.org/commodities www.unctad.org/infocomm/anglais/indexen.htm
Science and Technology:	www.unctad.org/stdev/index.html
Investment:	www.unctad.org/en/subsites/dite
Environmental Accountancy:	www.unctad.org/isar/

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Note: The UNCTAD secretariat prepared two background papers for the preparatory process for WSSD:

Actions taken by UNCTAD in assisting developing countries to implement Agenda 21
Department of Economic and Social Affairs (DESA), DESA/DSD/PC2/BP11, January 2002
(<http://www.johannesburgsummit.org/html/documents/backgrounddocs/unctadreport.pdf>.)

Trade and Sustainable Development,
Department of Economic and Social Affairs (DESA), DESA/DSD/PC4/BP2, May 2002.
http://www.johannesburgsummit.org/html/documents/prep4_background_papers/unctadbackground2.pdf