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Promoting Trade for Sustainable Development

Note by the UNCTAD secretariat

Executive summary

This note provides background information and analysis for the “Roundtable on Promoting Trade for Sustainable Development” (São Paulo, 17 June 2004), to be held as a parallel event at UNCTAD XI. The roundtable will focus on the positive contribution that trade can make to sustainable development in developing countries.

This paper highlights the following issues: (a) opportunities arising from niche markets for environmentally preferable products (in particular organic agricultural products); (b) environmental goods and services; (c) benefits that can be derived from proactive adjustment policies to external environmental requirements; and (d) options for harnessing traditional knowledge for trade and development.

It flags a number of capacity-building responses by UNCTAD and its partners to identified needs in these areas to assist developing countries in enhancing awareness of such opportunities and in effectively integrating these opportunities into their national development strategies. Special attention is given to the UNEP-UNCTAD Capacity Building Task Force (CBTF) on Trade, Environment and Development.

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INTRODUCTION

Background

1. Both the World Trade Organization Doha Ministerial Declaration (2001) and the Johannesburg Plan of Implementation adopted by the World Summit on Sustainable Development (2002) have reiterated the major role that trade can play in achieving sustainable development¹ and reducing poverty. Agenda 21, adopted in Rio de Janeiro by the United Nations Conference on Environment and Development (UNCED) in June 1992, has also emphasized the contribution that trade should make to the acceleration of sustainable development in developing countries.²

- Sustainable development requires a dynamic international economy and an open, equitable, secure, non-discriminatory and predictable multilateral trading system to support sound domestic economic and environmental policies in both developed and developing countries.
- The future growth of developing countries and countries in transition, which is critical to their ability to mobilize resources needed for improved environmental protection, depends, among other things, on access to developed-country markets.
- Trade liberalization, including the removal of existing distortions in international trade, must be pursued to support sustainable development policies in developing countries.
- Trade and environment should be mutually supportive in the pursuit of sustainable development.

2. Trade and environment is a complex and cross-cutting subject. Trade and environment interests often differ, and trade and environment policies may at times clash. The trade and environment debate, however, has increasingly emphasized potential synergies. For many developing countries, in particular the least developed countries (LDCs) and small island developing states (SIDS), the sustainable use of environmental assets – for example, for tourism activities or production for niche markets – is one of only a few options for export development. In these and other developing countries, the sustainable use of environmental resources often provides a means of poverty alleviation and/or rural development, and niche markets for certain products and services may be a powerful tool to support this process. International trade can play an important role in transmitting environmental performance across countries, as product standards often converge to the (higher) standards of the major import markets. However, international cooperation and proactive adjustment policies in developing countries are required to avoid unnecessary adverse trade and competitiveness effects and to derive economic, social and environmental benefits. Environmental goods and services play an important role in the sustainable development process and in strengthening the capacities of producers in developing countries to respond to environmental requirements.

¹ Sustainable development is committed to directing economic activities towards meeting essential economic and social needs, in particular those of the world's poor, and to the sustainable use of resources such that the stock of those resources – human capital (including health), physical reproducible capital, environmental resources and exhaustible resources – does not decrease over time.

² UNCTAD secretariat, "UNCTAD's Contribution, within Its Mandate, to Sustainable Development: Trade and Environment", *Trends in the Field of Trade and Environment in the Framework of International Cooperation*, TD/B/40(1)/6, Geneva, 1993.

Box 1. Trade and sustainable development

In recent years, trade and environment has been extensively discussed in several forums, including the Commission on Sustainable Development (CSD), the WTO Committee on Trade and Environment, UNCTAD and the UN Environment Programme (UNEP). UN regional commissions are also carrying out work programmes on trade and environment. Civil society organizations, too, have been playing an important role.

Since UNCTAD X (February 2000), there have been a number of significant developments. The 2001 WTO Ministerial Conference in Doha, for the first time in the history of the World Trade Organization, called (in paragraph 31) for immediate negotiations on certain environmental issues. In addition, important developments have taken place with regard to the global environmental agenda. The Cartagena Protocol on Biosafety, which entered into force in September 2003, has major implications for international trade in agricultural biotechnology and involves a number of systemic issues in relation to trade rules. The Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC), which has not yet entered into force, will have important economic and trade implications, even though it does not include specific trade measures. Its Clean Development Mechanism provides new opportunities for investment in environmentally sound technologies and their transfer to developing countries.

The roundtable

3. The Roundtable on Promoting Trade for Sustainable Development will focus on the positive contribution that trade can make to the sustainable development process of developing countries. Key issues to be addressed include:

- Opportunities that growing global markets for environmentally preferable products (such as organic agriculture) may provide for export diversification, poverty alleviation and rural community development;
- Opportunities for competitiveness gains and possible benefits from the enhanced natural resource efficiency, occupational safety, consumer health and improved environmental conditions that can be derived from proactive policies of adjustment to environmental requirements in the international marketplace;
- The role of environmental goods and services in the sustainable development process of developing countries and the abilities of these countries' companies, in particular small and medium-sized enterprises, to respond to environmental requirements and enhance international competitiveness; and
- Opportunities to harness traditional knowledge for trade and development.

Part I of this paper gives a brief overview of each of these issues to support the roundtable's discussions.

4. To take advantage of these opportunities, enhanced understanding of and capacity building (CB) relating to these issues are needed. Both the Doha Ministerial Declaration and the Johannesburg Plan of Implementation have stressed this point. The second session of the roundtable will therefore consider CB needs to assist developing countries in incorporating such positive linkages in their national sustainable development policies. To support this discussion, Part II of this paper highlights CB initiatives undertaken or planned by the UNEP-UNCTAD Capacity Building Task Force on Trade Environment and Development (CBTF) and other UNCTAD CB programmes.

5. The roundtable is expected to:

- Provide insights on how to follow up on the call in the Johannesburg Plan of Implementation to create and expand markets for environmentally friendly products and services from developing countries;

- Assist in identifying environmental goods and services of sustainable development interest to developing countries and disseminate the results of national studies on environmental services;
- Announce new CBTF activities;
- Consider the outcome of the pre-UNCTAD XI UNCTAD/Inmetro workshop on Environmental Requirements and Market Access for Developing Countries (Rio de Janeiro, 7 and 8 June 2004), including the positive contribution that proactive adjustment policies can have on sustainable development in exporting developing countries; and
- Promote networking, in particular in the area of CB on trade, environment and development.

6. Key partners in the roundtable include UNEP and the UN Economic Commission for Latin America and the Caribbean (ECLAC).

I. SELECTED ISSUES

Box 2. Two approaches to enhancing trade in products that contribute to environmental protection

There has been considerable interest in exploring opportunities for enhanced trade in products and services that, in one way or another, contribute to environmental protection. The Doha Ministerial Declaration (DMD), in paragraph 31(iii), calls for negotiations on, *inter alia*, “the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services”, with a view to enhancing the mutual supportiveness of trade and environment. Similarly, the Johannesburg Plan of Implementation (JPOI) adopted at the World Summit on Sustainable Development (WSSD), in paragraph 93(b), calls for actions to “[S]upport 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”.

While both the DMD and the JPOI seek to promote sustainable development through trade, the approaches are different. The DMD seeks to reduce or eliminate tariffs and non-tariff obstacles to trade, including environmental goods and services (EGS), through negotiations. The JPOI focuses on the creation and expansion of markets that can be achieved largely through voluntary, market-based instruments. Yet the two approaches can, and at times must, be complementary. For example, tariff and/or non-tariff barriers can reduce the effectiveness of market-based instruments aimed at creating or expanding markets. Similarly, WTO trade liberalization in EGS may have little or no effect without additional policies (outside the framework of the negotiations) aimed at creating additional demand and increasing developing countries’ supply and absorption capacities.

Environmentally preferable products

7. UNCTAD XI provides an opportunity to discuss ways for developing countries to benefit from dynamic sectors in world trade to diversify exports into value-added products. Growing markets exist for certain categories of such products that have environmental benefits and, in addition, often contribute significantly to poverty alleviation and enhanced gender equality.³ Environmentally preferable products (EPPs) include organic, non-wood forest, certified wood, traditional knowledge-based and renewable energy products and ecotourism. For certain developing countries, such as the SIDS, niche markets may alleviate problems arising from lack of competitiveness (related to the countries’ small scale and other factors) and loss of trade preferences (e.g. for bananas and sugar).

³ Some of these issues will be discussed during the Interactive Thematic Session on “Policy Options and Strategies to Support Developing Countries’ Competitiveness in the Most Dynamic Sectors of International Trade”, São Paulo, 16 June 2004.

8. Major conferences, such as the Third UN Conference for the Least Developed Countries (Brussels, May 2001) and the WSSD, have emphasized that markets for organic and other environment-friendly products and services may provide an opportunity for diversification and to obtain environmental and developmental benefits. However, there is a need for domestic policies and international actions to remove obstacles to production and exports of EPPs by developing countries. Such obstacles include high certification costs, lack of technical know-how, limited access to finance, limited infrastructure and absence of government support.

Box 3. Organic agriculture in Brazil

The Brazilian organic sector is expected to get a boost from the approval in December 2003 of the long-awaited law on organic agriculture. (Law No. 10.831). This law regulates organic production, processing, distribution and marketing. It will be complemented by technical norms (on crop production, animal production, labelling, etc.) agreed on by the National Commission for Organic Agriculture, which is made up of public- and private-sector representatives. These norms will be updated at least every four years. This separation of the technical standards from the regulation is in line with international regulatory best practices⁴ and greatly enhances a country's flexibility to take advantage of new developments.

The law includes provisions for low-cost "participatory certification" of smallholder groups, which has been successful in southern Brazil. With this approach, registered family farmers selling their products directly to consumers at the local level need not be certified. It also considers sustainably harvested wild products to be organic.⁵

On 15 March 2004, the Ministry of Agriculture, Fisheries and Supply (MAPA) inaugurated the Organic Farming Sectoral Chamber (CSAO). The Chamber, linked to the Agribusinesses Council (CONSAGRO), will act as an advisory organ to the Ministry and will be responsible for debating the sector's problems and making the sector more efficient and competitive in the domestic and foreign markets. The Chamber brings together representatives of the private sector and the federal government.

An early 2004 survey reported 19,000 certified organic farmers in Brazil. The area occupied by organic farming corresponds to 842,000 hectares, and the sector is growing (SOEL 2004).

9. One main obstacle is the lack of international harmonization, mutual recognition and equivalence of regulations and voluntary private-sector standards for EPPs such as organic agricultural or certified wood products. This often requires multiple certification of the same export product for different markets, which leads to significant extra costs (in terms of administrative costs for certification, appropriateness of foreign standards for domestic production systems, and marketing).⁶

⁴ Considerable work on this subject has been carried out by the UN/ECE Working Party on Technical Harmonization and Standardization Policies.

⁵ Maria Cristina Prata Neves, "Brazil Approves Law for Organic Agriculture", *The Organic Standard* 36, April 2004.

⁶ These additional costs are estimated to amount to up to 7 per cent of the value of international trade in organic wheat and up to 4 per cent in the case of organic coffee, for instance. See E. Wynen, "Impact of Organic Guarantee Systems on Production and Trade in Organic Products", Discussion Paper for the FAO/UNCTAD/IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture, accessible at www.unctad.org/trade_env/test1/projects/ifoam2.htm.

Environmental goods and services⁷

10. Environmental goods and services (EGS) are essential in promoting sustainable development. Broadly defined, the EGS industry comprises “activities which produce goods and services to measure, prevent, limit, minimize or correct environmental damage to water, air, and soil as well as problems related to waste, noise and eco-systems”.⁸

Box 4. Concepts of environmental goods and services

In the sustainable development debate, different concepts of “environmental goods” and “environmental services” are used. An environmental good can be understood as equipment, material or technology used to address a particular environmental problem or as a product that is itself “environmentally preferable” to other similar products because of its relatively benign impact on the environment. Environmental services have been defined as (a) services provided by ecosystems (e.g. carbon sequestration) or (b) human activities to address particular environmental problems (e.g. wastewater management). Many biodiversity-rich developing countries, for example, have great potential for deriving commercial and developmental benefits from environmental services provided by their ecosystems. In most cases, however, the economic value of such services has not been established. Numerous ongoing studies and projects focus on valuation techniques and instruments to commercialize such services. The classification of (trade in) “environmental” services in the context of ongoing WTO negotiations is based on the concept of human-activities-related services.

11. As was mentioned in Box 2, the Doha Ministerial Declaration calls for negotiations on the reduction or elimination of tariff and non-tariff barriers to EGS. Trade liberalization in EGS may contribute to increased investment and capital formation; higher resource efficiency and lower pollution intensity; improvements in the coverage and quality of environmental services; and the transfer of technology, know-how and best practices. However, there is a need to find a balance between economic efficiency, social equity and environmental sustainability. For EGS liberalization to contribute to sustainable development, it is essential to have a sound regulatory and institutional framework.

12. Initial analysis indicates that the greatest (albeit still somewhat limited) export opportunities for developing countries may lie in the area of commercial environmental services, including consultancy services, and in South-South trade.

13. Identifying products that can be brought under the scope of the WTO negotiations on environmental goods being carried out in the Negotiating Group on Market Access (NGMA), is not, however, an easy task. First, developing countries are mostly interested in agricultural products, which fall outside the mandate of the NGMA. Second, many products of export interest to developing countries fall in the category of environmentally preferable products (EPPs), and it tends to be difficult to bring them under the scope of the negotiations to the extent that they are proposed on the basis of criteria related to non-product-related processes and production methods (npr-PPMs). However, there is scope for including products of export interest to developing countries – for example, in the area of renewable energy products.

14. Harnessing imported EGS for sustainable national development is also becoming increasingly important. On the one hand, imported EGS need to be used effectively to meet ever more stringent environmental requirements for exported products. On the other hand, global redeployment of

⁷ For more information, please see UNCTAD’s *Trade and Environment Review 2003*.

⁸ *The Environmental Goods and Services Industry: Manual for Data Collection and Analysis*, OECD and Eurostat, 1999.

manufacturing industry to developing countries and the huge catch-up demand for infra-structural facilities and consumer goods are leading to rapidly increasing energy, material and thus pollution intensity of production in developing countries. Efficient use of imported and domestically produced EGS might reduce the economic, social and environmental pressures resulting from this trend. An exchange of national experience among developing countries on related policies and other measures could be helpful in facilitating the adjustment process and harnessing EGS for sustainable development.

Proactive strategies on environmental standards

15. As countries seek to enhance environmental protection and promote sustainable development, environmental requirements are becoming more frequent, stringent and complex, including in sectors of export interest to developing countries such as food production, electronic equipment, textiles and clothing, leather and footwear, timber and chemicals. With growing evidence of the harmful environmental effects of certain substances, changes in consumer preferences and concern over global environmental problems, this trend is likely to continue.

16. Two aspects can be highlighted. First there are few international standards on environmental requirements. The majority of standards are set by individual governments and private entities. Second, government regulation represents a relatively small part of environmental requirements. Private-sector standards, eco-labelling certification and voluntary codes, in particular in the context of supply chain management, tend to be more frequent and *de facto* set the standards in many markets, both at the national and international levels.

17. National adjustment to stringent environmental requirements in export markets can be very costly, particularly in the short term. However, it may also offer opportunities for enhanced national resource efficiency, occupational safety, consumer health and environmental conditions. In the longer term, these secondary effects may justify the significant investment required for the adjustment and restructuring process.⁹ Even so, economic efficiency, export competitiveness, environmental benefits and the social acceptability of the required adjustments need to be brought into balance.

Harnessing traditional knowledge for trade and development

18. Developing countries are rich in biodiversity and traditional knowledge, innovations and practices (TK). Their populations, particularly the poorer segments, rely heavily on biodiversity and TK to meet their daily food, health and other survival needs. TK is a key element of the social capital

⁹ For example, in the context of a joint UNCTAD-UNDP project, the biggest battery recycling company in the Philippines, Philippine Recyclers Inc. (PRI), was ISO 14001 certified in early 2001. Over three years, PRI systematically improved its environmental performance. PRI invested some US\$80,000 (not accounting for capital equipment) into obtaining the standard. However, this amount was small in comparison with the resulting significant savings in resource use and environmental management costs. Savings occurred (in descending order) in fuel consumption – 17%; power consumption – 21%; waste generation – 19%; and environmental management costs – 20%. In addition, PRI claims that there were a number of very important “intangible” benefits, such as enhanced employee confidence; improved public image and relations with local communities; improved positive perception by regulators and local government units; and better relations with NGOs. Irving C. Guerrero, Vice President and General Manager of PRI, “Environmental Management Systems, such as ISO 14001, and Their Possible Role in Assuring Environmentally Sound Management of Recoverable Materials/Resources: The Experience of Philippine Recyclers Inc.”, presentation at first UNCTAD workshop on building national capacity in rapidly industrializing countries on environmentally sound management of recoverable material/resources, Bangkok, 20–22 September 2001, accessible at www.unctad.org/trade_env.

of the poor and constitutes their main asset in their efforts to gain control of their own lives.¹⁰ For these reasons, the potential contribution of TK to locally managed, sustainable and cost-effective survival strategies should be promoted in the development process.

19. A recent UNCTAD–Commonwealth Secretariat Workshop on Elements of National *Sui Generis* Systems for the Preservation, Protection and Promotion of Traditional Knowledge, Innovations and Practices and Options for an International Framework (Geneva, 4–6 February 2004) *inter alia* emphasized the role of TK for trade and sustainable development. In this context, considerable attention was paid to (a) promoting the use and further development of TK, including TK-based innovations, and (b) enhancing community livelihoods through sales of TK-based products.

20. The more communities are involved in the production of TK-derived products and the more they move up the value-added chain, the greater will be the benefits to them from sales of these products. Increasing the value added that stays in the community or country requires development of local productive capacity and support to indigenous and other community-based enterprises.

21. Governments can take a number of measures to support this, including the following:

- Business development support programmes specifically tailored to meet the needs of indigenous and community based small and medium-sized enterprises (SMEs)
- Access to finance for developing and scaling up production of new products
- Technical assistance in new product development and meeting international product standards
- Assistance with scientific validation of TK-based products
- Market access, market information and market creation for primary, semi-processed and processed products
- Facilitating partnerships among community-based SMEs, thus enabling economies of scale, joint marketing and sales, etc.
- Facilitating partnerships between community-based SMEs and larger firms, including transnational corporations
- Providing secure and equitable land tenure to TK-holding communities
- Promoting TK-based innovations, including through the establishment of innovation incubators, and enhancing interactions between the spheres of TK and “modern” science

22. Intellectual property protection of TK may be necessary to prevent its unauthorized or inappropriate use by third parties and erosion of potential trade opportunities. Registries of TK could provide a means to assess TK of potential commercial value as well as to interest potential investors and partners, although related intellectual property rights (IPR) and access issues need to be sorted out first.

II. CAPACITY-BUILDING RESPONSES

23. UNCTAD X, several sessions of the UNEP Governing Council, the 2001 WTO Ministerial Conference in Doha and the 2002 WSSD have emphasized the need for CB, as well as strengthened coordination between UNCTAD, WTO, UNEP, the UN Development Programme (UNDP), regional economic and social commissions and others to assist developing countries in promoting sustainable development through trade.

¹⁰ Nicolas Gorjestani (2001), “Indigenous Knowledge for Development: Opportunities and Challenges,” paper prepared in conjunction with the UNCTAD Expert Meeting on Traditional Knowledge (October 2000), available under Meetings at www.unctad.org/trade_env.

Box 5. CBTF and UNCTAD capacity-building programmes

The UNCTAD and UNEP secretariats, through the CBTF and through their own activities, have made significant efforts in identifying CB needs of developing countries in the area of trade, environment and development and in designing and implementing programmes to address such needs. In addition to issues addressed in this note, such programmes cover other issues of key concern to developing countries, such as integrated assessments, policy instruments in the context of multilateral environmental agreements (MEAs), and the relationship between trade-related measures of MEAs and WTO rules. Further information can be found in separate notes on the CBTF and other UNCTAD activities being made available for the roundtable.

24. For each of the four issues highlighted in this note, a number of CB needs have been identified in the work of UNCTAD and others. These include assisting developing countries in:

EPPs:

- Promoting exports of EPPs
- Identifying means to reduce certification costs, including the additional costs caused by multiple standards, regulations, and certification and accreditation procedures

EGS:

- Identifying EGS products of export interest that could benefit from trade liberalization under paragraph 31(iii) of the DMD
- Sharing national experiences with strategies for harnessing imported EGS for sustainable national development

Proactive strategies on environmental requirements:

- Being involved in the development of new regulations and standards for products of key export interest to these countries
- Improving the collection, dissemination and analysis of information on environmental requirements, including private-sector standards and requirements not covered by the WTO Agreement on Technical Barriers to Trade (the TBT Agreement)
- Strengthening their capacities to respond to environmental requirements by promoting proactive adjustment policies

Harnessing TK for trade and development:

- Commissioning and collecting case studies and exchanging national experiences with harnessing TK for development and trade

25. To help meet these CB needs, UNCTAD, in cooperation with other relevant organizations, has developed a number of vehicles.

The UNEP-UNCTAD Capacity Building Task Force (CBTF)

26. A joint initiative of the UNEP and UNCTAD, the CBTF was launched at UNCTAD X in February 2000. The overall purpose of the CBTF is to strengthen the capacities of countries, particularly developing countries and countries with economies in transition, to effectively address trade, environment, and development issues. By enhancing synergies between UNEP and UNCTAD and drawing on the two organizations' technical expertise and comparative advantages, the CBTF more efficiently makes resources available to a wider range of beneficiaries. The CBTF has been supported by the Governments of Germany, the Netherlands, Norway, Sweden, the United Kingdom and the United States, as well as by the Commission of the European Union.

Box 6. Types of CBTF activities

The CBTF comprises five integrated and complementary activities:

- Thematic research on major issues in the trade, environment and development domain and on practical approaches to sustainably address them, bearing in mind the development priorities of countries
- Country Projects based on practical learning-by-doing exercises involving teams of national stakeholders to enhance countries' capacities to develop mutually supportive trade, environment and development policies
- Training to enhance countries' appreciation of the relationship and complementarities between trade, environment and development
- Policy dialogue to facilitate awareness raising, consultations and the exchange of perspectives among experts, practitioners and negotiators at the national, regional and international levels
- Networking and information exchange to provide technical and operational support at the national and regional levels and to widely disseminate the results of CBTF activities

Source: www.unep-unctad.org/cbtf.

27. Funding for CBTF activities will increase substantially in the period 2004–2006 as a result of a major contribution by the European Commission to the CBTF Trust Fund (announced at the WSSD). Future activities will pay special attention to Africa. In addition, CBTF funding will be used to leverage programmes in other regions. New CBTF activities will focus on the following regions:¹¹

- **Africa:** African countries will be the main beneficiaries of future CBTF activities. Activities in the remainder of 2004 include a regional policy dialogue–cum–training seminar focusing on integrated impact assessments for English-speaking African countries and scheduled to take place in Nairobi in July. The workshop is in response to a needs assessment carried out by a regional CBTF seminar in Cape Town, South Africa, in May 2003 (organized back-to-back with a WTO regional seminar on trade and environment).
- **LDCs:** The CBTF will also continue to assist LDCs in other regions on trade, environment and development issues, in particular as regards training – for example, in Cambodia and the Lao People's Democratic Republic.
- **Caribbean countries and other SIDS:** A regional CB programme for the Caribbean will be initiated in 2004 with some seed funding provided by the CBTF, Phase II (CBTF II). Elements for such a programme were elaborated by participants in a CBTF Workshop for Caribbean countries held in Kingston, Jamaica (November 2003). CBTF could promote activities on trade and sustainable development issues particularly relevant for SIDS, including in the context of the 10-year review of the Barbados Plan of Action and the meeting in Mauritius (August 2004).
- **Andean countries:** Several Andean countries have expressed interest in a regional CBTF programme to strengthen their capacities to participate effectively in WTO negotiations and deliberations on trade and environment issues. A programme could be envisaged with some seed funding provided by CBTF II.

The UNCTAD-FAO-IFOAM International Task Force

28. To address the problems caused by multiple regulations, standards, certification and accreditation schemes in organic agriculture, UNCTAD, the UN Food and Agricultural Organization (FAO) and the International Federation of Organic Agricultural Movements (IFOAM) have jointly

¹¹ For more details see http://r0.unctad.org/trade_env/test1/publications/ditc.ted.misc.2003.3.pdf.

created an International Task Force (ITF) on Harmonization and Equivalence in Organic Agriculture.¹²

29. The ITF is an open-ended platform for dialogue between public and private institutions (intergovernmental, governmental and civil society) involved in trade and regulatory activities in the organic agriculture sector. The objective is to facilitate international trade and access of developing countries to international markets. Against this background, the ITF:

- Analyses the trade impact of existing organic agriculture standards, regulations and conformity assessment systems;
- Formulates proposals for the consideration of governments, the Codex Alimentarius Commission, and relevant bodies of FAO, UNCTAD and IFOAM on harmonization, equivalence and mutual recognition;
- Discusses measures to facilitate access to organic markets, in particular by developing countries and smallholders; and
- Advises stakeholders and provides information on the previous points.

30. Since its inauguration in February 2003, the ITF has held two sessions that have launched a series of studies on the trade and production impact of existing regulations and standards for organic agriculture and the extent and forms of harmonization and equivalence possible in a short- and medium-term perspective.

The Consultative Task Force on Environmental Requirements and International Trade

31. The UNCTAD Commission on Trade in Goods and Services, and Commodities, at its seventh session in February 2003, recommended that the secretariat “explore the possibility of creating a consultative task force (CTF) on environmental requirements and international trade, which should closely coordinate and collaborate with relevant work and initiatives in other bodies and involve the private sector, as a project-based activity”.

32. The results of exploratory CTF activities and the direction of the CTF’s future work are being discussed at a pre-UNCTAD XI workshop on Environmental Requirements and Market Access for Developing Countries (Rio de Janeiro, 7 and 8 June 2004)¹³ organized by the UNCTAD secretariat and the National Institute of Metrology, Standardization and Industrial Quality (Inmetro), Ministry of Development, Industry and Foreign Trade, Brazil. The outcome of this workshop will be presented to the roundtable.

The Biotrade Initiative

33. The UNCTAD Biotrade Initiative seeks to enhance the capacity of developing countries to produce value-added products from biodiversity for both domestic and export markets. The Initiative has established a number of partnerships with national and regional organizations. These partner

¹² For more information, see www.unctad.org/trade_env/itf-organic.

¹³ See UNCTAD, *Environmental Requirements and Market Access for Developing Countries*, TD(XI)/BP/1, Geneva, April 2004.

organizations, in turn, have their networks of local organizations working in the field, which allows them to address all aspects of the value chain of natural products in a cost-efficient manner.¹⁴

34. Implementation of the Initiative is based on an integrated approach comprising three complementary and mutually reinforcing components:

- Country and regional programmes
- Policy development and trade facilitation
- Internet services

35. Biotrade country programmes in Bolivia, Brazil, Colombia, Ecuador, Peru and Venezuela include enterprise development, market information, access to finance, export promotion and linkages to local communities. Country programmes are also being initiated in Uganda and some other countries.¹⁵

Other capacity-building activities

36. UNCTAD X called on the UNCTAD secretariat to identify specific CB needs of developing countries and to promote a broad programme of CB on trade, environment and development (paragraph 146), as well as to identify issues that could yield potential benefits for developing countries (paragraph 147). In recent years, the programme has been adjusted and strengthened to support developing countries in their participation in the WTO Doha Work Programme as well as to take into account recommendations adopted at the WSSD.¹⁶

37. The overarching objective of UNCTAD's Technical Cooperation and Capacity-Building Programme on Trade, Environment and Development is to enhance the capacities of developing countries to analyse issues at the interface of trade and environment and address them at the national, regional and international levels in a manner consistent with their development priorities. To meet this objective, the programme carries out a number of activities. These include exchanges of national experiences, country case studies and thematic studies on particular issues, subregional seminars, national workshops, briefings for Geneva-based delegates, and training. Together these form an integrated package. The programme also exploits potential synergies with selected partner organizations (including UNEP, the WTO, UN Regional Commissions, and UNDP) as well as between activities under different projects.¹⁷ For example, the work on environmental requirements and international trade carried out under one important project (see Box 7) feeds into the work of the CTF described above.

¹⁴ An UNCTAD XI parallel event on "Biotrade Partnership Experiences" (Sao Paulo, 15 June 2004) will, among other issues, discuss new partnerships to promote trade and investment in biodiversity products and services.

¹⁵ For more information, see www.biotrade.org.

¹⁶ Various steps taken to enhance the effective and efficient delivery of these technical cooperation and capacity-building activities are described in TD/B/WP(XLI)/CRP.1 (September 2003).

¹⁷ Information on UNCTAD's technical cooperation and capacity-building programme on trade, environment and development is available at www.unctad.org/trade_env.

Box 7. Improved policy making and negotiation on key trade and environment issues

Under the project “Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues”, funded by the UK Department for International Development (DFID), UNCTAD, in cooperation with the Foundation for International Environmental Law and Development (FIELD), is helping selected developing countries in Asia and Latin America to build national and regional capacities to deal with trade, environment and development issues. The project assists beneficiary countries in (a) participating effectively in the WTO negotiations and discussions on trade and environment; and (b) developing long-term policies aimed at promoting sustainable development through trade. The following priority issues are being addressed:

For Central American and Spanish-speaking Caribbean countries (Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama):

- Trade liberalization in EGS
- The promotion of trading opportunities for organic products

For South and South-East Asia (Bangladesh, Cambodia, China, the Philippines, Thailand and Viet Nam):

- Environmental requirements, market access and export competitiveness in three sectors: leather and footwear, horticulture, and electrical and electronic products

III. ISSUES FOR DISCUSSION

38. The roundtable could address the following issues (drawing, as far as possible, from practical initiatives described above):

- What lessons can be learned from national experiences aimed at exploring synergies between sustainable development at the local level (in particular rural development) and enhanced participation in niche markets for environmentally friendly products and services?
- What actions are needed at the national and international levels to strengthen capacities in developing countries to respond to environmental requirements in international markets with a view to enhancing international competitiveness and, at the same time, fostering national economic and social development (including better occupational safety, environmental performance and national resource management)?
- Which are the environmentally friendly goods and services of potential export interest to developing countries? What should be done to promote implementation of relevant commitments relating to the Johannesburg Plan of Implementation adopted at the WSSD?
- How can developing countries best use their biodiversity and traditional knowledge resources for trade and development?
- How can UNCTAD and UNEP, in cooperation with the UN Economic Commission for Latin America and the Caribbean (ECLAC) and other UN regional economic and social commissions, other UN institutions, the WTO and other stakeholders, strengthen the CBTF and other CB activities to assist developing countries in promoting sustainable development and poverty alleviation through trade?