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**Environmentally Preferable Goods and Services:
Opportunities and Challenges for Caribbean Countries**

CONCEPT NOTE

United Nations Conference on Trade and Development

**Environmentally Preferable Goods and Services:
Opportunities and Challenges for Caribbean Countries**



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Executive summary

Production of environmentally preferable products (EPPs), apart from bringing environmental benefits, may provide an opportunity for Caribbean countries to diversify exports. There has been increasing interest in exploring niche markets for EPPs and other value-added products, among other reasons to address structural factors that may affect the competitiveness of products from Caribbean countries, such as lack of economies of scale. This will become more important in the light of the erosion of preferential tariffs and quotas.

Some experience already exists. Belize exports organic and fair-trade cocoa and bananas. The Windward Islands (Dominica, Grenada, St Lucia and St Vincent and the Grenadines) are interested in diversifying into organic and fair-trade bananas as well as other value-added products to alleviate the impacts of the removal of special trade preferences in the European Union by 2006 and falling exports of conventional bananas. Countries with large forest coverage, in particular Belize, Guyana and Suriname, are seeking forest certification. Non-Wood Forest Products (NWFPs) of interest to the Caribbean include medicinal and aromatic plants, edible products, construction materials and handicrafts. Grenada is the world's second largest producer of essential oil derived from the seeds of the nutmeg tree, contributing 40 per cent of the country's export revenue (although nutmeg exports have declined in recent years). The tourism sector in the Caribbean is responding to environmental concerns and some hotels and resorts are seeking certification in response to demands by international tour operators and with a view to saving costs.

Overall, however, Caribbean production and exports of environmentally preferable goods and services are still small. A careful consideration of opportunities, as well as production and export constraints is needed to address policy choices. In doing so, it should be taken into account that social and environmental considerations play an increasingly important role in the market place, including for conventional products.

This concept paper examines some key issues that have emerged in the international debate. The Doha Ministerial Declaration (DMD) calls for negotiations to liberalize trade in environmental goods and services. Attention in the WTO has so far focused on products that are used to address a particular environmental problem, such as pollution abatement equipment, rather than EPPs. Developing countries are net importers of such products. Trinidad and Tobago has a large trade surplus, but only if chemicals such as anhydrous ammonia (used in wastewater treatment) and methanol (renewable energy) are considered as "environmental goods". Similarly, Jamaica exports ethanol. The World Summit on Sustainable Development (WSSD) has called for initiatives for the creation and expansion for environmentally preferable goods and services.

As there is currently relatively little information and analysis of market potential and supply capacities for EPPs originating in Caribbean countries, it may be useful to focus initial efforts on awareness-raising and identifying EPPs of potential export interest to Caribbean. Once lists of EPPs have been identified, Caribbean countries could then consider how and where to best promote their legitimate trade interests.

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I. BACKGROUND

1. The UNEP-UNCTAD Capacity-Building Task Force on Trade, Environment and Development CBTF was first launched at UNCTAD X, in 2000. The UNCTAD and UNEP secretariats launched a second phase, CBTF-II, at the World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa, in September 2002. The CBTF assists developing countries and countries in transition in:

- Understanding and responding to linkages between trade, environmental protection and economic development;
- Developing policies which maximize the net development gains from trade and trade-liberalization;
- Meeting capacity-building needs of developing countries relating to their effective participation in the WTO Doha Work Programme in the area of trade and environment; and
- Capturing "win-win" opportunities offered by trade and globalization, with special reference to the Plan of Implementation adopted at the WSSD.

2. To support implementation of CBTF-II in the Caribbean region, the Ministry of Spatial Planning, Housing and the Environment (VROM) of the Netherlands has provided a grant to CBTF to support regional activities in the areas of (a) Integrated Assessments of Trade and Trade-Related Policies and (b) Promoting Production and Trade in Environmentally Preferable Products (EPPs).

3. These issues will be discussed at a CBTF Workshop on Trade, Environment and Sustainable Development for Caribbean Countries, Kingston, Jamaica, 27 and 28 November, 2003. The workshop is being held back-to-back with the WTO Regional Seminar on Trade and Environment for Caribbean countries from 25-26 November.

4. The UNEP and UNCTAD secretariats have prepared concept papers and training modules to aid the discussions at the workshop as well as to support further capacity building activities in the region in the two areas mentioned above.

5. This note provides, by way of introduction, an overview of key issues related to EPPs as well as negotiations on "environmental goods". It complements the detailed CBTF training module on Trading Opportunities for Environmentally Preferable Products, prepared under the project for the same workshop.

II. INTRODUCTION

6. There has been considerable interest in exploring opportunities for enhanced trade in products 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) 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”.

7. 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 capacities.

8. The above raises a number of issues, such as:

- What are (a) environmental goods and services (EGS) as referred to in the DMD and (b) environmentally friendly goods and services as referred to in the JPOI?
- How have these issues been addressed in the WTO and other relevant institutions?
- What is at stake for Caribbean countries?
- Does the region have export potential in certain segments of the EGS industry and/or environmentally friendly products and services?
- What are the principal obstacles to Caribbean exports?
- How and where (in which WTO body or other forum) should Caribbean countries seek to remove these obstacles?
- What are key issues of common regional interest?
- What are the capacity building needs of Caribbean countries?

9. This paper examines the above-mentioned issues, based largely on ongoing negotiations in the WTO and work carried out in UNCTAD,¹ UNEP and other institutions. Section II sets out issues of definitions and classification. Section III analyzes ongoing negotiations on environmental goods and services in the WTO. Section IV examines opportunities for the creation of markets and the promotion of environmentally friendly products and services, as called for in the WSSD mandate. The section provides examples, based on INTERNET research, to be refined following the workshop. Finally, section V examines the needs of Caribbean countries in terms of capacity building and further analysis and makes some preliminary suggestions for future CBTF activities in this area. This note complements a training module that provides more detailed information and analysis on opportunities and constraints for EPPs.

¹ In particular: *Environmental Goods and Services in Trade and Sustainable Development*, Note by the UNCTAD secretariat. TD/B/COM.1/EM.21/2, 5 May 2003 and Report of the Expert Meeting on Definitions and Dimensions of Environmental Goods and Services in Trade and Development, TD/B/COM.1/59 and TD/B/COM.1/EM.21/3, 27 August 2003.

III. ISSUES OF DEFINITION AND CLASSIFICATION

10. Different concepts of "environmental goods" and "environmental services" are used in the international debate. The environmental community and WTO negotiators may use different concepts, although there are also certain overlaps. This section aims to clarify basic concepts and issues of definition and classification.

A. Environmental goods

11. Experience from meetings under UNCTAD² and UNEP projects shows that an "environmental good" can be understood as: (a) equipment, material or technology used to address a particular environmental problem; or (b) a product that is itself "environmentally preferable" to other, similar products because of its relatively benign impact on the environment.

12. With regard to (a), equipment or material used to address an environmental problem, products may be considered as "environmental goods" based on "end-use" criteria. Examples are catalytic converters and water filtering or purifying machinery. By and large, this is an approach favoured by most WTO members for negotiations under paragraph 31(iii) of the DMD. In many cases environmental goods are used in conjunction with environmental services. For example, equipment for the management of wastewater or solid and hazardous waste is used in the provision of environmental infrastructure services. One problem, however, is that many products (such as cans, tanks and pumps) are "multiple purpose" products that have both environmental and non-environmental use.³ Some have pointed out that many pollution abatement products are "end-of-pipe" technologies, that is, they concentrate on cleaning up rather than prevention. Others, however, have argued that difference between end-of-pipe and clean technologies should not be exaggerated. For instance, filters, often mentioned as a prime example of end-of-pipe technologies, are also used in clean processes.

13. Concerning (b), "environmentally preferable" products (EPPs), these can be generally described as products that, at any stage of their life cycle, cause significantly less environmental harm than alternative products that serve the same purpose, such as biodegradable products or energy-efficient consumer products, or products that contribute to alleviating environmental problems, such as products made of waste materials.⁴ The CBTF

² Luis Barria, Catherin Cattafesta, Raul Garrido, Maria Pia Hernandez and René Vossenaar, Environmental Goods and Services: Challenges and Opportunities for Central American and Caribbean Countries

³ The issue of "multiple-use products" is more important to developing countries that maintain relatively high tariffs, as this could involve the loss of significant tariff revenues without necessarily generating environmental benefits.

⁴ Less environmental harm is generally established according to the following criteria: (a) use of natural resources and energy; (b) amount and hazardousness of waste generated by the product along its life cycle;

training module provides detailed information and analysis on several categories of EPPs, such as organic products, certified timber products and non-wood forest products (NWFPs). This module also includes “fair-trade” products that may offer development gains.

B. Environmental services

14. Environmental services have been defined as: (a) services provided by ecosystems (e.g. carbon sequestration or other services provided by forests) or (b) human activities to address particular environmental problems (e.g. wastewater management).⁵

15. With regard to (a), services provided by ecosystems, many biodiversity-rich developing countries have great potential for deriving commercial and developmental benefits from such services. 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. Environment ministries and other institutions tend to be more familiar with eco-system services.⁶

16. The WTO negotiations on environmental services, however, tend to focus on the second concept mentioned above - human activities to address particular environmental problems. These include sewage services; refuse disposal; sanitation and similar services and “other services” (such as protection of ambient air and climate; remediation and cleanup of soil and water; and noise abatement). The classification of environmental services itself is an important issue in the context of the negotiations (see section III.B).

17. In addition, “environmentally-friendly” services (as referred to, for example, in the Johannesburg Plan of Action) could be described as services that have a reduced environmental impact, such as tourism services that comply with certain environmental management criteria.

(c) impact on human and animal health; and (d) preservation of the environment. For more information on the concept and criteria of EPPs, see: Environmentally preferable Products (EPPs) as a Trade Opportunity for Developing Countries, Report by UNCTAD Secretariat, UNCTAD/COM/70, Geneva, December 1995. This report did not intent to define EPPs for the purpose of WTO negotiations.

⁵ Catherin Cattafesta, *Diagnostico preliminar, República Dominicana*. Study prepared for the Ministry of Environment and Natural Resources of the Dominican Republic under the UNCTAD/FIELD project *Building Capacity for Improved Policy Making and Negotiations on Key Trade and Environment Issues*.

⁶ In the context of the International Tropical Timber Organization (ITTO), the Guyana Forestry Commission (GFC) has argued that environmental services need to be included into the new tropical timber agreement. The issue is considered important for Guyana since 75 percent of the country consists of tropical rainforest and is being asked to conserve on the use of its forest.

IV. THE DOHA WORK PROGRAMME

18. In accordance with arrangements made following the Doha Ministerial Conference, EGS are negotiated in different WTO bodies. Negotiations on environmental goods take place in the Negotiation Group on Market Access for Non-Agricultural Products (NGMA) whereas negotiations on environmental services are conducted in the Council for Trade in Services, in Special Sessions (CTS). The Committee on Trade and Environment, in Special Session (CTESS), may play an important role in clarifying the concept of environmental goods. This section examines negotiations on environmental goods.

A. Environmentally preferable goods

19. With regard to WTO negotiations on environmental goods, relevant policy questions include (a) whether to grant special treatment to such goods and, if so, in what form; and (b) to which goods special treatment would be granted. The DMD provides some guidance. First, paragraph 31 suggests that environmental goods should be identified "with a view to enhancing the mutual supportiveness of trade and environment".⁷ Second, in order to take into account the overall objectives in the area of market access (as set out in paragraph 16 of the DMD), negotiations should pay particular attention to "products of export interest to developing countries"; take full account of the special needs and concerns of developing countries; require "less than full reciprocity in reduction commitment" from developing countries; and promote capacity building.

20. Some Members view paragraph 31(iii) of the DMD as providing for special treatment to environmental goods in the form of, for example, deeper cuts, and some support a "zero-for-zero" agreement. Others have argued that the overall modalities for non-agricultural products should first be agreed and that negotiators could then determine whether additional reductions or steps are necessary in order to fulfill the mandate of paragraph 31(iii). So far, the negotiations are focused on modalities that are not specific to environmental goods. Environmental goods may eventually be included among some sectors to be identified for further liberalization.⁸

⁷ Efforts should be made to identify products that contribute to real environmental improvements. This also raises the issue how to treat "multiple-use" products. For example, in a recent UNCTAD expert meeting, several experts suggested that a range of "multiple-use" products with predominantly industrial, as opposed to environmental, end-use should be excluded from any lists of environmental goods.

⁸ The revised draft Cancún Ministerial Text (draft-CMT) includes a Framework for Establishing Modalities in Market Access (Annex B) that essentially places emphasis on a non-linear formula applied on a line-by-line basis to tariff-cutting, to be supplemented by sectoral tariff elimination on products of export interest to developing countries, and possibly also by zero-for-zero sectoral elimination and request-and-offer negotiations.

21. In the context of the WTO negotiations there is no agreed definition of environmental goods. Discussions have focused on various "lists" of environmental goods as well as criteria for selecting such products. Different suggestions have been made. "End-use" or "predominant end-use" criteria could be applied to select equipment used in environmental activities, such as pollution control or waste management.⁹ In principle, there is broad support for this criterion.¹⁰ However, other criteria would have to be applied to identify inherently environment-friendly products (EPPs).

1. Products used to address environmental problems.

22. In the discussions in the WTO and elsewhere, some lists of environmental goods have been circulated. The secretariats of the Organization for Economic Co-operation and Development (OECD) and the secretariat of the Asia-Pacific Economic Cooperation (APEC) have developed lists of "environmental goods" (see next section). Japan has circulated a list that is based on the OECD list plus additional products including energy-efficient consumer products such as microwave ovens, refrigerators and video projectors, as well as other less-polluting and more resource-efficient goods. Qatar has proposed to include certain energy-efficient technologies and the natural gas and liquid fuels used for these technologies.¹¹

23. The United States has proposed that two lists of environmental goods could be developed. A *core* list would comprise products on which there is consensus that they constitute environmental goods. A *complementary* list could be developed for additional products that could have significance for environmental protection, pollution prevention or remediation, and sustainability. According to the US proposal, tariffs should be eliminated for all products on the core list as soon as possible but no later than 2010. With regard to the complementary list, Members would be required to eliminate tariffs for certain ("x") percentage of these tariff lines by 2010. For developing countries, this percentage could be lower in order to reflect less than full reciprocity provisions.

24. The OECD list was developed for analytical purposes rather than for negotiations. It does not go beyond the 6-digit Harmonized System (HS) classification. The APEC list, however, includes many "ex-headings" (nationally defined tariff lines). The APEC list may therefore be more precise in identifying environmental goods.¹²

25. Some have proposed that the APEC list could be used as a starting point for identifying environmental goods for the purposes of trade negotiations. Others have noted

⁹ "End-use" criteria can be applied to select products to be put on lists of "environmental goods", but cannot be used in the context of customs administration.

¹⁰ The issue how to deal with multiple use products remains a problem.

¹¹ Qatar links the proposal with the objectives of Multilateral Environmental Agreements (MEAs), in particular the UNFCCC and its Kyoto Protocol, and claims that non-tariff barriers are serious impediments to global trade in these goods. Negotiations on Environmental Goods: Efficient, Lower-Carbon and Pollutant-Emitting Fuels and Technologies, Submission by the State of Qatar, TH/TE/W/19, TH/MA/W/24, 28 January 2003.

¹² This would be a potential advantage in the extent that negotiations are conducted at a more disaggregated level than the common 6-digit HS level, i.e. based on national classifications.

any list can be used. In principle, no products are *a priori* excluded from the scope of environmental goods and no proposals have been made to that effect.

26. The UNCTAD secretariat has examined recent patterns of international trade in products on the OECD and APEC lists as well as certain products that, for illustrative purposes, could be considered environmentally preferable products (EPPs) on the basis of product characteristics.¹³ It should be emphasized, however, that trade statistics at the 6-digit level of the HS tend to significantly overestimate trade flows, as many “environmental goods” are “ex” items. The fact that many products listed as “environmental goods” are in fact “multiple-use” products aggravates this problem. Some conclusions can nevertheless be drawn (based on trade statistics for the year 2000):

- All developing countries for which trade data are available are net importers of environmental goods on the APEC list. Only two developing countries (Guinea and Trinidad and Tobago) are net exporters of products on the OECD list as a result of exports of one or two chemical products (the chemical sector is excluded from the APEC list).
- Developing countries as a group are net exporters of 26 of the 182 environmental goods on the APEC and OECD lists.
- "Multiple-use" products represent a large share of developing countries' trade in products on both lists, as is illustrated by the fact that the major export and import items of developing countries are “basket” items.
- Trade data for all regions show that the products on either the APEC or the OECD list represent not more than 3 per cent of exports and not more than 6 per cent of imports of manufactured goods (i.e. products covered by the negotiations in the NGMA).

27. Available trade figures for CARICOM countries, presented in Table 1, show similar results.

¹³ TD/B/COM.1/EM.21/CRP.1

Table 1
CARICOM Member States, 2000: Trade in products on APEC and OECD lists
(Thousands of US dollars)

Reporter	List	Exports (X)	Imports (M)	Trade balance (X-M)	Export to import ratio (X/M)
Bahamas	APEC list	5,969	33,328	-27,359	0.18
	OECD list	7,918	63,975	-56,057	0.12
	A+O list	8,542	69,086	-60,546	0.12
Barbados	APEC list	3,921	29,830	-25,910	0.13
	OECD list	8,551	39,696	-31,145	0.22
	A+O list	10,889	46,412	-35,523	0.23
Belize	APEC list	236	8,003	-7,769	0.03
	OECD list	227	17,359	-17,133	0.01
	A+O list	291	18,651	-18,360	0.02
Dominica	APEC list	117	2,517	-2,401	0.05
	OECD list	172	4,732	-4,560	0.04
	A+O list	179	5,531	-5,352	0.03
Grenada	APEC list	1,498	9,208	-7,710	0.16
	OECD list	1,685	10,021	-8,336	0.17
	A+O list	1,689	12,162	-10,473	0.14
Jamaica	APEC list	2,074	55,255	-53,181	0.04
	OECD list	55,431	102,159	-46,727	0.54
	A+O list	55,793	114,418	-58,625	0.49
Saint Kitts-Nevis	APEC list	54	3,855	-3,801	0.01
	OECD list	180	5,694	-5,514	0.03
	A+O list	193	6,541	-6,348	0.03
Saint Lucia	APEC list	898	7,208	-6,310	0.12
	OECD list	159	11,482	-11,323	0.01
	A+O list	998	12,687	-11,689	0.08
Saint Vincent and the Grenadines	APEC list	105	2,598	-2,493	0.04
	OECD list	361	4,238	-3,877	0.09
	A+O list	428	4,569	-4,141	0.09
Trinidad and Tobago	APEC list	11,470	149,533	-138,063	0.08
	OECD list	640,498	148,520	491,976	4.31
	A+O list	645,960	224,557	421,403	2.88

Source: UNCTAD, TD/B/COM.1/EM.21/CRP.1. Note: A+O list is the combined lists of APEC and the OECD.

28. Caribbean countries are net importers of products on the APEC and OECD lists. Trinidad and Tobago is an exception, but only if the OECD list (which includes chemical products) is considered. In particular, Trinidad and Tobago exports anhydrous ammonia (HS 281410)¹⁴ and methanol (290511).¹⁵ Jamaica is a relatively important exporter of ethanol (HS 220710)¹⁶ and aluminum hydroxide (HS 281830).¹⁷ By and large, however, Caribbean countries would derive only limited export benefits from liberalization of trade in

¹⁴ Used in wastewater treatment, as a chemical recovery system.

¹⁵ A source of renewable energy.

¹⁶ A source of renewable energy.

¹⁷ Used in wastewater treatment, as a chemical recovery system.

environmental goods of the kind included in the APEC list. They may, however, be more competitive in a range of EPPs.

2. EPPs and WTO negotiations

29. Several developing countries have suggested including certain categories of EPPs in the scope of the negotiations. India, for example, has proposed to liberalize trade in non-wood forest products, products based on traditional knowledge (TK) and products made from natural fibres such as jute and coir. In the UNCTAD expert meeting, a Kenyan expert proposed a list of environmental goods consisting of recycled waste, water products, air-pollution-abatement products, soil-conservation products and products derived from ecosystems.

30. Trade liberalization in renewable energy products can also result in clear environmental benefits as well as increased exports for certain developing countries. Some renewable energy products are included in the OECD and APEC lists, but additional products could be targeted.¹⁸ In addition, the promotion of developing countries' exports in related services could broaden the trade benefits.

31. Bringing such products in the context of negotiations concerning paragraph 31(iii) of the DMD could be helpful to the extent that this would help to reduce tariffs and/or non-tariff barriers (NTBs). In the case of some products, such as jute and coir, while tariffs in developed countries are low for raw materials, in some markets there may be relatively high tariffs for semi-manufactured and manufactured products. In many cases, however, NTBs are more important. Trade in TK-based products, for example, may be affected by registration requirements, health requirements and "novel food" legislation. In the area of renewable energy products, a case study on solar energy equipment shows that some developing countries have acquired international competitiveness, but tied aid can be an obstacle to their exports.

32. There may be drawbacks in including certain categories of EPPs in scope of the paragraph 31(iii) negotiations. For example, most WTO members have argued against the use of criteria based on non-product-related processes and production methods (PPMs) to define environmental goods. A large majority of WTO Members oppose the inclusion of products derived from "sustainable agriculture", "sustainable fisheries" or "sustainable forestry"¹⁹ in the scope of the WTO negotiations although they share the view trade in such products should be promoted.²⁰

¹⁸ Trade liberalization could cover a broader range of renewable energy goods than current lists indicate, and this should also include devices, products, systems and services related to the production, use and maintenance of renewable energy equipment

¹⁹ Such products appear on the OECD, but not the APEC list.

²⁰ In the NGMA meeting in November 2002, New Zealand stated that it had taken action to promote trade in such products, for example through the use of eco-labelling. However, it added that there was a critical line between promoting trade in such products through schemes such as eco-labelling and accepting measures

33. Other problematic categories include:

- Products proposed for listing as environmental goods because of performance criteria, such as energy efficiency during consumption. The main reason is that in sectors where innovation and technological change play a major role, products that are environmentally superior today may not be so tomorrow.
- Products that require an eco-label or another form of certification to be identified as "environmental good".
- Organic agricultural products. Many developing countries, including in the Caribbean, are interested in removing certain obstacles to exports of organic agricultural products. Some, however, argue that by and large organic agricultural products are different from conventional products largely only on account of PPMs and that they should not be included under the scope of paragraph 31 (iii) negotiations. This issue is analyzed in detail in the CBTF module on EPPs prepared for the CBTF meeting in Jamaica.

34. The above, however, should not detract from the importance of removing obstacles to, and promoting, developing countries' exports of those products. Thus, there is a need to identify products and measures that could be covered in negotiations under paragraph 31(iii) and issues that could be addressed more effectively in other WTO bodies dealing with non-tariff barriers or through trade promotion measures, outside the WTO.

3. *Assessment*

35. Caribbean countries could explore trade, environmental and developmental gains from increased trade in environmentally preferable goods and services. Expected benefits should be realistically assessed. Expected benefits, in terms of increased exports, from WTO negotiations on trade liberalization in "environmental goods" may be relatively small. In the context of the WTO negotiations, Caribbean countries, which are exporters of agricultural products, face in particular two problems. First, the NGMA does not cover agricultural products. Second, most products of export interest to the region belong to the category of EPPs and may involve PPM issues. Legitimate concerns of Caribbean countries, for example in the areas of organic agriculture and certification, could also be addressed, and perhaps more effectively, in other WTO bodies dealing with NTBs. Policies aimed at creating or increasing markets for EPPs (including those based on PPMs) and trade promotion measures (outside the context of the WTO negotiations) could be more promising.

36. Currently, there is relatively little information and analysis of market potential and supply capacities for EPPs originating in Caribbean countries. It may therefore be useful to focus initial efforts on awareness-raising and identifying EPPs of potential export interest to Caribbean. Once lists of EPPs have been identified, Caribbean countries could then consider how and where to best promote their legitimate trade interests.

that would open the way to discrimination against products that were otherwise "like products". WTO, TN/MA/M/4, 17 January 2003

B. Environmentally preferable services

37. Currently, environmental services²¹ are included as one of the 12 sectors in the Services Sectoral Classification List (W/120),²² which is based on the UN Provisional Central Product Classification (CPC). Proposals have been made to update the classification of environmental services to better reflect market realities. In addition, attempts have been made to take account of environmental “end-use” services or services with an “environmental component” in order to secure commercially meaningful commitments. These would include professional services; research and development; consultancy, subcontracting and engineering; and construction relating to the environment.²³

38. In the context of the GATS negotiations, some Caribbean countries, like Trinidad and Tobago, have made requests for improved market access in certain categories of environmental services. Several Caribbean countries are developing or strengthening capacities in environment-related professional services. UNCTAD²⁴ has commissioned studies on EGS in Cuba and the Dominican Republic. In Cuba the most developed segments of environmental services are in the area of studies, assessments and consultancy services.²⁵ In the Dominican Republic, the Commission on Environmental Services was created in 2001, within the Ministry of Environment and Natural Resources (SEMARN) has registered some 100 firms that provide professional services related to the environment and some 200 individual consultants.²⁶

39. With regard to exports of “environmentally friendly” services, the tourism sector in various CARICOM countries is responding to environmental concerns. This issue is further examined in section IV below.

²¹ The GATS does not precisely define the term "services". Article I:2 defines "trade in services" by reference to the delivery of services, known as "modes of supply".

²² MTN.GNS/W/120.

²³ These are “multiple-use” services that can be defined as environmental only through their “end use”.

²⁴ Under the project *Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues*, UNCTAD is assisting Central American countries, Cuba and the Dominican Republic in their participation in the WTO negotiations and in strengthening their capacities to address key trade and sustainable development linkages. These countries have identified trade liberalization and strengthening of domestic capacities in environmental goods and services (EGS) as one of two priority issues to be addressed under the project. The other priority issue is environmental requirements and market access, including the promotion of production and exports of environmentally preferable products, in particular organic agricultural products.

²⁵ Given the high levels of education, Cuba has good export potential in this sub-sector. Cuba has exported such services to Brazil, the Dominican Republic, Haiti, México, Nicaragua, Spain and Venezuela. Raúl Garrido Vázquez, *Evaluación Nacional sobre Servicios Relacionados con el Medio Ambiente. Estudio de caso de Cuba*. Study prepared for UNCTAD

²⁶ Catherin Cattafesta, *Diagnostico preliminar, República Dominicana*. Study prepared for the Ministry of Environment and Natural Resources of the Dominican Republic. Study prepared for UNCTAD

V. PROMOTING MARKETS FOR ENVIRONMENTALLY PREFERABLE GOODS AND SERVICES

40. As mentioned earlier, the Johannesburg Plan of Implementation calls for voluntary market-based initiatives for the creation and expansion of domestic and international markets for environmentally friendly goods and services, including organic products.²⁷ The training module provides detailed information and analysis on opportunities and constraints for different categories of EPPs and tourism. This section highlights some key issues and lists ongoing UNCTAD, UNEP and CBTF activities.

A. Selected categories of EPPs

1. *Organic products*

41. According to the Codex Alimentarius Guidelines, “organic” is a labelling term that denotes products that have been produced in accordance with organic production standards and are certified by a duly constituted certification body or authority. According to the International Federation of Organic Agriculture Movements (IFOAM), organic agriculture includes agricultural systems that promote the environmentally, socially and economically sound production of food and fibres. Organic agriculture dramatically reduces external inputs by refraining from the use of synthetic fertilizers, pesticides, and pharmaceuticals and taking a more integrated and holistic approach to the design and management of farming systems and methods. Potential benefits are income effects (reduced expenditures on external inputs; saleability of products and possible price premiums); environmental and health effects; and social effects.

42. The market for organic produce in developed countries in 2000 was estimated to be around US\$ 16 billion at the retail level. In several markets, however, demand was estimated to be growing at the rate of approximately 15 to 20 per cent a year. Estimates for 2001 were therefore closer to US\$ 20 billion. For 2003, the forecast for the world market for organic food and beverages is between US\$ 23 and US\$ 25 billion.

27 Structural factors related to “small-islandness” such as lack of economies of scale and remoteness affect the price competitiveness of products from Small Island Developing States (SIDS). In addition, competitiveness may be affected by other factors that result in high costs of production. In Barbados, for example, production costs, the cost and insufficient availability of credits and relatively high costs of services affect the competitiveness of agricultural products (see Gregg C.E. Rawlins, Case study on Barbados, in UNCTAD, Turning Losses into Gains, SIDS (Small Island Developing States) and Multilateral Trade Liberalization in Agriculture. New York and Geneva, July 2003). The key thrust of the Ministry of Agriculture and Rural Development (MARD), as articulated in the Strategic Plan for the Agricultural Sector, 2001-2010, is to enhance competitiveness through a focus on non-price factors such as product quality and niche marketing. Consequently, emphasis has been placed on value-added and brand products such as Barbados Blackbelly (BBB) sheep and West Indian Sea Island cotton (WISIC).

43. Some Caribbean countries, in particular the Dominican Republic and Cuba²⁸ have already gained experience in the production of organic agricultural products. The Dominican Republic is also an important exporter.²⁹ Interest is also growing in CARICOM Member States. Belize exports certified cocoa and orange juice.³⁰ The Windward Islands (Dominica, Grenada, St Lucia and St Vincent), which are economically dependent on agriculture, mainly bananas, are interested in diversifying into organic and fair-trade bananas as well as other value-added products³¹ to alleviate the impacts of the removal of special trade preferences in the European Union by 2006³² and falling exports of conventional bananas.³³ St. Lucia is in the process of drafting regulations concerning organic standards and conformity assessment.³⁴ There is also interest in Belize,³⁵ Guyana³⁶ and Jamaica.³⁷ In Barbados, the

²⁸ In the early 1990s, Cuba adopted organic agriculture as part of its official agricultural policy, pushed by economic necessity, and in response to the shortage of agricultural inputs. When the trade relationship between Cuba and the former Soviet Union was severed in 1990, pesticide imports dropped by more than 60 per cent and fertilizers by 77 per cent. The Ministry of Agriculture and the Cuban Association of Organic Agriculture have taken far-reaching steps to promote organic agricultural systems and establish research programmes for food self-sufficiency (namely fruits and vegetables) through organic management. Cuba is, perhaps, the best example of large-scale government support to organic agriculture. It is an integral part of agricultural policy. (Scialabba N and Hattam, C.(eds.) (2002), *Organic Agriculture, Environment and Food Security*. Rome, FAO, Sustainable Development Department).

²⁹ The value of exports of organic products (largely bananas and coffee beans) from the Dominican Republic amounted to US\$ 20.9 million in the year 2000. International Trade Centre UNCTAD/WTO and Technical Centre for Agricultural and Rural Development of the Food and Agricultural Organization of the United Nations (FAO), *World Markets for Organic Fruits and Vegetables: Opportunities for Developing Countries in the Production and Export of Organic Horticultural Products*. Rome 2001.

³⁰ 1800 hectares are certified or in conversion. The Organic Standard, *Organic Certification in Central America*, Issue 4, August 2001.

³¹ The Windward Island Banana Development and Export Company (WIBDECO), which is owned by the governments and banana producers in the four islands, has been exploring opportunities for exports of organic and fair-trade bananas to the United Kingdom. WIBDECO is also promoting the development of high value products such as mangoes, passion fruit, avocados, chilies and sweet potatoes. For more information, see: <http://www.windwardbananas.co.uk/index.asp>

³² The EU introduced the common organization of the market for bananas in July 1993 providing separate arrangements for imports from the various suppliers including a tariff quota system and special arrangements for imports from traditional African Caribbean and Pacific (ACP) suppliers. However, various elements of the regime were successfully challenged in the WTO and the EU banana regime was revised to take their findings into account. On 1 January 2006 at the latest, a tariff-only regime will be introduced.

³³ http://www.j-sainsbury.co.uk/csr/case_studies/sup_winward_island.htm. Sainsbury's, a major U.K. grocery chain, is said to have approached the governments of two Caribbean nations, Grenada and St. Lucia, to plant hundreds of acres of organic bananas, mangoes, coconut, and passion fruit, to be shipped exclusively to its stores.

³⁴ Ken Commins, *Overview of Current Status of Standards and Conformity Assessment Systems*. Discussion Paper for the FAO-UNCTAD-IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture, October 2003.

³⁵ The Belize Organic Producers Association (BOPA) is involved in this exercise.

³⁶ According to one report, much interest has been generated especially with the launching of the Organic Cocoa Project in Region 1. GuySuCo has also embarked on organic sugar production at Uitvlugt. The potential also exists for other crops such as tropical fruits, vegetables, root crops as well as livestock, to be organically produced. A number of farmers as well as farmers' group have expressed an interest in organic production. <http://www.agrinetguyana.org.gy/nari/research/organicagriculture.htm>

Agricultural Incentives Programme has been introduced to increase production, lower costs and improve product quality. It includes incentives for initiatives such as organic farming. The Inter-American Institute for Cooperation on Agriculture (IICA) technical cooperation programme for the agricultural sector in Barbados includes projects related to organic farming and agro-tourism linkages. However, volumes of organic production and exports are still very small.

44. So far, organic agriculture and trade in organic food products have not been significant issues in the context of the World Trade Organization (WTO). However, the current emphasis on bringing about a rapid increase in organic agriculture through a range of policy measures and growing international trade in organic food products may have implications for discussions in the WTO. Organic food standards have been notified under the WTO Agreement on Technical Barriers to Trade (TBT). Trade policy issues include equivalence, conformity assessment procedures, subsidies and trade preferences.

2. *Certified timber products*

45. Caribbean countries with relatively important forest coverage, in particular Belize,³⁷ Guyana and Suriname, are interested in forest certification. Timber certification provides information to consumers and institutional buyers that certain timber and timber products come from forests that have met certain criteria for sustainable forest management (SFM). Certified products are generally identified by an eco-label. The International Tropical Timber Organization (ITTO) was the first organization to elaborate agreed guidelines for sustainable management of natural tropical forests. The International Standards Organisation (ISO) and the Forest Stewardship Council (FSC) have elaborated international certification systems. The FSC certificate is internationally recognised and generally supported by environmental and consumer organisations.

46. Certified timber and timber products comprise a small but growing segment of the market. Presently, certification is used primarily as a marketing tool, to increase or maintain market share. There is some concern that certification could act as a trade barrier against those unable to become certified. This could particularly affect small forest owners in developing countries, for whom certification may be disproportionately costly.

47. WWF is working to promote Forestry Stewardship Council (FSC) approved national management standards for logging operations in Suriname and Guyana and to develop better land use inventories both in and outside of protected areas. Guyana adopted FSC as its official certification scheme in November 2001 following a two-year process beginning with

³⁷ The Jamaica Organic Agriculture Movement (JOAM) is a small NGO dedicated to fostering the development of an organic industry in Jamaica. See: <http://www.joam.org.jm/index.asp>

³⁸ The Toledo Institute for Development and Environment (TIDE) works in some of the poorest areas of Belize and, through the Maya Mountain Marine Sustainable Livelihoods Initiative, collaborates with local communities to promote sustainable income generation and conservation. TIDE has focused much of its poverty reduction efforts on certification programs and training, including an "ECO-OK" certification project for sustainably produced local timber.

a workshop sponsored by WWF Guianas, the Guyana Forestry Commission and UNDP/PROFOR in 2000. Barama, the largest timber company in Guyana, has since begun the certification process.³⁹ Suriname is also working towards national certification standards based on FSC.

3. *Non-wood forest products*

48. As defined by the UN Food and Agricultural Organization (FAO), non-wood forest products (NWFPs)⁴⁰ are "goods of biological origin other than wood, derived from forests, other wooded land and trees outside the forest". Exports of NWFPs are a significant source of foreign exchange earnings for several developing countries. However, statistical data on the production and trade of NWFPs is indicative at best. It has been estimated that world trade in NWFPs is roughly US\$ 11 billion.

49. According to the FAO, the most important NWFPs of the Caribbean are medicinal and aromatic plants,⁴¹ edible products (mainly fruits, mushrooms and bee products) and construction materials, utensils and handicrafts.⁴² Medicinal plants are mainly used by rural communities. In Grenada, for example, over 80 per cent of the population uses herbal medicines. With regard to essential oils derived from aromatic plants, Grenada is the world's second largest producers of essential oils derived from the seeds of the nutmeg tree. Some 25 per cent of the world production comes from Grenada, contributing around 40 per cent of the country's revenues. However, nutmeg exports have declined by nearly 50 per cent between 1986 and 1993 because of decreased world demand and competition from other producing countries.⁴³

50. NWFPs provide an important source of income and employment for many people on the coastland and the North Rupununi area of Guyana, especially the Amerindians. The total export value of NWFPs in Guyana is estimated at US\$4.3 million per year, consisting largely

³⁹ http://www.wwfguianas.org/sust_forestry.htm

⁴⁰ Several terms are used to describe products other than industrially produced timber or wood gathered from the wild and in forests. These include non-timber forest products (NTFPs), biodiversity products, wild-crafted products, minor forest products, etc.

⁴¹ The origin-specific nature of the essential oils trade has led to the Caribbean having a few well-established oils on the world market. For instance, Haiti is a well-known source of amyris, lime and vetiver oils. Jamaica is the country of choice for pimento leaf oil, while Dominica is an important supplier of bay oil and Grenada plays a role in the nutmeg oil trade. Thus for the Caribbean, the essential oils trade is not new, but the challenge facing the region is the question of how can other lucrative oils be developed and commercialized to broaden the range of products available as well as diversify the agricultural base of relevant economies in the face of the likely disappearance of protected and preferential markets that currently maintain the presence of certain traditional agricultural products from the region, such as bananas and sugar, on the world market. Lyndon B.N. Johnson, Ph.D., The future of Caribbean essential oils, with special reference to Jamaica. Paper presented at the Caribbean Herbs Business Forum, Jamaica, December 2002. http://www.caribbeanherbs.net/fm_prg.htm

⁴² FAO, *Global Forest Resources Assessment, Main Report 2000*. Chapter 10, Non-wood forest products. Forestry Paper 140, ISSN 0258 6150. <http://www.fao.org/forestry/fo/fra/main/pdf/chap10-e.pdf>.

⁴³ FAO, op. cit.

of Balata latex.⁴⁴ There is also a certain demand for indigenous (Nappi) artisan products in the international market. Other NWFPs are harvested either for subsistence use or sold on the local markets. An interesting example is “crabwood oil”, made from the fruit of the crabwood tree (*Carapa guianensis*),⁴⁵ which has medicinal and cosmetic properties. Local trade in this NWFP provides a source of income for native communities to involve them in sea turtle conservation measures⁴⁶ and convince them not to kill turtles and their eggs for food.⁴⁷ Crabwood oil is widely traded in Brazil, Europe and North America under the name “andiroba oil”, where it is also marketed as an insect repellent. Belize also exports NWFPs.

4. *Fair trade products*

51. In addition to growing markets for EPPs, there is also increasing demand for products from developing countries that are produced in a manner that takes into account social equity and justice in the producing country, through "Fairtrade". Fairtrade is an alternative approach to conventional international trade that aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by improving market access, strengthening producer organizations, paying better prices and providing continuity in the trading relationship. It promotes development opportunities for disadvantaged producers and seeks to protect the environment. It also raises awareness among consumers so that they can exercise their purchasing power positively and campaign for changes in the rules and practice of conventional international trade.

52. The world market of Fairtrade products is valued at US\$400 million. Although it represents only a small share of global trade, it is growing at a rate of almost 30 per cent per year and is expected to continue growing as labelled commodities become more widely available. Coffee, banana and cocoa account for 81 per cent of Fairtrade sales⁴⁸. Growing market opportunities can be found in the production and export of other commodities such as sugar, honey, nuts, spices, fruits, preserves, snacks and juices⁴⁹.

53. Additionally, there is a growing trend for Fairtrade products to be "double certified" fair and organic. In the US market, 80 per cent of the Fairtrade coffee is also certified organic⁵⁰. Double certification would not only help producers combine fairness with increased environmental friendliness, but also to receive higher premiums for their produce.

⁴⁴ http://www.sdn.org.gy/uog/fac_agri/forestry_abstracts.htm

⁴⁵ Endorsed by the Iwokrama International Centre for Rainforest Conservation and Development.

⁴⁶ Guyana Chronicle, June 1, 2003. <http://www.landofsixpeoples.com/gynewsjs.htm>

⁴⁷ As fast as the crabwood soap and other products come to Georgetown, it is taken directly to the souvenir shop at the Guyana Zoo. The zoo makes the purchase, the Guyana Marine Turtle Conservation Society (GMTCS) pays the indigenous communities, and the zoo then sets its own mark-up price and earns a profit from the sale of the items.

⁴⁸ Raynolds et al, 2002, Poverty Alleviation Through Participation in Fairtrade Coffee Networks: Existing Research and Critical Issues, Background paper, Colorado State University

⁴⁹ <http://www.Fairtrade.net/>

⁵⁰ Raynolds et al, 2002, *op cit*.

54. A number of NGOs, such as OXFAM,⁵¹ are supporting Fairtrade in CARICOM countries, such as for bananas in the Windward Islands⁵² and coffee in Haiti. Belize exports organic as well as Fairtrade chocolate to the United Kingdom, while Dominican Republic exports sugar, coffee and cocoa.

B. Services: the tourism sector

55. With regards to exports of "environmentally friendly" services, the tourism sector in various CARICOM countries is responding to environmental concerns. The reliance of the tourism industry on the natural environment as their source of business, coupled with the high costs of variable inputs such as water and energy, as well as increasing demands from International tour operators to comply with sound environmental practices, has raised the need to follow sound environmental practices and obtain environmental certification. As a result, some Caribbean resorts, in particular in Jamaica and Barbados,⁵³ have obtained "Green Globe 21" environmental certification.⁵⁴

56. Given the investment and training needed to comply with commercial environmental certification, it has been usually limited to larger hotel chains. However, organizations such as Caribbean Alliance for Sustainable Tourism (CAST) are actively promoting and helping small and medium tourism enterprises, as well as communities and tour companies, to achieve internationally recognized environmental certification.

57. Some Caribbean countries are seeking certification of beaches on the basis of criteria covering sewage treatment and bathing water quality. Bahamas, Barbados, Dominican Republic and Jamaica (as well as Puerto Rico) are running the "Blue Flag" pilot phase in 2003-2004, where the Caribbean beach criteria are being tested and implemented at selected pilot beaches in the region.⁵⁵

58. The tourism sector creates demand for certain EPPs. For example, organic products are at times sold to hotels, and there are linkages between organic farming and eco-tourism. As far as NWFPs are concerned, according to the FAO, the great expansion of the tourist

⁵¹ <http://www.maketradefair.org/default.asp>

⁵² Farming in the Windward Islands has had to adapt to the terrain. The steep hillsides and narrow valleys of these volcanic islands have encouraged small plots to be owned and farmed by individual families. A five-acre banana farm can provide for a family's needs on a year-round basis.

⁵³ *Trade Policy and International Environmental Requirements in Barbados*, paper prepared by the Working Group on Trade and Environment, Ministry of Physical Development and Environment, Government of Barbados for the UNCTAD Expert Meeting on Environmental Requirements and International Trade (Geneva, 2-4 October 2002). September 2002.

⁵⁴ Currently, there are 51 "Green Globe" certified hotels in the Caribbean countries covered in this note, i.e. in Antigua and Barbuda, Bahamas, Barbados (6), Dominica, Jamaica (38), St Lucia (3) and Suriname. See TrainforTrade manual.

⁵⁵ The Blue Flag was born in France in 1985. The initiative became global in 2001. The Foundation for Environmental Education (FEE) has made the overall decision that the beach criteria within a region should be similar. The beach criteria can however vary from region to region reflecting the specific environmental conditions of the region http://www.blueflag.org/Caribbean_criteria.asp.

sector has increased the consumption of palm leaves for thatch, for example in the Dominican Republic and Trinidad and Tobago.⁵⁶

C. Assessment

59. Caribbean countries may derive trade, environmental and developmental benefits from production and exports of EPPs, such as organic agricultural products, fair-trade products, NWFPs and eco-tourism.

60. The fact that major markets for organic products are growing at rates of 10 to 15 per cent per year creates opportunities for developing countries. However, preferences for local or regional rather than imported products and pressures to reduce “food miles”, invoking environmental concerns, may have adverse implications for certain categories of organic products from developing countries. In addition, the proliferation of public and private sector standards, as well as complex government regulations and import procedures, can pose problems to developing country producers.

61. Certification plays an important role in promoting consumption and exports and is necessary to allow exporters to take advantage of price premiums where they exist. Certification, however, has to be made affordable, including to smallholders in developing countries. It is therefore important to reduce certification costs. Group certification, based on internal control systems (ICS), is a promising avenue for smallholders.

62. At a CBTF meeting on organic agriculture, experts suggested that developed countries could undertake several steps to promote trading opportunities for developing countries. These include:

- Appropriate recognition of group certification in the importing country’s regulations.
- Appropriate recognition of the special conditions of developing countries, by certifiers, traders and importing countries’ governments.
- Transparent and understandable rules and procedures governing imports;
- Promotion of consumption of organic products, including from developing countries, for example by providing market information; and
- Non-discriminatory use of labels, e.g., the use of official organic labels in the European Union should be open to non-EU producers.

63. As mentioned above, timber certification may also pose certain challenges to developing countries.

⁵⁶ FAO, op. cit.

VI. SUMMARY AND CONCLUSIONS

64. This note suggests that currently there is relatively little information and analysis of market potential and supply capacities for EPPs originating in Caribbean countries. It may therefore be useful to focus initial efforts on awareness-raising and identifying EPPs of potential export interest to Caribbean. Once lists of EPPs have been identified, Caribbean countries could then consider how and where to best promote their legitimate trade interests.

65. Some Caribbean countries have already expanded their exports of some EPPs. However, countries in the region have to address a number of challenges and constraints to take greater advantage of niche markets. These include insufficient access to information, a lack of financial support, lack of knowledge and experience in the export business, lack of government support for product promotion and technology dissemination; and absence of adequate national infrastructure. This last issue is of special importance in the Caribbean, as many islands need special attention to transport to be able to market their produce in a timely manner. In addition, there are a number of external constraints.

66. The WTO negotiations on EGS could provide an opportunity to seek the elimination of certain NTBs in foreign markets. Caribbean countries could also promote initiatives aimed at creating or expanding markets for EPPs, as called for in the Johannesburg Plan of Action, and trade promotion measures.

A. Capacity Building Needs

67. Some of the factors that normally constitute constraints for the development of EPPs, such as the small size of markets for such products and the importance of donor support, may actually operate in favour of small island states, including CARICOM countries. However, there is a need to overcome policy, market and technical obstacles, such as lack of information, insufficient technical capacity, and lack of supportive policies at home and abroad. Both the DMD and the Johannesburg Plan of Implementation highlight the need for studies and capacity building.

68. CBTF could assist CARICOM countries, in close cooperation with other relevant international organizations, such as the International Trade Centre (UNCTAD/WTO), the Food and Agricultural Organization (FAO), producer associations in Caribbean countries, buyer groups in developed countries, NGOs and other stakeholders, in promoting training, national workshops, bilateral and regional seminars and other activities, with a view to assisting beneficiary countries in:

- Creating awareness among producers and industry associations;
- Identifying existing and potential supply capacities for specific categories of EPPs;
- Developing or strengthening domestic standards, regulations and certification facilities;

- Identifying international market trends;
- Removing policy, market and technical obstacles, such as lack of information, technical capacity, and supportive policies;
- Identifying policies and measures to make certification more affordable for small producers, for example by exploring possibilities to facilitate certification of products through mechanisms such as “umbrella certification” of certain products, (i.e. certification of entire geographical areas or groups of producers rather than individual producers);
- Promoting regional cooperation;
- Building partnerships between producers/exporters in Caribbean countries and importers/consumer interests in developed countries; and
- Participating effectively in relevant international debates.

B. UNCTAD, UNEP and CBTF activities

69. Several ongoing UNCTAD, UNEP and CBTF activities are relevant to the issues discussed in this note.

70. The UNCTAD Trade, Environment and Development (TED) TC/CB Programme includes, among other issues, environmental goods and services and trading opportunities for EPPs. For example, the UNCTAD/FIELD project *Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues*, funded by the UK Department for International Development (DFID) 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. A regional component for Central America countries, Cuba and the Dominican Republic addresses (a) trade liberalization in environmental goods and services and (b) the promotion of trading opportunities for agricultural EPPs, in particular organic products. The programme offers an integrated package consisting of country studies (including on Cuba and the Dominican Republic, national and regional workshops and training.⁵⁷ See: http://r0.unctad.org/trade_env/test1/openF1.htm

71. The UNCTAD BIOTRADE Initiative - launched in 1996 - seeks to enhance the capacity of developing countries to produce value-added products from biodiversity for both domestic and export markets. BIOTRADE country programmes include enterprise development, market information, access to finance, export promotion and, linkages with local communities. BIOTRADE now works in Bolivia, Brazil, Colombia, Ecuador, Peru, and Venezuela. Work has also been initiated in some other countries.

72. UNCTAD BIOTRADE and the International Trade Centre UNCTAD/WTO (ITC) have developed a joint BioTrade Facilitation Programme (BTFP), which is being supported by the Governments of Switzerland and the Netherlands. The BTFP aims at "facilitating

⁵⁷ See Luis Barria, Catherin Cattafesta, Raul Garrido, Maria Pia Hernandez and René Vossenaar, *Environmental Goods and Services: Challenges and Opportunities for Central American and Caribbean Countries*, November 2003.

sustainable trade in biodiversity products and services, through innovative collaborative arrangements that will enhance sustainable bio-resources management, product development, value adding processing and marketing". The BTFP initially focuses on biodiversity products and services such as:

- Food and food ingredients (e.g. fruits, nuts, colouring and flavouring materials);
- Cosmetic and pharmaceutical ingredients (e.g. medicinal plants, essential oils, fatty and aromatic oils);
- Fibres, latex, resins, gums and products thereof.

73. UNCTAD, together with the International Trade Centre (ITC), has implemented a joint project within the Integrated Framework for Least Developed Countries (LDCs) to explore the potential for exports of organic product from Haiti. It has explored the potential for promoting exports of some sectors that have been identified in a previous need-assessment that was undertaken by the country itself in 1999. The selected sectors were the essential oils, an area in which Haiti had a top position as an exporter in the past; and fruits and vegetables.. A round-table was organized in May 2003, with government officials, the private sector, large and small producers, and civil society in Port-au-Prince. It was found that the potential concerning quality and international demand exists, but that there are constraints on the supply-side and the cost of certification is an issue. These are some of the bottlenecks in the development of the sector. The details of the three-days seminar can be found at http://www.unctad.org/trade_env/haiti.htm.

74. UNCTAD work in the area of commodities includes several initiatives in particular in the areas of organic agriculture and sustainable coffee.⁵⁸

- *Organic agriculture.* A series of workshops carried out under the UNCTAD project on *Capacity-building for Diversification and Commodity-based Development* have, among other things, addressed issues related to organic agriculture. UNCTAD published a volume on *Organic Fruit and Vegetables from the Tropics*,⁵⁹ which seeks to identify ways and means of enhancing the production and export capacities of developing countries in organic agriculture.
- *Sustainable Coffee Initiative.* The UNCTAD Commodities Branch and the International Institute for Sustainable Development (IISD) organized a *Workshop on the Sustainability in the Coffee Sector - Exploring Opportunities for International Cooperation* to identify mechanisms for integrating social, economic and environmental sustainability within the coffee sector through international cooperation (Geneva, 17 and 18 February 2003). A follow-up meeting on *Sustainability in the Coffee Sector: Exploring Opportunities for International Cooperation Part II* will be held in Geneva, Switzerland, on 8 and 9 December 2003. The primary objective of this meeting is to adopt a preliminary

⁵⁸ <http://r0.unctad.org/infocomm/anglais/banana/quality.htm>

⁵⁹ UNCTAD, *Organic Fruit and Vegetables from the Tropics. Market, Certification and Production Information for Producers and International Trading Companies*. UNCTAD/DITC/COM/2003/2, New York and Geneva, 2003.

strategy for pursuing further work on sustainability in the coffee sector at the global level.

75. The International Task Force on Harmonisation and Equivalence in Organic Agriculture (ITF), convened by FAO, IFOAM and UNCTAD, serves as 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 second meeting of the ITF was hosted by UNCTAD in Geneva, on 20 and 21 October 2003. Detailed information is available on: http://r0.unctad.org/trade_env/itf-organic.htm.

76. The UNEP-UNCTAD CBTF has carried out some activities on organic agriculture⁶⁰ and will support further activities in the area of EPPs as part of CBTF II. The workshop in Jamaica provides an opportunity to discuss national and regional priorities for CARICOM countries in this regard.

77. UNCTAD has created an inter-division Task Force on Sustainable Tourism for Development to guide and foster its work on tourism and development in developing countries with a special focus on the least developed, landlocked and island developing countries. The task force proposes to develop an UNCTAD-wide technical assistance and capacity building programme to assist these countries in (a) enhancing local institutional and training capacities to facilitate tourism development and promote sound and sustainable tourism policies; (b) encouraging local entrepreneurial initiatives and ownership; (c) facilitating the establishment of regional and international tourism networks; and (d) promoting the use of information technologies and electronic commerce in tourism development.

78. UNEP is preparing a background paper that explores the definition of environmental goods and services, with a primary focus on goods. These definitional issues are examined with a view to a maximising sustainable development gains from the liberalisation of this sector. This work is intended to contribute to the identification of "clusters" of environmental goods and services that (a) are likely to yield the greatest potential environmental benefits, and (b) strike a balance between reflecting the actual characteristics of current environmental markets, as well as export and import interests of developing countries. A training module on market access opportunities for environmental goods and service, which contribute to environmental protection and sustainable development, will be developed from this analysis.

⁶⁰ The CBTF organized a Policy Dialogue on Promoting Production and Trading Opportunities for Organic Agricultural Products in Brussels on 21 and 22 February 2002. The Policy Dialogue was funded by the European Commission (DG-Environment) and hosted by the secretariat of the African Caribbean and Pacific (ACP) countries. The meeting involved more than 50 policy makers and representatives of certification bodies, intergovernmental organizations, aid agencies, civil society, academics and other stakeholders from developing and developed countries. Experts from 17 developing countries (including Haiti) as well as around 35 representatives from ACP missions in Brussels attended the meeting. Officials from the European Commission, the ACP secretariat and experts from the International Trade Centre (WTO/UNCTAD), IFOAM and other institutions also participated.

