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REPORT OF THE UNEP CAPACITY BUILDING MEETING ON ENVIRONMENT, TRADE AND SUSTAINABLE DEVELOPMENT FOR THE LATIN AMERICAN AND CARIBBEAN REGION, MEXICO CITY, MARCH 27-28, 2003

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UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the Latin American and Caribbean Region, Mexico City, 27-28 March 2003

Report of day 1

Opening Session

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

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

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

Mr. Charles Arden-Clarke of UNEP-ETB outlined the objectives of the meeting to include: developing a long-term capacity building programme on environment, trade and sustainable development for the Latin American and Caribbean region; clarification of UNEP and other organizations' roles with a view to increasing co-ordination and cost-effectiveness of capacity building programmes; enhancement of collaboration and engagement amongst ministries for environment, trade ministries, and regional trade and economic agreements; and lastly, identification of key approaches to delivering capacity building programmes. He noted that the programme for the meeting included presentations from governments and regional organizations on priorities for capacity building on the first day and, working group sessions on issues of potential relevance for the region on the second day. Several background papers had been prepared to support discussions in the meeting including, an over-arching paper on the environment related issues in the Doha Work Programme, a paper on approaches to capacity building, a paper giving a LAC regional perspective of the issues on the policy inter-face, as well as a paper for each of the Working Group topics (Environmental Goods and Services, Intellectual Property and the Environment, Agriculture and Integrated Assessment).

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

Summary of day 1 presentations from governments and regional organizations

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

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

Understanding the linkages

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

- More data is needed and an enhanced ability to gather and manage data relating to these linkages.
- Analytical frameworks and environmental and integrated assessment methodologies should be developed to better understand the linkages, and assess the socio-economic and environmental impacts of trade liberalization (eg FTAA, WTO negotiations), and the economic effects of environmental degradation.
- Timing of assessments and delivery of their results is an important issue, and a real challenge given the accelerating pace of trade negotiations, and their proliferation.
- More sectoral studies and collection of reliable data will contribute to the development of those frameworks/assessments.
- Examination of the linkages should be done in the public domain, so as to create momentum for policy changes that may follow.

Designing policies for sustainable development

- Good practice in governance for policy making:
 - mechanisms for civil society participation; and
 - improved coordination between Ministries.
- Capacity to create appropriate domestic instruments to address problems.
- Capacity to negotiate in international fora, including trade and environment negotiations, and on standard setting.
- Capacity to address and take advantage of environment and trade linkages for sustainable development, which requires:
 - knowledge of international environmental standards;

- creation of domestic institutions to help achieve those standards (testing, certification, specific export promotion, etc.); and
- ability to diversify the economy away from traditional activities to more environmentally sound ones.

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

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

Relevant activities of regional and sub-regional institutions

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

Empirical evidence gathered by the CEC has shown that trade liberalization is neither necessarily good nor bad for sustainable development. Rather the effects depend on the sector under liberalization and the existing policies, including environmental ones, which influence activities in that sector. Some environmental impacts associated with trade do occur at the level of the trading bloc, emphasizing the need for cooperation between trading partners to tackle them. Other lessons from CEC's work on environmental assessment of trade liberalization are that it is not worth spending valuable resources on separating out the effects of different liberalization policies (eg NAFTA versus WTO), but that resources should rather be focused to enable countries to move from assessment to the design of appropriate policies, which respond to the results of assessment. CEC is also undertaking an increasing amount of work on promoting trade in environmentally preferable products.

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

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

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

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

The Sustainable Development Division of the CAF has been created to accurately value the human, social and natural capital of CAN members, and to promote sustainable use of natural resources by its membership. The representative of CAF noted a number of barriers to generating more sustainable trade in the region including the absence sustainable management policies for natural resources, lack of technology, trade and market barriers to sustainable goods, including high costs of certification of environmentally preferable products, and significant financial risks in the start up phase of environmentally friendly business ventures. CAF is working with UNEP's Finance Initiatives and more generally on building capacities of business to address environmental issues. CAF indicated that collaborative training by regional and international organizations, delivered at local or regional levels, could be valuable for capacity building.

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

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

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

Some region-specific needs and issues

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

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

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

It was noted that there are important interactions between trade and Foreign Direct Investment flows, which have to be taken into account when designing policies to secure sustainable development. In addition, access to credit, especially micro-credit for small-scale producers and enterprises, can be a very important factor in limiting the development of trading opportunities, including for environmentally preferable products. Furthermore, the evolving structure of the private sector, such as the increasing trend towards vertical integration of business activities in trans-national corporations, can have important implications for the interactions between the environment, trade and sustainable development. All these factors underscore the need to include the private sector in programmes that seek to promote integrated assessment of design of trade and environmental policies for sustainable development.

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

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

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

Report of Day 2

Opening session

Enrique Leff of UNEP ROLAC reminded the participants of the objectives of the meeting and emphasized that the discussions and activities of the second day should focus on the key capacity building needs on the Environment, Trade and Sustainable Development policy interface for the LAC region. He drew attention to the significance of encompassing all aspects of the trade negotiations and taking into account the trade, environment, economic, social and the political agenda of the countries in the region. He pointed out the importance of issues such as bio-trade, technology, bio-ethics, technology transfer, the rights of indigenous populations and other social considerations which may

not be necessarily be appraised in economic terms but which must be taken into account in any capacity building programme. Enrique then invited Charles Arden-Clarke of UNEP-ETB to list the highlights of day 1 and the salient features of the presentations from countries and regional institutions. A report of day 1 covers those highlights in more depth.

This was followed by the presentation of a paper prepared by consultants from the LAC region whose purpose was to frame and give a regional perspective to the environment, trade and sustainable development issues. Carlos Murillo, the first consultant to speak noted the fact that the environmental issues though implicit in the current policies of most countries in the region, had not been fully incorporated into national policy frameworks and at times were looked at as incompatible with the trade agenda. For instance, while most countries had changed their legislation to attract foreign direct investment and strengthen bilateral and regional relations, the environmental realities had not been adequately reflected in the countries' legislations. He noted however that there was a clear willingness on the part of governments, civil societies, and legislatures to incorporate environmental considerations. There was still a tacit sidelining of environmental issues in actual working agendas. He noted that most environmental ministries were under-financed and weak in political terms, sometimes making even physical presence at negotiations difficult.

Additionally, he noted the absence of a regional agenda for the environment. Although most hemispheric and sub-regional initiatives for the region do have trade and environment initiatives most did not have these initiatives incorporated in a common agenda but rather ran them as separate trade and environment initiatives. For instance he pointed out that the FTAA is a very modern agreement with very high expectations for the environment but environmental considerations are not given priority in most countries' negotiating proposals. Environmental measures showed up as defensive or reactive to the position of one negotiating party (usually the USA) and not as proactive LAC country initiatives. This happened even in the case of bilateral agreements between two LAC countries.

He noted the challenges of trade liberalization for fragile and small economies in LAC including displacement and unemployment, and catalogued the main environmental problems of the region such as loss of biodiversity, pollution, and solid and liquid waste management. In his recommendations he noted that the development of a strong and proactive environmental agenda for countries would depend on the relative power of the countries advocating this approach, as well as the internal policies in place with regard to the environment.

Ana Maria Majano, co-author of the paper, focused her presentation on the international discussions on trade on environment, including trade and Multilateral Environmental Agreements, the Doha Development Agenda and the position of LAC countries in these negotiations. She noted that governments are reluctant to link trade to environmental issues but emphasized that this linkage must be made in order to ensure that the policies adopted contribute to sustainable development. She noted the importance of strengthening the capabilities and participation of civil society and enhancing the capacities to promote environmental protection. She recommended the strategy of working in bilateral and regional blocs, enhancing the capacity for dialogue particularly at the national level as well as increasing financing to the key capacity building providers, and coordinating capacity building efforts so as to maximize the synergies of similar regional programmes. She also called for research into the impact of existing trade and economic agreements on the environment. She noted that the paper contained examples of organizations working on issues provided that could be potential partners in a regional capacity building programme.

The Meeting then broke up to four Working Groups: *Key Issues in Environmental Goods and Services, Intellectual Property Rights and the Environment, Agriculture Trade and Sustainable Development* and *The Use of Integrated Assessment to realize Trade and Environment Objectives*. It was stressed that the purpose of breaking into Working Groups was for in depth exploration of the issues including identifying the specific problems in each of the issue areas and coming up with concrete proposals for further action and the possible partners for such action. The outcomes of these

working groups are summarized in the next section, whereas the full rapporteurs' reports are attached as annexes.

Presentation of Working Group Reports

The early part of the afternoon was devoted to presentation of Reports from the Working Groups.

Ron Steenblik of OECD who was the rapporteur of Working Group 1 dealing with *Key Issues in Relation to Environmental Goods and Services (EGS)* presented this group's report. He noted that the Working Group began with two presentations. One by himself providing a summary of the multilateral context of the current negotiations on Environmental Goods and Services and the other by Rene Vossenaar of UNCTAD who was the moderator of the group. Mr. Vossenaar's presentation focused on the issues faced by developing countries noting that Paragraph 16 of the Doha declaration calls for taking into account developing country concerns in the negotiations regarding market access for non-agricultural products. He noted that while there was considerable interest in the negotiations on goods from developing countries, there was variation of understanding of the issues at stake in the negotiations. As such there was reluctance by some countries to engage in and take positions on the various issues. Even those countries that had put significant efforts into developing a position were reluctant to formalize that position at the WTO. Rene concluded that there are two basic types of capacity building needed: (1) helping negotiators with tools and information; (2) promoting national dialogues so that negotiators understand clearly what is acceptable domestically.

The rapporteur pointed out the key issues that arose in the Working Group including whether an agreement on EGS should provide a permanent tariff preference for environmental goods. Some participants thought that it should. The example of organic coffee provided an illustration of the potential negative implication of this position: coffee generally faces zero or low tariffs, and to follow the logic through could imply raising tariffs on "non-organic" coffee — something that many believe would not be in the interests of developing countries.

Another issue was whether an agreement on EGS should include goods defined by their processes or production methods (PPMs). Again, some participants in the group seemed to favour the idea, pointing out that it was precisely products produced sustainably in which developing countries have a comparative advantage. Others however, acknowledged the strong opposition against tariff discrimination on the basis of PPMs and stressed the considerable problems that countries faced in getting sustainably produced goods certified and recognised by importers.

It was noted that definitional issues kept recurring during the discussions in the group. As one participant had observed, "Just about any services, any goods could potentially be defined as 'environmentally friendly'". With regard to services, there was much interest in having tourism, or more precisely eco-tourism or environmentally responsible tourism, recognised as an environmental service.

On capacity building needs and objectives for EGS, the following salient features were noted. There is value for developing countries to conduct studies to identify areas of their export interest and market opportunities in areas in which they have comparative advantage. In this regard the rapporteur observed that although it had not been mentioned during the working group discussions OECD, CEC and UNCTAD were currently sponsoring studies on this issue in rapidly industrializing countries including Mexico. In addition the group noted the critical need to be able to consider life-cycle issues related to large capital items, particularly waste disposal for small-island developing states. The group also identified a need for enhanced capacity for trade negotiators through workshops, new programmes and other training and activities at the institutional level.

Finally the group noted that although capacity building with regard to the negotiations and liberalization was important, it was also important to address issues relating to improving capacity of workers displaced by liberalization to diversify occupations and improve their incomes.

Group 2 Report on *Intellectual Property Rights and the Environment* was presented by the rapporteur of the group Mindahi C. Bastida Munoz. He pointed out that the group's discussions began with a presentation by the moderator Francisco Cannabrava of the Embassy of Brazil in Mexico summarizing the key points of the group's Background Paper and highlighting the relationship between the *Trade Related Aspects of Intellectual Property Rights (TRIPS)* and the *Convention on Biodiversity*.

In the ensuing discussions, the group noted the failure to include Public Health in the background paper though this was a concern for many countries. The group also discussed the intrinsic link between TRIPS and CBD and also the ongoing discussions at WIPO on the issue. In particular, the group pointed out the aim of TRIPS to promote the transfer of technology as well as the objectives of the CBD with regard to access and benefit sharing of genetic resources. The group noted the importance of coherence between the international tools on these matters and the need for closer approach between IGOs and communities and also within national territories. They also noted the importance of better training for negotiators and enhanced institutional abilities for example with regard to the development of *sui generis* systems for the protection of intellectual property rights.

The group noted the importance of workshops for capacity building targeted towards small islands and the Caribbean and highlighted the significance of promoting the participation of all stakeholders including agricultural and indigenous communities, academia and research institutions. They also called for more seminars, manuals and the establishment of a data bank as elements for capacity building. Last but not least the group noted the importance of training for negotiators and suggested that the negotiating aspects at national level need to be broken down and specified to facilitate more participants at the various relevant fora, as well as to foster the ability to deal substantively with key elements of the different aspects of the negotiations.

The Report of Group 3 on the relationship between *Agriculture, Trade and Sustainable Development*, was presented by Carlos Murillo. It was noted that the focus of the group's discussions was aided by questions on the key interconnections between trade policy and sustainable agriculture posed by Chantal Line Carpentier of CEC, who served as the group's moderator. The key elements of these linkages were identified as food security, multi-functionality, subsidies, rural development, tariff escalation and access to clean technology.

The group noted that increased market access does not guarantee that countries will be able to resolve their agricultural problems, particularly with respect to food security. The opening of markets leads to changes in production, with basic products being replaced by export products, leading to an increase in exports without necessarily an increase in the production of basic products. As such the group observed that there was a need to focus on domestic production and staple foods.

On the issue of subsidies, the group noted that agriculture is highly subsidised, particularly in developed countries. Besides resulting in distortions of prices and trade flows, these subsidies have a negative environmental impact. The group also noted that developing countries need financial support to promote environmentally friendly production of staple food for instance through taxation of imports to compensate domestic production.

The group noted the high cost in importing technology and called for strengthening of domestic technologies. They noted that agricultural trade liberalization created winners and losers and it was important to find ways in which losers can minimize their losses particularly the small farmers displaced by trade liberalization. The group suggested some key target areas as promotion of organic farming, extension of finance-credit to Small and Medium-Sized Enterprises, technology transfer, enhancement of domestic capabilities, extension programmes, and the promotion and support of institutions that promote these initiatives.

Charles Arden-Clarke of UNEP-ETB presented the final working group report on the *Use of Integrated Assessment to Achieve Trade and Environment Objectives*. He noted that the group was

moderated by Gillian Guthrie of Jamaica who began with a synthesis of the background paper. This synthesis provided a brief background on assessment, uses, approaches and techniques. She noted the importance of a participatory approach to assessment as well as working with national institutions, noting that this approach had good governance benefits. She also pointed out that assessment tools were still in their infancy and the process of assessment presents a learning curve for all.

The ensuing discussion noted the importance of including the scientific community and academia in assessment work. The importance of using local policy institutes at national level was also emphasized as well as enhancing the opportunity for trade and environmental policy makers to interact and collaborate on the projects. Key concerns raised included issues regarding the motivation of the assessment, the provisions for post assessment evaluation and modalities regarding the incorporation of results into the policy making process. The group also noted the importance of carrying out assessment within the appropriate and comprehensive inter-ministerial context as well as the importance of investing in the political process parallel to the assessment.

A participant gave an important illustration regarding bilateral cooperation on assessments conducted by governments, in this instance involving Canada, China and Hong-Kong. Another example given of where this cooperation might work is the EU-ACP Economic Partnership Agreements. The group also noted the value of building links with NGOs and academic sector and gave examples of universities in the region that could contribute to such projects. In the long-term, it was noted that assessment must be embedded in the ministries as opposed to individuals working in them to ensure policy utility and continuity, due to high turnover of human resources within ministries and policy research institutions. It is also important to take into account the cost implications of a multi-disciplinary teams and the differences in approach between trade and environment ministries.

The following sectors were suggested as priorities for application of assessment techniques: Fisheries, Tourism, Manufacturing, Environmental Goods and Services and, Environmentally Preferable Products. The importance of including the private sector for example, with respect to the particular challenges faced by SMEs in upgrading their environmental performance, was noted. On modalities for cooperation to avoid friction between national institutions, it was noted that the project could be placed under one ministry given the formal lead but the technical coordination left to a steering committee comprised of all the represented agencies and ministries.

Short-term needs with regard to capacity building were identified as training, funding, improved capacity for environmental data collection and improved inter-ministerial coordination. Long-term needs include, the formulation of integrated policies, identification of environmentally preferable products and better regional and sub-regional understanding of sustainable development.

Elements of a Capacity Building Programme for the LAC Region

The closing session of the meeting consisted of a floor discussion of the key elements of a Capacity Building Programme for the region. A representative of OAS noted that they have a Consultative Group of small economies of FTAA. This is a programme for the hemispheric countries, which aims to assist them in the development of a national strategy for the environment. They find priority areas from the government before coming up with projects or policies. Details of this are to be found on the FTAA website.

The discussions also noted the importance of including civil society in discussions when developing a capacity building programme and enhancing legislation and regulations in different countries to deal with the pertinent issues in the trade and environment interface. A good example of this need is in the case of drafting rules on biodiversity to provide safeguards for indigenous people. In addition, there should be initiatives to for training for representatives of indigenous and peasant groups.

A participant from Group 3 on *Agriculture, Trade and Sustainable Development* noted the importance of indicators after training courses to measure efficiency of courses. The importance of developing

standardized indicators, which are applicable to countries with similar conditions and priorities, was also noted. Another participant suggested bio-taxes for small countries with vulnerable economies. A representative from Cuba noted the importance of training systems to develop indigenous national capacity and the significance of realizing synergies within capacity building programmes. The representative from Costa Rica expressed significant capacity building needs in the area of environmental services.

The representative from IADB made the observation that financial institutions finance what governments request. As such there is need to strengthen governments' assessment of their needs and to involve representatives of ministries of Finance and Planning in such exercises since they are normally the main players in the financing requests. He noted that Development and Environment ministries were usually not part of the financing negotiation process. He pointed out the importance of embedding environmental issues into sectoral issues and other policy areas.

Ana Maria, co-author of the paper on LAC capacity building needs, pointed out the importance of an information sharing process. A representative from the Sustainable Development Unit of the OAS shared information about previous programmes with Argentina, Brazil, and Uruguay with regard to the FTAA and pointed out that their next programmes would focus on the Caribbean. Participants also called for the design of programmes and sub-programmes focused by region for example, Central American, Andean, Caribbean. It was noted that small island states share similar challenges and building programmes around those needs could be cost effective and minimize duplication of effort at national levels. It was also noted that it was important to identify potential partners and assess their level of commitment in order to ascertain who to partner with in capacity building programmes.

Participants also emphasized the need for involvement of the private sector and the need for training of negotiators. One participant noted that discussions on the capacity building needs had been ongoing for two years and it was important to forge ahead with a concrete programme. He called for identification of capacity building priorities per sub-region (rather than subject area as had been done by the working groups). One contributor noted the importance of sending to countries proposed capacity building programmes for final round of consultation and the importance of using both the *Forum of the Ministers of Environment for Latin America and the Caribbean* and the countries' representation in Geneva in this consultation process.

In response to a question on what were the five capacity building programme areas arising from the conference (directed at UNEP), Charles Arden-Clarke of UNEP-ETB noted that many participants had mentioned capacity building needs with regard to the four working group areas and this was a possible starting point. Other possible areas included fisheries. He pointed out that a capacity building programme could focus on specific sectors or the development of policy tools for assessment of linkages, and designing and implementing policies which successfully integrate trade, environment and development objectives.

He reminded participants of the objectives of the meeting and indicated that the next step would be development of concrete proposals for capacity building activities, which are demand driven and ensure collaboration and cost-effectiveness. These proposals will be developed in a participatory manner following this meeting, and then submitted to potentially interested donors. He noted that the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development would hold a back-to-back workshop with the WTO Regional Seminar on Trade and Environment, due to be held in Jamaica in November. There may also be an additional civil society-oriented event included in this sequence of meetings. He noted that so far UNEP country projects have had success in promoting research and policy dialogue.

The meeting was then closed by Christina Montenegro of UNEP-ROLAC who thanked the attendees for their participation. Charles Arden-Clarke also expressed special thanks to the North American Commission for the Environment who had co-sponsored the meeting, in addition to the *Forum of the Ministers of Environment for Latin America and the Caribbean*.