

Environment, Sustainable Development and Trade

A High-level Ministerial Meeting on Environment, Sustainable Development and Trade was held from 19-22 March 2001, in Berlin, Germany. The Meeting, which was co-organised by the United Nations Environment Programme (UNEP) and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), sought to enhance awareness on trade and environment linkages, including the relationship between multilateral environmental agreements (MEAs) and the World Trade Organisation (WTO) and to develop suggested actions to promote synergies in these fields.

A new round of trade liberalisation talks will most likely be launched at the World Trade Organisation ministerial meeting in Qatar in November this year.

Background

The United Nations Conference on Environment and Development (UNCED), held in Rio in 1992, reiterated the importance of integrating environmental and economic policies, and expanding the use of economic instruments in order to help correct market failures, remove economic distortions which inhibit the sustainable management of scarce resources, and encourage greater consumer awareness and appropriate behaviour towards environmental protection priorities.

The UN Commission on Sustainable Development (CSD) invited UNEP and the UN Conference on Trade and Development (UNCTAD) to continue joint efforts to ensure that international trade and environment policies

are mutually supportive, to strengthen efforts to improve market access, to help finance access to and transfer of technology, and to help build capacity to internalise costs, particularly in developing countries and countries with economies in transition.

At its 21st session in February, the Governing Council of UNEP agreed that the Executive Director should pursue further actions, as appropriate, related to trade and environment, in close co-operation with the WTO and UNCTAD, including the following:

- to develop national capacities to assess the environmental effects of trade;
- to study the effectiveness of market-based incentives in achieving the objectives of MEAs including those agreements for which UNEP provides the secretariat;
- to continue to promote understanding, dialogue and the dissemination of information about MEAs, including any trade measures, *inter alia*, to develop capacity to ensure that trade and environmental policies are mutually supportive.

Discussions

During the Meeting, participants – environment ministers, senior government officials and other stakeholders from over 70 developed and developing countries – stressed that environmental considerations need to be taken into account in negotiating new trade agreements. Participants were informed that since 1950, the global economy has more than quintupled in size, with world exports increasing over the past 50 years from about US\$ 350 billion in 1950 to US\$ 5.46 trillion in 1999 (WTO, 2000). In view of today's rapid expansion of world trade,



a greater understanding of the linkages between trade, environment and development is needed.

The representatives noted the importance of assessment as a tool to promote policy coherence between trade and environment ministries. They also discussed the role of economic instruments in promoting consistent and coherent trade and environment policies, and considered solutions to the complex trade-environment relationship.

Command and control instruments have traditionally been used as the main policy tool to achieve environmental objectives. However, over the last decade there has been increasing recognition of the need to enhance the use of market-based incentives to complement command and control measures. Economic instruments are effective in correcting market and policy failures, and inter-

nalising environmental and social costs. It is recognised that appropriately designed and implemented economic instruments, complemented with appropriate policy frameworks can make an important contribution to achieving sustainable development, and can also be used to strengthen implementation of MEAs. Carefully designed economic instruments can also be used to develop mutually supportive environment and trade policies.

It was noted, however, that to date, the use of economic instruments has been mainly restricted to developed countries, while their use in developing countries and countries in transition has been limited. A number of reasons were given for this:

- Lack of understanding of the effectiveness of economic instruments in achieving environmental objectives and sustainable development.
- Lack of an analytical inventory, which provides governments, the private sector and non-governmental organisations with practical and detailed information on the design and actual performance of individual instruments.
- Lack of capacity, particularly in developing countries and countries with economies in transition, to design and implement economic instruments.
- Concerns about the cost implications of implementing such instruments, which might reduce competitiveness in national and international markets.
- Conflicts between policies promoting cost internalisation and those intended to promote trade, such as the use of subsidies to enhance production and export of goods.

It was agreed that promoting the effective use of economic instruments will require an enhanced understanding of their use and effects, as well as increased institutional and human capacities for their design and implementation. International co-operation is required in order to achieve this enhanced understanding and build those capacities. Such co-operation will include more focused policy dialogues, further research, country projects, training, and technical assistance in the design and application of economic instruments.

Examining UNEP-led country studies that show how environmental assessments can help maximise the net development gains of trade liberalisation by minimising negative environmental effects, the Meeting focused on concrete solutions to the complex trade and environment relationship. Stressing the important role that environmental assessments of trade policy can play, Klaus Töpfer, UNEP Executive Director, said, "Only when you know the likely consequences of a policy decision can you take the necessary remedial action."

Government representatives at the Meeting generally appreciated the role of UNEP in promoting coherence and understanding on the policy interface between the trade-environment relationship. They requested UNEP to continue its work on enhancing countries' capacity to undertake assessments of the effects of trade liberalisation, and enhancing awareness and dissemination of best practices and experiences. They recognised that regional and subregional seminars and workshops and enhanced co-

operation with the WTO, UNCTAD and civil society would help strengthen these and other capacity-building activities. The representatives expressed their appreciation of the opportunity that the forum provided for frank and open dialogue, and supported the convening of future meetings including a higher representation of foreign affairs and trade officials.

The main outcomes of the discussions were grouped under the following four headings: Integration of Environment and Trade Policies; Integrated Assessment as a tool to achieve coherence at the national level; Coherence at the international level; and Capacity Building. (Available from robert.bisset@unep.fr.) (MJ)

