



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

**Commission on Sustainable Development
acting as the preparatory committee for the
World Summit on Sustainable Development
Fourth preparatory session
27 May – 7 June 2002**

TRADE AND SUSTAINABLE DEVELOPMENT

Background Paper No. 2

**SUBMITTED BY THE SECRETARIAT OF THE
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**

DESA/DSD/PC4/BP2

**UNCTAD CONTRIBUTIONS TO THE
FOURTH SUMMIT PREPARATORY COMMITTEE
(PREPCOM4) FOR THE
WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT:**

TRADE AND SUSTAINABLE DEVELOPMENT

May 2002

Background note prepared by the UNCTAD secretariat

Index

I. INTRODUCTION.....	1
II. UNCTAD's WORK ON TRADE.....	2
A. Recent developments.....	2
1. Commission on Trade in Goods and Services and Commodities.....	3
2. Midterm review.....	4
3. Selected other meetings.....	4
B. Post-Doha technical assistance and capacity building.....	6
1. The UNCTAD programme.....	7
2. Environment.....	8
III. CAPACITY BUILDING IN TRADE, ENVIRONMENT AND DEVELOPMENT.....	9
A. Cooperation with the WTO and UNEP.....	9
B. UNEP-UNCTAD Capacity-Building Task Force for Trade, Environment and Development (CBTF).....	9
C. UNCTAD/FIELD project on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues.....	11
IV. BIOTRADE.....	13
V. COMMODITIES.....	15
A. Background.....	15
B. UNCTAD-CFC joint initiative on Commodities and Sustainable Development.....	17
VI. CLIMATE CHANGE.....	18
ANNEX: UNCTAD ASSISTANCE TO DEVELOPING COUNTRIES CONCERNING AGENDA 21 AND THE WSSD.....	20

I. INTRODUCTION

1. The United Nations Conference on Trade and Development (UNCTAD) submitted a background paper on *Actions taken by UNCTAD in assisting developing countries to implement Agenda 21* to the Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (WSSD), at its second preparatory session (prepcom2).¹ The paper is available on <http://www.johannesburgsummit.org/html/documents/backgrounddocs/unctadreport.pdf>

2. UNCTAD has been assisting developing countries on issues of Agenda 21 through: (a) intergovernmental discussions and deliberations aimed at consensus building; (b) policy research and data collection; and (c) technical cooperation programmes implemented through a combination of field activities and research work. UNCTAD seeks to effectively exploit synergies between these main functions of the organization.

3. The background paper reviewed actions taken or planned by UNCTAD in assisting developing countries to implement Agenda 21, in particular in the areas of trade, environment and development, commodities, investment and debt, technology, enterprise development, Small Island Development States and gender. As mentioned in the paper, UNCTAD's work in the areas of trade and investment is also relevant for certain aspects of Agenda 21 implementation in the areas of sustainable production and consumption patterns, climate change, sustainable use of biological diversity and environmentally sound management of hazardous wastes for recycling

4. This report updates some of the information in the area of trade and sustainable development. Section II provides a brief summary of the implications of the Doha Ministerial Conference on the work of the Commission on Trade in Goods and Services, and Commodities and related technical cooperation and capacity building activities of UNCTAD. It also briefly summarizes intergovernmental and other meetings in 2002 that are particularly relevant in the context of the World Summit on Sustainable Development (WSSD). Sections III to V provide a short overview of UNCTAD initiatives, taken in cooperation with other intergovernmental organizations and civil society, that could constitute important contributions to the WSSD.

5. The UNCTAD secretariat plans to deepen this cooperation, including, where appropriate, through partnership arrangements in the build up to the WSSD in Johannesburg. These include (a) cooperation and partnerships to promote capacity building in trade, environment and development, such as the UNEP-UNCTAD Capacity

¹ Department of Economic and Social Affairs (DESA), *Actions taken by UNCTAD in assisting developing countries to implement Agenda 21*. Background paper submitted by UNCTAD to the Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development, second preparatory session. DESA/DSD/PC2/BP11, January 2002.

Building Task Force on Trade, Environment and Development (CBTF); (b) a partnership between the secretariats of UNCTAD and the Common Fund for Commodities (CFC) and (c) new partnerships between the BIOTRADE Initiative and several institutions, as follows:

Capacity Building in Trade, Environment and Development

- Cooperation in capacity building in trade, environment and development with WTO, UNEP and other institutions
- UNEP-UNCTAD Capacity-Building Task Force for Trade, Environment and Development (CBTF)
- UNCTAD/FIELD project on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues

Partnership to promote sustainable development of the commodity sector in developing countries

- Joint Initiative by the secretariats of UNCTAD and the Common Fund for Commodities to promote sustainable commodity production and reduction of poverty.

BIOTRADE Partnerships

- Joint BIOTRADE programme CAN-CAF-UNCTAD.
 - Andean Amazonian Bio-business (UNCTAD - WRI - CAF)
 - BIOTRADE and the International Trade Centre (WTO/UNCTAD) joint BioTrade Facilitation Programme (BTFP) for biodiversity products and services.
-

II. UNCTAD'S WORK ON TRADE

A. Recent developments

6. UNCTAD's major objective in the area of trade is to assist developing countries to integrate themselves into, and derive benefits from the international trading system and to increase their participation in world trade.² Another objective of UNCTAD is to support capacity-building in developing countries so as to strengthen their effective

² UNCTAD's work in relation to Chapter 2, in particular programme area A, *promoting sustainable development through trade*, focuses on trade and development needs of developing countries. The UNCTAD X plan of Action recognizes that "trade policies and trade liberalization should be more consistent with overall development objectives and ... make a more decisive contribution of alleviating poverty" (paragraph 52). Similarly, paragraph 3 emphasizes the need to consider the social, human and environmental dimensions of development.

participation in the multilateral trading system. Major areas of work to achieve these objectives, carried out by the Division on Trade in Goods and Services and Commodities (DITC), include: (a) trade negotiations and commercial diplomacy; (b) trade analysis and information; (c) competition policy and law and consumer protection; (d) commodities and (e) trade, environment and development. A detailed analysis of UNCTAD's contribution is presented in document DESA/DSD/PC2/BP11. This report focuses on work in the area of trade, environment and development and commodities.

1. Commission on Trade in Goods and Services and Commodities

7. The Commission adopted agreed conclusions on the *Implication for the work of the Commission following the Doha Ministerial Conference, and related technical cooperation and capacity building activities of UNCTAD* (TD/B/COM.1/L.24, <http://www.unctad.org/en/docs/c1124.en.pdf>). This is elaborated in the next section.

8. Following the Expert Meeting on *Ways to enhance the production and export capacities of developing countries of agriculture and food products, including niche products, such as environmentally preferable products*, which was held in Geneva, from 16 to 18 July 2001, the Commission on Trade in Goods and Services, and Commodities adopted agreed recommendations at the national level, to the international community and to UNCTAD (TD/B/COM.1/L.21, <http://www.unctad.org/en/docs/c1121.en.pdf>). These recommendations can help to promote diversification on the commodities sector and enhance production and exports of environmentally preferable products from developing countries, thereby supporting their efforts to increase participation in world trade and, at the same time, obtain environmental and developmental gains.

9. The Commission also adopted agreed recommendations following the Expert Meeting on *Analysis of Ways to Enhance the Contribution of Specific Services Sectors to the Development Perspectives of Developing Countries: Energy Services in International Trade – Development Implications*, held in Geneva from 23 to 25 July 2001 (TD/B/COM.1/L.21 <http://www.unctad.org/en/docs/c1122.en.pdf>).

10. The Commission agreed on the following topics for expert meetings in 2002:

- Diversification of production and exports in commodity-dependent developing countries, including single commodity exports, for industrialization and development, taking into account the needs of LDCs.
- Audiovisual services, improving the participation of developing countries
- Environmental requirements and international trade.

11. Finally, the Commission agreed to include the following items in the provisional agenda for its seventh session in early 2003:

- Export Diversification, Market Access and Competitiveness
- Trade in Services and Development Implications

- Trade, Environment and Development
- Implementation of Agreed Conclusions and Recommendations of the Commission, including the post-Doha follow-up

2. Midterm review

12. UNCTAD Member States carried out of a “Mid-Term Review” of the implementation of the commitments and work programme agreed to in the Bangkok Plan of Action, which culminated in Bangkok, 28 April to 3 May 2002. UNCTAD Member States recognized the valuable contribution of UNCTAD’s work on trade and environment issues and the CBTF in the light of the WSSD.

Midterm review, Bangkok

“The Bangkok Plan of Action broadened UNCTAD’s work on environmental issues. The work accomplished in this area was well appreciated by member States and valuable in the light of the forthcoming World Summit on Sustainable Development” (paragraph 12).³

“Joint programmes with other organizations, such as the UNEP UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF), are an effective means for delivering mandates and maximizing the impact of UNCTAD’s work” (paragraph 19).

3. Selected other meetings

13. Background paper DESA/DSD/PC2/BP11 provides detailed information on a range of UNCTAD meetings on trade, environment and development issues. This section briefly summarizes some key meetings in 2002.

14. A Joint Workshop on *Rubber and the Environment* of the UNCTAD secretariat and the International Rubber Study Group (IRSG) was held in Glasgow, on 5 February 2002.⁴ Since 1988, UNCTAD, in co-operation with the IRSG, has been organizing a series of international workshops on opportunities and constraints for internalising environmental costs and benefits in prices of natural rubber and rubber products. Apart from Government representatives from the major rubber producing and consuming countries, the workshops have also been attended by a large number of private sector experts from the rubber, tyre and chemical industries.

³ Midterm Review, Stocktaking in respect of the implementation of the commitments and workprogramme agreed to in the Bangkok Plan of Action, paragraph 12. TD/B/S-XIX/3 of 9 April 2002. <http://www.unctad.org/en/docs/tbs19d3.en.pdf>

⁴ The proceedings are available on http://www.unctad.org/trade_env/test1/publications/glasgow.pdf

15. The International Federation for Organic Agriculture Movements (IFOAM), the Food and Agriculture Organization (FAO) and UNCTAD jointly organized a Conference on *International Harmonization and Equivalence in Organic Agriculture* (Nuremberg, 18 and 19 February 2002).⁵

16. The Government of India, Ministry of Industry and Commerce and the UNCTAD secretariat jointly organized an *International Seminar on Systems for the Protection of Traditional knowledge (TK)*⁶ in New Delhi, India, from 3 to 5 April 2002. The meeting was attended by experts from Brazil, Cambodia, Chile, China, Colombia, Cuba, Egypt, Kenya, Peru, Philippines, Sri Lanka, Thailand, Venezuela and India, representatives from the WTO and WHO (regional office) international resource persons and some 100 other participants. Participants discussed (a) issues relations to commercialization of TK, with special focus on medicine; (b) national experiences in the protection of TK, with emphasis on *sui generis* systems; (c) the international dimension of TK protection; and (d) future developments of the international debate. There was a rich exchange of national experiences. Participants recommended that “their countries would work together in various intergovernmental forums particularly CBD, FAO, WIPO, WTO, and UNCTAD to develop an international framework for the recognition of national systems of protection of traditional knowledge, including diverse *sui generis* systems”

17. In April 2002, UNCTAD, through its BIOTRADE programme, provided assistance to an Expert Group meeting on “Sustainable Use of Biodiversity, Traditional Knowledge, and Protection Systems”, organized by the *Group of 15* under the presidency of Venezuela. In particular, the BIOTRADE programme prepared relevant background information on the sustainable use of biodiversity and made presentations on the evolving markets of biodiversity goods and services. Delegations of Algeria, Brazil, Colombia, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Peru, Senegal and Venezuela, as well as representatives from international organizations, such as the Andean Development Corporation (CAF), the Andean Community of Nations (CAN) and WIPO, participated at the Meeting. Participants highlighted the need to share experience with BIOTRADE national programmes and to enhance market access for environmentally friendly products and services, in particular those products and services originated from biodiversity in developing countries⁷.

18. A workshop will be held in Geneva, on 16 and 17 May 2002 to discuss the results of the project on *Standards and Trade* (INT/99/A64), funded by the International

⁵ See http://www.ifoam.org/press/harmonisation_conference.html

⁶ UNCTAD held an Expert Meeting on “*Systems and National Experiences for Protecting Traditional Knowledge, Innovations and Practices*” in October/November 2000. The Trade Commission, at its fifth session (19-23 February and 23 March 2001) adopted agreed recommendations at the national level, for the international community and UNCTAD. A large number of expert papers have been published on UNCTAD’s Trade, Environment and Development website (www.unctad.org/trade_env/index.htm) and an edited hardcopy monograph will be published in early 2002.

⁷ More information, documentation and powerpoint presentations, see <http://www.biotrade.org>

Development Research Centre (IDRC) in Canada. The project has helped to enhance understanding of the possible trade implications of sanitary and environmental standards for developing countries and identify policies that can help to address constraints by developing countries, in particular the Least Developed Countries (LDCs) in responding to sanitary and phytosanitary (SPS) measures and environmental requirements in international markets. Sub-regional or national workshops were held in New Delhi, India (11-13 January 2001), San José, Costa Rica (20 August 2001) and Kampala, Uganda (13 September). Studies were undertaken in three developing regions, i.e. South Asia, Eastern and Southern Africa and Central America and are available on the UNCTAD website.⁸

19. *The Fifth UNCTAD/Earth Council Policy Forum on Trade and Climate Change: the State of the Greenhouse Gas (GHG) Market* took place from 29-31 August 2001 in Rio de Janeiro, Brazil. The meeting brought together over 300 executives, officials and representatives from the private and public sector in over 30 countries. The Forum was organized by UNCTAD in association with the International Emissions Trading Association (IETA). Forum participants addressed trade and investment aspects of climate change, with a particular focus on opportunities for both buyers and sellers of GHG emissions credits and allowances. The Forum was held after political agreement was reached on key elements of the Kyoto Protocol at COP-6 Part II of UNFCCC in July 2001 in Bonn and COP-7 in November 2001 in Marrakech, Morocco. Seeking to continue the international momentum, the Forum brought for the first time buyers and sellers of credits interested in using the protocol mechanisms – emissions trading, joint implementation (JI) and the Clean Development Mechanism (CDM) – to meet their Protocol reduction commitments.

20. UNCTAD, in cooperation with EnviroMarch of Prague and with the support of the UK Foreign and Commonwealth Office (FCO) Challenge Fund will hold a workshop on policy options for Kyoto Protocol implementation in CG11 countries on 28-29 May in Zagreb, Croatia. (CG11 – Central Group 11 countries include Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.) This workshop objectives will be to: (a) share knowledge on policy options available to implement the protocol, their advantages and disadvantages as they apply to CG11 countries, including the use of the Protocol mechanisms; (b) help to establish effective dialogue between CG11 countries and the European Commission and EU Member States on the proposed EU Emissions Trading Scheme; and (c) discuss and identify practical and concrete next steps to further develop the capacity of CG11 countries to implement the Kyoto Protocol.

B. Post-Doha technical assistance and capacity building

21. The Doha Ministerial Declaration emphasizes the need for capacity building to assist developing countries in participating in trade negotiations and in deriving benefits

⁸ http://www.ifoam.org/press/harmonisation_conference.html

from the increased opportunities generated by the Multilateral Trading System (MTS). In accordance with its mandate, UNCTAD has an important role to play in this regard.

1. The UNCTAD programme

22. UNCTAD has designed a programme on “*Technical assistance and capacity building for developing countries, especially LDCs, and economies in transition in support of their participation in the WTO Post-Doha work programme*” (UNCTAD/RMS/TCS/1).⁹ Secretary General Rubens Ricupero presented the programme to the Commission on Trade in Goods and Services (Geneva, 4 March 2002).¹⁰

23. The programme, which covers trade, investment, trade facilitation and electronic commerce, focuses on deepening understanding of the issues involved in WTO negotiations and of their development implications. The programme is demand-driven and responds to priorities expressed by Geneva-based delegated and capital-based officials from developing countries.

24. In implementing the project, a balance is sought between the needs imposed by time schedules for negotiations provided for in the Doha Ministerial Declaration and subsequent negotiating arrangements on the one hand and the long-term development and capacity building needs of developing countries on the other. The programme goes beyond assistance to WTO negotiations and also takes account of economic integration processes as well as the need to build supply capacities.

25. The programme is tailor-made to the national/regional needs of each beneficiary developing country or region. It supports a range of activities to support policy analysis and development; human resource development and institutional development.

26. The Commission on Trade in Goods and Services and Commodities, at its sixth session (Geneva, 4-8 February 2002), welcomed the plan and recognized the contribution of UNCTAD’s work programme on trade negotiations (TD/B/COM.1/L.24).¹¹ The Commission emphasized the need for strengthened and adequately-resourced assistance to respond to these needs and called on UNCTAD to provide enhanced technical assistance to potential beneficiary countries in the area of trade negotiations, human and institutional capacity building, and policy analysis and development. UNCTAD was encouraged to continue cooperation with WTO and other relevant international organizations, the UN regional commissions and others. In the area of environment, UNCTAD will work closely with UNEP and hopes that the programme will contribute to further strengthening of the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development.

⁹ <http://www.unctad.org/commdip/pdf/overalledited.pdf>

¹⁰ <http://www.unctad.org/sg/statements.en.htm>

¹¹ <http://www.unctad.org/en/docs/c1124.en.pdf>

2. Environment

27. The programme contains a specific “window” on environmental issues (window 4). This window will address a series of requests of developing countries, among other issues:

- Brainstorming on the negotiating mandates in the area of environment;
- Development of a positive agenda on trade, environment and development;
- Support to enhance understanding of development aspects of specific policy instruments under multilateral environmental agreements (MEAs) and implications of proposals;
- Support to enhance understanding of implications of negotiations on the interface between agriculture and the environment;
- Environmental goods and services;
- Environmentally preferable products, in particular organic agricultural products;
- Environmental and SPS requirements and market access;
- Traditional knowledge (TK) – support to effective participation in discussions in WTO, WIPO and CBD;
- Training on trade and environment; and
- Impact assessments.

28. The programme is being implemented in close cooperation and coordination with the WTO, UNEP, other intergovernmental organizations, civil society and the private sector. Of particular importance is the UNEP-UNCTAD Capacity Building Task Force (CBTF) on Trade, Environment and Development

29. Activities carried out under the programme include:

- Policy dialogues and briefings with Geneva-based delegations
- Regional seminars on specific issues
- National policy dialogues to facilitate policy-coordination on key issues, preferably based on a multi-stakeholder process and with the active involvement of the private sector and other members of civil society.
- Training seminars (3 to 4 days).
- National capacity-building projects

III. CAPACITY BUILDING IN TRADE, ENVIRONMENT AND DEVELOPMENT

30. The WSSD process should provide further impetus to cooperation in and coordination of technical cooperation and capacity building activities of UNCTAD, UNEP, the WTO, regional economic and social commissions, other institutions and civil society.

A. Cooperation with the WTO and UNEP

31. Close cooperation exists between the secretariats of UNCTAD, the World Trade Organization (WTO) and UNEP. In the area of trade, environment and development, such co-operation has been very useful, for example in preparing the Secretary General's reports on Trade, Environment and Sustainable Development and is being strengthened further in response to the Doha Ministerial Declaration.¹² Country case studies and other studies carried out under UNCTAD's and UNEP's technical cooperation projects have provided inputs to the WTO Committee on Trade and Environment. The WTO secretariat has participated in and provided resource persons for several seminars organized by UNEP and UNCTAD aimed at assisting developing countries in issues related to Agenda 21.

32. UNCTAD and UNEP have been co-operating with the WTO secretariat in the context of the series of WTO regional seminars on trade and environment. UNCTAD and UNEP staff have been invited to act as resource persons for these seminars. In addition, UNCTAD, UNEP and CBTF have organized back-to-back events to increase the impact of the close cooperation between the three institutions. For example, a CBTF's meeting has been scheduled back-to-back with a WTO regional seminar for Asian Countries in Singapore and another meeting is scheduled back-to-back with a WTO regional seminar for African countries.

B. UNEP-UNCTAD Capacity-Building Task Force for Trade, Environment and Development (CBTF)

33. Recognizing the need for technical assistance on trade and environment in favour of developing countries and countries with economies in transition, UNCTAD and UNEP launched, in 2000, a Capacity-Building Task Force for Trade, Environment and Development (CBTF). The objective is to help developing countries enhance

¹² The declaration, in paragraph 6, encourages efforts to promote cooperation between the WTO and relevant international environmental and developmental organizations, especially in the lead-up to the WSSD.

understanding of trade, environment linkages, address trade-related environmental and environment-related trade problems and participate effectively in international negotiations. UNEP and UNCTAD also launched a special programme for the Least Developed Countries (LDCs) to help implement the Programme of Action for the LDCs for the decade 2001-2010, adopted at the third UN Conference for the LDCs (Brussels, May 2001).¹³ So far, the Governments of Germany, Norway, Sweden, the United Kingdom and the United States as well as the European Commission have funded the CBTF.

34. Several CBTF projects were completed or initiated in 2001. These include a regional workshop in Mexico and projects on integrated assessments of trade policies in Lebanon and Indonesia. One thematic project, designed and implemented in close co-operation with the secretariat of the Basel Convention aims to support some 10 countries in Central America and the Caribbean to build capacity of sound management of used vehicle batteries, including through regional co-operation.

35. Two CBTF training workshops were organized in 2001. The first workshop was held in Havana from 10 to 14 December 2001. It was hosted jointly by the ministries of Science, Technology and Environment (CITMA) and Industry, Commerce and Tourism (MICTUR) for around 40 participants. Resource persons included experts from the UNCTAD, WTO and OECD secretariats as well as the Government of Cuba. The second CBTF training workshop was held in Hanoi from 17 to 19 December 2001. It was hosted by VIETRADE (Viet Nam Trade Promotion Agency, Ministry of Trade of Viet Nam). There were around 40 participants from different ministries and the private sector, as well as experts from the trade and environment ministries of Cambodia and Lao People's Democratic Republic. Resource persons included experts from UNCTAD and the Government of Viet Nam, especially the Ministry of Trade, the Ministry of Science, Technology and the Environment (MOSTE) and the Directorate for Standards and Quality (STAMEQ). Both seminars generated initiatives for follow-up activities.

36. A CBTF workshop was held in Brussels (21-22 February 2002) to discuss, among other things, policy options to promote production and trading opportunities for organic agricultural products from developing countries. The workshop, which was funded by a grant from the European Commission¹⁴ and hosted by the ACP secretariat, allowed for a very informative and constructive dialogue that 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 16 developing countries including Argentina, Bolivia, Cambodia, Chile,

¹³ The Third UN Conference for the LDCs (Brussels, May 2001) adopted the *Programme of Action for the Least Developed Countries for the Decade 2001–2010*.

¹⁴ In addition, the UNCTAD Trust Fund for the Least Developed Countries provided support to enable experts from selected LDCs to attend this meeting as well as a *Conference on International Harmonization and Equivalence in Organic Agriculture*, that was organized by the International Federation for Organic Agriculture Movements (IFOAM), in co-operation with UNCTAD and FAO (Nuremberg, 18 and 19 February 2002).

Costa Rica, Ethiopia, Haiti, India, Kenya, Mozambique, Peru, Senegal, South Africa, Tunisia, Uganda and Zambia, as well as around 35 representatives from ACP missions in Brussels attended the meeting. An expert from Madagascar also contributed to the meeting. The report of meeting, expert papers, powerpoint presentations and other information are available on the website http://www.unctad.org/trade_env/index.htm.

37. Considerable progress has been made in assisting LDCs identify capacity-building needs. Under the special CBTF programme for LDCs three projects are being implemented with the financial contribution of the Government of Sweden. These include a capacity building needs assessment seminar for Lusophone countries hosted by the Government of Mozambique, a workshop on selected global environmental issues for Lusophone countries hosted by the Government of Brazil and a project on environmental impact assessment in the agriculture sector of Cambodia, with particular focus on castor seed production and export (including options for organic agricultural produce).

38. So far, CBTF has completed relatively small but highly successful projects. Other projects are being implemented. On many occasions member States have welcomed UNCTAD-UNEP cooperation and expressed strong support for the CBTF. However, demand for capacity building under the CBTF, including the special programme for LDCs, far exceeds current levels of funding. A large number of highly valuable proposals for CBTF projects submitted by governments and research institutes in developing countries and countries in transition, as well as the secretariats of regional integration organizations, await funding.

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

39. Under the project “*Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues*”, UNCTAD and the London-based Foundation for International Environmental Law and Development (FIELD), with the financial support of the UK Department for International Development (DFID), will assist selected developing countries in Asia, Africa and Latin America in building national and regional capacities to deal with trade, environment and development issues.¹⁵ The project will be implemented over a period of 2 years, starting in May 2002.¹⁶ DFID has committed £ 1 million to the project.¹⁷

¹⁵ This project is a follow-up to the UNCTAD/FIELD project on *Strengthening Research and Policy-Making Capacity on Trade and Environment in Developing Countries* (Project INT/98/A61) implemented between mid 1999 and mid 2001. It brought together trade and environment policy makers from 10 developing countries: Bangladesh, Brazil, Costa Rica, Cuba, India, Philippines, South Africa, the United Republic of Tanzania, Tunisia and Uganda. Three workshops, held in different developing regions, also involved a larger group of policy makers, the private sector and NGOs in these discussions. In addition, a London Roundtable allowed for an exchange of views with developed country experts

¹⁶ The project includes a six-month planning phase. This period will be used for the selection of beneficiary countries, the selection of issues to be addressed, the preparation of scoping papers and the elaboration of modalities for implementation.

40. The project has the following objectives:

- Facilitate a process of improving policy co-ordination and developing holistic approaches to trade and environment issues of key concern to the beneficiary countries in a manner that reflects developmental needs;
- Assist interested developing countries in participating effectively in negotiations and discussions on trade and environment in the post-Doha process;
- Assist the core countries in developing and implementing practical and meaningful legal and policy initiatives in at least one specific trade and environment area; and
- Contribute to consensus building at the regional level.

41. The project will involve 12 to 15 developing countries in 3 regions.¹⁸ The project will pay special attention to the needs of the Least Developed Countries (LDCs). The primary beneficiaries of the project's activities are government officials based in capitals. The project also targets representatives of Geneva-based missions responsible for negotiations in the World Trade Organization (WTO) and multilateral environmental agreements (MEAs). In addition, the project will aim to include senior managers in the private sector, academics, and non-governmental organizations (NGOs).

42. The issues to be addressed are grouped in two clusters. The first cluster focuses on issues arising from the Doha Ministerial Declaration. The second cluster focuses on issues deriving from an earlier UNCTAD/FIELD project. The planned project activities will supplement thematic research and country projects under the CBTF. For example, issues discussed in regional policy dialogues may be further addressed through CBTF projects.

43. The project activities will also have a close interrelationship with an initiative by the South Center, Commonwealth Secretariat, FIELD, UNEP and UNCTAD on capacity building for post-Doha discussions and negotiations on trade, environment and development.

¹⁷ At the UNCTAD Midterm Review in Bangkok, the delegation of the United Kingdom announced this and other contributions in the face of increasing needs for assistance after the WTO Doha Ministerial Meeting in support of trade negotiations and to realize the potential of trade as an engine for growth and poverty reduction. Draft report of the Trade and Development Board on its nineteenth special session: Midterm Review. TD/B/S-XIX/L.2, Paragraph 32. <http://www.unctad.org/en/docs/tbs19l2.en.pdf>

¹⁸ See UNCTAD's Trade, Environment and Development website (www.unctad.org/trade_env/index.htm) for details.

IV. BIOTRADE

44. The mission of the UNCTAD BIOTRADE Initiative is to stimulate trade and investment in biological resources to further sustainable development in line with the three objectives of the CBD (see www.biotrade.org).

45. The BIOTRADE Initiative provides technical assistance in support of the implementation of Agenda 21 and the Convention on Biological Diversity. It provides a practical response to the Commission on Sustainable Development's recommendation contained at its fifth session "to provide incentive measures at national, regional and international levels to promote the conservation and sustainable use of biological diversity, by enhancing developing countries' capabilities to compete in the emerging market for biological resources, while improving the functioning of this market".

46. UNCTAD BIOTRADE has established a number of partnerships with national and regional organizations with the aim of setting up programmes that enhance the capability of developing countries to produce value-added products and services derived from biodiversity, for both domestic and international markets. These partner organizations, in turn, have their networks of local organizations working in the field. This approach allows partners to address all aspects of the value chain of natural products, including market and policy issues. This approach builds on the comparative advantages of each different organization, creating synergies, minimizing duplication, and maximizing the use of scarce resources.

47. In the *BIOTRADE country programmes*, national and regional partners, together with other local actors such as local private sector, government, NGOs, universities, and local and indigenous communities, develop policies, strategies and pilot projects to promote trade and investment in products and services derived from biodiversity. This includes, for instance, the development of market information systems, provision of services related to trade facilitation and business development, and support to integration of sustainability criteria in productive processes. Country programmes help develop a resourceful public-private partnership environment, which reduces transaction costs, promotes trade following sustainable use principles and facilitates improved market access for individual producers.

48. Country programmes are currently being implemented in Bolivia, Colombia, Ecuador Peru, and Venezuela, in coordination with national partners and in close collaboration with the UNDP. The programmes are advancing positively and concrete results, for example in the case of Colombia are shown in box 1.

Box 1: BIOTRADE Colombia

The BIOTRADE programme in Colombia “Biocomercio Sostenible” started following a pioneering workshop in March 1999 that brought together national and international experts. The objective of the programme is to foster the use of biodiversity-based products and services for the progress of Colombia. Achievements since its inception include:

- Nine BIOTRADE offices were opened in Colombia in cooperation with the regional development corporations.
- An information system gives information to entrepreneurs, including market information, contact information and background studies (see: www.humboldt.org.co/biocomercio).
- The Ministry of Environment and the Ministry of Foreign Trade of Colombia, together with BIOTRADE Colombia and the Colombian Trade Promotion Organisation, have developed a master plan to develop productive chains for medicinal plants and essential oils.
- A special programme is being developed together with representatives of indigenous communities to better integrate indigenous communities in the activities of the Colombian BIOTRADE programme.
- Sustainability criteria that are applied to all BIOTRADE projects in Colombia were developed by a multi-disciplinary team of one of the leading biodiversity research institutes, the von Humboldt Institute.
- Together with the Andean Development Bank (CAF), a contest called 'Concurso Biocomercio Sostenible' was organised. The contest provided soft-credits to the following categories: community based organisations, small enterprises, medium-sized enterprises.
- BIOTRADE Colombia together with the Colombian Trade Promotion Organisation and the Dutch Centre for the Promotion of Imports (CBI) are partnering in an export promotion programme for 'natural ingredients for pharmaceutical and cosmetics'. The ten companies that have been selected to date to participate in the programme will receive technical assistance, export promotion training, trade fair participation in Europe, and support in matchmaking and negotiating.

49. At the regional level, UNCTAD cooperates with the NGO Nucleus of Action for Sustainable Development (POEMAR), Belém, Brazil, on Programme Bolsa Amazonia. This programme supports local communities in seizing biodiversity business opportunities for natural products from the Amazonian region by forging links with the private sector (<http://www.bolsamazonia.com.br/>).

50. A joint programme was also established with the Andean Development Corporation (CAF) and the Andean Community of Nations (CAN) to collaborate on the implementation of BIOTRADE in the Andean countries. The first phase of a joint programme was completed in 2001. It supported the Andean country programmes, enhanced regional coordination and supported the formulation of the Regional

Biodiversity Strategy for the Andean Region, which includes BIOTRADE as one of its priority areas.

51. During the WSSD meeting in Johannesburg, UNCTAD, CAN and CAF are planning to sign a partnership agreement to announce a five year second phase. The second phase is supporting: (a) the establishment of an appropriate institutional environmental framework to promote and develop biodiversity product and service markets, under sustainable use principles; (b) the development of an Andean BIOTRADE Information System; (c) the development of technological capacity in the countries; and (d) the financial assistance for the development of bio-businesses through an investment fund.

52. During WSSD, the UNCTAD secretariat is also planning to sign a partnership with the World Resources Institute (WRI) and CAF in an attempt to generate new investments for sustainable use of biodiversity with the aim of contributing to biodiversity conservation and poverty alleviation.

53. *At the international level*, UNCTAD BIOTRADE and the International Trade Centre UNCTAD/WTO in Geneva, are developing a joint BioTrade Facilitation Programme (BTFFP) for biodiversity products and services. This programme responds to requests of the national and regional BIOTRADE partners for assistance in the area of trade promotion of biodiversity products and services. This programme will provide practical support to enterprises of developing countries to access the export markets for biodiversity products and services, thereby diversifying their production base in a sustainable manner. Technical partners in the programme include the Dutch Import Promotion Agency (CBI), the Swiss Import Promotion Programme (SIPPO). Partners in developing countries include among others the Southern African Natural Product Trade Association (SANProTA), Programme Bolsa Amazonia and the Andean BIOTRADE programmes.

54. UNCTAD and ITC are planning to sign a partnership during the Rio + 10 meeting to launch this BioTrade Facilitation Programme. Other BIOTRADE partners at the international level include CITES secretariat, FAO and TRAFFIC.

V. COMMODITIES

A. Background

55. Agenda 21, Chapter 2, emphasizes the importance of *improving international cooperation in commodity trade and the diversification of the sector* (paragraph 2.16). UNCTAD has been providing information and analysis on international commodity markets and assisting developing countries in designing policies aimed at enhancing the contribution of the commodity sector to sustainable development and economic diversification, promoting the application of modern commodity price risk management

and financial instruments, and increasing their participation in value-added chains. For example, under a project on “*capacity-building for diversification and commodity-based development*”, financed from the UN Development Account, seven regional and subregional workshops were held for African (three workshops), Central American, Central Asian and Pacific island countries, Asian LDCs and countries with economies in transition. National workshops were held in Cuba, Gambia, Nigeria and Peru. Several more (Guinea, Mauritius, the Philippines and Uzbekistan) are under preparation. In addition, a large number of developing countries have requested specific assistance in capacity building, which will be provided subject to the availability of resources.¹⁹

56. A significant number of developing countries has been assisted in making use of risk-limiting instruments, including through awareness raising activities and training. UNCTAD’s work on structured commodity finance, warehouse receipt finance, emerging commodity exchanges has led some Governments (Cameroon, Cuba, Ghana, Zimbabwe) to review their policies in order to facilitate risk management and structured commodity finance by private sector operators. Assistance was provided to the ACP countries in the negotiating process for the Cotonou Partnership Agreement, particularly on the reshaping of compensatory mechanisms.

57. In recent years, UNCTAD’s work on commodities has paid specific attention to assisting developing countries in improving natural resource management, increasing the production and exports of environmentally preferable products (including fair-trade products) and enhancing understanding issues related to the internalization of environmental costs and benefits. For example, UNCTAD has been assisting developing countries in improving the management of natural resources and sustainable resource-based development through capacity-building and policy networking activities (supported by the *Natural/Mineral Resources Forum* website www.natural-resources.org), with a focus on mineral-dependent economies in Africa and Latin America. Work has also been carried out on a framework for the formulation of sustainable development strategies in areas dependent on mining.

58. UNCTAD will continue to assist developing countries in using their commodities sector to promote sustainable development. It is envisaged that this will include actions that can improve the use by developing country Governments of the “policy space” in the field of commodities resulting from WTO negotiations, enhance the competitiveness of their commodity sector and remove supply side obstacles to increased exports and retained value added.

¹⁹ See <http://www.unctad.org/infocomm/anglais/indexen.htm>

B. UNCTAD-CFC joint initiative on Commodities and Sustainable Development

59. In many developing countries, particularly least developed countries, the commodity sector provides employment for a large proportion of the work force and generates savings and foreign exchange necessary for development. It is estimated that, overall, more than two and one half billion people depend on commodity production for their livelihood and one billion people in developing countries derive a significant share of their income from export commodities. Moreover, the incidence of poverty in these countries is most acute in the rural sector where commodity production is the principal occupation. Poverty is also associated with low skills, inability to take risks and lack of resources for investments.

60. The current state of the world commodity economy is characterized by prices at historically low levels, agricultural products facing significant market access barriers and distortions, international markets and value chains dominated by large firms that appropriate an increasing proportion of value added, and developing countries unable to increase or even maintain their market share for many high-value and processed products.

61. Commodity sector development calls for measures to address many problems of international scope as well as the design and implementation of measures at the national level that would encourage sustainable production methods. International support for national and regional initiatives is indispensable for success.

62. Commodities can have both positive and negative effects on the environment. Although environmental problems may occur in commodity production and processing in developing countries, ways to overcome these problems exist and, perhaps more importantly, this sector has great potential for providing environmental services and reducing environmental stress. Studies undertaken by UNCTAD²⁰ have examined these issues. Several projects financed by the Common Fund for Commodities²¹ (CFC) have also demonstrated ways to improve sustainability of production and increase the efficiency of natural resource utilization while enhancing productivity and contributing to poverty reduction.

63. UNCTAD and CFC are embarking upon a partnership and preparing a “type 2 initiative” that aims to promote sustainable development of the commodity sector in developing countries. This joint initiative is based on the realization that the sustainability of the commodity sector is a prerequisite for sustained development in many developing countries and that appropriate environmental management calls for sustainable

²⁰ E.g. “Reducing the environmental stress of consumption without affecting consumer satisfaction” (TD/B/CN.1/25, 26 August 1994) and “Sustainable development and the possibilities for the reflection of environmental costs in prices” (TD/B/CN.1/29, August 1995)

²¹ <http://www.common-fund.org>

commodity production and reduction of poverty. This initiative on commodity sector development would cover all facets of the commodity economy from production through trade to consumption. It will address simultaneously the three components of sustainable development, namely, economic growth, social development and environmental conservation as mutually reinforcing pillars. Poverty eradication and changing unsustainable patterns of commodity production and consumption, where they exist, will also be essential elements of this initiative.

64. The initiative aims to enhance the competitiveness of commodity production and exports by developing countries while paying particular attention to minimizing the negative environmental effects and maximizing the positive ones. Policies and measures are needed that would encourage environmentally sustainable commodity production and processing. Capacity building on environmentally sound intensification and diversification of agricultural production, sustainable livestock farming, sustainable exploitation of forestry resources and fishery stocks, promoting the use of other renewable resources, and combating desertification through appropriate commodity production are important elements. Regarding mining, sustainable development in mining areas, environmentally sound mining methods, energy efficiency and the rehabilitation of mined-out areas and their return to other economic activities are emphasized. In all cases, access to technology and finance as well as the utilization of resource rents and export earnings for furthering sustainable development are included as important areas of concern.

65. International, regional and national actions are called for in the implementation of the various areas of the initiative. While pointing out the importance of multilaterally agreed actions such as liberalization of trade and reduction of subsidies, the initiative will focus on areas specific to the commodity economy and on certain macro level measures needed for the sustainable development of the commodity sector. In this context, the initiative will support commodity specific actions as well as economic policies that provide an enabling environment for commodity sector development and thus poverty reduction.

66. The two secretariats are further elaborating this partnership initiative in the build up to the WSSD.

VI. CLIMATE CHANGE

67. UNCTAD's work on greenhouse gas (GHG) emissions trading began in 1991, with the goal of reducing the impact of climate change by fostering an integrated global emissions trading system. Since then, UNCTAD has applied its expertise and experience in commodities trading to research and capacity building in GHG trading. In June 1997, UNCTAD joined forces with the Earth Council Institute to create the Carbon Market Policy Forum, which led to the formation of International Emissions Trading Association (IETA). With the negotiation of the Kyoto Protocol in late 1997 and its final adoption in November 2001 in Marrakech, UNCTAD has gradually shifted the focus of its work

towards enabling developing and transitional countries to fully participate in the emerging climate regime, including in its clean development mechanism.

68. The imminent ratification of the Kyoto Protocol will put in practice a binding multilateral environmental agreement with clear trade and economic implications. The Kyoto Protocol will require that developed countries in meeting their reduction targets make use of fiscal policy or set technical requirements with a view to reduce GHG emissions domestically. Alternatively, they could aim to meet part of their reduction targets by using market and trade mechanisms developed under the protocol's three flexibility mechanisms (i.e. joint implementation, the clean development mechanism and emissions trading). In all these issues UNCTAD has a clear role to play, primarily with respect to the interests of developing countries in participating in and assessing risks and opportunities associated with the Kyoto Protocol.

69. UNCTAD has provided countries interested in the emerging carbon markets with assistance to assess the potential of these markets and to evaluate the trade and economic implications of this global effort to reduce GHG emission levels.

Concretely, UNCTAD is providing technical assistance to countries with an economy in transition in their discussion on policy options to implement the Kyoto Protocol, with emphasis on the application of the Protocol's market-based mechanisms. This assistance aims to assist EIT in integrating the Kyoto Mechanisms and the proposed EU-wide emissions trading scheme in their climate policies. UNCTAD is also assisting developing countries in the formulation of national CDM Implementation guides. Finally, in cooperation with the Earth Council Institute, UNCTAD is developing an E-learning facility to provide more effective learning opportunities on the various issues concerning the emerging carbon market. It is expected that the facility will be developed enough to be launched in time for WSSD²².

²² For further information on UNCTAD activities on climate change and the Kyoto Protocol, see www.unctad.org/ghg.

ANNEX: UNCTAD ASSISTANCE TO DEVELOPING COUNTRIES CONCERNING AGENDA 21 AND THE WSSD

UNCTAD, in cooperation with other relevant intergovernmental organizations, will continue to assist developing countries on issues that are relevant in the context of Agenda 21 implementation and the WSSD, for example by:²³

- Continuing its integrated examination of linkages among trade, investment, technology, finance and sustainable development;
- Assisting developing countries in participating in the post-Doha WTO work programme;
- Further developing a comprehensive capacity-building programme on trade and sustainable development, with focus on the UNCTAD/UNEP CBTF and training;
- Promoting economic diversification in the commodities sector and assisting developing countries in their efforts to enhance the contribution of this sector to sustainable development;
- Promoting mutual supportive trade and environment policies by supporting policy dialogues and research on policy packages for internalizing environmental costs and benefits in prices of resource-intensive goods as well as joint work with UNEP on economic instruments and integrated impact assessments;
- Encouraging sustainable management of material/natural resources, including environmentally sound resource recovery;
- Promoting trading opportunities for environmentally preferable products;
- Launching the Science and Technology Diplomacy Initiative;
- Improving understanding of investment issues and strengthen the capacities of developing countries to participate in discussions and negotiations;
- Carrying out studies and implementing projects to promote the transfer of environmentally sound technologies to developing countries;
- Assisting developing countries in protecting and harnessing traditional knowledge for development;
- Assisting developing countries in dealing with policy issues relating to biotechnology;
- Further developing a programme on trade, investment and technology aspects of climate change policies, including the Clean Development Mechanism (CDM);
- Further developing the BIOTRADE Initiative, including in Africa.

²³ DESA/DSD/PC2/BP11, January 2002