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Regional Office for Latin America and the Caribbean**

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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT  
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A. PREPARATORY MEETING OF EXPERTS  
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# Trade and Environment

This information package on *"Trade and Environment"* is a contribution of the Inter-Agency Technical Committee (ITC) to the Fourteenth Meeting of the Forum of Ministers of the Environment of Latin America and the Caribbean, to be held in Panama City from the 20<sup>th</sup> to the 25<sup>th</sup> November 2003.

The Inter-American Development Bank (IADB) has coordinated the activities of preparation of this document. It has received inputs and contributions from the Governments of Brazil, Cuba, Honduras, Mexico, Nicaragua and Saint Lucia, as well as from the United Nations Environment Programme (UNEP), the World Bank (WB), the Economic Commission for Latin America and the Caribbean (ECLAC), the World Trade Organisation (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the Organisation of American States (OAS).

## I. Background

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1. Trade and environment is a growing priority for the countries of the region, both in the sense that it is increasingly acknowledged that the promotion of economic growth has an impact on the conservation of the natural environment that is important to understand and integrate in decision making, and because trade opens for possibilities to create new markets for environmental goods and services which can be a great source of growth. It has become apparent that trade serve as vehicle for sustainable development only when an institutional framework is in place that adequately secures environmental standards. In order to achieve this it is necessary to formulate integrated policies that involve variety stakeholders such as ministries of trade, environment and agriculture, with the participation of the private sector and civil society representatives.

2. Trade and environment have gained momentum in Latin America and the Caribbean due to the relevance for the growing amount of bilateral and regional free-trade agreements. Examples include: CAFTA; Chile-EU; Chile-USA; Chile-Canada; Costa Rica-Canada; MERCOSUR; Mexico-NAFTA and FTAA.

3. The political recognition of the important interrelation between trade and environment in the region dates back to the agreement of the Free Trade Area of the Americas, proposed in 1994 in Miami, where the Heads of State in the final document recognizes that:

*“Social progress and economic prosperity can be sustained only if our people live in a healthy environment and our ecosystems and natural resources are managed carefully and responsibly.”*

4. This declaration has been followed by similar statements both in the Santiago declaration from 1996: “the environment...will be taken into account as we proceed with the economic integration process in the Americas”, and the Quebec declaration from 2001 saying: “...view to ensuring a balance among economic development, social development and the protection of the environment.”

5. Trade and Environment has also become a priority issue on the global agenda. For instance in relation to the implementation plan of the Johannesburg agreement the WSSD states the importance to:

*“Enhance the delivery of coordinated, effective and targeted trade-related technical assistance and capacity-building programmes, including to take advantage of existing and future market access opportunities and to examine the relationship between trade, environment and development” (paragraph 45(e)).*

*“Continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development” by encouraging “efforts to promote cooperation on trade, environment and development, including in the field of providing technical assistance to developing countries, between the secretariats of WTO, UNCTAD, UNDP, UNEP and other relevant international environmental and development and regional organizations” (paragraph 91(c)).*

*“Continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development” and “encourages the voluntary use of environmental impact assessments as an important national-level tool to better identify trade, environment and development inter-linkages. Further encourage countries and international organizations with experience in this field to provide technical assistance to developing countries for these purposes” (paragraph 91(d)).*

6. In a similar fashion the Doha Ministerial Declaration of the WTO states that:

*“We strongly reaffirm our commitment to the objective of sustainable development, as stated in the Preamble to the Marrakech Agreement. We are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive. We take note of the efforts by Members to conduct national environmental assessments of trade policies on a voluntary basis.” (Paragraph 6)*

*“We recognize the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them. We also encourage that expertise and experience be shared with Members wishing to perform environmental reviews at the national level. A report shall be prepared on these activities for the Fifth Session.” (Paragraph 33)*

7. The Forum of Ministers of the Environment has highlighted Trade and Environment as a priority area through decisions adopted at the XII meeting, celebrated in Bridgetown, Barbados, in March 2000. Later the subject has been identified and included among the priorities of the Latin American and Caribbean Initiative for Sustainable Development (LACI). The Inter-agency Technical Committee (ITC) of the Forum of Ministers of the Environment at its meeting in Brasilia, Brazil, in July 2003, agreed to focus on regional needs for strengthening the countries capacity to effectively engage in the processes of trade negotiations and implementation.

#### **A. Recent events and issues**

8. As mentioned above the region is in the midst of on-going discussions on trade negotiations. In spite of the political recognition of the importance of the linkage between trade and environment, in general considerations about environment are either not in the agenda or they are still treated as a residual issue. Also, environmental authorities for the most part have not been directly involved in the trade negotiations.

9. It is evident that there is a significant information gap in terms of predicting environmental and socio-economic effects (positives and negatives) of trade agreements at the country and regional level. In addition it is clear that any success of the countries of the region in reaping benefits from international trade depends on their capacity to adopt and comply with internationally recognized and sound environmental practices.

10. Trade agreements offer an opportunity for environmental institutions to strengthen their own capacities, including the capacity to enforce the national regulatory frameworks. Therefore, there is a need to develop institutional capacities and expanding the critical mass of experts, not only in the environmental ministries but also in the ministries responsible for trade and economy, in the academic sector and in civil society, in order to consolidate and improve the link between trade and environment within the processes of regional integration and in national development policies.

11. With the view of strengthening capacities, important events, with the support of multilateral and bilateral agencies have been undertaken. Among others:

12. The UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the LAC Region, that took place in Mexico City, 27-28 March 2003, seeking to generate a basis for developing funding proposals for regional or sub-regional capacity building programmes for integrated assessment of trade agreements and trade-related policies.

13. The High level meeting in El Salvador, on August 18th 2003, with the participation of authorities from the environmental ministries, ministries of trade and or ministries of foreign relations from Belize, Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama and with the assistance from international organizations and experts helped to promote an open debate about the interrelations between international trade and environment, from a policy making point of view.

14. The IDB workshop in Washington, DC, on September 26th 2003, with participation from, OAS, UNCTAD, UN-ECLAC, UNEP, the World Bank, WTO, and a range of international experts as well as WWF, USAID, USEPA seeking to identify environment and trade related capacity needs in the region with a specific focus on finding ways to increase inter-institutional coordination around the issue. An important outcome of the meeting was the participation of institutions in addition to the members of the ITC, such as the WTO, the UNCTAD and the OAS. The meeting largely sought to find ways to effectively support the Forum of Ministers in identifying a menu of actions that could be fostered in the context of inter-agency coordination. The action plan proposed in section 4 in this document largely reflects the conclusions and recommendations of this meeting.

### **B. Key lessons from recent trade agreements:**

15. The meetings mentioned above have shed light on important lessons and recommendations. It is particularly worth noting the following experiences, as expressed by authorities or experts that have taken part in the process, with relation to the cases of three countries of the region (Chile, Costa Rica and Mexico).

#### ***a) Mexico and the North American Free trade Agreements***

16. This was the first free trade agreement signed by any LAC country, and therefore it offers important lessons to the region in terms of assessing impacts of trade agreements.

17. The application of the trade agreement has contributed significantly to the supervision and improvement of the effectiveness of the implementation of the Mexican environmental legal framework (Víctor Lichtinger, Sub Secretary for the Environment and Natural Resources, Mexico);

18. The structural and scale effects related to increased economic activity (derived from trade) that could cause negative impacts on the environment have been accompanied by positive aspects such as: the reduction of distortional subsidies, improvement in access to new technology, strengthened environmental legal framework and the impulse to increased public participation in favor of an improved environment (Víctor Lichtinger, Sub Secretary for the Environment and Natural Resources, Mexico);

19. Technology improvement in Mexico, thus far, has not been enough to offset the scale effects of increased economic activity, and therefore there is evidence of marginal increases in pollution and CO<sub>2</sub> (Chantal-Line Carpentier, CEC);

**20.** The processes of trade liberalization have to be accompanied by an adequate development of the legal and regulatory frameworks that include the use of market based economic instruments with a view to forge a competitive price setting that adequately reflects an internalisation of all costs and benefits of the economic activity (V́ctor Lichtinger, Sub Secretary for the Environment and Natural Resources, Mexico).

**21.** Specific projects have been carried out that have demonstrated the possibility to establish positive links between trade and environment, like the cultivation and increasing export of shade-grown coffee (V́ctor Lichtinger, Sub Secretary for the Environment and Natural Resources, Mexico).

**22.** It is very difficult for governments, industry groups, and academia to predict economic impacts especially in developing countries. There is a persistent need to bridge the gap between ex-ante and ex-post evaluations (Chantal-Line Carpentier, CEC).

***b) Chile's free trade agreement with the USA.***

**23.** This bilateral free trade agreement is, as the first of its kind, accompanied by a chapter on the environment within the trade agreement. This chapter is considered to represent state of the art with respect to the integration of trade and the environment, and it also contains new dispositions such as that on corporate social responsibility.

**24.** This agreement will contribute to the recognition and appreciation of Chile as a country that is strongly associated with the principles of sustainable development (Edda Rossi, Chief of International Economic Relations, Ministry of International Relations, Chile).

**25.** To obtain and improve access to international markets, complying with increasingly strict environmental standards should be part of a competitive strategy that is strengthened by trade agreements, but it also requires national actions to promote the quality of natural resource management (Edda Rossi, Chief of International Economic Relations, Ministry of International Relations, Chile).

**26.** In Chile trade professionals work closely with environment professionals, which is indispensable both in bilateral and multilateral trade negotiations. National inter-institutional coordination is of extreme importance. (Edda Rossi, Chief of International Economic Relations, Ministry of International Relations, Chile).

***c) Costa Rica's free trade agreement with Canada***

**27.** Costa Rica has developed a positive international image both in the field of environment as well as the field of trade. The trade agreement with Canada marks a change of paradigm in trade agreements, since Costa Rica moves from the traditional stand of opposing any environmental standards as a unjustified barrier to trade towards a stand that integrates trade and environment.

**28.** A proactive vision on the integration of trade and environment is necessary in the present context of international trade agreements particularly considering the important benefits associated with maintaining the image of Costa Rica as a front runner for environmental conservation (Gabriela Llobet, Vice Minister of International Trade, Costa Rica).

## II. Main issues or emerging implications in the sector

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29. This section mainly draws on conclusions and recommendations from the IDB meeting where the following points were argued to be key priority issues to be addressed:

- a) *Knowledge gap*: In general there exist a need to improve the understanding of environment-trade-sustainable development linkages. It is very difficult for governments, industry groups, and academia to predict economic impacts of trade especially in developing countries. There is a persistent need to bridge the gap between ex-ante and ex-post evaluations.
- b) *Inter-sector policy dialogue*: National inter-institutional coordination is of extreme importance. It is indispensable for the engagement both in bilateral and multilateral trade negotiations that professionals and policy makers from trade work closely with professionals and policy makers from the environmental sectors at a national level.
- c) *Inter-institutional cooperation*: There is an increasing recognition for the need of international institutions to cooperate and mutually benefit from their individual comparative advantages, with the view to better serve the needs of the countries from the Latin American and Caribbean region.
- d) *Compliance with commitments*: The processes of trade liberalization have to be accompanied by an adequate development of the legal and regulatory frameworks that include the use of market based economic instruments with a view to forge a competitive price setting that adequately reflects an internalisation of all costs and benefits of the economic activity. Key concerns are: Enforcement of existing legislation; new internal regulations; and administrative capacities.

## III. Options for action

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30. Based on the above diagnostic there are at least three specific sets of action the ITC and other involved agencies could take:

- a) First of all it is evident that all involved parts would benefit from increased cooperation due to the complex character of the issue at stake and the fact that each agency possesses their own comparative advantages and limitations. This would enable the countries of the region to access an improved and amplified level of services from the international institutions.
- b) Second, in order to improve the cooperation between countries of the region and the international agencies it is necessary to help specify and make explicit the demands related to trade and the environment, for the agencies to have a mandate to respond to.
- c) Third, due to the continued general need of capacity strengthening it would be fruitful to continue and amplify already started training and capacity building activities.

35. These recommendations are based on information received from several agencies.





# **Annexes**



## Annex I Stock-Taking

This annex presents an update of activities planned or underway, as reported by the respective agencies of the Inter-Agency Technical Committee, in response to requests of countries of the region. It aims at indicating trends, main lines of work or gaps to be taken into consideration by the Forum of Ministers during the formulation process of its Regional Plan of Action 2004-2005.

**Inter-American  
Development Bank (IADB)**



1. The main focus of the IDB in this context is on general capacity building for national and regional environmental institutions and on environmental governance. The IDB has worked continuously with trade capacity building in the region since 1998 and executed 21 technical cooperations and has another 11 in the pipeline. So far only a few of these have worked with the integration of trade and the environment, mainly due to a lack of explicit demand on the part of the IDB's client countries, which must be channeled through their finance ministers. For examples of technical cooperations that explicitly address environmental issues see in the following table.

TC #	Title	Description
<b>ATN/NE-5959-RG</b>	Environment and Trade	To contribute to strengthen trade and the environment in a regional context through a permanent dialogue between governments, academic institutions, businesses and NGO leaders.
<b>ATN/MH-6699-RG</b>	Human Resources for the Agrarian Sector in MERCOSUR	To improve the quality of the capacity building of human resources in the MERCOSUR, and thereby contributing to the modernization of the agricultural production based on sustainability and conservation of the environment
<b>ATN/SF-8371-NI</b>	Strengthening in Issues of Trade and the Environment/CAFTA	To support the MARENA in environmental issues of free trade agreements, and strengthen them in issues critical to trade and the environment and to support the analysis of agreements within the CAFTA framework designing a plan for the corresponding institutional strengthening.
<b>TC-03-01-04-4-RG</b>	Support for the Central American Sustainable Development Initiative	To support regional priorities to address environmental challenges related to the economic integration and free trade agreements of the region. This TC includes both technical studies and capacity building activities.

2. In addition the IDB on the 11th of August 2003 announced the implementation of a comprehensive lending program to assist countries in adapting economies to integration, freer trade and competition. A \$26 billion lending framework is available in a three year period from 2002-2004. Among the areas where the IDB is ready to provide support are modernization of the productive sectors, especially small and medium enterprises, assistance for displaced labour, institutional strengthening, customs modernization, strengthening of export promotion, and attraction of greater flows of foreign direct investment. Other areas of activity will be investments for infrastructure, tax policy

reforms, enhancement of the business environment, and civil society outreach. Environment related capacity building is eligible to the extent that governments explicitly request it. Therefore, there is a need to facilitate ways to foster and challenge this demand.

**United Nations  
Environment Programme**



**3.** In relation to trade and environment UNEP particularly seeks to promote capacity building of negotiation skills of professionals and policy makers from national environmental agencies.

**4.** UNEP has organized and participated in various conferences and symposiums treating the trade and environment. Based on the outcomes of the UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the LAC Region, that took place in Mexico City, 27-28 March 2003, UNEP is developing funding proposals for regional or sub-regional capacity building programmes. UNEP's priority areas include:

- d) capacity-building for integrated assessment of trade agreements and trade-related policies;
- e) designing policies to promote sustainable trade and poverty alleviation in the context of agricultural trade liberalization; and
- f) defining environmental goods and services (EGS) and promoting trade in them so as to maximise sustainable development gains from this liberalisation;
- g) training for negotiators on trade, IPRs and environment issues, adapted for the various relevant fora; and
- h) capacity building to enable countries to identify and secure and "win-win" scenarios, combining trade, environment and development gains, in the context of WTO negotiations to clarify and improve disciplines on fisheries subsidies.

**5.** In addition UNEP has made an agreement with ECLAC to collaborate in the development of activities related to trade and environment. UNEP is also exploring the possibilities of developing a project together with the Carnegie Endowment to make annual evaluations of the environmental impacts of trade in Central America.

**The World Bank  
(WB)**



**6.** The World Bank has executed or has in its pipeline 32 projects or studies related to trade in the region. The integration of environmental issues with trade operations, has so far been limited, in a somewhat similar fashion as the IDB. Trade related operations in general have the following objectives:

- a) At a global level to promote changes in the global trading system in favor of development, especially for the poorest populations. The achievement of this objective requires cooperation with WTO, other multilateral agencies, the governments of developing and donor countries, in search of a more pro-development result for the Doha agenda.

- i) At a national level to support developing countries in their efforts to strengthen policies, institutions and infrastructure with the aim to detonate growth and reduce poverty.

7. In addition, the World Bank Institute has the capacity to organize workshops and seminars in the client countries including in the area of trade.

**Economic Commission for  
Latin America and the Caribbean (ECLAC)**



8. The work of ECLAC in trade and the environment is from the perspective of the contribution of the tools of trade for a sustainable development for the countries in the region. This thematic issue is under the responsibility of the Division of Sustainable Development and Human Settlements.

9. The lines of work include two aspects: 1) An analysis of the evolution of trade in the countries of the region, in function of the principal environmental characteristics they are composed of. The focus is on the changes brought to the growth process and trade profile by the market liberalization and the possible environmental effects of these changes. 2) To provide a framework for analysis that strengthens and conceptually backs a proactive agenda for the governments of Latin America that permits to influence the orientation of trade negotiations in favour of sustainable development interests. Even though the language of WTO emphasises the need of trade to take into account sustainability aspects of development, the rules of trade are not designed with this objective.

10. Specifically, the ECLAC offers the following products on trade and environment:

**A. Courses/Workshops**

Date, venue	Title	Beneficiaries
25-29 November 2002, in Mexico, D.F, Mexico	Capacitation seminar "Multilateral Negotiations, International Trade and Sustainable Development: Recent Challenges for Latin America and the Caribbean"	Open ended
1-5 December, 2003, Brasilia, Brazil.	Capacitation seminar "Multilateral Negotiations, International Trade and Sustainable Development: Recent Challenges for Latin America and the Caribbean"	Open ended

**B. Publications**

Date	Title
September 2003	Latin America and the Caribbean: from a strategy on trade and environment towards a strategy on trade for the sustainable development
December 2001	Trade and foreign investments in environmentally sensitive industries: Andean Community, Mercosur and Chile (1990-1999)

## World Trade Organisation (WTO)

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11. The main focus of the WTO is on awareness rising through seminars with its member countries on environmental aspects of the trade agenda. WTO has limited resources to engage in capacity building, with a maximum of four people working on environment related issues, wherefore the connection with other agencies is crucial. This is partly due to the fact that environmental issues are pushed on the trade agenda by a limited amount of countries.

12. Some seminars have been held on specific issues such as forestry while others are regional in scope and general in content. The plan for 2004 will be discussed in a WTO meeting on October 14, 2003. The following list shows already scheduled activities in the region:

### A. Activities

Venue, Year	Event/publication	Title
Kingston, Jamaica November 2003,	Seminar	Public symposium on trade and the environment
1999	WTO Study	WTO Secretariat: "Trade and Environment", Nordström and Vaughan.

## United Nations Conference on Trade and Development (UNCTAD)

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13. UNCTAD has created a Technical Cooperation and Capacity Building Programme on Trade, Environment and Development (TED TC/CB) which long-term objective is to enhance the capacities of developing countries to analyse issues at the interface of trade and environment and to address them at the national, regional and international levels in a manner consistent with their development priorities.

14. Immediate objectives of the programme are to assist interested beneficiaries in:

- b) Improving policy coordination at the national level;
- j) Designing national policies to address specific trade and environment issues;
- k) Addressing the relationship between environmental requirements, export competitiveness and market access, including taking advantage of new trading opportunities; and
- l) Participating effectively in negotiations and discussions on trade and environment in the WTO and other international forums.
- m) Activities include training, projects, needs assessments, thematic workshops and briefings.

15. The following lists forthcoming meetings and publications:

### A. Forthcoming meetings

Venue, date	Meeting	Beneficiaries
Geneva, 20-21 October 2003	Second meeting of the UNCTAD/FAO/IFOAM International Task Force on Harmonisation and Equivalence in Organic Agriculture	Open-ended
Dominica Republic, November 2003	National workshop on environmental goods and services and certification issues in organic agriculture (DFID II)	Dominican Republic
Jamaica, November 2003	CBTF seminar (back-to-back with regional WTO workshop) on (a) integrated impact assessments and (b) trading opportunities for environmentally preferable products.	English speaking Caribbean countries
Geneva, February 2004	Brainstorming workshop to discuss the consultative Task Force on Environmental Requirements and Market Entry	Open-ended
Honduras, February 2004	National training workshop on TED, focusing on (a) environmental requirements, market access and export competitiveness, in particular for selected agricultural products and (b) environmental goods and services (DFID II)	Honduras
Brazil, Sao Paulo, 14 June 2004	Roundtable "Promoting Trade for Sustainable Development" UNCTAD XI	All UNCTAD member States, civil society

### B. Current case studies under DFID II

Country	Case Studies
Cuba	National assessment on services related to environment. Case study on Cuba, Raul Garrido Vazquez - National study on environmental goods and services in Cuba, Cristóbal Félix Díaz Morejón (Estudio nacional sobre bienes y servicios en Cuba, Cristóbal Félix Díaz Morejón)
Dominican Republic	National assesment on services related to environment. Case study on Cuba, Raul Garrido Vazquez - National study on environmental goods and services in Cuba, Cristóbal Félix Díaz Morejón (Estudio nacional sobre bienes y servicios en Cuba, Cristóbal Félix Díaz Morejón)
Guatemala	National study on environmental services in Guatemala, Evelio Alvarado
Honduras	National study on environmental services in Honduras, with a view towards the formulation of national negotiating status post-Doha, Republic of Honduras Secretary of Natural Resources and Environment, Secretary of Industry and Trade - National study on environmental goods and services in Honduras, Nelson Trejo (Estudio nacional sobre bienes y servicios en Honduras, Nelson Trejo)
Nicaragua	Preliminary study on the situation of environmental services in Nicaragua, Permanent Mission in Geneva, Ministry of Foreign Affairs and Ministry of Development, Industry and Commerce (MIFIC) - National study on environmental services in Nicaragua, Margarita Núñez (Estudio nacional sobre servicios ambientales en Nicaragua) - National study on environmental goods in Nicaragua, Guillermo Lopez (Estudio nacional sobre bienes ambientales en Nicaragua)
Panama	State of goods and environmental services in Panama within the framework of the economic opening, Arístides Ivan Hernández Perez
Costa Rica	Orientation of work towards the future, under the subject of access to agricultural markets and environment, as well as Considerations on the experience of Costa Rica in its course towards the accreditation before the European Union as the third country exporter of organic agricultural products, Max Valverde

16. In addition to the general activities described above, UNCTAD has two specialized programs linking trade and the environment: (1) The BIOTRADE Initiative. This initiative launched in 1996 aims at stimulating investment and trade in biological resources as means of furthering the objectives of the Convention on Biological Diversity (CBD). (2) Development of a global greenhouse gas (GHG) emissions trading system. UNCTAD provides support to interested Governments, private sector and non-governmental organizations in the development of a plurilateral market for trading in greenhouse gas emission allowance and certified emission reduction credit.

**Organisation of  
American States (OAS)**



17. The OAS has established an Inter-American Forum on Environmental Law (FIDA) following the Bolivia Summit. The FIDA consists of a network of officials and experts in environmental law and policy that is guided by National Focal Points. The FIDA partners with expert organizations and government agencies on projects. The overall goal of the FIDA is to achieve environmentally sustainable trade. More specifically the FIDA seeks to build capacity for Member States in order to minimize environmental impacts of trade and maximize the environmental benefits.

18. The Strategy FIDA follows is based on expert analysis and broad public dialogue that includes to engage government officials and non-state expert organizations as peers and project co-owners. The results to date are a range of studies some in press, some in draft and some planned to start 2004. These are shown in the scheme below. In addition a follow-up on broader impacts of the studies is under review.

**A. Studies produced/planned**

Year	Country	Status
2003	Argentina	In press
2003	Brazil	In press
2003	Paraguay	In draft
2003	Uruguay	In draft
2003	Costa Rica	In draft
2003	Guatemala	In draft
2004	El Salvador	In budget
2004	Honduras	In budget
2004	Nicaragua	In budget
2004	Caribbean	In budget



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