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**SELECTED ISSUES OF IMPORTANCE
FOR THE FUTURE OF THE ESCWA REGION****SUSTAINABLE DEVELOPMENT: THE ROLE OF TRADE AND ENVIRONMENT**

1. Trade and environment concerns cannot be considered in isolation, given the interdependent relationship between variables relating to the production process, enterprise/economic sector considerations and the presence or absence of an enabling environment (the three levels of analysis delineated below). Challenges linked to specific regulatory measures or the impact of emissions on the environment might be examined in a relatively straightforward manner through the lens of the production process and/or the enterprise or sector involved; however, any action taken to address those challenges at a broader level must take into consideration the potential effect on economic activity at the national and international levels. For instance, if an ESCWA member wishes to expand its export base in order to stimulate economic growth and development, it must consider its natural resources and endowments, the state of production in its key economic sectors, and the trade climate both inside and outside the country. If, for example, the strategy includes bolstering exports of tomatoes or its value-added sister, ketchup, attention would also have to be given to policies relating to domestic water and wastewater quality standards, water pricing, fertilizer and pesticide thresholds, phytosanitary standards in importing countries, domestic and foreign packaging regulations, and so on. It is trade and environment considerations such as these that require the attention of both policy makers and private sector companies if the countries of the region are to maintain and increase the competitiveness of their industries in the global economy.

A. ANALYTICAL FRAMEWORK

2. The promotion of sustainable development through trade liberalization and environmental protection is one of the main tenets of Agenda 21. The linkages between trade and environment issues are a pressing concern for countries of the ESCWA region, and increasing attention is being given to the manner in which changing environmental regimes and concerns regarding environmental sustainability might affect international trade competitiveness.

3. Trade and environment relationships may be viewed from two perspectives: (a) the impact increased trade (and production) may have on the environment; and (b) the impact new environmental standards and regulations may have on international trade competitiveness. In assessing trade and environment dynamics, the following three levels of analysis may be used:

(a) The production process, that is, the relationship between inputs and outputs and the emissions released during the production of specific products;

(b) The economic sector, notably the small and medium-sized enterprises (SMEs) that characterize economic activity in the ESCWA region. The enterprise, as an aggregate entity, represents an important part of the analysis, since its competitiveness in the market depends not only on its production activities, but also on its management, marketing, financial and human resources and capabilities and certain other factors;

(c) The (enabling or disabling) environment, namely, those institutions, policies, regulations and agreements that positively or negatively affect the ways enterprises conduct business. An enabling environment begins at the national level, with domestic policies and priorities mandated by Governments, and extends into the international economy, which comprises State and private sector actors that implement regulatory and voluntary measures that may affect the competitiveness of enterprises and the economic sector as a whole. Environmental standards and regulations are among the most important measures affecting trade competitiveness.

B. OPERATIONAL FRAMEWORK

4. In an effort to approach trade and environment issues in an integrated manner and facilitate movement from one level of analysis to another, ESCWA plans to implement a three-part programme on trade and environment and the greening of the economy for beneficiary countries.

5. Part one of the programme involves an examination of the production process in terms of environmental inputs and emissions and international trade competitiveness. This component will be implemented within the framework of the MedPolicies Initiative, a project sponsored by the Mediterranean Environmental Technical Assistance Programme (METAP), with financial support provided by the World Bank. The MedPolicies Initiative seeks to increase capacity for integrated economic and environmental decision-making in the Mediterranean region, with special attention given to the relationships between trade and environment and international competitiveness. Activities to be carried out at this stage include case studies and rapid assessments to evaluate the impact that environmental costs can have on the trade competitiveness of certain industries, in particular those dominated by SMEs. Economic modelling exercises, workshops and training sessions form the basis of these activities, the objective being to provide public and private sector stakeholders with practical methodologies and modes of analysis for examining trade and environment issues.

6. Part two of the programme focuses on the relationship between the enterprise and the enabling environment (or absence thereof), examining the institutions, policies and measures that facilitate or constrain sustainable development decision-making within the trade and environment context. Activities in support of this component will be carried out in partnership with Mediterranean organizations engaged in complementary endeavours. ESCWA is currently in the advanced stages of developing joint projects on trade and environment in association with the Blue Plan (a French centre) of the Mediterranean Action Plan (MAP/Blue Plan) and the International Centre for Environmental Technologies of Tunis (CITET) within the METAP framework. These institutions have traditionally approached the trade and environment dynamic from an environmental perspective, focusing on the impact increased trade may have on the environment, and are therefore in a position to assist ESCWA and the MedPolicies Initiative in promoting an integrated approach to trade and environment analysis. Capacity-building and encouraging coordination between economic and environmental decision makers will form the basis of this activity, with special emphasis placed on facilitating public and private sector dialogue on trade and environment challenges. Enterprise- and sector-specific policy notes will be prepared to provide practical examples of challenges and opportunities linked to trade and environment to SMEs and policy makers, and steps will be taken to promote the use of strategic environmental assessments (SEAs) as a policy instrument for evaluating the environmental impact of trade policies that influence activities in certain economic sectors.

7. Part three of the programme shifts the analysis to the macroeconomic level as an effort is made to assess the real impact that poor environmental policies and performance can have on gross domestic product (GDP). The concept of greening the economy will be examined in an integrated manner, and from a national perspective. This component is designed to inform senior policy makers in the economic and planning ministries and provide them with the tools necessary to address trade and environment challenges and create a more enabling environment.
