

# Chapter 10

## Building Capacity for Environmentally Sustainable Trade in Asia: Toward a Coherent Approach

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### Key Messages

- Trade-related capacity building (TRCB) is intended to help developing countries address market distortions, supply-side bottlenecks and other constraints created by increased market access and economic integration. To date TRCB has paid insufficient attention to environmental sustainability and cross-programme coordination.
- Strengthening the environmental sustainability components of TRCB programmes can address environmental problems created by expanding markets. This strengthening is urgently needed at the regional level alongside accelerating regional economic integration.
- Aid-for-Trade (AfT), which allocates official development assistance (ODA) for TRCB, could make trade more sustainable in Asia. However, this chapter shows much of the current TRCB landscape is made up of short-term, piecemeal efforts.
- The chapter therefore recommends that international and regional organisations cooperate to assess national environmental needs in TRCB programmes at the regional level and devise a more coherent, forward-looking set of activities.
- Different countries and stakeholders have different capacity building needs. For governments, the proposed assessment framework could include tools and knowledge to assess the environmental impacts of relevant national policies and international negotiating positions. Here, experiences related to Trade and Sustainability Impact Assessments in the European Union and elsewhere could be useful.
- Existing TRCB programmes, especially programmes under the WTO, should strengthen their environmental components, UNEP should play a greater role in strengthening these components and its implementation capacity should be boosted accordingly.

### 1. Introduction

In the late 1990s, scholars concluded that having sufficient institutional capacities to formulate and enforce environmental regulations was critical to avoiding the potentially adverse environmental effects of expanding international trade and investment (Panyatou

1997). In the years that followed, international organisations and research institutes devoted resources to integrating environmental dimensions into trade-related capacity building (TRCB) programmes. TRCB is intended to help developing countries address market distortions, supply-side bottlenecks, and other constraints that arise when economic integration expands market access. Incorporating environmental considerations into TRCB programmes could address concerns about the potentially negative effects of increasing trade and economic integration on the environment.

Recently there has been a need to make TRCB more environmentally sustainable at the regional level due to the apparent acceleration of regional economic integration. Aid-for-Trade (Aft)—an initiative launched in 2005 that allocates official development assistance (ODA) for TRCB—may help fill this need in Asia. However, environmental components are weak in these efforts, so it is not clear how effective they have been. These efforts may also be hindered by the short-term, piecemeal perspective that frequently pervades ODA.

This chapter reviews the research and history of environmentally sustainable elements of TRCB. It shows that the current TRCB landscape places a limited emphasis on environmental components and lacks the content, delivery, and coordination mechanisms needed to capture the benefits of more sustainable trade practices. Therefore, this chapter recommends that international and regional organisations should enhance the environmental content and evaluate the effectiveness of TRCB in Asia. The WTO's TRCB work under Aft should be a place where these efforts are concentrated. The environmental components should be coordinated by UNEP, and UNEP's implementation capacity should be strengthened. A coherent framework assessing the knowledge needed to formulate, implement and review impacts of environmentally-robust trade policies, trade-sensitive environmental policies and corresponding negotiating positions is desirable. There is already a significant body of research related to Trade Sustainability Impact Assessments in the European Union that could further inform these efforts (Kirkpatrick and George 2006).

The chapter is divided into four sections. The next (second) section observes that trends in both the literature and policy place capacity building at the centre of work on trade, development and environment. The third section evaluates the content, delivery, and coordination of a sample of six existing TRCB programmes and then outlines core elements of a framework for assessing government needs, mainly at the national level. The concluding section reviews the main findings and recommendations and considers the way forward.

## **2.1 Literature review: economic integration, developmental assistance, and environmental policy**

The starting point for this chapter is the three branches of literature that collectively underline the need for strengthening institutional capacities to make trade environmentally sustainable. Before reviewing this literature, it is important to note that the chapter focuses chiefly on the trade of goods and merchandise. The same arguments advanced here also often apply to the movement of capital (both portfolio investment and FDI) and services but these are not the focus of the chapter.

The first branch of relevant literature maintains that trade can be good for economic development; however, institutional and human capacity is required for trade and FDI to deliver on this promise. This set of claims comes from research on trade and development, albeit not necessarily sustainable development. Much of this literature underlined that the positive relationship between trade and development depended on an enabling environment that included sufficient human capital, infrastructure, and supportive institutional and regulatory reforms (Bolaky and Freund 2004).

A second branch of literature suggests that *developmental assistance* could play an important role in building capacities (Hallaert 2010). The positive relationship between trade and aid also found support from research that noted that aid, by itself, could not boost development. When aid was packaged with trade-related capital flows, however, there was often underexploited potential to enhance the developmental impacts of both aid and trade (Cali and te Velde 2011).

A third branch of literature warned of potential negative environmental effects of economic integration and the need for sufficient capacities to avoid these adverse effects. These unwanted effects could come from changes to economic structures and/or the weakening of environmental policies. The concerns over economic structural changes are rooted in beliefs that economic integration and trade-induced growth would lead to increases in the scale of economic production; shifts to more environmentally harmful sectors; growth in the manufacture of pollution-intensive products; and direct environmental harm from trade-related projects. The concerns over the possible weakening of environmental policy were premised on claims that economic openness would unleash cost competitiveness pressures that could entice policymakers to weaken environmental regulations. A related set of fears involved countries adopting international trade or investment negotiating positions that could undermine national environmental policies or environmental treaty commitments (IISD and UNEP 2005).

Some suggested that the best way to avoid negative environmental effects and weakened environmental policies was to gradually calibrate the degree of openness with the ability of national governments to avoid harmful environmental impacts (IISD and UNEP 2005). More concretely, avoiding the environmental costs of integration necessitated providing the knowledge and tools to analyse how economic integration was affecting the scale of economic production, shifts in the economic structure, increases in pollution-intensive products and direct environmental effects from trade-related projects. It would also involve sufficient human and institutional resources to formulate policies and international negotiating positions that would safeguard against those effects. In sum, ensuring that trade delivered environmental benefits would require capacities to analyse possible environmental impacts of trade as well as formulate and implement policies and negotiating positions grounded in that analysis. Completing the circle, environmentally sustainable TRCB could potentially fill this role by helping countries perform and integrate into policy the same kinds of analyses that illustrated the need for TRCB in the first place.

## **2.2 From Trade-Related Capacity Building (TRCB) to Aid for Trade (Aft)**

At its most basic level, TRCB is not meant to build capacities related to environmental policy. Rather TRCB is a central plank of trade facilitation, and trade facilitation is intended to help developing countries address a range of barriers to increasing market access that can surface during economic integration. The earliest efforts to introduce TRCB came during the Uruguay Round that resulted in the establishment of the World Trade Organisation (WTO). In 1997 the World Bank helped establish an Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (LDCs). As its name implied, this so-called Integrated Framework (IF) was meant to deliver trade-related technical assistance that focused on LDCs rather than all developing countries.

The Doha Round negotiations, which began in the early 2000s, aimed to cover an expanding range of countries and development issues. As the scope of the trade negotiations widened, so too did support for safeguarding against the negative environmental externalities from trade. In 2004, UNEP and UNCTAD formed a Capacity

Building Task Force on Trade, Environment and Development (CBTD). The CBTD was a pioneering effort to identify existing and needed capacities for environmentally sustainable trade. Foreshadowing an issue that will become increasingly important in this chapter, the task force aimed to move “capacity building beyond a ‘meeting-by-meeting approach,’ to become part of a systematic, demand-driven effort” (UNCTAD and UNEP 2004).

The expanding scope of trade negotiations also led to mounting demands from developing countries for firmer commitments on technical assistance and capacity building. These demands were supported by the central claims in this chapter’s literature review: if trade was going to be good for development, developing countries needed capacity to translate the results of trade negotiations into beneficial outcomes. Developing countries wanted the capacity to compete in an increasingly integrated marketplace—and to ensure that they could capture the benefits of integration (Finger 2007).

A key milestone that helped to expand TRCB was the Sixth WTO Ministerial Conference, held in Hong Kong, China in 2005. In the lead up to this meeting, the World Bank proposed to channel resources for this expanded approach through the existing IF, while many other stakeholders desired to establish a new programme to develop potential synergies between trade and ODA (UN Millennium Project 2005; Zedillo et al. 2005; the Commission for Africa 2005, Page and Kleen 2005). Arguments for this broader synergistic approach gained momentum when the European Union, the Organisation for Economic Co-operation and Development (OECD), the G8, the WTO and several major bilateral donors pledged “far more money than the IF had ever received” for the creation of AfT, the aforementioned programme that linked aid and trade (Winters 2007). The same coalition secured agreements from many bilateral donors to dedicate resources from ODA budgets to support TRCB. In February 2006 the WTO established a Task Force to “operationalise” AfT (Halleart 2012).

In the years that followed, TRCB generally and AfT specifically were impeded by the unexpectedly slow progress of negotiations in the Doha Round. The Doha Round suffered numerous obstacles, especially over whether and to what extent a key non-tariff barrier, agricultural subsidies, could be lowered. More generally, the participation of more countries with widely diverging interests as well as the 2008 global economic crisis converged to stall the global Doha round negotiations.

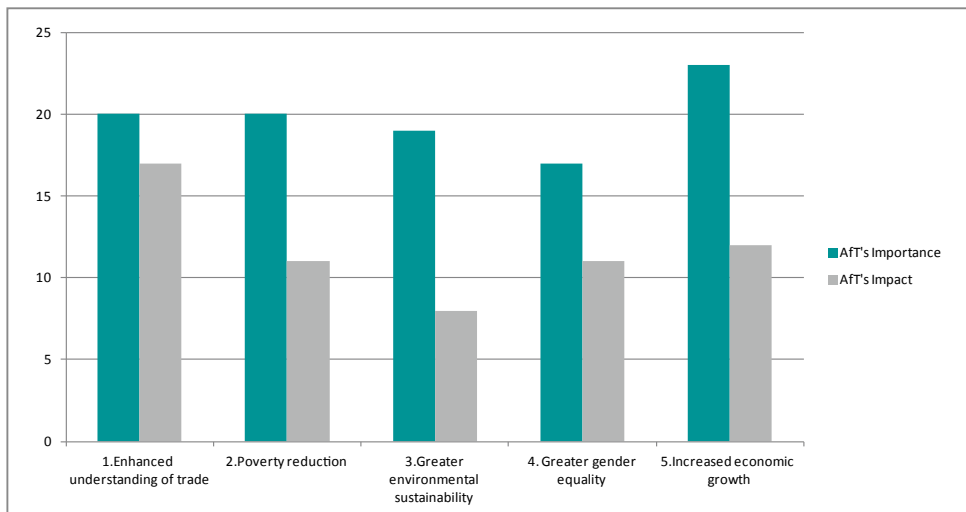
### **2.3 The challenge: toward a coherent approach to environmentally sustainable TRCB**

The WTO identifies four main elements of AfT as indicated in Table 10.1.<sup>1</sup> It is evident that for the WTO, AfT is fundamentally about promoting trade itself, not the environment or sustainable development.

**Table 10.1** The four main elements of Aid for Trade (Aft)

Element	Examples
Technical Assistance	Helping countries to develop trade strategies, negotiate more effectively, and implement outcomes
Infrastructure	Building the roads, ports, and telecommunications that link domestic and global markets
Productive Capacity	Investing in industries and sectors so countries can diversify exports and build on comparative advantages
Adjustment Assistance	Helping with the costs associated with tariff reductions, preference erosion, or declining terms of trade

Nevertheless, almost from the inception of Aft, a growing number of issues have been included under its umbrella, including gender equity, poverty alleviation, and, particularly relevant to this chapter, environmental sustainability.<sup>2</sup> Rising expectations for boosting support for environmental issues under Aft in Asia were demonstrated by the responses of foreign affairs and economic ministries to a questionnaire for the fourth review of global Aft. The results for the ten Asian countries participating (Figure 10.1) reveal gaps in 1) the significance attached to Aft for the above five issues with links to trade (dark coloured bar); and 2) the impact that Aft was having on that issue (light coloured bar). The gap for “greater environmental sustainability” was equal to or greater than that for any of the other assessed variables. A year after this survey in 2009, donors appeared to be taking this message seriously as the amount of resources from Aft with environmental objectives reached nearly 50% of the entire programme.<sup>3</sup> These trends look likely to continue in the wake of the 2012 Rio+20 meeting and its conclusion to produce a set of sustainable development goals (SDGs) that will help guide development as a part of the post-2015 development agenda.

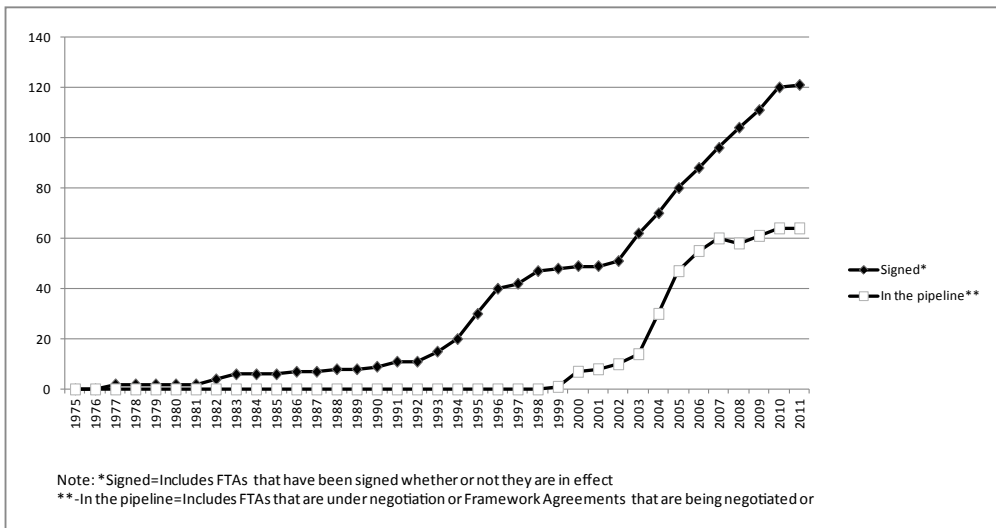


Source: Data extracted from OECD (2012)

Note: Responding countries were given the options of 3=very significant, 2=significant, 1=not-significant, and 0=not applicable. The highest composite score would be 33 if all 10 countries answered 3 (very significant), as demonstrated in the composite scores for those 10 countries.<sup>4</sup>

**Figure 10.1** Views of selected Asian countries on the importance and impact of Aid for Trade for different issues

Strengthening the environmental aspect of Aft is especially important in the Asia Pacific. This is partially because the pace of regional integration has not slowed. Even as an expanded global trade agenda has struggled to gain ground, regional trade agreements (RTA) have proven far easier to negotiate than global agreements due to fewer countries and areas of contention. Some of these RTAs have also moved forward with the inclusion of measures aimed at trade facilitation (See Figure 10.2). In the Asia Pacific for instance, about one third of the 102 signed RTAs include trade facilitation provisions (Misovicova 2007). But, similar to trade agreements at the global level, some studies have noted the need for a coherent approach to capacity support in RTAs (Maur 2008).

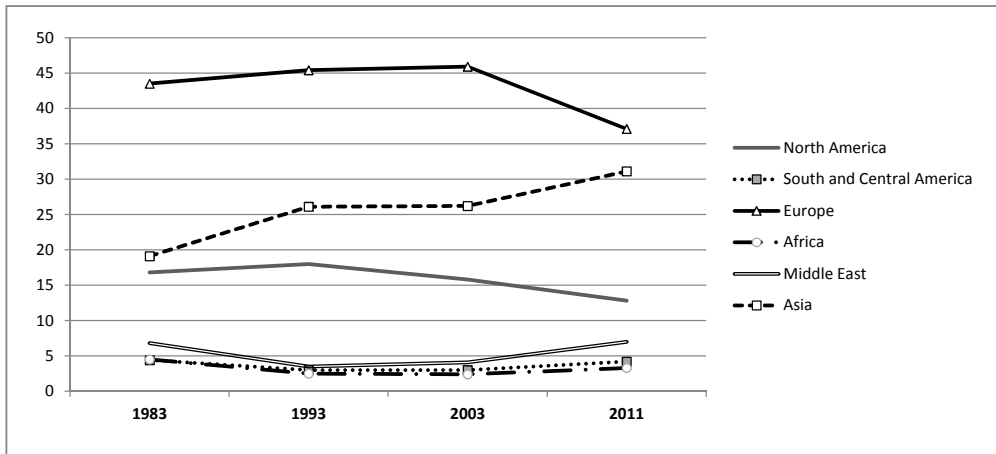


Source: ADB (2011)

**Figure 10.2 Growth in FTAs in Asia and the Pacific**

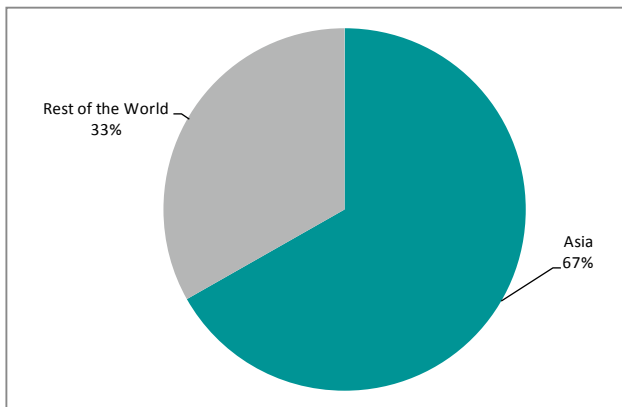
There are several reasons this support is needed at the regional level. These reasons begin with the fact that Japan, Republic of Korea, Taiwan, Singapore, China, and many parts of Asia have capitalised on the trend towards greater regional integration by adopting export-led development models to fuel economic growth. Recent data, for instance, show Asia is currently home to nine out of 10 of the world's largest container shipping ports, and two-thirds of the world's exports from the 50 largest ports pass through the region (World Shipping Council 2014). Moreover, Asia has seen its global percentage of merchandise trade rise from slightly under 20% in 1983 to slightly above 30% in 2011, with a marked upturn between 2003 and 2011 (WTO 2014).





Source: Data from WTO (2012b)

**Figure 10.3** Regional shares of global merchandise trade (%)



Source: Data from the World Shipping Council (2014) <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>

**Figure 10.4** Asia's share of trade volume from the 50 largest ports in 2013 (million twenty-foot container equivalent units)

A related reason is that Asia's growth model has been far from sustainable. Most of the cities in the region have ambient concentrations of particulate matter (PM) that exceed internationally recommended levels of  $20 \mu\text{m}^3$  by several orders of magnitude (WHO 2014). High levels of air pollution are also evident in national assessments that show that eight of the ten countries with the most polluted air are in Asia (EPI 2014) (see also Chapter 7). Moreover, while still at relatively low levels on a per-capita basis, greenhouse gas (GHG) emissions have increased sharply over the past decade, leading to concerns that GHG reductions in some developed countries actually resulted from shifts in energy-intensive manufacturing sectors to developing countries. While some sources argue the region could leverage trade to acquire climate-smart technologies (ESCAP 2011), more work is needed to verify whether this actually happening.

### 3. Surveying international trade-related capacity building programmes and assessing national needs

#### 3.1 International trade-related capacity building programmes

This section surveys the main TRCB programmes, looking not only at their substantive coverage but also elements related to their design and delivery. This survey provides a preliminary overview of programmes based on publicly available sources relating to the overall landscape; a deeper analysis would be needed to comment on the specific details of any particular organisation's approach. The surveyed institutions were chosen to provide the reader with the 'big picture' of activities in the region. There are many other actors working on trade, development and environment—and increasingly they are non-traditional donors or non-governmental organisations.

Three dimensions of these programmes and activities were examined:

- The first is the extent to which the content covers environmental and sustainability issues in Asia. Many of the TRCB programmes do not have an environmental or regional component.
- The second is programme design and delivery mechanisms. Building capacity is not a linear process. To enhance both individual and institutional capacity requires delivery mechanisms that enable sustained engagement with gradually more advanced learners and learning materials.
- The third is the coherence between different capacity building programmes. Leveraging synergies with other related programmes is important for effectiveness (see Table 10.2).

In general, these existing TRCB programmes seem to mirror the often fragmented ODA landscape in design and implementation, which may be related to the tendency to use ODA resources for TRCB.

#### World Trade Organization (WTO)

The overall design, delivery mechanisms, and monitoring protocols for the WTO TRCB programmes appear to be the most advanced of the surveyed institutions. Most of the programmes are under AfT. The core of the WTO's 2012–2013 capacity building programme is a progressive learning strategy (PLS). PLS provides for two streams of learning activities and varied levels of progressively advanced knowledge on trade. The first is a generalist stream for policymakers wanting an overview of trade institutions and related processes; the second is an expert stream that targets operational staff needing a detailed understanding of how different processes function. To help reach as many trainees as possible, the programme relies on both in-person training and e-learning. To help strengthen programme delivery, the WTO works to evaluate knowledge prior to, during, and after completion of each level of the programme. The programme also coordinates with regionally- and thematically-focused partners. In Asia, the WTO engages with the Economic and Social Commission for Asia and the Pacific (ESCAP) to cover some of the environmental elements of TRCB (WTO 2012a).

### **The World Bank**

The World Bank's role as an international development bank and architect of the IF programme has influenced the resources devoted to TRCB. The World Bank provided USD 3.1 billion of concessional interest-free loans and grants to support trade and policy regulations, economic infrastructure, and building productive capacity such as helping to modernise customs (World Bank 2013). The World Bank has also made extensive efforts to reach trainees; 48 country- and region-based trade-related training sessions were held resulting in an average of 14,000 participant training days annually from 2006 to 2007. In addition, the World Bank has attempted to tailor training to low- and middle-income countries. Examples include China and Viet Nam receiving training on WTO accession, Thailand on FTA negotiating experiences, and Bangladesh on services trade (World Bank 2013). While offering a strong commitment to countries in Asia, a review of publically available information suggests that the overall design and contents, and coordination with relevant institutions with thematic expertise on environmental issues are not as developed as the WTO (World Bank 2013).

### **Asian Development Bank (ADB)**

Much of ADB's work on TRCB began in 2004 when it became involved in the Trade Finance Facilitation Programme (TFFP) in Asia. In recent years, it has employed two basic approaches to TRCB. The first has involved working with ADBI and ESCAP to offer training courses and seminars covering free trade agreements (FTA), rules of origin, sanitary and phytosanitary (SPS) measures, and trade facilitation and logistics to 700 government and private sector representatives. The second consists of information dissemination and knowledge management through, for instance, a working paper series on trade related issues or trade indicators and data from the Asia Regional Integration Centre (ARIC). While coverage of environmental issues is limited, the ADB appears to play an important coordinating role since it serves as the secretariat for the Regional Technical Group on Aft for Asia (ADB and WTO 2011). A brief review of publicly available information suggests that the ADB has a generally well-designed capacity building programme, though limited content related to the environmental implications of trade integration. Therefore room exists for greater coordination with institutions possessing knowledge of the environment (ADB and WTO 2011).

### **United Nations Environment Programme (UNEP)**

As mentioned previously, UNEP has pioneered efforts to build capacity for environmentally sustainable trade at the global level. These efforts have been led by its Economics and Trade Branch (ETB), which include a capacity building programme of activities to support and strengthen the integration of environmental objectives into trade and development policies since the early 1990s. The TRCB approaches used by UNEP include 1) promotion of multi-stakeholder participation; 2) empowering institutions and local experts to develop strategies, methodologies and plans which are relevant and adaptable to each country's needs and priorities; and 3) capacity building for integrative assessment of environmental and socio-economic impacts of trade liberalisation at the country level (UNEP 2002). UNEP also 1) publishes and disseminates assessment and policy development tools; and 2) organises seminars and meetings directed at fostering collaboration and coordination among aid agencies, regional organisations, non-governmental organizations, intergovernmental organisations and policy research institutes. In recent years, UNEP has sought to link its support for a green economy with TRCB (UNEP 2012).

### **Economic and Social Commission for Asia and the Pacific (ESCAP)**

ESCAP's approach to TRCB is broadly aligned with promoting socially inclusive and environmentally sustainable growth in Asia. Part of that mission entails providing knowledge and capacity building tools to institutions and governments in Asia (ADB 2011). Its hands-on approach to capacity building aims to leverage learning and knowledge sharing networks among researchers, technical experts, and policymakers. The most notable example is its technical assistance programme, which ESCAP has continued to modify in coordination with the WTO since its launch in 1999 (WTO 2010). ESCAP further hosts a series of multi-stakeholder dialogues with researchers and policymakers called the Asia Research and Training Network on Trade (ARTNeT). It also offers a series of TRCB delivery tools including 1) the Pacific Trade and Investment Agreements Database (APTIAD) that help users compare regional trade agreements with a view to greater integration; and 2) the Global Compact ESCAP that is specifically targeted at private sector actors with an interest in sustainable development (UNIDO 2013).

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

UNCTAD has been one of the leaders in TRCB activities. UNCTAD's TRCB strategy stems from its core functions of addressing national development strategies while simultaneously acting as the UN hub for integrating trade and development issues. As a member of the WTO Advisory Board on AfT, UNCTAD was involved from the beginning in formulating key aspects of AfT, including its definition as well as components and modalities for implementation (UNCTAD 2008). UNCTAD's approach to AfT works on demand-driven requests from beneficiary countries. It also seeks to act as a think tank to assist with the formulation and support for implementation of country-specific regional AfT programmes, intergovernmental policy dialogues, research and policy analysis and consensus-building. It further aims at building regional coordination/cooperation mechanisms to promote regional institutional development. UNCTAD serves on a few UN trade committees and consequently contributes to enhancing coordination and coherence of AfT activities among UNEP, UNDP and others (UNCTAD 2008).

### **Other institutions**

There are several other international and bilateral programmes active in the TRCB space that could be added to this assessment. For example, IF, mentioned above, includes work by the International Trade Commission (ITC), United Nations Development Programme (UNDP), and the International Monetary Fund (IMF). Just as importantly, the role of non-traditional donors is growing, and appears likely to increase in the future.

**Table 10.2 Survey of selected Aft and trade-related capacity building programmes**

Organisation running the programme	Degree of content related to environment and sustainability issues	Programme design	Coordination/integration mechanism
WTO	<ul style="list-style-type: none"> <li>Limited direct coverage of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Progressive learning strategy (PLS)</li> <li>Two streams targeting generalists and experts</li> <li>Three levels of progressively more advanced knowledge</li> <li>Both in-person and e-learning training classes</li> </ul>	<ul style="list-style-type: none"> <li>Coordinates with relevant organisations (ESCAP)</li> </ul>
The World Bank	<ul style="list-style-type: none"> <li>Limited direct coverage of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to meeting demand driven requests</li> <li>Ranges from training to technical assistance</li> <li>Training workshops</li> <li>Dissemination of knowledge products</li> </ul>	<ul style="list-style-type: none"> <li>No information</li> </ul>
ADB/ADB I	<ul style="list-style-type: none"> <li>Limited direct coverage of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Organising trade policy training courses</li> <li>Information dissemination and knowledge management (mostly for academics)</li> <li>Training workshops</li> <li>Dissemination of knowledge products</li> </ul>	<ul style="list-style-type: none"> <li>Serves as Secretariat for the Regional Technical Group on Aft</li> </ul>
ESCAP	<ul style="list-style-type: none"> <li>Some coverage of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Provides technical assistance on regional implications of Doha round</li> <li>Serves as a platform for networking and knowledge sharing.</li> <li>Hosts Research and Training Network on Trade (ARTNeT)</li> <li>Organises workshops</li> <li>Provides tools for environmentally sustainable and socially inclusive trade</li> </ul>	<ul style="list-style-type: none"> <li>Coordinates with relevant organisations (such as the WTO)</li> </ul>
UNEP	<ul style="list-style-type: none"> <li>Focus on sustainable development, green trade, and green economy</li> </ul>	<ul style="list-style-type: none"> <li>Provides policy support on environmental issues and creates a platform for policy dialogue</li> <li>User manuals</li> <li>Supports multi-stakeholder workshops, meetings and seminars</li> </ul>	<ul style="list-style-type: none"> <li>Seeks to strengthen coordination with relevant organisations</li> </ul>
UNCTAD	<ul style="list-style-type: none"> <li>Limited direct coverage of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Provides support for implementation of country-specific Aft programmes</li> <li>Supports intergovernmental policy dialogue, research and policy analysis and consensus building</li> <li>Provides policy tools such as a trade database</li> </ul>	<ul style="list-style-type: none"> <li>Promotes regional coordination/cooperation mechanisms</li> </ul>

Source: Authors

Three key points emerge from the overall picture presented in Table 10.2. First, coverage of environmental issues is limited in the programmes managed by the WTO and the multilateral development banks. Only UNEP, and to some extent ESCAP, emphasise environmental aspects.

Second, to a certain extent different organisations appear to be struggling with their own in-house capacity to meet diverse and complex needs. More capacity (both financial and human resources) for capacity building is needed to accommodate the pairing of trade with a broader range of development concerns, including the environment.

Third, there are many ongoing activities but limited coherence and coordination in substance and delivery. There are inherent difficulties in coordinating different international organisations with diverging mandates, and this happens in many areas, not just TRCB. To a certain extent, the lack of coordination is attributable to the decision to integrate aid and trade. ODA is frequently criticised for a lack of coordination. AfT could potentially be subject to the same criticisms that are made of ODA programmes. This is especially true of the insufficient coordination between aid programmes of different donors. This lack of coordination may exhaust the already scarce capacities of the recipient countries that aid flows are intended to strengthen. These concerns have gained renewed emphasis with the proliferation of non-traditional aid donors and capacity building programmes (Kharas 2007). These concerns are especially salient in the field of environmental policy, given the increasingly specialised subject matters and target audiences.

In some cases, however, specific programmes appear to have a sound structure. The review of information for the WTO's PLS programme, for instance, suggests it is not only well-conceived in terms of overall design and delivery but also has in place protocols for measuring effectiveness (WTO 2012a). Moreover, the programme is meant to work with regional or environmental organisations to fill any gaps in substantive knowledge (e.g., most notably with ESCAP). Some organisations have also instituted admirable practices to help fill those gaps (WTO 2010). In another admirable practice, UNCTAD has built needs assessments into its programmes, to understand the demands of participating countries before delivering capacity building.

At the same time, if capacity building programmes are going to address the three potential need areas outlined in section 3.1, then the division of labour could be improved. UNEP is arguably the organisation best positioned to lead this improvement, since it is the only one with the environment as its central mandate. The challenge for UNEP is whether it has sufficient capacity to build capacities for national governments. Especially in UNEP regional offices, staffing and funding may be a challenge.

### **3.2 Trade-related capacity needs**

The previous section provided an overview of current supply side of TRCB (with a focus on AfT). This section focuses on the demand side and possible needs. Capacity building needs can vary a great deal across stakeholders and countries. One could envisage very different needs for a country that is just beginning to open markets compared to one that is deeply integrated into a global economy. Further, there are many potential recipients of capacity building. For instance, some types of capacity building can help firms develop eco-friendly businesses or civil society organisations to track flows of green products. This chapter will not focus on this kind of capacity.

Instead, this chapter focuses chiefly on the capacity of trade and environmental officials and how to provide them with the knowledge needed to formulate and implement more sustainable-trade policies, trade-sensitive environmental policies as well as negotiating positions on trade and economic partnership agreements based on such analysis (many of the current programmes appear to focus on trade negotiations). It should be noted that many of the skills associated with these need areas have already been developed for use in the European Union to incorporate environment and sustainability safeguards into trade and investment agreements (Kilpatrick and George 2006). In reviewing the literature on trade and environment (in section 2.1), three sets of needs for governmental officials emerge regarding TRCB.

The first set includes basic information on trade/investment and environmental issues for government officials. This includes basic information on existing agreements, related domestic policies, international negotiating processes and procedures, and possibly domestic policy coordination procedures. Environment ministries typically know very little about the history or background of trade negotiations and processes, or the issues related to specific economic sectors that are usually central to the negotiations. This makes it very difficult for them to participate effectively in domestic discussions on a country's position, and even less so in international negotiations. Conversely, trade and economic ministries, which are typically in charge of trade and investment negotiations, may have little information about environmental issues or how they are connected to trade and related negotiations.

The second set includes the ability of governments to evaluate the environmental impacts of trade. This could focus more narrowly on environmental impact assessment, or more broadly on sustainability impact assessment as practiced by the EU, and would include ex-ante assessments of possible future trade and investment agreements as well as ex-post assessments of existing agreements. Government agencies do not necessarily need to know how to conduct this analysis themselves, which could be outsourced to academics or consultants familiar with modelling frameworks to assess the potentially harmful scale, structure, sectoral and direct and indirect effects covered in section 2.1. Existing methodologies could be used to address possible questions, such as identifying what are the environmental impacts of boosting steel exports on air, water and soil quality. After the basic capabilities are established, multi-stakeholder involvement in assessments could be incorporated.

The third set of capacity needs includes the ability to use this knowledge to inform the government's position on trade-related negotiations (especially relating to environmental clauses and dispute resolution mechanisms), implement trade-related agreements in an environmentally sustainable manner, and develop more effective environmental policies by taking trade implications into account. It is particularly important to develop capacity for environment ministries and agencies, since they often have very little knowledge of issues related to trade or specific industries. However, it may also be useful to build this capacity together with other relevant ministries, including foreign affairs, since crafting relevant negotiating positions and policies will likely require multi-sector cooperation. Economic sector and foreign affairs ministries are often not familiar with environmental issues or the importance of addressing them in trade and investment agreements. Further, capacity will not only be needed for establishing new policies but also for enforcing existing ones; environment ministries in particular may need more human and financial resources to gain compliance with existing laws and regulations. It is especially critical to ensure that international trade and investment agreements do not undermine national environmental policies or existing commitments to multilateral environmental agreements (Prowse 2002).

It should be emphasised that these knowledge areas include requirements for both assessing needs and informing policymaking. It is therefore not meant to impose a one-size-fits-all approach on countries. As noted previously, both countries' needs and the contents of the three types of knowledge are likely to vary from one country to the next. At the same time, it is also intended to provide international and regional organisations with a simple guide that can be used to tailor capacity building programmes for different countries.

## 4. Discussion and conclusions

This chapter has shown that although there is much to gain from integrating environmental considerations into TRCB in Asia, these gains may be going unrealised. There are three main reasons. First, environmental and sustainability aspects are not sufficiently emphasised in many of the programmes. Second, the organisations conducting TRCB themselves do not necessarily have sufficient capacity, especially regarding environment-related contents. Third, the organisations offering the TRCB lack a coherent approach to the content and provision of these programmes. The chapter then surveyed several of the main existing TRCB programmes conducted by international organisations and multilateral development banks, and outlined three main types of broad-based knowledge that should be provided through TRCB.

It is nonetheless worth highlighting that the lack of coherence with existing TRCB programmes is not the only factor behind the slow progress in building up the environmental and sustainability aspects of TRCB in Asia. The extent to which national leaderships, trade ministries and economic ministries actually support environmental sustainability aspects is not entirely clear, and not easy to determine; in any case, it is beyond the scope of this chapter. Further, recent studies have shown trade generally does not affect even core policy concerns such as poverty directly but rather indirectly through various channels (Higgins and Prowse 2010). Though this research does not include environmental aspects, it is likely that there are also various indirect channels through which trade affects environment. As such, the overall potential for AfT to promote both environmental protection and poverty reduction is limited and the effects of mechanisms to incorporate either goal into trade reduction may also be indirect. Nevertheless, the knowledge resulting from the analysis to be conducted as a result of the capacity building recommended by this chapter could help clarify the benefits of environmental and sustainability aspects of TRCB for national leaders and trade and economic ministries, as well as encourage their support for it.

Strengthening the environmental component of TRCB should involve two main elements. First, UNEP should be responsible for overall coordination of the environmental component and expand its efforts, since it is the most experienced global international organisation related to the environment. Still, to do so, UNEP's own capacity (both financial and human resource) would need to be strengthened. Second, UNEP should work more actively with existing TRCB frameworks. If possible, it is better to use existing frameworks rather than create new ones. The WTO and other organisations working in this area should mainstream the environment into their TRCB programmes. The WTO and other frameworks lack sufficient expertise on the environment, so they would need to make more efforts to include other organisations with appropriate expertise such as UNEP to implement it.

Specifically regarding environment or sustainability impact assessments of trade agreements, this is a specialised technical skill that may be difficult for developing countries to develop; even in the EU they are typically outsourced to specialised consultants. This could also be done in the Asia Pacific. If specific regional experience is considered desirable, then such capacity could be developed within an international organisation in the region.

Besides TRCB, there is a wide range of other capacity needs in the Asia Pacific. In the long run, capacity development for TRCB and other environment/sustainability areas could be included in a regionally centred environmentally capacity building hub. (Elder and Olsen 2012). The proposed hub could also reach out to consumers and other constituencies



not featured in this chapter, such as businesses who could affect and be affected by developments in trade and environment policy. The hub may also serve as a regional platform for consolidating and disseminating the knowledge needed to mainstream environmental safeguards into regional agreements and institutions.

Moreover, while this chapter has focused chiefly on the activities of international organisations, it would be useful for countries themselves to consider their own internal capacity building—for instance, instituting regularly scheduled exchanges between environmental and economic ministries within the country or with related academic and research institutes.

In the medium to long term, the example of the Southeast Asian Ministers of Education Organisation (SEAMEO) could be a useful model for a regional approach to creating a foundation for moving away from a donor-driven focus to a more country-led approach to capacity building. SEAMEO has served as a regional organisation for promoting understanding and cooperation in education, science and culture for nearly 50 years (see Box 10.1). SEAMEO has 21 specialist institutions or centres located in the member countries that implement various capacity building programmes. In the areas of education, science, and culture, these currently include 1) technical and scientific expertise, 2) governance and management skills, 3) collaborative partnerships and networking skills, and 4) research, creativity, and innovative skills. Recently it has focused on climate change education, environmental awareness and activism, and eco-school projects (SEAMEO 2011). While SEAMEO facilitates contacts with external institutions and agencies to cooperate with its member states, it is governed by the SEAMEO Council which comprises Ministers of Education of member countries. The setting up, management and funding of most of these centres are the responsibility of the host country.

Environment ministers could consider a similar arrangement, building on existing environment ministers meetings—for example the ASEAN Ministerial Meeting on Environment, or broader ones like the Forum of Ministers and Environment Authorities of Asia Pacific, or APEC. Alternatively, environment ministers in Southeast Asia could choose to work in collaboration with SEAMEO's existing framework.

**Box 10.1 ASEAN SEAMEO Capacity Building Centres for Sustainable Development**

The Southeast Asian Ministers of Education Organisation (SEAMEO) was established in November 1965 by 11 Southeast Asian countries. It is a regional intergovernmental organisation focused on promoting regional understanding and cooperation in education, science and culture. As depicted in the figure below, SEAMEO comprises 21 specialised regional centres with subject matter expertise. Three are briefly described below.



- **SEAMEO Regional Open Learning Centre (SEAMEOLEC):** its overall strategy is to enhance the competency of university students, school teachers and university teachers through organised workshops, etc. Course contents include climate change, green schools and water sanitation. Teaching methods include use of face-to-face interaction, individual and group practical work, project evaluation and online feedback. Learning tools include downloadable electronic books that are accessible via several devices. Feedback on the web/blogs from graduates is one method of programme performance evaluation.
- **Regional Centre for Quality Improvement of Teachers and Education (QITEP):** its overall strategy is to use lecturers and practitioners as trainers of graduate teachers of secondary schools based on both formative and summative assessments. Topics covered include climate change, waste management, biodiversity, ecosystems services and conservation. Inquiry-based learning is one of the favoured teaching methods, and a post-training questionnaire is used for measuring programme performance.
- **Southeast Asian Regional Centre for Graduate Study and Research in Agriculture (SEARCA):** its overall strategy is providing capacity building on cross-cutting competencies like project development and management with a focus on middle to senior researchers, academics and decision-makers in agriculture and rural development. Teaching methods include seminar-type presentations, simulations and exercises, participatory methods, and online courses using video lectures delivered by a distance learning university. Ways of measuring performance include use of formative and summative evaluative instruments and post-training questionnaires.

Finally, it should be noted that if these TRCB programmes are to be appealing for developing countries, then guarantees that such programmes will not take resources away from other forms of ODA should be provided. A frequently voiced concern is that such efforts are not additional; rather they are simply a relabelling of aid originally intended for another purpose. There is a long history of discussion regarding additionality, predictability and conditionality of aid. These arguments should be revisited if international organisations plan to build not only capacity but trust for environmentally sustainable trade.

## Notes

1. "Aid for Trade Fact Sheet" [https://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/a4t\\_factsheet\\_e.htm](https://www.wto.org/english/tratop_e/devel_e/a4t_e/a4t_factsheet_e.htm).
2. It is important to point out that the IF has continued to exist in parallel with AfT, retaining a narrow focus on LDCs and trade facilitation narrowly conceived.
3. This has understandably raised concerns about additionality of aid flows. These concerns will be discussed in greater detail at the conclusion of the paper.
4. It is not readily apparent which staff in the respective countries were responding to the survey and how representative their views were of national governments. This evidence should therefore be treated as preliminary.

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