

**STATEMENT BY JOSÉ LUIS MACHINEA, EXECUTIVE SECRETARY OF THE  
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN, AT THE  
OPENING OF THE ECLAC SESSIONAL MEETING ON SUSTAINABLE  
DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN**

Wednesday, 30 June 2004

It is an honour for the Commission to convene this meeting, which is being held for the first time in the framework of the ECLAC session. Ever since the Commission was founded over 50 years ago, its primary concern has been to contribute to the region's economic and social development. However, starting with the United Nations Conference on the Human Environment, held in Stockholm in 1972, and especially since the United Nations Conference on Environment and Development, held in Rio de Janeiro in 1992, the environmental dimension has been added to the economic and social issues that had previously been the main focus of our work. The integration of these three dimensions of development –economic, social and environmental– forms the basis for the concept of sustainable development.

At the World Summit on Sustainable Development, held in Johannesburg in 2002, the participants assessed the progress and setbacks observed with regard to sustainability. On that occasion, the Latin American and Caribbean countries recognized that, in the decade that had passed since the United Nations Conference on Environment and Development (also known as the “Earth Summit”), significant strides had been made in the incorporation of sustainability principles into the countries' institutional development and in the gradual, though still insufficient, construction of a suitable international institutional framework.

Moreover, sustainable development issues have been integrated into other multilateral spheres, as reflected in the Millennium Declaration and in the Monterrey Consensus adopted at the International Conference on Financing for Development. The practical consequences of these advances have been limited, however, with the result that huge and growing challenges remain to be addressed.

ECLAC took part in the Johannesburg process, along with other United Nations institutions. Specifically, it helped to organize that process and supported the countries in the formulation of the Rio de Janeiro Platform of Action and the Latin American and Caribbean Initiative for Sustainable Development, which was ultimately adopted in the framework of the Johannesburg Summit.

The participants in the Summit adopted the Plan of Implementation, which set goals and time frames for their achievement and gave rise to changes in institutional mechanisms for monitoring sustainable development at the global and regional levels. At the global level, the Johannesburg Summit also changed the working methods of the United Nations Commission on Sustainable Development by introducing two-year “implementation cycles”, which include a “review session” and a “policy session”, and set out a thematic agenda up to 2008.

The first cycle covers the issues of water, sanitation and human settlements. The second cycle will involve the analysis of energy and climate change, including progress with respect to the Kyoto

Protocol. The third cycle will focus on issues relating to agriculture, including the important topics of biodiversity and biotechnology.

At the regional level, the five regional commissions have complied with this mandate by taking part in regional implementation forums. ECLAC was assigned the task of organizing a regional meeting each year to build regional positions on the thematic clusters designated by the Commission on Sustainable Development for consideration in each cycle and to strengthen the linkages between this agenda, the Monterrey Consensus and the Millennium Development Goals.

The basis for these arrangements was the recognition that the regional perspective on the situation and on the measures taken bridges the gap between national circumstances and global priorities and, at the same time, takes into consideration the common concerns and shared interests stemming from the countries' geographical proximity, relative homogeneity and historical ties.

These agreements of the Commission on Sustainable Development call for fuller integration of the sustainable development dimension into the Commission's regular activities. This is what prompted us to convene a special meeting on sustainable development during this thirtieth session, in the hope that it would become a regular feature of the session that would help to guide the Commission's work.

ECLAC faces the challenge of achieving better coordination between its divisions and the countries in harmonizing sustainable development policies within national administrations and linking them with subnational political authorities.

One of the biggest challenges of this policy integration exercise is that of measuring the sustainability of development and adopting appropriate conceptual frameworks to document progress towards the simultaneous achievement of objectives in various fields –economic, social and environmental– through the application of instruments and policies designed on the basis of an integrated vision. These issues are among the questions to be taken up at today's meeting.

ECLAC has a long tradition in the field of economic and social indicators. We now aspire to develop, with support from other United Nations agencies in the region, a similar capacity in relation to environmental issues. Moreover, we can serve as an instrument for building these capacities in the countries of the region. One aspect of this endeavour is the adjustment of national accounts to reflect environmental losses in the region, which will make it possible to reflect appropriate patterns of wealth creation. Some estimates indicate that the saving rate is considerably lower when the environmental impact of certain production activities is taken into account.

These indicators are also an essential tool for ascertaining the progress made on the road to sustainability, as well as the effect of cleaner technologies on forms of production.

I will now turn to the environmental dimensions of the core theme of this session, which are mentioned in the document "Productive development in open economies". That report analyses the policies needed in different areas to enable the region's economies to return to growth rates that will make it possible to reduce poverty in a context of sustainable development. What is more, environmental requirements can become a source of new production activities. The Latin American and Caribbean region has an endowment of natural resources and ecosystems whose significance is

acknowledged worldwide. It is therefore a critically important supplier of environmental services that have positive externalities at the global level. For example, the vast Amazon rainforest and other regional ecosystems significantly help to stabilize the global climate by serving as carbon sinks. Added to this is the importance of preserving the genetic resources associated with the biodiversity found in a number of the region's ecosystems. The absence of markets that would make it possible to capture the economic value of these global environmental services jeopardizes the region's capacity to guarantee that they will always be available.

Accordingly, mechanisms are needed to finance efforts for the conservation and sustainable use of these globally important natural resources and ecosystems. For example, the negotiation of the Clean Development Mechanism in the framework of the Kyoto Protocol is the first global initiative to create a market of this type. It is vitally important that this initiative be consolidated and that it set a precedent for future markets for other global public goods, including those associated with biodiversity. This also encompasses the additional potential offered by the provision of environmental services and renewable energies, the conservation of biodiversity and the reduction of carbon dioxide emissions. The economic opportunities opened up by these environmental markets can be jump-started, in the initial stages, with "seed capital" funds from multilateral and regional entities –as in the case of the World Bank's Prototype Carbon Fund and bilateral initiatives by Sweden, Germany and the Netherlands– until they gather enough momentum to create markets capable of mobilizing financial resources on their own.

The session document explores the opportunities that could be created if dynamic production sectors internalized environmental costs through technological innovation and cleaner production methods. The region should seize the opportunities to develop this potential that have arisen as a result of the growing importance of global markets. Indeed, the expansion and sustainability of the economy's production capacity requires not only the conservation and expansion of the capital stock, but also the use, valuation and conservation of natural resources.

Thus, sustained growth requires a framework of policies and institutions to protect the production base that relies on natural resources. The complementarity between economic growth, increased productivity and preservation of the integrity and environmental sustainability of natural capital is linked to the capacity of public policy to correct market flaws caused by the absence of effective pricing and ownership regimes and the existence of incomplete markets for many natural resources and environmental services. Based on the evidence accumulated in recent years, the environmental agenda should focus on three lines of action that will allow better linkage between productive development policies and the sustainable management of natural resources and the environment.

The **first** consists of strengthening the capacity of the Latin American and Caribbean countries to play an active role in various international negotiations. At present there are two issues of vital importance on the agenda of international agreements. One is the debate on intellectual property rights, which tends to generate conflicts, given that the countries of the region are the owners of a significant proportion of biodiversity, while the developed countries have a high level of technological development and in many cases hold industrial patents. The World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) implies a "privatization" of the rights to these resources, a matter which the countries of the region need to examine carefully in order to identify strategies for negotiation. The other major issue concerns the

proposal to work towards the reduction and elimination of tariffs and non-tariff barriers to environmental goods and services. This is also a source of controversy, even though the countries have agreed to carry it out, in accordance with the Doha Ministerial Declaration.

The **second** line of action consists of developing an institutional platform for explicitly integrating the objectives and instruments of environmental policy into economic and sectoral policies. This is particularly important in relation to technological innovations designed to improve the sustainable management of forest, energy, mining, fishing and agricultural resources. The use of renewable energies is another element that should figure prominently on the public agenda. The development of these types of energy could benefit from the gradual emergence of an international market for projects to reduce greenhouse gas emissions. The region has the opportunity to participate in this market by opting for more efficient and, preferably, alternative sources of energy (wind, solar or hydraulic energy) and by maintaining and strengthening ecosystems with high carbon absorption capacity.

The **third** line of action consists of recouping the cost of negative environmental externalities arising from the activities of various production sectors. Fiscal instruments for dealing with the environmental externalities of production processes may be guided by one of two basic premises: the polluter pays principle or the consumer pays principle, meaning that the cost is assumed by either investors or consumers.

The number of challenges and opportunities facing the countries in this area is, as you well know, practically infinite. We are wholeheartedly committed to sustainable development not only because of the mandates we have received at global conferences, but also because we have long been convinced of its crucial importance for the region.

From an institutional standpoint, we hope that the countries of the region and the other United Nations bodies here present will support the idea of establishing a permanent forum, in the framework of the Commission's sessions, for discussing the progress made on the road to sustainable development.

Thank you.