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Climate Change: Runup to COP 5 On Track So Far

Environmental ministers meeting in mid-September in Warsaw anticipated a businesslike outcome for the fifth Conference of Parties (COP 5) next month in Bonn.

Success at COP 5 will be measured by adoption of the chair's draft text on the Kyoto Protocol flexibility mechanisms as the basis for negotiations in the runup to COP 6 next year, which will decide how to implement the mechanisms.

- Brazil and Mexico had no objection to turning the Chair's draft into the negotiating text to advance the process.
- The EU indicated it does not want a fight at COP 5 concerning its demand for a cap on trading of international emissions permits.
- The Umbrella Group of non-EU developed countries is proposing an accelerated schedule of meetings and workshops between COP 5 and COP 6 to develop technical guidelines for operation of the Kyoto mechanisms.

China and India have no major objections because the draft text incorporates much of the Buenos Aires Plan of Action in which their demands for capacity-building assistance are articulated. Saudi Arabia raised several procedural issues and challenged the agenda for COP 5 at a working-level meeting before the ministerial, but the Saudi Minister was silent during the ministerial meeting itself.

The International Energy Agency will be supporting substantive advances at COP 5 and COP 6 with analytical support.

The agency will hold an electronic virtual exercise in the spring to simulate emissions trading among developed countries in a market setting.

Potential Hurdles For COP 5

A low probability scenario to thwart a positive outcome for COP 5 would have the Group of 77 developing countries objecting to Argentina's possible announcement during COP 5 of a national target for limiting greenhouse gas emissions. China, India, the Philippines, and Saudi Arabia would regard this as a breach of G-77 solidarity and could take steps to hold parts of the agenda hostage as they did at COP 4 last year.

- Kazakhstan's effort to amend the Kyoto Protocol to join the list of developed countries with Kyoto emissions targets also could anger G-77 countries opposed to the Protocol.
- Support for Argentina and Kazakhstan is weak among the EU and Umbrella Group, and they may urge postponement of the Argentine and Kazakhstani efforts if China and India start obstructing the meeting.

Argentine Election Could Bring Shift in Climate Change Policy

A government led by Buenos Aires Mayor de la Rúa, the opposition alliance's candidate, will not be as accommodating on climate policy as the Menem government, based on a review of the alliance's policy positions. The alliance—or at least FREPASO, its minority partner—considers global climate change policy a US responsibility rather than Argentina's.

— The alliance's natural ally in the international climate change negotiations is the Group of 77 developing countries, which has created obstacles to progress to leverage developed countries for aid.

Ambassador Kelly, a spokesperson for the alliance, proposes that Argentina develop an unspecified new protocol for developing countries' emissions commitments, even though negotiators are focused on implementing the existing Kyoto Protocol. By contrast, Governor Duhalde of Buenos Aires Province, the Peronista candidate, would continue to work on President Menem's pledge to develop a national greenhouse gas emissions target under Kyoto.

De la Rúa Ahead for Now

Most polls show de la Rúa running as many as 12 percentage points ahead of Duhalde, whose election campaign is in disarray, according to press reports. Nonetheless, Duhalde trailed de la Rúa by a similar margin late last year but recovered to achieve a virtual dead heat with his opponent until a few weeks ago. With as many as 30 percent of voters still undecided, the race is too close to call.

Climate Issues Lacks Visibility

Environmental issues—despite these differing approaches—have not played a prominent role in the candidates' policy pronouncements. The alliance's party platform makes note only of generic environmental issues.

— Leading newspapers in Buenos Aires have not mentioned climate change during the campaign and are concentrating on rising unemployment, crime, corruption, and education—issues that top most Argentines' agendas.

The future of the environment secretariat, which has the lead on the technical work for Argentina's emissions target, also depends on the election outcome. Since Menem established the secretariat by decree in 1994 it has had no legislative standing, leaving open the possibility it could be modified or abolished by a new administration.

South Africa Making Strides on Climate Change and Biodiversity [redacted]

The Mbeki administration's environmental agenda is focused primarily on improving domestic water and waste management, but the government also is maintaining steady support for international initiatives including the Kyoto Protocol on climate change and the UN Convention on Biological Diversity (CBD). In the climate change negotiations, South Africa is one of the key developing countries moving away from the G-77 and China's refusal to adopt voluntary emission growth limits and is actively pursuing greenhouse gas mitigation strategies under the Protocol's Clean Development Mechanism (CDM) and US-sponsored joint initiatives [redacted]

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[redacted] South Africa—if it chooses to do so—could position itself as the regional leader on climate change.

- The new Deputy Minister for Environmental Affairs and Tourism, Rejoice Mhuhadafasi, is likely to provide continuity at COP 5 because she attended the Kyoto and Buenos Aires COPs as a member of a Parliamentary committee.

[redacted]

Meanwhile, South Africa is adopting new measures to cope with climate change. Shell has a \$30 million solar energy project for rural areas, and the University of Durban is developing a solar powered stove to reduce rural community reliance on the dwindling supply of firewood. The Council for Scientific and Industrial Research, under US sponsorship, has completed its greenhouse gas inventory and will make it public soon [redacted]

On protecting biodiversity, Pretoria can point to its conservation efforts as major achievements. Expansion of the Cape National Park, protection of the fragile fynbos plant kingdom, and measures to remove invasive alien plants from the Cape and 27 other parks are hailed by environmentalists as government successes. [redacted]

Friction Likely Over Biosafety Protocol [redacted]

The commitment to biodiversity conservation has made South Africa a major player in the debate on a biosafety protocol to control trade in genetically modified organisms (GMOs), in which it has argued that GMO imports could adversely affect native species if they cross pollinate. In response to growing pressure from domestic groups calling for a moratorium on GMOs until a protocol is in place, Pretoria passed a bill to "promote the responsible production and use of GMOs" and has voiced support for notification and labeling requirements.

- South Africa wants the protocol to ensure that it does not fall victim to "bioprospecting" by large foreign firms bent on exploiting the country's genetic resources, and seeks guarantees that indigenous knowledge of medicinal plants will be compensated. [redacted]

Environmental and consumer protests notwithstanding, South Africa's growing interest in biotechnology may eventually moderate its stand on GMO controls. South African farmers already are growing GM cotton and two types of GM corn and are conducting field tests on GM strawberries, potatoes, soybeans, and sugarcane, according to press reports.

- The government and private sector plan to invest more in biotechnology research to develop grasses to help stabilize soil around mine domes and GM crops adapted to dry climate and poor soil. [redacted]

GMO Controversy Heating Up in Brazil

Brasilia—trying to quell domestic concern and to ensure access to the EU and to Asian markets—is inching toward stricter regulation of genetically modified organisms (GMO). Such measures could undercut US agricultural exports and efforts by US firms to commercialize genetic modification technologies in Brazil.

- Brazil this summer published regulatory and monitoring requirements for the production of genetically modified soybean seeds and is leaning toward labeling requirements based on EU procedures, which require identification of gene-altered products.
- Brazil is not prepared to stake out a definitive position on how to handle the use and trade of GMOs and is likely to pursue a piecemeal approach.

A federal court has banned use of GMOs in Brazil until a Brazil-specific environmental study is completed. Press reports say this has delayed a US corporation's plans to commercialize genetically modified seeds this year and to introduce 10 more genetically modified crops, including cotton and corn.

Brazil is torn between commercializing GMO technology or capitalizing on its status as a major supplier to Asian and European countries, many of which are enacting or drafting restrictions and labeling requirements on genetically modified products, including soy-based products, which are the subject of the current controversy in Brazil.

- Brazil is the world's second-largest producer of soybeans after the US—exporting \$2.3 billion worth last year—and 60 to 70 percent of all processed foods contain soy products.

Brazilian farmers favor genetically modified seeds as a way to boost competitiveness by reducing chemical inputs and increasing yields, but many may decide to exploit foreign demand for GMO-free products, especially if customers are willing to pay a premium. European and Japanese retailers are turning to Brazil to supply them with GMO-free products, prompting state governors and officials from Brazil's largest soybean-producing states to push for GMO-free producer status to continue serving these markets, according to press reports.

- Other press reports, however, say farmers are planning on illegally planting 1 million hectares with genetically modified soybean seeds shipped from Argentina for harvesting next year.

Environmental factors are motivating Brazil to take a cautious approach to GMO policy. Brazil—host of the 1992 UN Conference on Environment and Development—has one of the toughest biodiversity-biosafety regulatory frameworks in Latin America and will rely on the results of a court-mandated environmental impact assessment.

- Anti-GMO organizations are using the controversy to drum up public opposition to GMO products, citing health and environmental concerns.

The Environmental Ministry—more conservative on GMOs—and the Science and Technology Ministry—favoring GMO production—are competing for control of GMO policymaking authority. Agriculture Minister Pratini de Moraes—whose Ministry is partly responsible for the entrance of biotechnology products into Brazil—says he will not try to block state-level efforts to ban their use, according to press reports.

France Talking Tough on Agriculture

Recent displays of public opposition to hormone-treated beef, genetically modified organisms (GMOs), and trade liberalization will harden the government's disposition to protect the EU's Common Agricultural Policy (CAP) in WTO negotiations scheduled to begin by yearend. Protests by farm leaders against low produce prices and WTO-approved US sanctions on French food exports are beginning to focus on the WTO.

- The leaders' advocacy of small-scale and environmentally friendly agriculture is finding support across the political spectrum, according to press reports.
- More than two-thirds of respondents to a recent poll favored prohibiting the use of GMOs and hormones in food products.

President Chirac in mid-September stressed his support for the farmers but not for their sometimes violent methods and pledged that France would defend the CAP and criticize US agricultural subsidies in coming WTO talks.

Chirac's posturing puts pressure on Prime Minister Jospin, who takes a more moderate tone on food safety and agriculture, to follow suit.

Jospin's call for caution on modified foods has helped mollify his allies in the Green Party, which includes agricultural hardliners dismayed by his nuclear policies. One Green called the ransacking of a US fast-food outlet in a farmers' protest "the dream of all ecologists."

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International Disaster Intervention
Increasingly Selective [redacted]

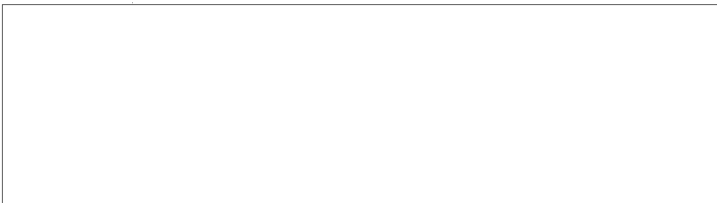
The UN and major donor countries in recent years have responded to increasing numbers of "complex" humanitarian disasters—where armed hostilities constrain relief efforts—particularly when the country in crisis is a major trading partner, hosts critical bases or controls key shipping lanes, is a key regional ally, or is a source of refugee flows that threaten regional stability. Donors' funding constraints and reluctance to intervene militarily, however, mean they will continue responding to natural disasters, such as the earthquakes last month in Turkey and this month in Taiwan, but will be less supportive of long-running, complex emergencies.

- The UN, national aid agencies, and NGOs have enough logistic capacity to handle most emergencies. [redacted]

Donor countries and relief organizations are in agreement on which countries face complex humanitarian emergencies, and the UN has issued consolidated appeals for their assistance needs. Many African countries with continuing crises, however, will not be fully funded.

- CIA analysis of states in crisis suggests Angola, Sierra Leone, and Somalia are at high risk over the next six months of conflict-driven food shortages and are vulnerable to mass atrocities over the next two years. [redacted]

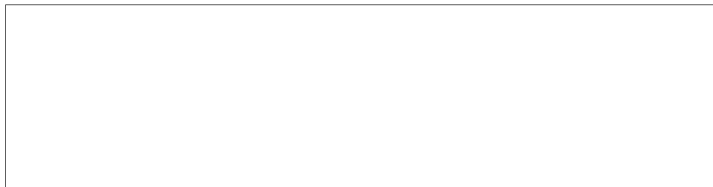
Among non-African humanitarian emergencies, the food crisis in North Korea is the emergency with the closest proximity to US troops. Drought and floods this year have seriously damaged the grain harvest and may lead North Korea next year to require more food aid than the 1.2 million tons delivered or pledged this year.



The International Red Cross estimates that global losses from natural disasters in the 1990s totaled more than \$500 billion annually, most of which was absorbed by the affected countries. [redacted]

CIA's review of natural disaster data suggests the US in the next few years will be called on to aid a strategic country digging out from a natural disaster. Japan, Indonesia, and the Philippines—densely populated, littoral nations—are at risk of a massive humanitarian emergency from volcanic eruptions, cyclonic storms, and earthquakes.

- A shallow, magnitude seven earthquake striking Tokyo—which some Japanese geologists say could happen at any time—would spread fires in crowded blocks, destroying much of the city, and leading Japan to pull back some overseas capital to rebuild Tokyo, which would tighten the global investment market. [redacted]



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Chile's Enforcement of Environmental Laws Lackluster [redacted]

Chile has been struggling since the early 1990s to balance economic growth and environmental protection as part of its goals to enter into a free trade agreement with the US and joining a Free Trade of the Americas Agreement. Chile is concerned that the environment could be used as a non-tariff trade barrier but recognizes that environmental regulations must be part of any free trade deal.

- Santiago has already concluded an environmental side agreement as part of its July 1997 Free Trade Accord with Canada that commits both countries to strengthening enforcement of environmental rules. [redacted]

Chilean officials [redacted] lack resources to enforce their environmental laws and that solutions will be up to the new administration taking office in March 2000. [redacted]

[redacted] Much of Chile's 1994 environmental framework law still lacks the implementing legislation needed to trigger effective enforcement.

- Environmentalists consider the National Environmental Commission (CONAMA)—on its fifth director in four years—weak because it lacks enforcement functions which are left to a dozen often conflicting ministries.
- CONOMA also is overwhelmed with coordinating nearly 3,000 regulations among these ministries and with reviewing environmental impact assessments for planned development projects worth \$13.6 billion, many of them in environmentally damaging extractive industries. [redacted]

Environment an Election Issue [redacted]

Most Chileans view environmental degradation as an unavoidable consequence of development,

but the government is under growing domestic pressure to mitigate choking smog in the capital and address acute problems such as sewage and water treatment. Domestic environmental controversies such as smog, proposed dam projects, and logging concessions are likely to receive increasing attention in the runup to presidential elections in December.

- The appeal of a recent court order to halt construction of the government-backed Ralco Dam 500 km south of Santiago—which environmentalists and indigenous groups strongly oppose—could magnify public unhappiness with the government's environmental performance.
- Socialist Party candidate Ricardo Lagos has already placed an "environmental policy pact" on his campaign website where he promises to strengthen the government's environmental enforcement capacity. [redacted]

US Commercial Opportunities [redacted]

Chile's nascent environmental efforts offer commercial opportunities for US firms selling environmental goods and services. [redacted]

[redacted] Santiago plans to spend \$1.5 to \$2 billion on environmental programs in the coming decade and intends to privatize the water sector. Pollution mitigation efforts will be further leveraged with assistance from donor countries and institutions.

- Chile relies on imports almost entirely to meet the demand for pollution control equipment; US exports accounted for almost half of this market in 1998.
- Chile in March obtained a \$210 million World Bank loan for agricultural and environmental programs [redacted]

**Selected International Environment-Related Meetings**

4-8 October	Biodiversity Convention Expert Panel on Access and Benefit Sharing	Montreal
14-15 October	US-EU Environmental Bilateral Meeting	Washington
25 October- 5 November	Fifth Session of the Conference of Parties to the Climate Change Convention	Bonn
15-26 November	Third Session of the Conference of Parties to the UN Convention to Combat Desertification	Recife
30 November- 3 December	WTO Ministerial	Seattle
6-10 December	Fifth Conference of Parties to the Basel Convention	Basel
10-16 December	Sixth International Conference on Acid Rain Deposition	Tsukuba, Japan
24-25 January 2000	OECD Task Force on Biological Resource Centers	Paris
31-January- 4 February	Subsidiary Body for Scientific, Technical and Technological Advice to the Biodiversity Convention	Montreal
April	Eleventh Conference of Parties to the Convention on International in Endangered Species	Nairobi