

# Trade, Environment and Sustainable Development: Towards a Southern Agenda

It has been evident for some time that trade policy and environmental policy cannot long pretend to ignore each other's existence. Conceptually, each is an integral element of sustainable development; which, ostensibly, is a stated goal of both.<sup>1</sup> Practically, they already cast long shadows on each other and the actual implementation of each influences, and is influenced by, the other.<sup>2</sup> After years of tortured public discussion on the subject, the Fourth Ministerial Meeting of the World Trade Organization (WTO), held in Doha, Qatar, in November 2001, finally placed a limited set of trade and environment issues on the negotiating agenda of the multilateral trading system. The World Summit on Sustainable Development (WSSD) to be held in Johannesburg, South Africa, in August 2002 is expected to reaffirm the need to establish more coherence between trade policy and environmental policy.

Limited as these incursions might be, they suggest a trend and a tendency that is likely to be irreversible. It has been argued that within the context of the WTO, the question is no longer whether trade and environmental policy are going to be linked, but how. The answer, of course, is far from clear because a) the Doha mandate on trade and environment was left purposely vague; b) the issue is new to multilateral trade negotiations and its many implications and manifestations have not yet been fully

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<sup>1</sup> As enshrined in Agenda 21 as well as in the Preamble to the Marrakech Agreement that established the World Trade Organization (WTO).

<sup>2</sup> For example, many major environmental agreements — such as the conventions on biodiversity or persistent organic pollutants — have significant trade measures imbedded within them. Similarly, some of the most intense public debates about international trade disputes have been environment-related, such as the shrimp-turtle dispute, the tuna-dolphin dispute, etc.

explored; and c) because of that, parties have yet to fully develop and firm their positions on this subject as they have on many others.

For all of these reasons, there is an opportunity for all parties to shape the agenda on future trade and environment negotiations in rather more profound ways than might be possible on many other issues. This opportunity is particularly pertinent to the developing countries of the South because they, for most part, have been generally suspicious of environmental issues seeping into trade deliberations and accepted the Doha mandate for trade and environmental negotiations rather hesitantly, if not grudgingly. **The purpose of this paper is to better understand Southern concerns about the forthcoming trade and environment negotiations and to explore the possible shape of an emergent Southern agenda on trade and environment.**

The analysis presented here derives directly from a review of Southern views on trade and environment issues compiled as part of an ICTSD/IISD/RING project on the 'Southern Agenda for Trade and Environment.' While a budding literature on the subject does exist, this project is the very first attempt to systematically collect and analyze the views of developing country delegates themselves. Methodologically, two distinct 'data' sets were constructed. The first compiles together the various formal interventions and proposals made by developing countries within the WTO; most particularly within the WTO Committee on Trade and Environment (CTE).<sup>3</sup> The second data set of Southern views on environment and development is drawn from several months of consultations and discussions with developing country negotiators in Geneva and Brussels. These small group discussions sought to elicit a first-hand articulation of

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<sup>3</sup> This compilation is available as a matrix that organizes proposals made by various developing countries, individually or as groups, in the pre-Seattle and in the post-Seattle/Pre-Doha phase. Each proposal is identified according to the CTE agenda item it relates to, issue area, the WTO body or committee to which it was submitted, and the principle of the Rio Declaration or Agenda 21 that it corresponds to.

Southern concerns and interests in relation to trade and environment issues from developing country delegates, especially in terms of the post-Doha negotiation agenda.<sup>4</sup>

This paper presents a review and synthesis of the learning from these two data sets of Southern views on trade and environment. Importantly, our analysis is based on two key assumptions: a) that nothing that a delegate might say in an informal consultation at this preliminary phase of negotiations should be considered to prejudice the country's eventual negotiating position; but b) that the sum total of the views that delegates have expressed in these informal consultations and in their various formal submissions to the WTO provide us with a reasonable picture of the general range of developing country views on the subject as they now stand.

## 'Environment' or 'Sustainable Development'?

In analyzing the rich tapestry of developing country views represented in our compilation of Southern proposals in the WTO and in our own consultations with developing country delegations, two related dynamics stand out as being remarkable both in their intensity and their consistency. Between them, they constitute the most important lesson derived from this exercise.

- **Even though developing countries hesitantly accepted the trade and environment provisions of the Doha Workplan (paragraphs 31, 32, 33) as**

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<sup>4</sup> Consultations with delegates from 22 countries were held during January 2002. Each involved a lunch meeting with representatives from between 1-3 countries. Since these were exploratory discussions, and in the interest of a frank and open exchange of ideas, the results have been summarized without any reference to country affiliations. The data is presented in a matrix based on the Doha Workplan, organized according to views on: a) the relevance of using a sustainable development framework; b) the CTE Work Programme; c) relevant paragraphs of the Doha Ministerial Declaration; d) institutional arrangements for negotiations; and e) specific country needs for technical assistance.

part of the eventual compromise package, they continue to view this complex of issues with lingering apprehension.

- At the same time, however, there is an emerging sense of opportunity about turning the 'trade and environment' enterprise into an agenda of 'trade for sustainable development' as a way of better aligning the discussions to developing country interests.

If operating alone, the first of the above is likely to push the developing countries towards a defensive and reactive strategy that would seek to contain the encroachment of environmental issues in the WTO. However, the second dynamic could serve as an invitation for the South to adopt a more proactive strategy that seeks to redefine the discussions on environment around the framework of sustainable development and thereby redefine the discussions on the subject within the context of long-standing Southern goals relating to development.

In reviewing the results of our consultations with Southern delegations, one is struck - even surprised - by the consistency of both views; but especially the later. **The lingering suspicion about trade and environmental issues is near universal; but so is the sense that broadening the discussion within a sustainable development framework might provide us a space that is accommodating to Southern interests and therefore allaying of Southern suspicions.** Even those few who question the utility of moving towards a 'sustainable development' framework seem to do so only because they fear that the term has been 'co-opted' by rather narrow conceptions of what constitutes environmental concerns.

More importantly, this is a contextually significant finding because even though the Doha work program talks about 'trade and environment', the Doha Declaration as a

whole, especially paragraph 6, uses remarkably strong language in support of sustainable development. The Declaration not only 'reaffirms' the commitment to the objective of sustainable development that was initially expressed in the Marrakech Agreement but talks of its conviction 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."

From a practical perspective, by agreeing to paragraphs 31-33 in the Doha Declaration the developing countries have already accepted the inclusion of environment into WTO negotiations; the question now is 'to what extent' and 'on what terms'. When the gist of the post-Doha consultations is compared to the language of developing country proposals prior to Doha, one notes the emergence of a pragmatic recognition of the inevitable. There is a sense that fight the issue is neither feasible nor desirable any more; effort is much better invested, therefore, in either trying to contain the negotiations to only the most pertinent environmental issues, or to broaden the discussion within a sustainable development framework. Both options require active engagement with the issue and, very importantly, our consultations suggests that there is a certain degree of desire to do so.

**To look at things from a positive perspective, there is now both the opportunity (within the Doha text) and the inclination (by Southern delegates) to move the agenda towards sustainable development. On the other hand, given the chronic pressures of capacity on developing country delegations and the predisposition for suspicion of environmental issues, the South could very easily slip back into a defensive, risk-minimizing strategy of doing no more than containing the scope of environmental provisions.**

Which of these two impulses will triumph remains an open question. Its answer will have non-trivial implications for the future of international trade deliberations. A retreat into defensive strategies that seek merely to minimize environmental encroachment into trade policy is likely to be a recipe for frustration; not only for developing countries but for all parties including those that are most desirous of environmental inclusion. On the other hand, an advance to a more proactive engagement with sustainable development within the rule-based context of the multilateral trading system will place greater burdens of preparation and proposal development on all parties since the links are not yet clearly defined in either the country positions or in the Doha workplan.

As the main demandeurs, the burden of drawing out those linkages between trade and sustainable development will fall principally on the developing countries themselves. However, it will also require a willingness on the part of the developed countries to accommodate Southern interests within the broader ambit of 'sustainable development' rather than insisting on the narrower confines of an 'environmental' agenda. From the perspective of the developing countries, it seems that now that the issue is on the negotiating table, adopting either strategy will drain from the already strained capacities of the South and will require serious capacity enhancement. However, the potential payoff in making meaningful the links between sustainable development and trade seem high enough to warrant the effort.

In the next section we look more closely at the apprehensions that Southern delegates have about trade and environment, particularly in the context of the Doha workplan. This is followed by a discussion outlining key steps in moving from these apprehensions to seizing the opportunity provided by Doha.

## Doha Apprehensions

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It should be noted at the outset that the trade and environment section of the Doha Declaration (paragraphs 31, 32 and 33) are the results of years of protracted debates on whether and how these issues should be included in WTO negotiations. That they were eventually included in the declaration came as surprise to some observers, but it was the result of a careful compromise package that all member states, including developing countries, have explicitly accepted. However, it should not be a surprise at all that the suspicions about trade and environment that many developing countries have been expressing for many years have not disappeared outright, even if they have been tempered by Doha.

This is not the place to repeat the long-standing concerns that developing countries have been expressing about the trade and environment agenda in general. It is useful, however, to review the concerns about Doha's environmental mandate that developing country delegations articulated in our consultation meetings. The many specific concerns that were raised in these consultations can be organized around three general sets of issues: continuing fears about the environmental issue being used as disguised protectionism; a new nervousness about an unclear environmental mandate from Doha; and a lingering unease that the trade and environment agenda, now that it has been admitted into the WTO, might spiral out of control. Let us discuss each of these sets of concerns, separately.

**#1. Fears of environmental protectionism.** This, of course, has remained the South's persistent and most serious fear about trade and environment; that the environment is open to be abused as a barrier to trade. This issue, above all else, was at the forefront of the discussions leading up to the Doha agreement and continues to be a key element in how developing countries perceive of the issue.

In agreeing to the Doha Declaration developing countries have, in fact, acknowledged that not all environmental issues need be feared for being disguised trade barriers. However, the results of our consultations suggest that as Southern delegates look towards post-Doha environmental negotiations they feel the need to be particularly vigilant on this count. There is, after all, genuine room for exploiting environmental issues for protectionist purposes. However, the concerns are probably aggravated because old fears die hard (much like old habits) and because the issue is new to the WTO with unexplored implications. It is, therefore, both reasonable and understandable for this concern to remain dominant in post-Doha negotiations.

However, what had earlier been general concerns about environmental protectionism are now circumscribed scope of the Doha workplan. This comes through most clearly in discussions of 'market access' which has been a long-standing concern of developing countries in terms of trade and environment issues.<sup>5</sup> It were developing country concerns on this count that led to the language of paragraph 32(i) of the Doha Declaration, which calls upon the Committee on Trade and Environment (CTE) to pay particular attention to "the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them." This is language that the developing countries are likely to cherish and use to ensure that environmental restrictions - whether in the WTO or in multilateral environmental agreements (MEAs) - do not restrict developing country access to markets abroad.<sup>6</sup>

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<sup>5</sup> See responses #3, #10 and #17 in consultations table. Also see various interventions by developing countries with CTE on this issue in the proposals table.

<sup>6</sup> In relation to market access, some delegations are concerned not only about barriers against their own products but also about the environment issue opening up their markets without providing them any reciprocal benefits of market openness in Northern markets. This related to paragraph 31(iii) of the Doha Declaration which calls for negotiations on "the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services."

Particular areas of concern relate to technical barriers to trade, especially those related to environmental labeling and intellectual property. Both issues are mentioned specifically in the Doha Declaration as areas for the CTE to give particular attention to (paragraph 32(ii) and 32(iii)); both are issues where developing countries have longstanding concerns that have been expressed within the CTE and elsewhere in the WTO.<sup>7</sup> Interestingly, the precautionary principle remains a lurking concern for some developing country delegations, even though it is not specifically mentioned within the Doha Declaration. Having been a subject of frequent CTE debates in the past, there is a fear that some parties will make an effort to bring this into the negotiated text and, once there, it will serve as a major and rather arbitrary barrier to trade.<sup>8</sup>

In essence, environmental barriers to trade is one issue that will continue to loom larger than all others over the post-Doha negotiations. Indeed, the treatment of this issue and the extent on which their fears are allayed on this issue may well become the yardstick by which the South decides whether to become more proactive in their positions or retreat back into a defensive posture.

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Some delegations seem concerned (see response #9 in consultations table) that unless 'environmental goods and services' are clearly defined, developing countries will enter the negotiations primarily as markets for such goods and services and, therefore, there is a need to link these issues to the larger negotiations on market access and on trade in services (paragraphs 15 and 16). (Also see response #7 in consultations table).

<sup>7</sup> In consultation table, see responses #7 and #12 on environmental labeling and responses #14 and #15 on technical barriers. Also see various interventions by developing countries with CTE on this issue in the proposals table, especially those by Egypt, India and Colombia in pre-Seattle CTE discussions.

<sup>8</sup> See responses #7 and #12 in consultations table. Also see various interventions by developing countries in the proposals table; particularly those by Argentina, Bolivia and Chile in response to a pre-Doha communication from the European Union on the subject in relation to the sanitary and phytosanitary (SPS) discussion. The Argentine response is worth noting: "No one would disagree about the need to act with precaution. However, it [is] problematic to introduce this so-called principle that could override SPS obligations for the sake of precaution; consolidated trade concessions could be removed, impaired or nullified without compensation."

**#2. Nervousness about an unclear mandate from Doha.** The developing countries of the South are not the only ones who are unclear about the exact nature of the Doha mandate for environmental inclusion; but having resisted such inclusion in the first place and as the historically weaker negotiating parties, they are likely to be more nervous about this lack of clarity than most others.

The results of our consultations suggest that there is a significant lack of clarity on a number of issues related to the Doha workplan. Most important of these is the issue of relationship between the WTO and relevant multilateral environmental agreements (MEAs).<sup>9</sup> Although paragraph 31(i) of the Doha Declaration calls for negotiations on "the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements" it does not say which MEAs are to be considered or how. This raises both conceptual and practical concerns. The Doha text is explicit that only MEAs with specific trade obligations are to be considered. However, defining which MEA has such obligations can be a tricky issue. Moreover, the text is silent on whether the negotiations would themselves involve the participation of MEA secretariats. Finally, the text talks only of 'existing' WTO rules. The scale and scope of all of the above remain unclear. This remains a cause of anxiety for developing countries who do not want to see this issue expanded. It should also be noted that for trade negotiators used to negotiating within the framework of one single institution - the WTO - dealing with the myriad worlds of MEAs, of which nearly 300 exist, sounds understandably daunting. Given the time constraints placed on the negotiating process and the trade negotiator's lack of prior experience in dealing with MEAs, simply catching up on the essentials of the MEAs to be dealt with is going to be a non-trivial pursuit; getting clarity on which MEAs are to be considered in the negotiations is, therefore, of significant practical importance.

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<sup>9</sup> This issue was raised repeatedly in our consultations. See, for example, responses #2, #3, #7, #11, #12 and #16 in the consultations table.

Developing country negotiators also seek clarity on other issues on the Doha docket. For example, a number of delegations raise concerns about how 'environmental goods and services' are going to be defined within the context of paragraph 31(iii).<sup>10</sup> Similar concerns are raised about how best to define what an 'environmental measure' is in terms of paragraph 32(i).<sup>11</sup> In all of these cases the concern rests of the fear that if defined too broadly these issues could not only overwhelm the negotiating agenda but could be twisted to become technical barriers to trade.

The need for clarity, as already argued, stems from conceptual as well as practical considerations. However, there is also a political dimension. Developing countries have tried to insert general language in the Doha text that would minimize the extent of environmental intrusion into the WTO. Seeking specific clarity on the scope of the negotiations in terms of MEAs, 'environmental goods and services', and 'environmental measures' serves to ensure that the spirit of the Doha compromise is not abused.

**#3. Uneasiness about an agenda that might spiral out of control.** The need for clarity that gets articulated in our consultations with developing country delegations is directly related to their concern that negotiations over an unclear mandate could easily lead to an enlargement of issues under negotiation. To rephrase the lesson of the previous sub-section in these terms, the South feels that such an agenda enlargement should be avoided because a) overloading the negotiation docket is conceptually undesirable, b) it will unduly stretch the South's limited negotiation resources, and c) it will be an abuse of the Doha compromise. This should additionally be understood within the context of the longer-term concern that environmental issues, now that they have

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<sup>10</sup> See responses #1, #8 and #9 in the consultations table.

<sup>11</sup> See responses #2, #10 and #15 in the consultations table.

been brought into the WTO ambit, could spiral out of control not just in this round but also in subsequent WTO deliberations.

One key strategy for keeping the scope of environmental discussions in check - both in the current negotiations and beyond - is to resist the expansion of the work program of the Committee on Trade and Environment. Such arguments have a conservative thrust and seek to ensure that new environmental negotiation capacities are not institutionalized within the WTO; either through a separate environmental negotiation group or through an expanded work program for the CTE.<sup>12</sup> The issue of providing observer status within the WTO, particularly the CTE, to new actors is also related to the long-term change in how environmental issues are treated and discussed within the WTO. Within the context of paragraph 31(ii), there is likely to be a sense of acceptance - out of conceptual appropriateness as well as practical necessity - to provide such a status to MEA secretariats, extending such status beyond that is likely to meet with developing country resistance.<sup>13</sup>

It is worth repeating here that the desire to stem such a spiraling of the agenda comes from the view that 'environmental' issues (as opposed to sustainable development discussions) are narrowly defined, are prone to be used as technical barriers to trade and can be detrimental to the trade interests of the South. Given the historical suspicions of the developing countries to the inclusion of environmental issues, one should expect them to seek to restrict environmental discussions to only those issues most directly articulated within the Doha text. Well beyond the stated goals of the Doha negotiations, a key long-term goal must be to allay such suspicions through confidence building measures.<sup>14</sup> **In accepting Doha's negotiation mandate, the developing countries have already agreed to go a certain distance towards**

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<sup>12</sup> Especially see responses #1 and #2 in the consultations table.

<sup>13</sup> See, in particular, response #8 in the consultations table.

<sup>14</sup> See response #17 in the consultations table.

**incorporating environmental considerations in their trade decisions; trying to push them much further at this point could backfire.** The lingering apprehensions of the developing countries are far more likely to dissipate if they can themselves make the linkages between trade, environment and sustainable development and redefine the agenda along those lines. Our consultations suggest that they are, in fact, willing to do so.<sup>15</sup> The next section will discuss ingredients necessary for doing so.

## **From Apprehension to Opportunity**

Although the developing countries are likely to adopt a conservative strategy in negotiating the environment and trade aspects of the Doha workplan, this is to be expected. This is because developing countries a) had initially resisted these provisions, b) are the historically weaker parties and therefore prone to risk-minimizing strategies, and c) the newness of this issue for trade negotiations coupled with the resource and time strains on Southern delegations will itself limit the scope of innovation by any party. The previous section has outlined three key ingredients of the South's post-Doha concerns that are likely to influence the defensive aspects of the South's negotiation position between now, and January 2005.

**However, the more important news in the previous two sections relates to the emerging willingness within the developing countries to begin engaging the trade and environment agenda and to possibly re-craft it within the framework of sustainable development. This is neither going to be easy, nor automatic.** While it is to the obvious benefit of the South (and many other parties) for the developing countries to adopt a proactive strategy, doing so will require much effort from the South itself and a supporting environment from other actors interested in a furthering

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<sup>15</sup> See, for example, responses #6, #12 and #18 in the consultations table.

the links between trade, environment and sustainable development. **What can the South do itself to move from a reactive agenda defined by its apprehensions about trade and environment to a proactive agenda that seeks the opportunities to be realized by defining sustainable development as the goal of international trade?** How can other international actors assist? In building upon the lessons learnt from this project, this final section seeks outlines four key steps.

**#1. Build Clarity on Doha's mandate.** Following from our earlier discussion, the nervousness that stems from Doha's less-than-clear negotiation mandate does not bode well either for Southern interests or for the interests of the negotiation-at-large. It is to everybody's benefit, but particularly to the South's to get more clarity, even precision, on the scope of the negotiations and to do so as early as possible. The more this is delayed, the more difficult it will become to get a meaningful agreement within the designated timeframe. The resulting frustration could itself be the biggest casualty since it is also likely to dampen the prospects of future headway and could even hold hostage agreement on other issues within the Doha workplan.

Moreover, it should be understood that the response of the developing country to this and future negotiations on trade and environment is likely to be influenced by how the negotiations are framed. A framing that they consider to be based strictly on the Doha text is likely to instill a certain confidence within the South; a framing that seeks to unduly expand the discussion will only fuel their fears further. The issue of clarity, therefore, has deep political implications well beyond the practical implications in terms of efficient negotiation design.

On this issue, as on others, timing is key. There is a very serious time crunch at work since the parties have been asked to report their negotiation progress and prospects to the 5<sup>th</sup> Ministerial meeting. The earlier a mutually acceptable negotiation mandate

is clarified, the better. Developing countries should insist that this be done as soon as possible; and, frankly, so should all other parties.

Given the Southern concerns highlighted in our consultations, it is suggested that the following three areas are particularly important in terms of building a clear understanding about what is, and is not, included in the negotiation:

- In relation to paragraph 31(i), which MEAs are to be focused upon? To begin with, this list should be short enough to be manageable/negotiable in the given time. Mutual understanding and clarity between parties should also be sought on how 'trade obligations' within MEAs are defined and who, if anyone, from the relevant MEA secretariats is involved in the discussions.
- In relation to paragraph 31(iii), clarity is required on how 'environmental goods and services' will be defined and how these discussions within the CTE will relate negotiations concerning paragraphs 15 and 16 of the Doha Declaration.
- In relation to paragraph 32(i), it is important to come to an early understanding on how 'environmental measures' are being defined in terms of market access and how negotiation on this issue will relate to general negotiations on market access issues within paragraph 16 of the Doha Declaration.

It is, of course, recognized that some degree of difference on these issues is a matter of national interests and is, therefore, a subject of legitimate negotiation itself. However, the lack of clarity being experienced is definitional rather than positions alone. This is partly because the issue is new to the WTO and key definitional debates have not even started, let alone been concluded. It is at the level of definition - i.e., what is and is not within the scope of the negotiations - that clarity is required. To the extent that this overlaps with the positional differences, the key would be to have the positional debates also begin sooner rather than later.

**#2. Build a Southern Agenda on trade and sustainable development.** Our consultations with developing country delegations suggest that there is an emergent willingness on their part to proactively explore the links between trade and sustainable development so as to provide a larger framework within which trade and environment discussions can take place. However, it is quite clear that - for totally understandable reasons - developing countries have not defined such an agenda yet.

It would be presumptuous for anyone else to define such an agenda for the South. The South itself, and the South alone, can do so. However, others - including civil society and academia - can assist and facilitate a process for the South to do so. Our particular project was one small step in this very direction. From our review of the proposals made by the developing countries to various bodies of the WTO we will highlight here a few exemplars of issues that are 'ripe' for further exploration as potential elements of a proactive Southern Agenda for trade and sustainable development:

- Intellectual property rights are integral to the Trade-Related Intellectual Property Rights (TRIPs) regime as well as key MEAs such as the Convention on Biodiversity. There is an obvious and important overlap within the legal implications of the two regimes in terms of traditional knowledge and access and benefit sharing arrangements. On the one hand, these issues are central to the pursuit of sustainable development; in ecological as well as human and economic terms. On the other hand, the developmental and environmental interests of the developing countries are generally aligned since safeguarding traditional knowledge and ensuring equitable access and benefit sharing make environmental as well as developmental sense.

- The 'polluter pays principle' is one of the key environmental principles of sustainable development. It seeks to impose the full cost of pollution abatement on those who pollute. It has the potential to be used as a lever of 'leveling the playing field' by not allowing any country to 'dump' (literally in this case) pollution or a polluting product on another country. Since pollution abatement tends to have very real costs associated with it, the application of this principle could have the potential of being environmentally as well as developmentally beneficial.
- 'Special and differential' (S&D) treatment is a key concept within multilateral trade negotiations. A similar concept, 'common but differentiated responsibility' is equally important to how most MEAs are designed. Both concepts, in their different contexts, are key to developing country interests; both have a history of less than perfect implementation. There is a case to be made for building bridges between the two concepts, and therefore between the two contexts, in terms of operationalizing a trade and sustainable development agenda.
- Many MEAs are relatively weak in incorporating the developmental interests of the South. Contextualizing global policy within the framework of trade and sustainable development can not only have the effect of 'environmentalizing' trade policy but can also have the healthy effect of 'developmentalizing' environmental policy. For example, the international trade in greenhouse emissions envisaged under the Kyoto Protocol has obvious trade and development implications. Yet, it has generally been discussed in terms of its environmental efficacy and much less so in the context of its development or trade implications. From a developing country perspective, a WTO-MEA linkage in this area could have positive impacts both in terms of ensuring developed country implementation of their climate targets but also of rationalizing the development impacts of international emissions trading.

These, of course, are illustrative examples. Getting to a 'real' Southern Agenda on trade and sustainable development will require individual countries to come to positions that harmonize their national economic interests with their national environmental interests. Arguably, such an exercise will benefit the country's trade policy as much as it will benefit the country's environmental policy; ultimately the goal of both is exactly the same - a better quality of life for the citizens of that country.

**#3. Build Linkages within and across borders and institutions.** As individual developing countries begin defining a sense of their national interests in terms of trade and sustainable development they will need to build a number of substantive linkages between trade negotiators and other domestic and international actors who have not been traditionally involved in trade policy. While this will have sometimes significant opportunity costs, the benefits could be substantive not only in terms of direct benefits to national trade policy but also to other areas of policy, including environmental policy.

Indeed, one could argue that the challenge of defining a trade and sustainable development agenda is ultimately the challenge of defining and sustaining new and innovate linkages within and across borders and institutions. Let us outline here a sampling of some of the most vital linkages that would need to be nurtured if we are to move to a proactive agenda for trade and sustainable development:

- First, there is a set of national linkages to be made. A crucial linkage to be established - which is now weak or nonexistent in most developing countries - is between what one might call the national 'trade community' and national 'environmental community' at every relevant level. In the 'trade community' one would include the national trade negotiator at the WTO, trade policymakers at

the Capitals, and trade experts and civil society activists in the country. The national 'environmental community' would be similarly defined for those active in influencing multilateral environmental policy. The developing country delegations in our consultations are quite aware of making such links, even though they understand the difficulties in doing so. Such linkages will themselves reduce the information costs of climbing steep learning curves in areas that particular negotiators are not familiar with. They could also lead to more efficient distribution of labor and will most likely lead to better analysis and better-informed decisions regarding issues that lie at the conjunction of trade and environmental policy.

- Second, there is a set of intra-institutional linkages to be made. Even the very limited Doha negotiation agenda demonstrates that containing trade and environment negotiations neatly within an 'environment box' is quite difficult. For example, we have already discussed how issues related to environmental labeling have to be coordinated with market access negotiations or how environmental services cannot be discussed meaningfully when totally disconnected from the *General Agreement on Trade in Services (GATS)*, etc. Compartmentalizing trade and sustainable development is likely to be even more difficult. A most obvious, and even immediate, linkage may need to be made in terms of the workplan on the *Committee on Trade and Environment (CTE)* and the *Committee on Trade and Development (CTD)*. Such a linkage will not be without its risks but may ultimately be necessary; not only to environmentally influence the development agenda but also to developmentally influence the environment agenda within the *WTO*. Indeed, it is through these and such linkages that the South can best hope to 'tame' the trade and environment discussions by incorporating their developmental concerns within it and turning it into a trade and sustainable development agenda.

- Finally, there is a set of inter-institutional linkages to be nurtured. These would include linkages between trade negotiation processes such as the Doha Round of negotiations with environmental negotiation processes such as the Johannesburg Summit on Sustainable Development. It would also include longer-term relationships between the institutions servicing trade negotiations and environmental negotiations, respectively; such as the WTO on the one hand and key MEA secretariats on the other. By asking the member states to consider granting observer status to MEA secretariats within WTO forums and to consider other forms of institutional linkages with MEAs, the Doha Ministerial Declaration has already taken a first positive step in this direction. Other - more sustained and more meaningful - linkages between multilateral trade and international environmental institutions should also be pursued.

**#4. Build Capacity where it counts.** Finally, and possibly most importantly, is the issue of negotiation capacity. Developing countries are seriously handicapped on this count in the trade arena as well as environmental arenas. As the sheer number and technical complexity of negotiations in both arenas increase the stress on the meager negotiation resources of developing countries keeps on compounding. The result is not only a case of severe negotiation fatigue, it is the potential compromise of national interests as developing country negotiators simply cannot keep up with all that is being thrown at them. Whether done intentionally or not, the result is that developing countries (especially in the context of environmental negotiations) are increasingly unable to keep up and are placed at an ever greater disadvantage in the negotiations.

Arguably, the single best argument against expanding the agenda to a trade and sustainable development framework is that it would impose an even greater demand on developing country negotiators. However, a compensating division of labor could be derived if the linkages discussed above are put in place. But that, alone, is unlikely to

either the existing pressures on developing country negotiating capacity or new pressures that might be imposed in the future. A significant effort at capacity-building for international trade and sustainable development negotiation is therefore needed. Once again, a coordinated effort will have benefits both for national trade negotiators and for national environmental negotiators; indeed, running a joint capacity building program may be also be the best way to forge linkages between these two critical sets of individuals.

Our consultations with developing country delegations suggest that any program aimed at enhancing the negotiating capacity of developing countries should be targeted on the needs identified by the developing countries themselves. Simply dumping loads of unsolicited trainings, workshops and seminars on developing countries is unlikely to be enough. Indeed, such activities tend to enhance the capacities of the trainers far more than of the trainees!

Capacity building, which is the subject of paragraph 33 of the Doha Declaration, must be demand driven to be effective. Having said that, three areas of negotiation capacity are chronically in need of support for most developing countries:

- Although some of the most seasoned and experienced international negotiators are from the South, these are individuals who have developed their **negotiation skills and processes capacity** the hard way; through experience. Many developing country negotiators, however, do not have adequate preparation for the rigors of intense international negotiations.
- Building developing country **capacity for national research and analysis** to assist negotiators is probably the most important and deficient area in need of support. As negotiations become increasingly more complex the demands for good targeted research and analysis also increases. Only a handful of

developing countries have the capacity for such research on a sustained basis. 'Importing' such research from friendly donor countries is tantamount to mortgaging one's national interests; this is not to suggest that donor countries or NGOs will necessarily abuse the trust, but it is to propose that the type of targeted, in-depth and timely analysis that is required for good negotiations can best be done domestically and by people who are routinely and regularly doing such research. The importance of analytical capacity is all the more critical since good analysis is one of those few sources of negotiation power that can begin leveling the playing field between otherwise unequal parties.

- Finally, there is also a chronic deficit of **dissemination and implementation capacity** in most developing countries. Developing such a capacity is a daunting institutional challenge. However, one can begin assisting in the creating of such capacity by strengthening select institutions (civil society, academic, governmental) to absorb and disseminate the information both from global negotiation processes and from domestic implementation conduits. Ultimately, such institutions can become the conduits of policy dialogue between those entrusted with negotiating globally for their country and those at the 'ground level' entrusted with the implementation. Unfortunately, in too many cases, there is a dysfunction between negotiation and implementation, partly for the lack of appropriate institutions that can serve as conduits of policy communication.