
**PROCEEDINGS
OF THE
TRADE AND SUSTAINABLE
DEVELOPMENT WORKSHOP**

**1 - 2 July 1999
Midrand, South Africa**

**Hosted by the IUCN (World Conservation Union),
Group for Environmental Monitoring (GEM) and
the Trade and Industrial Policy Secretariat (TIPS)**

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(IISD)**

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For more information on the Trade Knowledge Network Project, see <http://iisd.ca/tkn/>, or contact IISD at info@iisd.ca.

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WHAT THIS DOCUMENT CONTAINS

This document reflects the proceedings of a Trade and Sustainable Development Workshop held on 1-2 July 1999 in Midrand, South Africa. The workshop was hosted jointly by the IUCN (South Africa Country Office), the Group for Environmental Monitoring (GEM) and the Trade and Industrial Policy Secretariat (TIPS). Funding was provided by the International Institute for Sustainable Development (IISD).

About 50 national and international participants attended, representing government, research institutions, non-governmental organisation (NGOs), business, industry, policy institutes, and development organisations.

The key objectives of the workshop were to identify:

- existing trends and realities internationally and domestically
- a future national mechanism for South Africa's inputs into the WTO and other trade policy negotiations
- areas of focus for research, and
- strategic interventions that South Africa can make regarding international trade as a mechanism to promote sustainable development.

HOW THE DOCUMENT IS STRUCTURED

The texts of the various speaker presentations (other than the opening speech) are provided in appendices. Key points from the plenary discussions are identified in terms of the sector representatives who initially raised the issue, although each point includes the clarifying response to the issue.

COMMENTS OR QUERIES

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SESSION 1: INTRODUCTION

Chair: Mr Rashad Cassim, Director, Trade and Industrial Policy Secretariat (TIPS)

1. OPENING AND WELCOME

Mr Cassim welcomed the participants to the workshop, which was a joint venture between IUCN (South Africa Country Office), the Group for Environmental Monitoring (GEM) and Trade and Industrial Policy Secretariat (TIPS). The workshop was funded by the International Institute for Sustainable Development (IISD) with support from the International Development Research Centre (IDRC). He said that the issue of trade and environment, especially in developing countries, was one of interest to many, and a key issue in the national policy debate. He pointed out that many of the participants were environmental or economic strategists, both of whom were a rare breed in South African society, working in a new area.

Mr Cassim said that trade was growing dramatically in most economies, with most countries relying increasingly on export. Unfortunately, many traditional economists were debating the pros and cons, without internalising the difficulties inherent in environment-sensitive products. One of the aims of this workshop was therefore to highlight the role of environment in the changing trade regime in the South Africa economy and many others in the world.

He explained that previous workshops had focused on information flow, to stimulate thinking about issues, but this one was aimed at establishing a network to develop a research programme that would assist decision makers. Many researchers found it challenging to develop some kind of understanding around the establishment of linkages between trade and the environment. Several international papers had been published on these linkages, and South African research had been done in conjunction with this project and the IISD. Several other research projects were also relevant to the field. This workshop was therefore about the development of serious research to support decision makers both internationally and nationally, to increase understanding of the importance of environment in the national debate.

He introduced Mr Bahle Sibisi, Chief Director: Foreign Trade Relations, of the Department of Trade and Industry (DTI), who had been instrumental in negotiating the South Africa-EEU trade agreement, and had also taken the lead in driving a research agenda and negotiations in Seattle. He pointed out that the DTI would ultimately be the consumers of research on trade and the environment, and for government to use this research they had to be convinced that it was credible and of high quality.

2. CHALLENGES FACING THE SOUTH AFRICAN GOVERNMENT IN THE WTO NEGOTIATIONS, WITH SPECIFIC REFERENCE TO TRADE AND ENVIRONMENT

Mr Bahle Sibisi, Chief Director: Foreign Trade Relations, Department of Trade and Industry (DTI) delivered this presentation. *The text is provided in Appendix A.*

3. ROLE /PERSPECTIVE OF THE IUCN

Mr Saliem Fakir, Country Programme Coordinator, IUCN (South Africa Country Office) explained the IUCN's role and interest in trade and sustainable development issues. *His presentation is provided in Appendix B.*

4. THE ROLE AND PERSPECTIVE OF THE GROUP FOR ENVIRONMENTAL MONITORING (GEM)

Dr Quentin Espey, Director, GEM, delivered this presentation. *The text is available in Appendix C.*

5. INTRODUCTION TO THE TRADE KNOWLEDGE NETWORKS PROJECT

Dr Bill Glanville, Vice-President, IISD delivered this presentation. *The text is provided in Appendix D.*

6. DISCUSSION

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- Although there are no specific mechanisms for resolving conflict before the TKNP can exert influence, this is a key issue, and attempts are made to resolve differences in views at biennial partners' meetings. (NGO)
- Developing countries may want to focus on greening trade, but they need a window of opportunity, i.e. time to position themselves and develop the necessary technologies. This raises two issues: 1) how to choose the area of focus of the knowledge network, which in the IISD is driven by its programme structure, i.e. the Knowledge Communications Group, Sustainable Development Programme, etc. and 2) the ability of developing countries to position themselves. To address the latter, steps have been taken to set up short courses for the people being targeted. (DTI)

SESSION II: OVERVIEW

Chair: Ms Jessica Wilson (GEM)

7. TRADE AND SUSTAINABLE DEVELOPMENT LINKAGES: AN OVERVIEW

Mr Aaron Cosbey, Interim Director, Trade and Sustainable Development Program, IISD presented this paper, which is available in Appendix E. *(There was no discussion.)*

8. FROM RIO TO SEATTLE: RETHINKING STRATEGY

8.1 Presentation

Prof. Adil Najam, Assistant Professor, International Relations Center for Energy and Environment Studies, Boston University, delivered this presentation. The text is provided in Appendix F.

8.2 Discussion

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- *Time constraints:* When considering whether these suggestions are realistic given the

time-frame, it is important to realise that negotiations take a long time and trade negotiations even longer on average. The Seattle *event* is only four months away, but Seattle in terms of *decision making* is an ongoing process. There is time to prepare a contribution, and this requires taking on research. In the four-month period it can be decided what is on the agenda or not, and the scope of it. (NGO)

- *Issues of common concern*: The issue of oil is one that the North really wants to engage in discussions about with the South, and presents a great window of opportunity. (NGO)
- *Makeup of coalitions*: Almost all subcoalitions are based on trade interests, and often they include both North and South countries, e.g. agricultural groups, oil exporters. It is important that subcoalitions do not hamper later coalition. This highlights the area of coalition management, a very promising area of research. (Business)
- *North and South issues*:
 - In terms of the balance of issues between North and South, implementation issues are almost all South-driven (agriculture, food security, etc.) while new issues are primarily North-driven (e.g. competition, environment, investment). (Government - DTI)
 - The unfinished agenda from previous talks usually has more South issues because one negotiating tactic is to take issues up in the next round. (NGO)
- *International environmental group support*: Although environmental groups are more friendly than trade negotiators, they are only slightly so. However, some organisations, such as the Worldwide Fund for Nature (WWF), have come a long way in recognising the need to take developing countries into account. (NGO)
- *WTO dispute resolution*:
 - Parties have pushed for judicial activism in the dispute mechanisms of the WTO in a number of ways. Until recently they could not submit a brief to the body and results were not available for a long time. This has improved since a recent watershed decision by the Appellate Body, which ruled that the original panel should accept briefs from non-government actors, known as *amicus curiae* briefs. These are widely used in the USA but are problematic. Currently complainants and defendants each submit arguments that represent their interests, which means that wider policy interests often fall through the cracks. (DTI)
- A major question is whether dispute procedures should be made public. One argument is that this is a matter for international commercial interests, and outside influence should therefore be excluded, which subverts the process. Another opinion is that the deliberations do not have to be made public, but there is no reason why the submissions to the process should not be. Making them public could give better insights into how our governments are defending our interests. (DTI)
- *MEAs and the WTO*:
 - The relationship between MEAs and the WTO remains unclear. Although there have been a few proposals from the EU, Hong Kong and New Zealand for resolving disputes that arise between signatory members, the problems are not likely to be solved soon. MEAs are of great concern to the WTO. Both are bodies of international law. However, currently the preferred place to resolve disputes is within the WTO, as MEAs often do not have dispute resolution mechanisms. (NGO)
- It is a standard international law principle that newer agreements trump older ones. However, a lot of trade officials in developing countries, especially those who think environment should not be related to trade, e.g. Mexico,

prefer the WTO, because they think they can exert greater influence there to limit environmental constraints. (Business)

- *Key actors in strategy development:* The style and approach of strategy formulation depends on publication, research, advocacy and monitoring. To ensure the right actors are at the table a very high level of civil society support is needed, which entails building pressure, though not necessarily consensus. However, the fact that government has failed to negotiate meaningful agreements is a symptom of a lack of capacity. It is therefore critical to avoid agenda overload. (NGO)
- *Eco-imperialism:* At the heart of the eco-imperialist argument is the issue that differences in PPMs create unfair comparative advantages (i.e. by not following environmental standards countries can manufacture more cheaply). However, this does not mean there is no incentive for producers in the North to argue for the harmonisation of standards. Trade representatives are alert to the fact that environment-trade agreements are taking place and the need to deal with MEAs. (Research)

SESSION III: BACKGROUND TO STRATEGY ON TRADE AND SUSTAINABLE DEVELOPMENT

9. ISSUES ON THE HORIZON: CDM AND OTHER NEW DEVELOPMENTS

9.1 Presentation

Mr Cosby delivered this presentation. *The text is provided in Appendix G.*

9.2 Discussion

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- *CDM:*
 - The carbon tax / border adjustment would have to consider the manufacturing approaches in other countries. However, border officials are most likely to use a standard assessment because no country can make a separate assessment for every different country the products come in from. (NGO)
 - CDM awards greater gains to those with dirtier technology, because there are short-term penalties for cleaner technologies. However, there is more long-term financial advantage with cleaner technology. For this reason, the cleanest technologies are not likely to be transferred, but only obsolete technologies. This raises questions about the extent to which the obligations of the investors can be fulfilled through such a mechanism, and suggests there should be a limit on the amounts of credits they can achieve. (Research)
 - Key criticisms of CDM are that it does not produce behaviour change in the long term, and that no one has a stake in monitoring. (Research)
- *Ecolabelling:*
 - The costs of certification for ecolabelling, and indeed the entire issue of setting international standards could reduce the competitiveness of the South countries.

There are problems in the way standards are set (since most South countries cannot afford to pay for people to attend all the meetings) and it is also not appropriate to set costs in other countries. (Government - DTI)

- It is unlikely that the South could negotiate development criteria into ecolabelling, as a tradeoff against more-recent, but labour-unfriendly technologies. The inclusion of development criteria would be seen as introducing or promoting substandard operations in different countries. (Business)
- Ecolabels that list the different criteria and compliance (as opposed to simply stating that a product is acceptable) require a high level of consumer education. Canada has given up selling ecolabels to consumers, and focuses on distributors and producers. Singapore has a highly effective system of ecolabelling, but focused it on the domestic consumer, not exports. (Government - DTI)
- Credibility of ecolabels is always an issue. If another government puts on the label, one can easily disregard it as a marketing attempt by that government to sell its goods. (Government - DTI)

10. SOUTH AFRICAN BUSINESS RESPONSE TO INTERNATIONAL TRENDS

Ms Nicky Robins, Consultant, Groundwork Environmental delivered this presentation. *The text is provided in Appendix H.*

11. RESPONDENT OVERVIEW

Ms Hespina Rukato, Minerals and Energy Policy Centre, highlighted the following six areas of concern which should be identified for research:

- *Fragmentation.* The fragmented nature of industry's response to international trends, with each sector responding in a way that assured its own survival. It is important to look at the national picture to maximise benefits that can be derived from responses to international requirements, because these could be ineffective if they are out of the national context.
- *No consolidation of responses.* There have been too many industry initiatives in response to international trends, without the linkages being drawn between them, e.g. between cleaner production initiatives, ISO 14 001, Responsible Care, ISO 9002, and others. Too much money is being spent without significant benefits
- *International trends versus national demands.* It is necessary to clarify international trends South Africa should be responding to and how to strike the balance between international trends and national demands such as poverty alleviation, job creation, etc.
- *SMEs.* Some SMEs are targeting export markets and are at a lower environmental level, but are also providing jobs and income.
- *Flow of information.* It is important to differentiate between the existence of information and the way it is communicated to stakeholders, to bridge the gap between government, industry and NGOs.
- *Role of government.* what should be the role of government in addressing international competitiveness?

12. DISCUSSION

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- *ISO 14001:*

- The overemphasis on ISO 14001 could stifle local creativity in dealing with environmental problems. Surveys should ask producers what environmental management systems they have in place, rather than if they use ISO 14001, because that suggests that ISO 14001 *is* the environment. This overemphasis is also a result of the country having no national agenda in relation to international environmental trends. (Government - DTI)
- Many large companies overseas have avoided ISO 14 001, and have very effective systems of their own. Companies should start with the best that they have. Some companies with ISO 14 001 cannot come up with quantifiable results because their system has a paper trail but it is not linked to performance. (Industry)
- ISO 14 001 is positive because it encourages companies to pursue environment management systems and stimulates thinking about the interactions between programmes and the eventual implications on the environment. Government should play a more proactive role in encouraging companies in this regard, since there are enormous differences in what is required of different sectors and the timing thereof. (Business)
- South African companies have not reacted significantly to issues such as the CDM, Kyoto Protocol or Biosafety Protocol, or the implications it has for them. (NGO)
- The size of the environmental sector in South Africa is unknown. This is a research problem, since it is hard to define the environmental component of a company or environmental expertise. There are also no statistics in the country that would support that kind of research. However, an aggregate statistic of the environmental sector would probably be useless to government. What is important is to see if it is growing or not. (Government-DTI/Business)

SESSION IV: IDENTIFYING KEY ISSUES

13. IDENTIFICATION OF KEY ISSUES

13.1 Objectives

Mr Fakir outlined the objectives of the session as follows:

- To identify those sets of issues to be resolved in this forum
- To identify the sets of issues that need to be taken forward in response to the upcoming Seattle negotiations
- To identify the sets of generic issues which require further work studies and discussion to further develop or improve understanding of them.

13.2 Issues identified

The participants suggested the following issues (sectors from which the comment originated are given in brackets):

13.2.1 *The status quo*

- Interventions are needed on a sectoral basis, e.g. by government, industry, NGOs and other roleplayers. (Research)
- A broader debate of issues is needed in the general arena, i.e. which issues NGOs,

business organisations, and others should be aware of and informed about, because people do not know where to start. Although good information is available, the debate is currently at too broad and superficial a level for different sectors to apply to themselves. (Business)

- There is little incentive for cleaner production, and a lack of clarity about South Africa's role in relation to the WTO. This should be clarified before it can be determined what the country's agenda is on the international level. (Research)
- The theoretical distinctions between trade and environment *versus* trade and sustainable development should be clarified. There is no guarantee that social benefits go hand-in-hand with trade and environment, but trade and sustainable development has to do with what consumers are demanding. (Research)
- Practical mechanisms are needed for distilling the relevant information into a useful form for people who do not have the time to work through all the information available to find what could be applicable to themselves. (Business)
- Existing skills should be coordinated to identify areas where interventions are needed. In order to achieve coordination, people must be mobilised around pivotal constituencies/issues, e.g. issues relating to specific export products or developmental needs. A mechanism for coordination is needed to champion this. (Government-DTI)
- Existing research must be assessed for relevance to South Africa (together with recommendations for better alignment) to meet the challenge of strategy and policy. (Research)
- International industrial experience could be collated in a useful form, to derive lessons from how they have responded to similar challenges. A comparative profile between international and southern African responses could also be useful. (Business)

13.2.2 Issues to be resolved in this forum

It was accepted that the challenge of this workshop was to identify a way forward in terms of addressing some of the issues listed above, i.e. coordination, communication and research, and an appropriate mechanism to drive the process. It was also important to identify allies, and to understand the linkages between different players in South Africa and in the southern African region.

13.2.3 Generic research issues

Four generic issues were identified:

- International environmental agreements and trade agreements (NGO)
- Changing standards driven by consumers (NGO)
- In South Africa, a host of new environmental laws and regulations may affect the competitiveness of the different business sectors. The relationship between trade and other development impacts needs to be clarified (NGO)
- Trade aspects contained in some of the multilateral agreements could have implications for South Africa in terms of various negotiating positions, and should be identified (NGO)

13.2.4 Other suggestions

DTI published a notice in the *Government Gazette*, March 1999, on *Consultations for Trade Negotiations*, which indicated issues that could be included in the negotiations, and suggested

people who could be involved in those issues. Comments were requested by 30 June. A conference on the issue has also been organised by DTI. (Government - DTI)

SESSION V: RESEARCH IN SOUTH AFRICA

Chair and facilitator: Ms Jessica Wilson, GEM

14. SOUTH AFRICAN CASE STUDY

14.1 Presentation

Mr Michael Goldblatt, environmental economist, Natural Capital, delivered this presentation. *The text is available in Appendix I.*

14.2 Further comments

Ms Martine Visser (DTI) and Ms Adrienne Loewenthal (IUCN) were invited to add their comments to Mr Goldblatt's presentation. Ms Visser said that the South African steel industry was the 21st-largest producer in the world, with a big market share, which increased competition.

The trend from the government side seemed to be a problem with specifying standards for specific industries, which made it more difficult for industry to comply with standards. A great deal of restructuring was also underway in the Department of Water Affairs and Forestry (DWAF), which would result in some of the highest water management standards in the world.

Ms Visser questioned whether government had the infrastructure to control and monitor industry, whether it was possible that control measures could come from outside, or whether there was a legitimate reason to impose those measures in terms of comparing South African standards with international standards. These were difficult issues. One could not expect South Africa's environmental standards to be the same as Europe's. She added that the exposure of consumers to industry in the area should be examined, since the ratio of exposure was completely different in this country than in Europe.

Ms Visser said that the steel industry had a problem in terms of its history as a semi-parastatal, which had included a lot of scaling down and mothballing. The industry had faced severe challenges, and it was not realistic to tell them to comply with international standards. It was important to assess longer-term adjustments for the steel industry. The industry was being forced to make changes, e.g. Iscor Iron and Steel in Vanderbijlpark was legally compelled to spend R200 million for a proper waste dump. She stressed that these aspects had to be considered in terms of the financial investment in the industry. With regard to trade barriers and government procurement, it was essential to consider the long-term implications of imposing such measures on South African industry, e.g. on job creation.

Ms Loewenthal pointed out that it was not only the citrus industry but also most of the fruit industry which was facing demands by buyers, especially the deciduous fruit industry. Deciduous fruits had greater value than citrus fruits. Also, Capespan had provided a lot of support to growers and packers, by doing research into needs and changes. The exporters that did not go through Capespan did not feel the need from buyers to change their production methods, had not had the support that Capespan had given to its growers. She added that the economic impacts were unclear because in the past Outspan was the only exporter, but now no body was regulating the industry, so information was more haphazard. Ms Visser added that the market had diversified to a large extent because the international market had increased.

15. RESPONDENT OVERVIEW

Mr Cosbey gave an overview of the status quo of the five country studies. He explained that Argentina had focused on agriculture, and after 10 years of liberalisation of the economy, questions were asked about the environmental impact on the agricultural sector as a result. The

research upturned a lot of assumptions about environmental impacts. Two workshops were held, and had high levels of government input, including Foreign Affairs, Agriculture and Environment, where they identified topics for future research in the agricultural sector. Incipient collaboration was also underway between researchers, workshop organisers and another organisation in Argentina for a long-term programme on trade and environment. He added that all the research papers would be sent to the research partners, and the results would also be posted on the website.

In Central America the workshop would take place the following week, and a first draft of the research paper was available. The research examined trade and environmental services, for example in the production of coffee, which had a number of environmental benefits, e.g. for climate change, soil, etc. The study also asked whether it was possible to get an international body to pay for environmental services. A similar study was done on joint implementation projects in Costa Rica, to determine funding sources outside the country to pay for carbon-sequestration benefits of forestry, and the resultant advantages for climate change. This had resulted in a good first draft, and the organisers understood how to proceed in Central America. He added that there were good connections between government and the workshop organisers, including a collective of environmental ministers and policy institutes.

The first draft of the Chinese case study was not yet of the right standard. The case study focused on organised food production, domestic production and export opportunities. It also studied textiles and the leather industry, and had identified a problem in accessing international regulations, especially those imposed by the EU on acceptable dyes, and health and safety regulations. The organisers had struggled to get advance notice on the regulations and find out how to meet them, which amounted to a protectionist measure. He added that the workshop in China would take place in October. The linkages with government were quite good, and the ongoing work plan was promising.

Mr Cosbey said that the workshop in Pakistan had been held a month previously, and focused on research into textiles and leather. Some interesting research had emerged on the textile sector. For example, meeting the highest international standards in textiles comprised only 1-2% of costs, but the structure of the industry prevented a shift of the 1-2% from the customer to the producer. This was a good subject for further research. In Pakistan a research institute was asked to create a network to produce a bimonthly newsletter.

In Vietnam the papers were very general, but it was a good workshop. The focus was more on what trade and environment is about, and a general survey of Vietnam. Vietnam is trying to access the WTO, and is very keen to meet the conditions necessary to do so. They see environmental considerations as one of those, and are looking at multi-collaboration to incorporate ISO 14001 and other initiatives into industry.

16. DISCUSSION

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- According to the Kyoto Protocol, Annex 1 countries, in meeting their commitments, may not do anything that can harm developing countries. If Annex 1 countries reduce their trade in coal, they may decide to continue dealing with South Africa in preference to developed countries such as Australia, since reducing trade with South Africa could harm it as a developing country. This suggests there is a small window of opportunity for South Africa. (Industry)

- At a Mining Ministers' meeting in Tanzania earlier this year, SADC formed a sectoral forum to discuss CDM and formulate a SADC position on it. The ministers undertook to create the forum. The South African Chamber of Mines is involved. (Industry)

- Companies that use coal (e.g. Eskom) could be affected by restrictions on energy use, but there is no evidence yet that energy shifts are being passed down the chain, except for some minor ecolabelling issues. (Research)
- There is no good mechanism yet that works in a matrix across government departments, whether in terms of research or South Africa's position regarding the Kyoto Protocol. Different Departments have different perceived interests in going into those negotiations. Rather than creating a superstructure to deal with this issue, either, it is preferable to enhance communication between Departments. (Government - DTI)
- No comprehensive work has been done on the correct management of our exports, e.g. the Thor Chemicals case (chemical processing). In another case a South African company also wanted to import wastes to process here, which would have created 30 jobs, but it was disallowed under the Basle Convention. This area could also be researched. (Government - DTI)
- Although several studies seem to have been done about threats to South African exports, little is known of studies of threats to imports, i.e. products we will no longer be able to access. (Industry)
- Some of the threats to the manufacturing industry, while phrased under environmental concerns, are actually competitors' issues, e.g. a lot of the opposition to the building of the Alusaf smelter at Hillside was classified under environmental concerns but driven by competitors. (Industry)
- Government representation, other than the DTI, seems to be lacking on trade and sustainable development. None of the accountable policy makers, such as the Departments of Environmental Affairs and Tourism (DEAT) or Foreign Affairs, are at this workshop, which raises questions about how seriously South Africa is taking this topic. It is essential to engage people in accountable positions, who can delegate issues down the line. (Business)
- Government should view trade and sustainable development issues as an integral part of its overall export strategy and hence of the export promotion department. This could go beyond addressing environmental requirements to enhancing growing flexibility in the export sector in general. (NGO/Business)
- Part of the scope for future research is to examine how a range of policies, including those on trade and the exchange rate, influence the changing structure of South Africa's exports, as distinguished from specific environmental policies. (NGO)
- There seems to be an assumption that environmental standards are necessarily higher in the North than in countries in the South. However, when considered in terms of natural resource use they could be higher in the South in some instances. Some environmental standards need to be higher in South Africa, e.g. our water quality standards, but whether that can be turned to our advantage or not is unclear. This could be explored further in research. (Research)
- Better management is needed by our environmental ministries to ensure that environmental standards are not lowered by regulators to improve competitiveness. (Research)
- Trade issues are not only between the North and South. Domestic developing countries also look for natural advantages against bigger developing countries, e.g. Namibia tried

to prevent South African Breweries (SAB) from entering the Namibian market by requiring beer to be in recyclable bottles. This made it far more expensive for them to enter the market than for Namibian breweries to penetrate the South African market. (Research)

- DTI are serious about investing into the Environmental Investment Support Fund, which will be used to raise production standards in industry and bring it more on a par with international standards. DTI is also considering using part of that fund to support the environmental industry. (Government - DTI)

17. WWF PROJECT ON MACRO-ECONOMIC REFORMS AND SUSTAINABLE DEVELOPMENT IN SOUTHERN AFRICA

Mr Goldblatt delivered the following presentation:

The aims of the WWF project are:

- to integrate broad thinking on macroeconomics and sustainable development (environment), i.e. a shift away from microeconomic-level research
- advocacy, and
- training.

The project structure consists of the following:

- National Advisory Committee, a multi-stakeholder body
- Project Secretariat - DBSA (who are managing the project)
- Research Teams - DBSA is responsible for collating research.

The research themes are water and energy in the South African economy, i.e. the key natural resource inputs into the economy. The following areas are being assessed under these themes:

- Elasticities of demand, to begin to answer the question: If environmental externalities identified in different sectors are incorporated into their pricing regimes, what would be consumer responses, and the economic implications?
- Economy/environment interactions.

In terms of the water study, the whole approach to water management has changed dramatically in South Africa over the last few years. Water pricing has become prominent, and the issues of environmental impacts on the resource and appropriate pricing in terms of the scarcity of the water will be addressed. These two issues will be included in all the research papers. An overview paper will give the background, and other papers will focus on the agriculture, forestry, urban and manufacturing sectors.

The energy study will examine the energy chain. Two papers will examine coal and liquid fuels as primary inputs. Other aspects include electricity generation and supply, transport, metals production and mining. There is also some talk of deregulating the energy industry, and this could also have an impact. A macroeconomic analysis will consolidate the above papers using a qualitative approach, and will also entail developing a computer-generated economic (CGE) model to answer some of the hypotheses.

The first draft of the research will be out by the end of July 1999. A second research workshop will be held in August to discuss how the results can be brought together in the macro picture. Work will continue until November 1999, when the final drafts of the individual papers and the macroeconomic analysis will be produced. Thereafter, the results will be available for discussion and finalisation in 2000.

18. RESPONDENT OVERVIEW

Mr Stephen Gelb, Policy Unit, Development Bank of Southern Africa presented the following overview:

I would like to pose a concept of sustainability which goes well beyond the conservation of the stock of physical and natural capital, and suggest that we should think of sustainability also in terms of other types of capital, i.e.:

- human and social capital, which are increasingly the focus of economic analysis as important sources of productivity growth, i.e. producing higher income or growth from the same stock of physical and natural capital
- by introducing the notion of the nation-state in response to the question: Whose income is supposed to be sustainable? The concept of the nation-state allows us to focus on the nation's capital, i.e. its foreign exchange reserves. By viewing sustainable development in this way we are beginning to address interactions around macroeconomics and the environment.

Sustainability must be understood in relation to each element of the capital stock: human, social, natural, physical and financial, and all must be increased for sustainability to be possible. However, different elements of capital stock adjust at different speeds. Foreign exchange capital adjusts in days or weeks, but natural capital takes generations. We also need to adjust to the relative flows of these forms of capital *versus* the stocks, e.g. foreign exchange reserves are high in relation to the stock available, but the amount of natural capital used up is quite small in relation to the overall stock.

The implication is that strategies for long-run sustainability must be consistent with short-run strategies. Short-run strategies tend to dominate, but if they ignore sustainability, i.e. the other strata of capital, they may fail over time. There is thus an important interaction between long and short-run sustainability, and the macroeconomic elements of the WWF project are intended to explore the interactions between these various forms of capital.

The links between sustainability and trade are obvious at one level. South Africa, as a semi-industrial economy, needs imports, such as machinery (physical capital), and intermediate inputs if the economy is to grow in income and stock of physical capital. Imports cost foreign exchange, so short-run growth requires that we also export. The rest of the world therefore loans us foreign exchange to pay for imports from them. The sustainability of any growth process requires that we export our capital or our foreign exchange reserves will be exhausted. Foreign exchange crises have threatened a few times over the last few years.

The fact that imports and trade are essential for sustainability and development in our economy does not mean that lowering import protection or reducing tariffs will enhance short-run sustainability of growth. We have to be concerned from a sustainability viewpoint with trade strategy on the side of both imports and exports.

In the WWF project, the main tool to be used to examine the questions of long and short-run sustainability is the CGE model. The model is a multisectoral framework concerned with the impact of price changes arising from shifts in demand and supply at the sectoral level, as well as changes in taxes, tariffs and subsidies. It is therefore particularly suitable for examining water and energy as a primary focus of research. The CGE model allows for deaggregation of the energy sector and sectors that use energy, and of water sectors and the demand for water. It allows for a much more detailed framework which enables careful analysis of supply-demand relationships.

The multisectoral framework also makes it possible to integrate environmental issues arising from the production and use of water/energy with the overall output and labour-dependent capital requirements of overall demand. The CGE model will be used to examine policies to reduce

environmental damage associated with water or energy production or usage, e.g. environmental optimal taxes and other mechanisms to shift prices and commodities relative to other prices in the economy. The model will provide insight into the impact on GDP and our overall economic welfare.

Conversely, the model can help identify the macro and trade effects of our economic trade policies on devaluation, export restrictions, etc., as they relate to environmental issues, or export promotion, i.e. the effects of those policies which may be focusing on short-run sustainability. The model can also be used to look at the impact of longer-run concerns in terms of their effects on the environment or environmental damage.

19. DISCUSSION

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- It is possible to bring human and natural capital into the CGE framework by making certain assumptions about how the production function changes in response to improvements in labour productivity, i.e. to better education, health care, etc. Improvements in social capital are more difficult. Hopefully some of the work on specific sectors will allow the researchers to think through the effects on human capital. (NGO)
- The environmental damage function can be incorporated into the CGE through the sectoral work, which will help to put numerical quantitative values on the damage functions. The input-output framework will all allow one to differentiate between direct and indirect environmental damage (e.g. energy usage in production is indirect damage). Any attempt to quantify these relationships entails a lot of assumptions, but in carrying out the exercises the researchers begin to understand the sensitivity of the assumptions and begin the process of trying to generate better data. (DTI)

20. STIMULATING SUSTAINABLE TRADE: WHO BENEFITS?

20.1 Presentation

Ms Penny Urquhart, independent research consultant, delivered this presentation. *The text is available in Appendix J.*

20.2 Discussion

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- To promote the tourism industry, the government has strengthened its policies by including social criteria within its tendering requirements, including local capacity building, skills, training, local community partners, etc. Environmental criteria are sometimes included. There have also been several recent developments around improving tourism markets to develop a recognisable international brand, which was not there before, and to bring a broader range of stakeholders into the industry. (Research)
- Foreign investors have not shown much interest in investing in SDIs. Although the tender requirements may have been an obstacle, the focus in SDIs is strongly on the development aspects, and therefore on a longer-term approach to wait for the right kind of investor, rather than forcing a system. (Research)

SESSION VI: THE SOUTH AFRICAN PERSPECTIVE

21. PANEL DISCUSSION

Facilitator: Ms Nicky Robins

Panel participants:

- Mr Francis Moloi, Deputy Director, DTI
- Mr Saliem Fakir, Country Programme Coordinator, IUCN (South Africa)
- Ms Karen Ireton, Acting Director, Industrial Environmental Forum (IEF)
- Mr Marcel Kohler, Economist, University of Natal

21.1 Introductory statement by Ms Ireton

Ms Ireton made the following comments:

It is very clear that there is some concern about trade and environment issues in South Africa, but the reduced audience numbers at this workshop suggests that because environment is attached to the trade issue, the topic has dropped on the agenda. Is the fact that environmental issues are being discussed here not being taken seriously enough in the country? More discussion and debate is needed around whether environmental or sustainable development is forcing this issue into the more rarified atmosphere of research, allied to the political debate rather than on the ground operations.

Another common issue that arose this morning is whether environmental issues are being driven or dragged by the trade debate, and whether the actions on the trade agenda are positive or negative. My view through the IEF has been to welcome pressure from the trade arena because it is seen as a driver for environmental improvement. It would be best to harness ourselves to this driver to create more competitive environmental actions, which also increases efficiency spinoffs for local industry and the environment. This does not mean that we need to be reactive.

We do not seem to know how to measure ourselves sufficiently well in environmental actions or standards against international norms. While benchmarking has to take place in a more informed arena so we know whether we are performing in terms of international norms or not, we may be giving too much credit to the international debate in terms of changing things. Local norms may be just as effective.

It has also been noted that we have had the same trading impact on SADC partners as other countries have had on us. Zimbabwe and South Africa were very resource-efficient economies in the past because much was recycled. Now we are encountering South African beer cans on formerly unspoilt beaches in Tanzania, which highlights the point that our focus should not be about trade and environment, but about sustainable development and trade.

Some kind of formalised mechanism is needed to enhance debate and ensure that it is not just a once-off event four months before Seattle. An ongoing forum should take this debate further at a higher level. There are leading players in industry and government and in academic and policy research who are not here, which is problematic.

21.2 Introductory statement by Mr Moloi

Mr Moloi made the following comments:

At the moment, WTO groups are locked into negotiation mode related to the Millennium Round

in Seattle, so it is not surprising that at the moment almost all multilateral and government organisations are involved in an effort to develop a proactive and positive agenda for developing countries. A DTI conference is underway in Pretoria at the moment, and the OAU and others are geared to assisting developing countries create a proactive agenda for Seattle. The development of a proactive / positive agenda for trade and environment in the WTO is important because of a growing effort on the part of developing countries to include environment in the broad framework of negotiations in the WTO.

Northern countries have become increasingly resistant to highlighting environment on the agenda. Trade and environment are already on the WTO agenda, though not as a discrete item. Now pressure is growing to include trade and environment in mainstream discussions in the Millennium Round. This creates both risks and opportunities for developing countries. Developing countries should be aware of the full implications of engaging in a Millennium Round where environment is expected to play a very important role. They must also know the implications of explicit inclusion or exclusion of environment in the negotiating agenda.

Developing countries should try to ensure that any further accommodation of environment in the multilateral trading system is done in a balanced manner, taking account of their environmental and developmental conditions. Developing countries may therefore have to resist certain proposals that run counter to their interests. In particular, developing countries should firmly resist unilateralism and other measures that threaten to undermine the multilateral trading system.

Any positive agenda on trade and environment should be based on the concept of sustainable development. A positive agenda on trade and environment should promote positive interactions with other economic activities, especially international trade, the multilateral trading system and the environment. The positive agenda should contribute to the further integration of developing countries into the world economy, and do away with the marginalisation they are currently experiencing. The positive agenda should also help to achieve environmental and sustainable development objectives based on multilateral cooperation and the principle of common but differentiated responsibilities.

These objectives can only be achieved by considering trade and environmental interactions within the broader context of development. Recent analysis and debate have shown that strategies to achieve such objectives may be more effective by:

- strengthening policy coordination at the national and multilateral levels

- strengthening capacities in developing countries to deal with trade-related environmental issues
- promoting multi-stakeholder approaches to identify cost-effective and development-friendly options for trade and environment policy interactions, and
- implementing positive measures, in particular as outlined in Agenda 21.

It may be difficult for developing countries to sustain their opposition to the inclusion of environment in the WTO negotiations for a number of reasons:

- The shrimp and turtle case generated new uncertainties about how the multilateral trading system will further accommodate environmental concerns. While the decision in this case was welcomed by others, some members expressed concern over the effects of environmental policies, particularly the use of trade measures related to PPMs, on developing countries. Developing countries may have to reach a point where they either resort to a litigious regime (involving clarification of trade and environment issues on the basis of case law rather than broad-based consensus) or to a precautionary exploration of trade and environmental issues to avert conflicts.
- Proposals have been made to mainstream trade-environment issues into existing WTO agreements. This implies that environment would be addressed in practically all relevant agreements of the WTO, including the built-in agenda and planned reviews of agreements. Mainstreaming means that developing countries would be required to engage in renegotiations, and that the discussion of environmental issues cannot be avoided.
- The Millennium Round triggered renewed concerns about the possible environmental effects of further trade liberalisation, and hence calls for environmental impact assessment of trade policies by developed countries, as well as new expectations that some progress can be achieved.

South Africa is also locked into the mode of trying to develop a proactive agenda, especially in trade and environment and sustainable development, which are critical issues for us. That is why the notice was published in the *Government Gazette* on 1 April 1999, and suggestions in that regard are welcome.

21.3 Introductory statement by Mr Kohler

Mr Kohler made the following statement:

If the reason for the lack of interest in this kind of forum is because of the word environment on the agenda, then perhaps one needs to focus on the term trade to sustain the interest among all stakeholders, drive the agenda forward, and force producers in the economy to be more effective. We must clearly demonstrate that South Africa's participation has clear gains for sustainable development and the environment. We also need to develop a methodology to test the links between trade and the environment. We have put too much attention on the impact of multilateral trade agreements in cutting off market access to our producers. Why not look at the liberalisation of trade, and the extent to which it increases the use of South Africa's natural resources, to ensure they are not used in an unsustainable fashion.

A champion is needed to ensure there is a national mechanism to proceed in future. Such a champion should be an intermediary between government, NGOs, research, industry and others. Without a champion for the cause there will be no progress.

21.4 Introductory statement by Mr Fakir

Mr Fakir made the following statement:

Although the South lost its chance to use its trump card, but the North has been in a position to grab the trump card. The current position is based on two trends:

- changing consumer attitudes in terms of products they are purchasing
- hidden within the environmental debate could be underlying protectionist attempts, an agenda to use environmental issues as blockages, especially in competitive industries where potential developing countries could pose a threat (e.g. commodities).

The question is whether within Southern countries we are playing each other off. Although Southern countries may stand on a similar footing, it would be interesting to see whether in areas of certain trade blocs they would use the environmental agenda to create a new political trade climate or economy. The environment can be a useful political vehicle. We have to unpack that and scrutinise the potential agendas that may emerge under the environmental label to construct a new kind of trade regime. To what extent that happens is open to debate.

There is a link between SMEs and big manufacturing firms, since in industry a lot of SMEs subcontract to big firms. There are both emerging and established SMES. Government policy is to promote the emerging SMEs. It is not clear how much of the sector will be affected by a new kind of regime. Trade and environment issues must be explored further, to identify what conditions countries must meet in order to cope with new trends around trade and environment. Because the agenda is being fast-tracked by developing countries, a lot of issues have arisen around the compatibility of standards. We cannot look at these without considering the differential impacts on different sectors. These new conditions also raise the question of availability of technology. Even standard-setting requires some basic information, e.g. air quality standards, which are difficult to set because the data are limited. Technical and scientific capacity are also required, therefore, to meet the yardsticks against which countries are being measured.

South Africans hold a common position with respect to international agreements: they assume that an unholy alliance can be created between civil society, government and business. We have not explored that assumption, though we are working with it. A lot of countries are adopting and trying to apply environmental management standards, and the environmental management policy process requires a balance between voluntarism and compulsion.

Trade and environment issues, with respect to international agreements, seem to be the business of government. But others need mechanisms, such as a forum, to be able to contribute to the debate responsibly, for society independently to take up the cudgels of environmental issues whether they are in response to international concerns or not.

21.5 Plenary discussion

The following key points were made during plenary discussion (the sector from which the issue/question originated is indicated after the point):

- The USA shrimp-turtle case was one in which the WTO did not rule out unilateral action. If unilateralism is acceptable in some circumstances, one element of the positive agenda should be to draft an understanding of the specific conditions under which it is acceptable to use a unilateral measure. Unilateralism should only be allowed in very restrictive cases, e.g. where efforts are first made to achieve multilateralism; in times of economic urgency; accompanied by measures such as technology, capacity building, and others; where enough time is given to comply with the multilateral measures, etc., none of which were done in the USA case. In the process, one should also distinguish between protectionism and actual protection of the environment. (Research)
- In an effort to begin developing a mechanism to take trade and environment issues

forward, one could take the attendance lists from this workshop and the DTI conference and use them as a basis for an incipient network list, sending them issues of concern in South Africa, working with that network and periodically drawing them together to specific meetings. The question remains about who would perform that function. (Research)

- The process for assessing South Africa's priorities currently includes:
 - the establishment of an interdepartmental task team by DTI, including various directorates in DTI, DEAT, Agriculture, and any other department that has a portfolio relevant to trade and environment. This is important for government to formulate clear guidelines on what we need, since it would be difficult for NGOs and others outside government to understand how to factor in other frameworks that relate to trade and environment
 - the publication of the notice in the Government Gazette, and the subsequent comments received, which have identified a host of issues in specific markets, indicating what they want government to do. (Research)
- Business needs to present a clear position to government on what they want. Different positions should be consolidated in order to move the internal process forward. (Research)
- Items on the agenda for the next round of talks include the following:
 - Article 27(3)(b) of TRIPS says that in some cases the *sui generis* principle should be home grown, a system that takes into account the interests of the country itself
 - Article XX of the GATT provides for general acceptance that WTO countries can depart from their obligations under GATT for environmental protection as long as the measures are not discriminatory, arbitrary or unjustifiable. Various countries are saying they will insist on the maintenance of that article and oppose any views that seek to change that by opening avenues for unilateral measures in the area of environmental protection. (NGO)
- Developing countries could champion trade and environment by shifting the debate to Agenda 21. If 45 countries are against environmental exclusions, they should simply stand up and say so. (Research)
- Although developing countries realise that they need to develop a proactive agenda, some developing countries are opposed to including environment on the WTO, because:
 - the WTO agenda is already full and many countries have not begun to implement decisions taken after the Uruguay round. Before they can take on new issues that backlog must be addressed
 - the inclusion of environment on the trade agenda could be another guise of trade protectionism. (NGO)

SESSION VII: WHERE DO WE GO FROM HERE?

22. PLENARY DISCUSSION

22.1 Briefing

The participants were asked to focus on the following issues in the discussion:

- Strategic interventions for South African trade, environment and sustainable development issues both nationally and in the international arena
- Trade and environment issues in South Africa

- Gaps and research areas to focus on
- Future mechanisms and a way forward.

22.2 Research gaps

The participants identified that research is required in the following areas in order to help support government in the ongoing negotiations about trade and environment (the issues are not in order of importance):

- Imports and exports that pose environmental risks (e.g. hazardous waste imports, or exports that result in natural resource depletion)
- Exploration of CDM and other mechanisms
- Assessment of the influence of simple policy tools (e.g. the exchange rate) on the structure of export goods
- Exploration of opportunities for stricter environmental standards in the South (than in the North)
- Challenge of information collection and dissemination
- Implications of the trade aspects of MEAs for South Africa. This is a huge gap in research, not only in relation to trade and environment issues
- Implications of green procurement for South Africa
- Linkages between business responses (e.g. ISO 14001, cleaner production), and the need for flexibility in this regard
- Differential impacts of international trends and pressures on SMEs
- Positive benefits of environmental pressure. These should be quantified, as in the citrus industry case study
- Protection and valuation of the local environment
- Identification of niche markets and other opportunities
- identification of strategic allies (including countries, civil society in both the North and South, and industry) and the bases for choosing strategic alliances
- Identification of strategic interventions (e.g. Seattle negotiations)
- How to gear up developing countries' responsiveness to meet changing environmental criteria, and the role of government in this, e.g. by providing support in the form of information
- Potential for unilateralism among South Africa's major trading partners
- It is important to identify which areas are strictly new research, which ones link into what has already been done, and which ones require only sectoral information. Existing research should be summarised (a task currently being done by DTI's interdepartmental task team). Using that, research gaps can be identified. Existing studies can also be applied to other sectoral areas.
- The extent to which the availability of cheap energy in South Africa could become a weakness, and how to prepare for that
- Distribution of benefits and costs
- Consumer awareness and broadening of the debate beyond experts, to prevent a small number of protectionist issues being taken forward rather than those in the broader national interest
- Clarification of government's role with respect to the international arena and other stakeholders
- Analysis of the sectoral positions of government to ensure they are broadly acceptable
- Inclusion of policy implications of research topics, i.e. how research can move from the academic into policy development and application
- Comparison of the key environmental impacts of different sectors for comparison across sectors.

22.3 Issues in developing a strategy for policy and negotiation

The following strategic issues were identified:

- Who will coordinate the process?
- Briefing of government negotiators for the Seattle negotiations and beyond

- Mechanism or framework for mobilising multi-stakeholder input, to keep the issue evolving in the longer term
- Identification of strategic allies, e.g. subcoalitions
- Role of government, e.g. in supporting industry responses
- Raising the level of debate and subjecting it to analysis
- Exploration of the role and possible use of bodies such as NEDLAC, though not necessarily relying on them alone
- The possible use of WTO as a starting framework

22.4 Summary

Mr Fakir said that people were unclear on how they could respond to this issue. Although the base for negotiations existed it needed to be reinforced so that people felt that whatever they were doing to take things forward formed part of a structural mechanism. There was a sense that government, which dealt with multi-interest groups, was in a better position to do that. A formal policy framework was needed that would allow people to mobilise around issues and indicated the seriousness with which government regarded the issue. A formal mechanism existed in DTI, but linkages needed to be stronger between DTI and its constituencies.

Mr Moloi replied that government had to clearly define what it wanted in order to facilitate what had to be done. Until this happened, research done outside of government would have no relevance. The policy requirements in terms of research had to be identified. At this stage the comments on the *Government Gazette* notice had been received, and the DTI would examine them and take the issue forward. He invited NGOs to continue communicating with the DTI on the process.

Mr Fakir added that the organisations that convened this workshop would see if they could develop a research agenda that they could take forward. The attendance list would be used as a vehicle for circulating issues that needed a response.

23. CLOSING

Mr Cassim said that South Africans were experiencing workshop fatigue. Many critical workshops had been called, and priorities had changed as a result. Workshops sometimes ended on an uncomfortable note with uncertainty about who would take the process forward. Most organisations claimed to have limited capacity, but this workshop had showed that collaboration could play an important role.

Mr Fakir thanked the participants for their inputs, which had been very useful, and the organisers and sponsors. Ms Wilson thanked the participants on behalf of GEM, and said that the challenge now was for the organisers to go ahead with the process. She invited the participants to remain involved.

APPENDIX A: CHALLENGES FACING THE SOUTH AFRICAN GOVERNMENT IN THE WTO NEGOTIATIONS, WITH SPECIFIC REFERENCE TO TRADE AND ENVIRONMENT

*Mr Bahle Sibisi, Chief Director: Foreign Trade Relations,
Department of Trade and Industry (DTI)*

There are two phases in the DTI's preparation for negotiations. The current phase is aimed at the Seattle negotiations to be held in November 1999, and the second phase at the post-Seattle process. The first phase entails a major mission to define the scope and nature of negotiations and the negotiating objectives for South Africa. Environment is one area where some trading partners have raised the need for negotiating cross-border issues that arise between trade, policy and environment.

South Africa needs to define its position, and to decide whether it is able to make valid clear proposals regarding its stance on trade and environment. To be able to do that, government tends to consult manuals. However, in this sphere there are no manuals, and government therefore relies on industry, business, labour and others to indicate their views. It also relies on the research community to show clear empirical evidence of the major issues, potential benefits for South Africa and the current situation regarding laws that may or may not be key to the development of trade and/or protection of the environment. South Africa cannot escape the issue of environment, because of its growing importance in the context of interdependence and globalisation.

Developing countries' partners have felt some apprehension about including environment in trade issues, because it entails dealing with a wide range of issues with limited capacity. While it is accepted that environment and trade policies have to have interim results, the interface must be understood, i.e. how best to contribute to sustainable development without risking or limiting market opportunities, which many developing countries look to government to provide.

A key question is whether the current provisions in the World Trade Organisation (WTO) are enough to deal with concerns raised by the environmental community. On the one hand, without a clear discipline, countries are vulnerable to unilateral, protectionist measures in the guise of environmental protection. On the other hand, some cooperation is required between the bilateral trade system and the environmental community, since a number of environmental conventions contribute to multilateral environmental agreements (MEAs). At last count, there were about 200 MEAs, of which about 20 have trade implications, e.g. the Basle Convention, CITES and the Montreal Protocol.

In the WTO, obligations are mainly contractual and possibilities exist for trade sanctions. There are growing efforts to bring environment into a more central position in the WTO, for two reasons: 1) to ensure wider representation (since WTO obligations are based on the principle of non-discrimination), and 2) because the WTO has the power to enforce MEAs.

The WTO already has a number of agreements containing provisions which have some effect on environment protection, e.g. trade agreements dealing with technical requirements prohibiting the export of environmentally unfriendly products (e.g. certain dyes); complex ecolabelling schemes (both voluntary and compulsory); and process and production method (PPM) requirements. Consumer groups are also demanding very strict standards for environmental protection. Other agreements include the following:

- ! The Agreement on Sanitary and Phytosanitary Measures (SPS), which is aimed at protecting health and safety without unduly restricting trade, and contains measures to protect human and animal life from risks arising from contaminants, additives, toxins, etc.

- ! in food
- ! TRIPS (The Agreement on Trade-related Aspects of Intellectual Property Rights), which could affect the transfer of environmentally friendly technology, the development of biotechnology, protection of traditional rights knowledge and the conservation of biodiversity
- ! The GATT Subsidies Code, which contains a green-box measure, i.e. that a subsidy could be non-actionable if it encourages the environmental upgrading of pollution, and
- ! Article XX of GATT (General Agreement on Tariffs and Trade), which is at the centre of the discussion on trade and environment, and allows members to impose trade-restricting measures if they are necessary to protect human, plant or animal life or if they relate to the conservation of exhaustible natural resources. However, it is stipulated that these measures should not be applied in an arbitrary or discriminatory fashion.

The debate around the interface between environment and trade has polarised around the need to draw trading communities together under the concept of sustainable development, and the need to integrate measures. South Africa has to be able to provide a clear position for negotiations to ensure that the interests and concerns of the environmental and trade communities are brought together.

There are concerns among the trading community that environmental measures may change the conditions of competition. Stricter standards for protection could raise costs, and developing countries could lose their current comparative cost advantage if higher standards are required. The key issue therefore, is whether MEAs (aimed at dealing with environmental issues) could effectively restrict trade, or whether the liberalisation of trade could avoid a race to the bottom with regard to environmental standards. The question is how to ensure that there is clarity on the conditions and bases according to which changes or restrictions can be applied, since to use blanket instruments (e.g. trade bans) is neither an efficient nor effective means of protecting the environment.

All countries have an interest in protecting both the environment and economic growth and development. In approaching these issues it is essential to ensure that environmentally sound policies are achieved on the basis of common but differential responsibilities. The State is concerned that sound environmental policies, if not economically viable, will require that limited State resources have to be put towards ensuring protection.

The key challenge for the environmental and trade communities lies in the clarification of these issues. Developing countries need to develop, and require environmentally friendly technologies but also the supporting capacity to be able to effect some of these provisions. I hope that this seminar will be able to clarify for government how to continue ensuring that there is increasing coordination between various agencies of government in trade and environment issues. Such coordination at domestic level will enable a better approach to dealing with trade and environment concerns, thus ensuring continued competitive advantage.

South Africa is very keen to develop a positive agenda in the next round of negotiations. Such a positive agenda will have to be based on clear indications of the country's interest, based on analyses. It should resist efforts to transfer the burden of additional environmental improvement onto developing countries in the absence of financial and technical assistance. The positive agenda also requires avoiding unilateral trade measures, such as were imposed by the United States in the recent shrimp-turtle case.

It is important that the outcome of the next round of negotiations is assessed in terms of its impact on environment. South Africa has sufficient capability to begin instituting, organising and evaluating the agreements that will enable it to engage in the debate, agreements that are based on empirical evidence, rather than motions or common sense.

There are certain areas that can assist the government in this regard:

- Legal clarity is required about trade rules as they affect MEAs, i.e. how to adapt trade measures relating to MEAs.
- It could be useful to have an indication where South Africa is vulnerable to trade sanctions or similar measures and to what extent they can be effected in the South African context.
- Government would like researchers to address the challenge of identifying what methodology or framework government can use to deal with this complex interrelation between trade, legalisation, market access opportunities and environment.

The problem is not so much whether environment should be discussed in the next round of negotiations, or whether there is an interface between environment and trade, but rather to explore the terms of the debate. Economists agree that there is a close correlation between trade and economic growth. The major challenges are thus to ensure sufficient growth, which would enable the improvement of social welfare, and to open up market debate around the possibilities for growth, if these are seen to be adversely affected in terms of sustainable development.

This raises questions about the ability of developing countries to enter the discussion on an even keel. The focus for discussion in this workshop, therefore, is how to set the terms of the debate so as to enable all parts of the trade and environment communities to exchange meaningful discussion.

APPENDIX B: THE ROLE AND PERSPECTIVE OF THE IUCN

*Mr Saliem Fakir, Country Programme Coordinator,
IUCN (South Africa Country Office)*

The last workshop on this topic was held about two years ago. In those two years, several changes have taken place. IUCN (South Africa) was established in 1998, and one of the projects it inherited was the Trade Knowledge Network Project, undertaken in partnership with the IISD. Although the IUCN is generally considered to be a conservation organisation, the trade and environment workshop arose in the context of debate within the IUCN as to whether it was still purely conservation-oriented. Although the IUCN started on that basis, a lot of the work it has done globally through its different regional and country offices has served to extend its focus beyond purely conservation issues.

Much of the work done in South Africa has focused around development issues, and a key component of the mission statement of the Southern African office is to be a development partner. When that mission statement was drafted, the IUCN Head Office asked that the word biodiversity be included. However, the Southern African regional office in Harare resisted that suggestion, because it was felt that the IUCN could not make a significant contribution in Southern Africa if it did not deal with natural resource management in this region with a development focus.

In 1998 the IUCN office based in Geneva conducted a global survey of the kinds of work done by the IUCN branches, and found that much of the work did not have a specific strategic direction. For example, a great deal of work was done on an *ad hoc* basis in response to a range of international environmental conventions, e.g. those relating to biodiversity, climate change, etc. Although these projects had an environmental focus they were not always properly linked to economic considerations. For example, one of the conditions negotiated under the Biodiversity Convention is that of the Biosafety Protocol, which will have significant implications for trade. That aspect has not been fully explored, e.g. through a research programme.

I believe there is a need for a strong research programme to establish better understanding between international environmental conventions and trade, and to stimulate greater debate and discussion between those differing segments of society. The relationships between trade and environment are not fully understood, and while environmental conventions are often promoted, such initiatives often lose sight of the effect on sustainable development and economic trade issues.

The aim of a workshop such as this is to determine how to develop a programme or agenda that will explore areas of mutual benefit to the trade and environment sectors. In terms of conducting policy research, there is both a need to enhance and strengthen a deep understanding of these issues and the complexity they represent, and to put forward a set of research agendas, focused around South Africa's own position regarding trade negotiations. South Africa may be in a position to support other states, especially in Southern Africa, that do not have the resources as South Africa, and in so doing to develop stronger positions around some of these agreements or conventions. I would urge you to focus on that issue as well and try to develop, through collaborative means, a policy research programme that can support negotiations.

The IUCN is an international organisation which includes government institutions among its members, and works through a wide range of partnerships with NGOs, government, research institutions, etc., in the necessary collaborative spirit. It is very important to develop alliances, and to ask what aspects of research should be undertaken, not for the sake of research itself but to strengthen national policy development and support South Africa's negotiations in the international arena.

However, partnerships can be a weakness or a strength. The weakness is that they take longer

to establish, but their strength is that through partnerships it is possible to draw on the best features in the diversity of the constituency. The opportunity exists to make good use of the diversity of people present at this workshop to identify areas of common concern, so as to ensure that you work together collectively to identify solutions or recommendations on how to go forward.

One of the ways in which the IUCN has been able to draw together expertise and share knowledge and experience, is through six commissions. For example, the IUCN has a Commission on Environmental Education, which deals with global and regional problems related to environmental education, and as a result has generated a mass of material on this issue. One of the recommendations being put forward for adoption at the IUCN's next congress in 2000 is the establishment of a Commission on Business and Environment, which will focus on the relationship between business and the environment. It is hoped that by establishing such a forum, greater impetus will be given to the issue of trade and environment.

APPENDIX C: THE ROLE AND PERSPECTIVE OF THE GROUP FOR ENVIRONMENTAL MONITORING (GEM)

Dr Quentin Espey, Director, GEM

GEM is a non-governmental, non-profit environmental trust dealing with sustainable development and environmental justice. GEM has a programme on trade and the global and national environment, and a project on environmental policy initiatives which includes training in sustainable development, and is sponsored by the IDRC. GEM wants to place a few issues of concern to civil society on the agenda for consideration and debate during this workshop.

I came into contact with the subject of trade and sustainable development during a workshop two years ago on Trade Policy and Environmental Agreements. Part of that workshop's intention was to stimulate greater debate on the wider spectrum of issues, and to eventually interact with DTI to capitalise on more proactive interventions in the global arena with organisations such as the WTO. Some progress has been made along that path, but not a great deal. Some channels have been opened by DTI, and some capacity building done, but the topic still needs a lot of debate among different groups. At that earlier workshop, my predecessor at GEM, Dr David Fig, stressed the importance of different groups working together to achieve a win-win situation, and of civil society and future government in South Africa operating in synergy. He also said that South Africa should play a proactive role in strengthening the WTO and in ensuring greater transparency and responsiveness to civil society.

Civil society in South Africa can play a very constructive role with government by engaging the concerns of a much broader spread of interests than those of the specialists at this workshop and within the Department of Trade and Industry so that the issues of ordinary people are expressed. The booklet: *Trade and sustainable development: A guide for the perplexed* (in participant folders), was produced by GEM in August 1998 in an attempt to decomplicate the issues, and distributed to a wide range of groups, mainly in civil society. However, the next phase is to engage the issue in a more proactive and active way so that people in different sectors can understand the issues and contribute constructively to the debate.

It is important to find common ground rather than talking on two levels about trade and environment and trade and sustainable development. Our focus is on trade and sustainable development, split up into trade and environment and trade and development. We have to look at the global picture and try to interact with different organisations to pursue what is best for South Africa as a developing country. The appeal body to the WTO ruled against the USA on the South-East Asian shrimp-turtle issue because they had not done enough to engage developing countries in trying to create win-win situations. I interpret that as meaning that before banning trade in shrimp from Malaysia and Thailand, the USA should have pursued sustainable development measures to engage the fisherfolk in those countries, i.e. to help them keep their jobs while trying to protect the environment at the same time. We support the promotion of similar kinds of approaches so that everyone can benefit.

We would like research efforts to be directed to research issues that will enable such sustainable development approaches, by identifying positions that will benefit quality of life while protecting the natural capital on which we all base our existence.

South Africans are not operating in isolation, but are part of a bigger scenario, which is stacked against us. There are many inequalities. According to a recent journal article, the World Bank specified that the implications of GATT (General Agreement on Tariffs and Trade) would be that Japan, the European Union (EU) and the USA would gain \$139 billion in trade, while Sub-Saharan Africa would lose \$1,6 billion. I believe that the global system of economics, trade and governance places developing countries in a cycle of poverty, and action and methods are needed to stop that cycle. This is a form of global apartheid. Although globalisation refers to the

free movement of goods and capital, people are not allowed to move about, a system which is preserved by the sacrosanct nature of sovereign states. It is therefore essential to find creative ways of dealing with it to protect environmental and economic structures.

It is essential to have civil society networks, between the South and North in particular, and to work constructively around these issues. GEM is about to enter into partnership with a Danish governmental development organization and hopes to engage in the arenas of agriculture, food security and trade. Only through these kinds of engagement will people be able to understand global problems between trade and sustainable development, and do away with the divide (at least in understanding) between the North and South. By doing so, groups could not only influence government in South Africa, but over the long term could also influence governments in richer countries. They would thus have a better chance of engaging international organisations that have solutions and policies that can improve the quality of life of all and protect natural capital.

APPENDIX D: INTRODUCTION TO THE TRADE KNOWLEDGE NETWORKS PROJECT

Dr Bill Glanville, Vice-President, IISD

1. Introduction

The Trade Knowledge Networks Project (TKNP) was designed and coordinated by IISD, together with its partners, but the funding originated with the IDRC and CIDA, the Italian Foreign Ministry and the WBCSD. The IISD is an independent, non-governmental organisation which is headquartered in Winnipeg, Manitoba, Canada. The organisation is guided by an international board, and core grants are received from the Government of Manitoba and of Canada.

The key message of this presentation is that knowledge networks are an effective tool for achieving some of the objectives in trade and sustainable development. The two key prongs of 1) utilisation of knowledge networks and 2) emphasis on capacity building came together in the Trade Knowledge Networks Project (TKNP).

2. What are knowledge networks?

A working definition of knowledge networks is:

A group of expert institutions working together on a common concern, to strengthen each other's research and communications capacities, share knowledge bases and develop solutions for use beyond the members of the network.

The working definition thus emphasises four points:

- *Institutional commitment:* Knowledge networks require institutional commitment beyond the participation of individuals (which distinguishes knowledge networks from boards, professional associations, advocacy campaigns, etc.)
- *Focus on a single issue:* Institutional collaboration takes place around a single issue or problem, rather than a broad spectrum of interests
- *Strengthening capacity:* Strengthening capacity is critical to this model. We create knowledge networks in order to learn from each other and build on each other's strengths
- *Working together to achieve solutions:* This is a shift away from basic information exchange to actually working together on solutions, i.e. a knowledge network is more work than net.

3. The TKNP

The TKNP has a number of objectives. The main one is to build capacity on trade and sustainable development in developing countries, resulting in:

- stronger southern voices in the WTO on issues related to trade negotiations, whether at local, regional or international levels, and
- better domestic environmental management in partner countries.

The project thus aims to develop better two-way communication between North and South and a better-informed civil society. A key issue is that the network has to tie into a specific decision-making process.

One of our earliest involvements was with a project called Spinning the Web, to create a prototype knowledge network, dealing with information related to sustainable development in a general way but not tied to any specific process. It therefore has less focus and maybe less urgency than the TKNP, which is furthest advanced and tied into a very specific trade process.

The TKNP involves three streams of activity:

- In-country research, followed by workshops, which use research as a platform to discuss issues
- A series of cross-cutting country themes, e.g. intellectual property rights, the trade effects of the Kyoto Protocol or the greening of government and procurement
- The network itself, which is a vehicle to disseminate results, strengthen future research between people, and act as a clearing house for information.

3. Who is involved?

There are six countries or regions currently involved in in-country research and workshops, i.e. Argentina, China, Central America, Pakistan, South Africa and Vietnam. The TKNP is one of the streams of activity that have generated specific research.

4. Where are we now?

Research has either been done or is currently being completed, and the workshops to examine the research are underway. This one is the second-last, with the final one occurring in Central America (San Salvador) next week. Work is still required to complete the research papers and we expect to draw all the partners together in November 1999 (end of Phase 1) to discuss the research, put it on the website and examine the lessons learned. The planning for Phase 2 is underway, and its focus is to expand the network, apply the learning from Phase 1 to deepen the research and move forward with recommendations to influence decisions.

5. What the TKNP is hoping to achieve

The TKNP hopes to:

- improve and influence WTO negotiations
- affect domestic-level sustainable development
- increase learning among partners, at least as a first step, build capacity and achieve synergy in further research undertaken.

6. Value of the knowledge network approach

We are looking for:

- new understanding and solutions on trade and sustainable development issues
- capacity building across the network, which is key to creating and building on new knowledge
- improving communications by sharing information more broadly
- increased levels of influence due to the size of the network and the reputation of its members
- benefits for and the involvement of youth. We have had success in putting young people in organisations, which is both cost-effective and increases their skills. The website helps greatly in disseminating information.

The TKNP thus takes knowledge and information into action. Information exchange mechanisms are not enough. We need to get new ideas into policy and implemented. The bottom line regarding knowledge networks is to achieve focused collaboration, which is beginning through better informed research results, new knowledge and real influence.

APPENDIX E: TRADE AND SUSTAINABLE DEVELOPMENT LINKAGES: AN OVERVIEW

*Mr Aaron Cosbey, Interim Director,
Trade and Sustainable Development Program, IISD*

1. Introduction

This paper is an introductory overview of the relationship between trade and sustainable development. It focuses first on the effects that trade and economic openness can have on environment and development, looking at both potential positive and negative effects. It then looks at the effects environmental concern expressed through the trading system can have on trade and development, again considering both the positive and the negative possibilities.

The paper being modest in scope stops there, not considering what steps might be taken to enhance the positive and reduce the negative potential. This would involve, among other things, an examination of the clash between the legal regimes set up for the protection of the environment, and those set up to protect the integrity of the world trading system. Such analysis is important, but it must be preceded by an understanding of the complex web of interactions that bind the areas of policy that the rules address.

2. Trade's effects on environment and development

Positive Effects

The positive effects of trade on environment and development all come from trade's ability to increase national wealth. To the extent that it does, the development benefits are obvious. Three caveats bear noting, however. First, distributional considerations matter. That is, if trade increases inequity by creating wealth which is mostly concentrated in the hands of the wealthy, then it is working against important development objectives. Second, not everyone will benefit from trade liberalization; inherent in the wealth creating process is also destruction of inefficient firms and sectors. Third, the potential of trade to increase wealth is just that: potential. To enjoy the full fruits of that potential countries may need to, for example, devote a large amount of resources to building capacity in export sectors.

The three ways in which trade is thought to increase wealth are as follows:

Allocative efficiency. The most central of economic arguments for trade is allocative efficiency. Trade allows countries to specialize in producing those items at which they are relatively more efficient – at which they have a comparative advantage. This allows more goods and services to be produced, with a given endowment of resources, by nations that engage in trade. The other side of this coin is that trade restrictions or distortions tend to decrease allocative efficiency. For example, it makes little sense for the United States to have domestic industries in sugar or rice, which can be grown much more cheaply elsewhere. The resources used to produce these goods could be more productively used in other sectors, and the resulting products could be used to purchase sugar and rice from abroad. But the sugar industry is heavily protected by quotas, and the rice industry is heavily subsidized by the under-pricing of water for agricultural users.

Efficiency from competition. Another way in which trade creates wealth is to expose domestic firms to foreign competition, and thereby force them to become more efficient at producing their goods and services. Firms which are sheltered from international competition, or competition of any sort, tend to search less energetically for ways to increase efficiency, thereby tying up resources that could be productively used elsewhere in the economy. In some cases, better provision of goods can directly serve development objectives, as in the case of

telecommunications and other such infrastructure provision. Again, these efficiency benefits are missed where there are trade restrictions or distortions. An important caveat to this effect arises if a particular sector is dominated internationally by firms with monopoly power. Even efficient domestic producers may suffer if exposed to competition from such firms. Thus the need, unfulfilled at present, for multilateral agreement on competition policy.

Imported efficiency. A third way in which trade can create wealth is through openness to foreign investment, or imports of foreign technology, which can bring more efficient methods of process and production. These can be embodied in a piece of equipment, or in the management techniques brought by a foreign firm setting up shop in a host country. Some multinational firms adhere to a global standard, and bring the same level of technology and practice to all their locations worldwide. Others will diminish the imported efficiency effect by using outdated, less efficient technology in countries where health, safety and environmental protection is more lax.

Where these three mechanisms for creating wealth are at work, there are two ways in which they might support not only development, but also environmental objectives. They can directly benefit the environment, by reducing the need for inputs and the production of waste needed to produce any level of output. One of the most frequently cited allocative efficiency arguments, for example, is for the reform of the European support system for agriculture. The argument goes that reform would reduce overuse of pesticides and fertilizers, and reduce the problems of treating feedlot waste from over-intensive levels of production. Similarly, the efficiency benefits from exposure to competition, and from the import of new technology and know-how, can also have substantial environmental benefits, if the industry is a user of natural resources or a major polluter.

A second type of environmental benefit from increased efficiency is indirect, and derives from the effects of increased wealth. As people become more wealthy, they tend to demand better environmental quality – supporting stricter laws and enforcement on environmental concerns, and purchasing “green” goods, which may be costlier but which entail less environmental damage. This is not to say that poor people do not value the environment; indeed, they may depend on it more directly than do those who are richer. But they lack the means (money) to express that demand. Neither is it to imply that richer people are less polluting; depending on the pollutant in question, quite the opposite may be true. (This case is discussed in further detail below as a negative effect of trade on the environment.) Where trade alleviates extreme poverty, it may save people from a vicious cycle whereby they are forced to degrade their own natural environment to survive, in the process becoming increasingly impoverished.

To summarise: trade may achieve development objectives by increasing national wealth, something it may do by fostering three different types of efficiency. Efficiency may also be good for the environment, since it means less use of inputs from the environment, and less waste in the process of production. As well, increased wealth may allow people to demand higher environmental quality, or to escape a vicious cycle of environmental destruction and impoverishment.

Negative Effects

There are five ways in which trade and economic openness might work against development and environmental protection objectives:

1. Scale effects
2. Income effects
3. Competitive effects
4. Direct effects
5. Timing, transition effects

The **scale effect** is an example of trade acting as a magnifier of existing problems, the problems in this case being inadequate environmental regulation. Scale effects arise when the trade-induced increase in allocative efficiency makes it possible to produce and consume a larger quantity of goods and services. As the scale of the economy increases, so too do attendant environmental problems such as the use of natural resources as inputs and the production of waste. This effect only occurs if the existing environmental regulations are inadequate, so that any increased production would translate into excess environmental degradation. But environmental regulations are inadequate in practically all countries; no country in the world can claim to price its environmental resources so as to reflect the full costs of their degradation or depletion. The negative impact of the scale effect may, of course, be offset by the more efficient use of resources brought about by efficiency from competition, or imported efficiency.

It is also sometimes argued that the indirect environmental benefits from trade – the ability of wealthier citizens to demand higher environmental quality -- also offset the scale effect. The argument is the comforting foundation for calls to “grow now, green later”. Such a strategy has some appeal, but it ignores the fact that preventing environmental damage is far cheaper than cleaning up after the fact. As well, many environmental resources cannot be replaced after being destroyed. This type of damage is exemplified in species loss, degradation of fragile ecosystems and severe degradation of renewable resources such as forests and fisheries.

The **income effect** is the other side of the beneficial effect noted earlier, and discussed again above, whereby increased wealth created demand for higher environmental quality. In fact, for some types of pollution, increased wealth may mean more, not less. The richer countries of the world, for example, have far higher per-capita emissions of all types of greenhouse gasses than do developing countries, and far higher per-capita emissions of such toxins as PCBs, dioxins and furans. In a nutshell, with enough wealth comes the opportunity to consume wastefully.

Competitive effects arise from the competitive advantage inherent in lower environmental standards. There are two related types: pollution haven effects, and regulatory chill effects. Pollution havens are countries to which polluting industries are drawn in an effort to escape the costs of environmental regulation in higher standard countries. They may be drawn by lower standards, or lax enforcement or both. This is not a clear-cut bad; if the lower standards accurately reflect differing environmental conditions, or a greater willingness to tolerate environmental degradation, then they are a legitimate component of competitive advantage. Even though the result is increased environmental damage, it is outweighed by the resulting development benefits of increased employment. If, on the other hand, they are set lower than they should be according to environmental conditions and the desires of the citizens, then the resulting increase in pollution or resource degradation outweigh the development advantages. There is, of course, no easy answer to whether a given level of environmental standards is at the “right” level for a given country.

There has been a great deal of empirical testing of the “pollution haven hypothesis”. It has generally been difficult to find much evidence of firm relocation in response to lower environmental regulations. Environmental costs are only one of a broad number of factors a firm must take into account in any decision to relocate, including infrastructure, access to inputs, wage costs, labour productivity, political risk and the broader structure of government regulations. Average environmental costs in surveyed firms runs around 2 – 3% of total costs, but in certain sectors (e.g., aluminium smelting, cement manufacturing) it can run much higher.

It may be that the threat of relocation by firms is a stronger effect than actual relocation. In the regulatory chill effect, that threat may be explicit, or simply anticipated by regulators. An example of the former would be a firm claiming that high environmental standards or strict enforcement is driving it out of business, and pleading for special treatment. An example of the latter would be government regulators balking at strengthening their environmental laws for fear of driving away existing business, or losing potential business investment. In either case, the environment may suffer if the result is inappropriately low standards or enforcement.

Another manner in which trade may be detrimental to environment and development is through **direct effects**. This is where the trade in question is in itself environmentally damaging, or contrary to development objectives. This may be the case, for example, where the traded goods are hazardous waste (if the importer lacks proper disposal facilities), endangered species of plants or animals, illicit drugs, or certain types of goods that are prohibited in the country of export. It is obvious why importing hazardous waste is environmentally destructive (and thereby destructive of human well-being) if proper facilities for its disposal do not exist. As well, however, the international community has adopted the principle that such waste is by default better treated close to where it is produced. Among other things, this will tend to dampen enthusiasm for producing the stuff in the first place, and will cut down on the risks of accidents in transit. The undesirability of trade in endangered species and illicit drugs needs no explanation. The last type of trade mentioned above is in goods that are prohibited or severely restricted in the exporting country, on the grounds that they present risks to human, plant or animal health or safety. A number of chemicals (including certain pesticides) fall in this category, as do some pharmaceuticals, consumer products, and hazardous wastes. The problems with trade in such goods usually stem from lack of capacity to handle them properly in the importing state, or lack of a basis on which to decide whether or not to import them. A number of international regimes are now in place to help provide such information, but gaps still exist.

There is another set of possible negative effects of economic openness related to **timing of liberalization, and the transitional effects** that follow. These effects result from openness not only to flows of goods and services, but also to flows of investment, whether as direct investment, portfolio investment, or currency speculation. There is a growing body of empirical evidence that timing is crucial in liberalizing regimes for trade and investment. Small developing economies in particular may be hamstrung by geographical, sectoral or institutional inflexibilities that cause liberalization to produce painful and protracted periods of transition. In these economies, experience has shown that economic openness must be properly staged, and accompanied by deliberate domestic policies to facilitate restructuring. Without such staging and accompanying measures liberalization may, at least in the short and medium term, actually work against growth, employment, poverty alleviation, and other components of sustainable development. In the area of investment specifically, liberalizing while domestic capital markets are weak or immature may leave a country too much at the mercy of unpredictable international capital market trends.

To summarize: by increasing wealth and economic activity trade may increase environmental damage, if existing environmental laws are weak, or if a wealthier population begins to consume wastefully. Trade between high and low-standard countries may create competitiveness frictions: firm relocation from high-standard countries to escape environmental compliance costs, and the pressure on regulators in those countries to weaken environmental regulations to retain or attract business investment. Certain types of trade may have direct negative effects on environment and development, such as trade in hazardous wastes, endangered species, illicit drugs and domestically prohibited goods. And the proper timing or staging of liberalizing trade and investment regimes is crucial, to avoid a host of negative development effects.

3. The effects of environmental concerns on trade and development

Positive Effects

There are two ways in which environmental concerns can be expressed through the trading system with beneficial effects on environment and development. There may be an environmental benefit, as exporting firms respond to buyers' or regulators' demands for a greener product. And there may be development benefits, if marketing of greener products results in greater or maintained market share.

Exporters who green their operations may do so in response to buyer demand. The pressure to

green may come from consumers themselves, but more usually will come from buyers who use the goods as inputs, or who distribute and retail the purchased goods. For example, in the same way that ISO 9000 quality standards have become a prerequisite to international business in many sectors, many buyers are now demanding that suppliers be certified as complying with ISO 14001 environmental management standards. Concerned about the image of their final goods, and facing an environmentally concerned consumer in most OECD countries, these buyers are transmitting demands for greener production down the supply chain. If the pressure is to green the process and production methods, the environmental benefits will accrue in the country of production, as firms use fewer natural resource inputs and produce less pollution. There may also be global benefits, such as reduced emissions of ozone-depleting substances. If the pressure is to produce an environmentally superior good – for example a more energy-efficient appliance – then the benefits accrue in the importing country.

Alternatively, exporters may respond to mandatory technical regulations in their target markets that specify product characteristics such as recyclability, recycled content, packaging and labeling requirements, maximum residues of toxic chemicals, etc. The European ban on the import of textiles and clothing treated with azo dyes is one example of this type of technical regulation. From the perspective of the exporting firm, there is little difference between complying with voluntary standards demanded by buyers and technical regulations demanded by governments; in either case the firm must either adapt or lose market share. New technical regulations may cause problems for firms that are unable to change due to lack of resources, lack of technical or administrative capacity, or where the regulations do not allow sufficient time for transition. The environmental benefits of greening in response to technical regulations will almost always accrue in the importing country, since such regulations usually aim to reduce the environmental impact of the good's use and disposal. Again, some regulations may aim for global benefits, such as regulations on automobile fuel efficiency that are aimed at reducing greenhouse gas emissions.

Still other exporters may, rather than respond to demands from regulators or existing buyers, go beyond regulation to unilaterally improve their environmental performance in an effort to create new market niches, and win new customers. A number of coffee producers in Mexico, for example, have collaborated on marketing organically grown coffee, which can be sold at premium prices. In some cases, firms pursuing this strategy may seek to certify the virtues of their products or processes by an ecolabel, either self-declared or, more normally, granted in the importing country. Or they may seek to certify themselves as adhering to a high international production standard such as the ISO 14001 Environmental Management System. For many firms, following this strategy is a way to distinguish themselves from other suppliers in an increasingly competitive global market.

The environmental benefits of such strategic greening are obvious. There may also be development benefits in terms of increased employment and income, if firms following such strategies win new market share, or avoid losing existing customers. The same sorts of benefits may also accrue when firms adapt to environmental demands from regulators or buyers, if by doing so they increase or maintain market share. A cleaner domestic environment will also yield development benefits in terms of improved quality of life in the exporting country.

To summarise: environmental concerns expressed through the trading system can have beneficial environmental effects, including reduced resource inputs and reduced pollution. Firms may green production or products in response to buyer demand, technical regulation in export markets, or as part of a strategy to create green market niches. There may also be development benefits if firms thereby increase their market share, or indirectly through environmental improvements.

Negative Effects

There are two ways in which environmental concerns can be expressed through the trading

system with negative effects on environment and development: green protectionism, and eco-imperialism.

Green protectionism is the deliberate use of an environmental disguise for regulations that are in fact aimed at protecting domestic industry. The case is rarely so clear-cut as this description suggests; most such law originates in a real desire for environmental protection, but industrial lobbies then influence the crafting of the law to their own benefit. Environmental lobbyists, happy to have their objectives addressed, do not object.

This was the case in 1994 when US regulators conceded to environmental demands for higher standards for fuel efficiency in automobiles. As their price for accepting the law, the US auto industry helped shape it such that the efficiency standards were based on fleet averages, which discriminated against foreign firms such as Rolls Royce that sold only a few large models to the US. As well, the calculations excluded gas-guzzling light trucks and vans – a portion of the market dominated by US firms. In a similar vein, Japan's Ministry of Transport has proposed laws on fuel efficiency to achieve its targets for reducing greenhouse gas emissions. Because they are based on the weight of vehicles, the planned rules would affect imports of medium and luxury range cars, a European specialty. By contrast Japanese cars – even those with higher fuel consumption rates - would escape lightly. This type of sector boosting is the predictable result of forcing the Ministry responsible for the sector to regulate its own environmental performance.

To the extent that it is effective in protecting domestic industries, green protectionism denies the wealth-creating benefits of trade to potential exporters. There is a South-North aspect to this issue, in that the typical green protectionist is an industrialized country with high pressure for better environmental regulations. If the affected exporters are developing countries, which arguably have a more critical need to create wealth, the effect is all the more odious.

Eco-imperialism is a term coined by developing countries to describe developed countries dictating to them how they should behave with respect to their own environments. The types of technical regulations discussed above are not eco-imperialism, since they specify the nature of the product itself – it must be packaged a certain way, or must be recyclable – rather than how the product is produced. That is, they are based on *product* standards, as opposed to *process and production method* (PPM) standards. As such, they are aimed at environmental problems in the use and disposal of the product – problems that manifest in the importing country. PPM standards, on the other hand, may constitute eco-imperialism, since they are aimed at changing environmental practices in the country of manufacture (though, as the discussion below points out, the effects might be international). The distinction between product and PPM-based standards is crucial in the WTO setting, since the former are in principle legal while the latter, according to traditional WTO interpretations, are not.

It should be noted that voluntary standards such as ecolabels and green demands from buyers are not eco-imperialism. Unlike technical regulations they do not stop the flow of non-complying goods at the border, but rather they merely limit the number of willing buyers.

Neither can we fix the label eco-imperialism to measures aimed at PPMs that cause global environmental damage. There is nothing imperial about trying to change the PPMs of a neighbouring country whose pollution comes directly to you, whether in the air or through a shared watercourse, though negotiated agreement is obviously preferable to trade measures. The controversial issues here are obvious: How great do the international effects have to be to justify PPM-based restrictions? And to what extent should countries be able to aim PPM-based restrictions at truly global problems, such as ozone depletion, rather than those that affect them uniquely?

Truly eco-imperialist measures may have three types of effects on environment and development. First, like green protectionism, to the extent that they deny export opportunities, they deny the benefits of the wealth-creating effect of trade. Again, if the victims are developing

countries, this is doubly unfortunate. Like technical regulations, they may cause problems for firms that are unable to change due to lack of resources, lack of technical or administrative capacity, or where the measures do not allow sufficient time for smooth transition.

Second, they may in fact achieve some improvement in environmental conditions. This may either come through compliance with the measures, or through negotiation of international environmental agreements designed to remove the need for, or the threat of, the measures. The agreement on conservation of turtles in shrimp fishing, signed by the US and other countries of the Caribbean and Eastern Pacific, had a strong grounding in the fear of US unilateral trade measures should the negotiations fail.

Third, by creating resentment in the countries to which the measures apply, eco-imperialist measures may sour the prospects for cooperation on the ongoing international agenda for sustainable development. Mexican recalcitrance on environmental issues in the World Trade Organization is strongly linked to its resentment of the way the NAFTA and its environmental side agreement have been used to promote the environmental priorities of the US and Canada in North America. More broadly, eco-imperialism is a rejection of the principles laid down for sustainable development cooperation at the Rio Summit in 1992 – the basis for future work on climate change, biodiversity protection and other important areas of endeavour.

It is worth noting that few pure eco-imperialist measures exist. For one thing, most environmental damage in the production process has at least some international dimension. For another thing, PPM-based environmental trade restrictions face tough going in the dispute settlement procedures of the World Trade Organization which, as noted above, has traditionally ruled them illegal.

To summarize: environmental concerns in the trading system may have negative effects on environment and development if they result in green protectionism or eco-imperialism. Both types of measures can deny developing countries the wealth-creating benefits of trade. Eco-imperialism, moreover, can sour the prospects for North-South cooperation on a number of important sustainable development issues.

4. Conclusions

If this paper has one objective, it is to dispel the idea that the trade-sustainable development relationship can be easily described, either as negative or positive. It is an immensely complex interaction that varies from country to country, sector to sector, and firm to firm. There are both threats and opportunities in this relationship for countries and firms pursuing economic development and environmental protection.

As in any such situation, then, the imperative is to exploit the opportunities and to reduce the threats. A first prerequisite to doing this is to fully understand the relationship – what are the environmental and development linkages to trade in key sectors, and what are the policy options available? For this reason, the research undertaken by SDPI and IUCN is critically important.

Three trends make it imperative to take strategic action in the area of trade and sustainable development. First, the world is becoming a more global marketplace, meaning greater competitive pressures. South Africa will surely face these pressures under its new trading arrangements with the EU. Globalization also means that matters once considered purely domestic, such as environmental policy, investment policy and competition policy, are increasingly becoming multilateral concerns.

The second trend is increasing and persistent concern for the environment. This trend manifests not only in developed countries, where it is driving the demand for cleaner, greener goods, but also in developing countries, where citizens are becoming concerned at the high environmental

price of economic development without environmental safeguards, and are demanding change.

The third trend is the increasing recognition that the trading system needs to address environment and development concerns. WTO dispute panels have been called on repeatedly to try to separate green protectionism from legitimate environmental protection, and many are arguing that there needs to be an explicitly stated process for doing so. The lack of such rules means that dispute panels must reinvent the interpretation of the existing rules on a case-by-case basis. Whether or not this need is addressed in possible new negotiations in the WTO, it is a certainty that environment as an issue will somehow be addressed, and all WTO members need to know in advance where their national interest lie on the issues involved.

Development in the WTO is not a new issue, but the way it has been approached here has at times been new. Special and differential treatment for developing countries, the traditional context for development issues in the WTO, is clearly important. But it is also important to focus on how to exploit opportunities for developing countries to profit from the growing markets for greener goods and services.

To repeat a key message in closing: these trends reflect both threats and opportunities for countries and for individual firms. The challenge, which we are here today to address, is to know them better, and to thereby help ensure more sustainable development.

The WTO will hold a third Ministerial meeting in Seattle in November, when it is expected that a new round of multilateral trade agreements will begin. The last round changed the face of commerce. This round will include environment in some form, since the EU and USA will not agree if environment is excluded.

The challenge is for other countries to decide where their interests lie. In addition, anything in the WTO negotiations has to be paid for. If the EU and USA want environment on the agenda they will have to pay for it, which gives developing countries a bargaining chip. Reasonable demands in return for putting environment on the agenda include aspects such as technology transfer, capacity building, etc. so that developing countries benefit from it being on the agenda. The opportunity to demand that price should not be missed.

APPENDIX F: FROM RIO TO SEATTLE: RETHINKING STRATEGY

*Prof. Adil Najam, Assistant Professor,
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Boston University*

1. Introduction

South Africa at this time has a particularly important role in negotiations, because unlike countries like Pakistan (my own), South Africa is used as a role model. The North is willing to talk to South Africa, and South Africa itself has taken the opportunity to play an international role in environmental issues, as leader of the global South.

The debate over trade and environment in general is very much a polarised North-South debate, and the global South in general has tended to see environmental agreements as a threat, for various reasons. Developing countries should be rethinking their strategy on all levels, including environmental matters but especially trade and environment issues. What should be the South's position on trade and environment?

This presentation is divided into three sections: past, present and future.

2. Past: What happened to the trump card?

What happened to the so-called trump card right before Rio, i.e. that the environment was the trump card of developing countries and had something that could be given to developed countries?

The South went into Rio with a strong belief that they had an advantage. Rio was about moving from the New International Environmental Order (NIEO) to the 1992 NIEO - to address the unfinished agenda. However, the South's so-called innocence was quickly lost because Rio did not offer the new world order of international equity they were seeking. I blame that not on the North but on the South, because the South went through those environmental negotiations with a very old strategy of anger and helplessness. It is a strategy that says: a) We are extremely angry at the injustice inflicted on us, and b) we are helpless, we need your help. This is a contradiction. If the blame is valid, and the North is the culprit, then what is the incentive for it to change? The South has not thought through its strategy for changing the terms of the engagement, a strategy that must come from the South itself. If we want change then we get it not by asking for it but by changing our behaviour so that the change is effected.

3. Marginalisation by conspiracy?

As a result, the South found itself marginalised in international affairs. There is a sense that it has been marginalised by conspiracy, and to some extent that is true. It is believed that developing countries are condemned by history through their colonial past and the various international systems that have developed. This is partly true, but is not the only reason why the South is marginalised.

The South is not the collective of the poorest countries in the world. It is a political collective of countries and people who believe they do not have the influence they ought to have on international decision making. It is this attitude that binds countries that are otherwise very different, such as Saudi Arabia and Malawi. The South often blames the north for the marginalisation it experiences in international environmental negotiations, but the South has been its own worst friend. It has a gross misunderstanding of its own power, and seems to enjoy its sense of powerlessness. The other source of power is the size of the South, which is substantial.

4. Re-estimating power

At a strategic level the South is trapped in a reactive cycle. This goes back to Stockholm, where the South countries reacted to the agenda set by the North. We are good at saying what we disagree with. There are endless groups listing all the things that are wrong with the current international environmental agenda, but few saying what the environmental agenda is. The South is therefore seen as anti-environment, because of its inability to define its own environmental agenda and place that on the international agenda. The South has not done its homework.

The assumption of powerlessness will lead to the reality, but the reverse is not true. The South has had negative power, i.e. in environmental treaties the South has had the ability to stop things it does not like, but not the power to get the things that it wants, and without a proactive stand on issues that situation will not change.

5. Present: The logic of engagement

Why should we take the trade and environment link seriously? We have to put our issues proactively onto the agenda, and economic, environmental and strategic cases can be argued. The **economic case** has three important points:

- Multilateral solutions trump bilateral solutions. For a consistent stand among South countries, a multilateral institutional approach is preferred because that assures the strength of numbers
- Whether governments engage or not, exporters will, because they have to. For example, a major Pakistani export is finished leather. Leather factories operated in advance of international environmental requirements because they were driven by trade imperatives from customers in market countries. One can build on that momentum to decide what is to be done and by whom
- Seeking opportunities amid threats. It is possible to create niche markets and expand market share by seeking environmental opportunities.

The **environmental case** is that if an issue is affecting the environment and health of people in our own country, it does not matter whether Seattle or the WTO exist, since we need to protect our own children. This is another reason to put our own agenda upfront rather than react to someone else's.

The **strategic case**: Why should the South take the lead in pushing for trade and environment? There are three elements to this argument:

- Call the North's bluff. Trade negotiators in the North may not be any more interested in environment than the South, but because of the strong domestic environmental lobby in the North countries they have to ensure it is on the agenda. If we remain reactive it will be easy to blame the South for being the environmental laggards. Being proactive will play an important role in changing the debate.
- People tend to take the view that as long as it does not apply to us directly, and we have a lag time before we need to do anything, it's okay, and there is the opportunity to make money in the meantime. There is no proof for this benefit. The boat will leave whether you are in it or not, and if you do not get on board in the beginning you will be left behind.
- Environmentalists generally are more likely to be sympathetic to the concerns of the South, e.g. for sustainable development, than free traders or other negotiators. Look for the most likely supporters. The environmental camp is more likely to change the terms of the argument if we are ourselves able to define what we want.

6. Future: Where do we go from here?

Towards Seattle: the case for adopting a proactive stand on trade and environment

Why is the South worried?	Why the South should take a proactive stand	Elements of a proactive negotiating position
<ul style="list-style-type: none"> ▪ MEAs might be used to trump WTO rules ▪ Environmental standards can be used as trade barriers 	<ul style="list-style-type: none"> ▪ Developing countries are likely to be used as scapegoats ▪ We will lose the chance to influence the emerging shape of the trade and environment debate ▪ MEAs are more accommodating in providing differential, and preferential treatment to developing countries ▪ We can still remain vigilant on our concerns while pursuing a proactive agenda 	<ul style="list-style-type: none"> ▪ Sustainable development and Agenda 21 provisions ▪ Principle of not using environment as a trade barrier ▪ Principle of subsidiarity ▪ Coherence between MEA and WTO provisions and compliance ▪ Trade restrictive measures should be the device of last resort ▪ Deal with all trade and environment issues together

Options for future negotiations: three major proposals

	Option	Champions	Pros	Cons
#1	Sector-by-sector negotiation	USA	Specific agreements could be reached in relatively short periods of time	Gives unfair advantage to developed countries with greatest say on agenda
#2	A new round of negotiation	EU, NZ, Hong Kong, Australia, Argentina, Mexico	Ensures that all issues under consideration are dealt with. Theoretically this gives a veto to every country on every issue.	Tends to be very slow; requires very high level of resources and effort which places developing countries at a disadvantage
#3	Negotiation clusters	Canada and many developing countries	Allows for efficient packaging of issues important to most parties within manageable time frames	Details remain unclear. Definition of and prioritisation between packages could be contentious and skewed to developed countries
#4	Phased negotiation	??????	Provides a clear and principled hierarchy of deliberations that could begin simultaneously but mature differentially	Non-implementation of existing agreements could hold future negotiations hostage

A phased approach to future negotiations is recommended, based on arguments related to treaty congestion and negotiation fatigue. If there is too much going on at the same time,

developing countries can't even keep up with them, let alone have the capacity to seriously participate. This could provide a clear and principled hierarchy of issues, implied in the Geneva Ministerial Declaration, which could begin simultaneously but would mature differentially:

- The highest priority would be given to **monitoring** the implementation of existing agreements and decisions, and devising ways to keep these on track. It is essential to fulfill what we have already agreed before creating new agreements.
- Concurrently, negotiation would begin on clusters of sectors where a clear **commitment** to negotiate has been made by the Ministerial Conference. This would include negotiations and reviews.
- At a lower level of intensity, **discussions** may begin in working groups on identifying options and preferences in areas where there is no commitment yet for negotiation but which have been identified as possible areas for future deliberations. However, these discussions would not be considered formal negotiations until the earlier negotiations have been completed and progress on implementation is deemed satisfactory by the General Council.
- At the lowest level, working groups may be initiated to prepare background **investigation and review** reports of possible new issues that may be raised by WTO members. The purpose of this exercise would be, for example, to gauge whether these issues are appropriate for consideration within the WTO.

The Phased approach will allow developing countries to be more proactive.

7. Framework conditions: Questions of capacity

What are the framework conditions for developing countries to be proactive? There are three issues:

- *Global engagement:* We must not stay on the periphery of this debate, otherwise we will have their agenda passed on to us, and will not be able to contribute. We must know what our interests are, so we need more research
- *Coalitions:* We must have Southern coalitions. The South only thinks of them in two ways, i.e. should we be part of the coalitions or go it alone? There can also be subcoalitions, such as interest groups, specific exporters, etc. This relates to import/export networks. Large negotiations are a recipe for settling for the lowest common denominator, where participants feel the only thing they can agree to is the *status quo*.
- *Domestic preparation:* The challenge to the South is very much the domestic one, and we have not done enough of this. Instead we have taken the easy route out, by taking someone else's agenda and telling them what's wrong with it.

APPENDIX G: ISSUES ON THE HORIZON: CDM AND OTHER NEW DEVELOPMENTS

*Mr Aaron Cosbey, Interim Director,
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1. Clean Development Mechanism (CDM)

There are four issues relating to CDM, two linked to the Kyoto Protocol and two to the Biosafety Protocol. The Kyoto Protocol is a protocol to the Framework Convention on Climate Change (FCCC), which was signed in 1992 in Rio by 192 countries. The FCCC limits greenhouse gases to 1990 levels by the year 2000, and now has close to 180 signatories, mainly developed countries which have taken on specific agreements. Some countries do not have specific requirements to reduce greenhouse gases.

The Kyoto Protocol took place in 1997, in terms of which countries set themselves legally binding targets, i.e. a 5% reduction of 1990 greenhouse gas emissions by 2008-2012. The Kyoto Protocol is not an agreement, and not all FCCC countries are signatories to the protocol (76 are).

To come into force 55% of the FCCC signatory countries would have to sign the protocol. Article 12 of the Kyoto Protocol contains the CDM. It reflects what price developed countries would pay to get developing countries on board, based on project activities undertaken by private actors who come into developing countries and undertake projects to reduce that country's greenhouse gases, that would not have been done under normal circumstances. By doing so, countries earn Shared Emissions Reductions Credits, shared between private investors and the host country, which can be banked between 2000 and 2012. A share of the proceeds of the transaction would be used to keep the CDM itself in operation.

Various questions have been raised about the operation, i.e.:

- Which projects get certified as additional to normal activities?
- Who does the certification? The protocol defines it as the operational entity.
- Who decides on the split of credit between the host and the investor?
- What does share of the proceeds mean? Profits? Value of credits?

There are also some possible opportunities and threats in the CDM. There may be opportunities for:

- increasing the transfer of environmentally friendly technology to developing countries, e.g. in the energy and transport sectors
- creating environmental improvement, and
- efficiency gains for industry.

However, the split may prove to be inequitable between the private investor and the State. The private investor could invest only in low-hanging fruit which the State should have invested in. Also, if by the time the investor undertakes the commitment all the credits for easy energy-efficiency projects have been used up, the project could do the country a disservice.

An assessment is needed of which countries should be recipients of CDM, and developing countries should be heavily involved in the negotiations of the shape of the CDM.

2. Kyoto Protocol and trade rules

There are obligations for Annex 1 countries to undertake substantial emissions reductions, which will probably be done in ways that cause the least economic disruption. One instrument they could use is a carbon tax / border adjustment. Canada imposes a tax on goods produced in Canada, based on the emissions released during production. The principle is that the higher the price of the good, the less the incentive to pollute. Canada believes that if a carbon tax is in

place, auto manufacturers should be taxed on the manufacturing process, but if a car is imported from Japan without the burden of that tax, it has a comparative advantage. There were two previous attempts to bring in a carbon tax, but both failed because of the competitive issue. The potential solution was a border tax adjustment, whereby (in the Japanese car example) a calculation is made of what it would have cost in taxes if produced in Canada, and assessed as a border duty or tax. This evens the playing field. However, there are various ethical problems with that, and it is a grey area.

One precedent for the carbon tax/border adjustment is Superfund, which allowed for a tax on chemicals and products derived from those chemicals. The EU appealed against that as an indirect taxation. It is thus not clear if one can tax something on basis of how the product was produced. This is a grey area because in some cases the chemical may still be in the product, rather than in the waste products from the manufacturing process. Clearly there will be no carbon tax without a border tax adjustment, because of the competitive element.

South Africa is eighteenth in the world in terms of greenhouse gas emissions, and restrictions could affect South African industry badly. Win-win energy efficiency programmes are in reality a triple win if they protect market share in the face of something like a carbon tax. This issue also forms part of the need for research to determine the country's proactive stance in this regard.

3. Green procurement

Green procurement occurs when the government states that as part of the specifications in buying procedure it requires certain environmental attributes of products. It takes the form of an agreement on procurement practices. It is likely to happen at present, and more so in future, because it is the easiest to bring in. Green procurement accounts for 10-25% of the GDP in OECD countries, or \$2-5 trillion in 1997. If that mechanism is used for product characteristics it will cause few problems because it is part of the normal market demand and can be used to stimulate the domestic green industry.

However, care should be taken in process-related issues, e.g. stipulating that products should be bought only from ISO 14 001-certified producers, since companies were not previously forced to implement ISO 14 001. If government-based procurement plans are based on voluntary standards, they become quasi-mandatory, quasi-technical regulations, giving rise to very different problems. If ecolabels relate to production processes, this is a concern for producers. That trend is likely, and highlights the importance of verifying the characteristics of the products. It is easier to base procurement on third-party verification than for government to do it themselves.

Existing rules in GATT are covered by the Agreement on Government Procurement (AGP), which focuses mainly on issues such as process, transparency in procurement, etc. It is a grey issue whether the agreement forbids or allows green procurement on the basis of PPMs.

Clearly green procurement offers good opportunities for green marketing. However, there is also the threat of market access blockage, e.g. through a national ecolabel. Canada has an ecolabel awarded on a number of criteria applicable in Canada, but not necessarily relevant in other parts of the world, e.g. the amount of water used. Areas with scarce water supply and hence low water usage could score water conservation highly, but this is not relevant to a Canadian exporter, since Canada has no shortage of water. If foreign exporters have to meet the Canadian ecolabel, those standards may not be relevant. It is therefore unreasonable to expect manufacturers to meet other standards. So far this has not been a problem because ecolabels are voluntary. To the extent that they become mandatory, then those issues will become important, e.g. who sets the criteria and how? Who has input?

4. Biosafety protocol

This is a protocol to the Convention on Biological Diversity (CBD), which came into force in Rio, 1992, and currently has 175 signatories. Article 19.3 of the CBD provides for parties to consider the need for and modalities of a protocol setting out procedures in the field of the safe transfer, handling and use of living modified organisms (LMOs) that may have an adverse effect on biodiversity and its components. The Convention accordingly set up a Biosafety Working Group. Its sixth meeting ended earlier this year without achieving what it set out to do (finalising the protocol). It is not clear whether the protocol will be concluded.

The Biosafety Protocol is important to exporters, because they must choose whether to go the route of genetic modification or not. If not, it is unclear whether they will face competition in this regard, or whether the market for genetically modified products will be segregated. The protocol is also important to importing countries because many of their citizens are demanding either bans or labels which protect them from genetically modified products. It is also important to environmental groups, since there are environmental implications to the use of genetically modified crops that should be carefully evaluated as part of government policy.

A key elements of the protocol debated by the working group whether the protocol should govern only genetically modified goods (biodiversity issue) or also the products of genetically modified goods (public health issue)? For example, will full disclosure of genetic modification cover only tomatoes or also tomato paste? It is thus no longer a biodiversity issue, but one of public health. The split in the working group arose because one group wanted disclosure to be for both.

One company planted 32 million acres of genetically modified crops this year, 6 million of which were not approved. It is critical to understand the environmental implications. Every country must have an adequate approval mechanism for the use of those goods, but few countries do, and few countries have taken stock of where their national interests lie in products relating to genetically modified organisms.

The Miami Group proposed a watered-down protocol, without ever consulting with the public. There must be a more careful assessment of the public's feelings on biosafety. Those countries planting and exporting genetically modified crops (including South Africa) are afraid that those crops will not be allowed to be exported. Although products have to be labelled as genetically modified, no country in the world distinguishes. Foods are deliberately mixed in one export stream. If strong restrictions in this regard come in, producers are in trouble.

APPENDIX H: SOUTH AFRICAN BUSINESS RESPONSE TO INTERNATIONAL TRENDS

Ms Nicky Robins, Consultant, Groundwork Environmental

1. Introduction

The pressures are being felt in South African industry in three areas: financial (due diligence and transparency issues); product standards (e.g. packaging, chemical content); and process-related issues (manufacturing and chemical industries).

2. Due diligence

Companies looking to sell to foreign buyers are faced with the need for due diligence, but it is taking place with varying degrees of thoroughness. A company I worked for in the past was selling a share allocation and brought in a well-known consultancy to do a due diligence assessment, but it was very unimpressive. In another case, five South African consultants' reports on air quality were rejected.

It is often too late to be proactive. Due diligence is often seen as a financial issue, and it is too late when the deal is on the table to consider environmental due diligence. Deals are lost in this way. In one case study a R23 million share swap was lost when the German industrialist party asked for information on the company's environmental management system, and the General Manager asked what that was.

Listing on overseas stock exchanges is also bringing up new listing requirements, such as transparency, which are changing the speed with which companies are focusing on environment.

3. Product standards

International product packaging requirements can lead to potentially inappropriate outcomes in the South African context. A common example is that of BMW, which initiated a drive from Germany to replace packaging with reusable crates, which did away with hardy wooden crates used by many poor people to build houses. This was a development opportunity that was lost. To change product packaging is also very expensive and small, medium and micro-enterprises (SMEs), unless they work in cooperatives, are prejudiced by such requirements. Adapt or die is a philosophy that has been taking place since 1994, and there have been positive spinoffs. For example, Unifruco, now Cape Fruit, had to change their packaging to make it more recyclable in order to export to Germany. This reduced both the amount of packaging and repetitive strain injuries among workers.

In terms of chemical content, this has had major implications for the fruit industry (e.g. pesticide sprays) since the 1980s. It is important not to look for special treatment when exporting to the EU, or to skimp on health issues. Again, these international regulations require adaptation, which is not new for South African industry, which has been sanctions-busting for years.

4. Process standards

There is fairly widespread awareness of a significant threat in this regard. South African business people are becoming aware of this and of the Agreement on Technical Barriers to Trade (TBT). The ecotourism industry is also aware that ecotourist facilities must be eco-friendly, e.g. by managing water use. However, there is a lack of clarity about what the threat constitutes. There are attempts to be proactive, seen in the quick responses to questionnaires when researching this subject, but the responses were not innovative, because companies are only implementing ISO 14 001, together with NOSA (National Occupational Safety Association)

requirements.

There is a kind of allure around ISO 14 001. The South African Bureau of Standards has certified 35 local companies for ISO 14 001. Of these, most are involved in the materials manufacture, petroleum and service industries. These are usually the financial and technical services arms of companies, which are the easiest to get certified first. Others are in the chemicals, mining, consumables and forestry industries.

ISO 14001 has been identified as a system that is hard work to implement but can be done. One 250-strong company found it quite easy, but struggled to establish what the local authority wanted from it. Non-conformance with legal compliance kept arising (possibly because a Swiss company was used to help implement it).

It is too soon to tell what improvements have resulted from ISO 14001 in practice. However, there are some encouraging examples, i.e.:

- Effluent reduction at the Atomic Energy Corporation (AEC) has led to direct savings of R390 000 p.a. and indirect savings of over R1 million p.a.
- Nissan saves over R1,5 million p.a. through energy management
- By converting waste gas to electricity, Samancor is saving R28 million p.a.

A great deal of reporting is not on cleaner production. Companies are paying a lot of money for environmental management, but there is probably a lack of understanding around cleaner production.

In a recent survey of 16 large and small producers in the wine industry, 70% had received enquiries about product / process issues, but there was no specific demand to implement ISO 14001. The majority of large producers are considering or currently implementing ISO 14 001. Others have memories of a bad experience with ISO 9002, because it brought no material benefit for them, and are waiting out ISO 14001. Small producers like the unstructured nature of their organisations and are not in favour of heavily structured systems like ISO 14001.

5. SWOT analysis

Strengths: A key strength for South African industry is that it has adapted to constant change. Other strengths include the growth of the recycling industry and new legislation.

Weaknesses: Weaknesses include the fact that there is little investment in environmental technology. A great deal of information/ research is available, but little is being analysed or pulled together. The regulatory approach is also a weakness. Our regulations are tending to turn towards the USA style rather than EU incentive-driven regulations.

Opportunities: Cleaner production can bring cost savings and environment benefits. Systems can also be further integrated. Companies often set up ISO 14 001 separately without integrating it into management systems. Another opportunity lies in group initiatives, which can be consolidated to streamline them.

Threats: Product standards are insidious, and can have devastating impacts that are not always picked up. A lot of product standards come down the supply chain to smaller local subsidiaries, which do not question the product standards. Often product specifications come in with technical changes, but environmental changes, which are part of a wider spectrum, are not picked up. For example, Volkswagen makes steering wheels in Germany for manufacturers worldwide. They have to be recyclable, which affects the materials they are comprised of. Because the South African materials are not compatible, they could not obtain the plant and equipment to make the steering wheels, and had to import them from Spain, resulting in a loss of 30 jobs.

Arrogance is also a threat. In some instances South Africans confuse their momentary

fascination with our president with economic realities. In international workshops Africa is never mentioned as a trade bloc. However, the playing fields of managed trade have never been equal. It is very important now that we find opportunities to achieve real benefits and to grow.

APPENDIX I: SOUTH AFRICA CASE STUDY

Mr Michael Goldblatt, consultant, Natural Capital

1. Introduction

The IISD/IUCN/TIPS studies are meant to be case studies of domestic-level linkages between trade and environment, not comprehensive overviews of the South African trading environment. While there are no expectations of strategy arising from them, some lessons can be learned from the case study approach which in turn may give rise to policy suggestions.

There were three research hypotheses:

- All countries have some exports vulnerable to environmental trade measures
- Imports which pose environmental risks (not examined in the South African case study)
- The existence of new opportunities / niches.

2. Overview of the South African economy

The economy has been undergoing a process of trade liberalisation for some time and is starting to fit in with WTO guidelines in terms of tariff reduction and the removal of export subsidies. South Africa's export profile (see the table below) shows that it is still a very resource-dependent economy. Gold exports have dropped significantly from 1988-1996 while the increase in manufacturing exports indicates that this will become a more important sector of the economy.

Category	1998	1992	1996
Gold	36%	27%	22%
Primary products	20%	21%	20%
Beneficiated primary products	23%	23%	28%
Material-intensive products	5%	5%	7%
Manufactures	6%	13%	18%

3. Case studies

On the basis of economic and *prima facie* evidence, as well as a scan of the environmental impact of a number of industry sectors, three sectors were selected: Coal, basic iron and steel, and citrus.

Coal is a key export, its extractive methods take a heavy toll on the environment and fossil fuel emissions through coal burning can influence climate change. Basic iron and steel are still affected

by a protectionist sentiment in the country, and are energy-intensive in the manufacturing process. The citrus sector shows evidence that it has successfully met the trade/environment challenge.

3.1 Coal

The case study examined:

- PPMs: whether coal production impacts are significant enough to attract international attention, i.e. whether the sector is vulnerable in that respect

- the Kyoto Protocol and world demand for coal
- responses by local industry to these issues, and
- the energy subsidies issue, i.e. are we export-vulnerable because we are a coal-based economy?

Coal is an extractive process that causes environmental degradation, but the study found little evidence of threats on the basis of production methods. No outstanding issues in the sector suggest that coal production in South Africa is worse than the world average in terms of environmental performance. Certainly there is no evidence that it has attracted international attention. Most impacts are experienced from local environmental legislation. There is some evidence that customers are asking about environmental performance from coal sellers, mainly Eskom, who in turn asked for indications of environmental compliance from suppliers.

The customer profile of the Kyoto Protocol consists mainly of Annex 1 countries that have made some commitment under the Framework Convention for Climate Change (FCCC). This suggests that our customers are most likely to be shrinking, if there is any shift at all. Almost no research has been done locally on this question. The Australian coal industry, which also exports to Annex 1 countries, tried to examine this formally in the ABARE model and found potentially significant changes in the coal market, both in the size of the market and the division of the coal market in developing countries. If so, it will have important implications for South African coal exporters.

The responses to international trends by the coal industry have been very limited. The case study suggests a looming threat to the industry, but it is hypothetical because it depends on the successful negotiation and implementation of the protocol, and on the potentials flowing out of it. It is thus unclear what response will occur at domestic and international levels. No government support has been given to the issue and industry itself is only beginning to look at it now. There has also been no exploration of CDM or other mechanisms.

In relation to energy, the question is not whether South Africa's coal exports will be affected, but South Africa is dependent on coal for its primary energy source, supplying both electricity and fuel. The case study briefly scanned early research on the electricity sector and found very strong indications that externalities were not internalised into electricity costs. Our global externalities are also significant, especially in terms of our status as a developing country (32nd highest externalities *per capita*, higher than Italy, Austria, Sweden, Chile and Brazil).

South Africa also has cheap electricity. The question arises whether coal is a natural competitive advantage or whether it could become a disadvantage in the new trading regime after Kyoto. Developments in ecolabelling suggest that energy is beginning to be viewed as a discrete part of the environmental composition of goods.

3.2 Steel

South Africa is the world's 10th-biggest exporter of steel, which makes up 17% of manufacturing exports. The world market for steel is highly protectionist, and the sector is anti-dumping and highly competitive. Countries try all avenues to protect their local markets. Steel gives rise to many local environmental impacts, and the case study examined whether this was a barrier to the industry. The sector has lower standards than the rest of the world and higher energy use. Steel is very energy-intensive, but because electricity is cheap they use more of it. It is not clear if this is a competitive advantage or potential disadvantage. Electricity comprises 7,5% of Iscor Iron and Steel's input costs in Vanderbijlpark, compared to an international norm of 14%. However, the sector's environmental investment is half that of the world norm.

In conclusion, it appears that no formal trade / environmental restrictions are apparent yet in the industry, although it is concerned about the issue as a potential threat. ISO 14 001 is seen as a response. Industry believes that accreditation under ISO may protect them in the future. Some

enquiries have been received from major steel exporters in the EU about whether the energy-saving translates into a hidden subsidy.

3.3 Citrus sector

South Africa is the fourth-largest exporter of citrus fruits in the world, with sales of R874 million to the EU in 1998. Deregulation has taken place but Capespan still controls 70% of exports.

The sector has faced various challenges. Formal barriers for market access include legislative requirements for the citrus sector to export to its main markets (in developed countries), as well as informal consumer demand, which in effect is as powerful as any legal requirements. Phytosanitary issues have arisen in the form of pest control. Environmental pressures were exerted, related to pesticide use in production, as well as social pressures (e.g. worker health and safety), and health issues, such as pesticide residues in the fruit. Those environmental requirements are driven primarily by consumer demand, i.e. large buyers (supermarkets).

South African producers have responded very successfully, by changing production processes, the standard of exports, conditions of work, and monitoring and auditing the farms. As a result, the sector has not lost any market share, in spite of onerous environmental demands, and has even expanded slightly into the USA market (which is the most stringent). Some small producers have been less successful or found less need to respond to these changes. It is not clear if small producers have not adapted because they do not need to export, or because the demands on them are not strong enough.

The economic impacts are unclear from the case studies, and more research is needed to establish the costs to the industry. There are no negative impacts in terms of loss of market share but there are economic costs in terms of changes to production processes. The environmental impacts are probably positive, but further research is needed to establish if there are significant benefits to the local environment. Changes have meant a move away from pesticide use, improvements to worker health and safety, and the land is presumably less burdened in terms of pesticide use than in the past.

The industry has received little government support in these changes. The Department of Agriculture provided some research on pest management, but it has been primarily an industry-led response.

4. Summary of lessons from the case studies

- The linkages between trade and environmental pressures are becoming evident.
- The scale and scope are unclear, but in each sector trade/environmental issues are appearing, and are either on the agenda or will be in the near future. Industries understand that they will need to respond in some form to these questions. It is hard to quantify what the different industries are likely to lose through environmental issues, and more work will need to be done in this regard
- The energy issue is important but unclear. Major energy users understand there is a looming challenge but the nature of the challenge remains unclear, especially in terms of whether the energy use of our producers will become a market barrier in the future
- Most of the challenges facing South African industry are not from formal international processes, such as WTO rules or MEAs. They arise from consumer demands, which are not issues that will necessarily be addressed by us having excellent representation at the WTO. The responses we need are more local, i.e. helping industries adapt, be more aware of where the world markets are going, but not restricted to the international forum.

5. Policy suggestions from case studies

- *Information:* Not enough information has been gathered or provided in South Africa. A

process is needed to collate and disseminate industry and government's experience on the ground at export level.

- *International representation:* We need to have a better sense of what South Africa's needs are and a better way of representing that at the international level
- *Government support to industry:* Most of the current responses of industry have been initiated by themselves. Government can do more to support industry in this regard, e.g. the Australian government's coal study. They had their coal sector at heart and tried to use government resources to get a sense of what the impact on that industry would be. South Africa's government can also think of creative ways to meet these challenges
- *Protection and valuation of the local environment:* The focus should not be solely on threats to South African exports. We should not lose sight of the fact that many producers have local environmental impacts as well. The cost to South African society in terms of environmental effects must be taken into consideration, i.e. not trade at any cost
- *Identification of opportunities:* A few salient opportunities were identified by the case studies, e.g. the citrus study. Niche markets in organic produce have been identified by some people and could be explored, as well as the Clean Development Mechanism in the industry sector.

APPENDIX J: STIMULATING SUSTAINABLE TRADE: WHO BENEFITS?

Ms Penny Urquhart, research consultant

1. The citrus sector

1.1 Introduction

The South African case study on integrated pest management in the citrus industry was done for the International Institute for Environment and Development (IIED) in London. The case study was approached from the angle of the links between trade and wealth creation, by examining how that wealth is distributed.

1.2 Background to the citrus sector

The national importance of the citrus industry is clear from the fact that it currently exports 65% of the total crop. South Africa currently supplies 7% of the world crop, and is still growing.

Various cross-cutting issues are starting to come about, e.g. branding / ecolabelling. Branding has been a very important aspect of the citrus industry. Outspan is one of the top 300 brand names in the world. Outspan International was a citrus-producing export board that merged with the Deciduous Fruit Export Board to form Capespan. This supports the statement that whether government engages or not, exporters will, since they are driven very much by international buyers' requirements. One of the important drivers is the increasing resistance to pesticides, an environmental issue that became a production imperative. There is an element of environmental responsibility among a minority of growers, although it is not a major driver.

Citrus production was a market niche, but in maybe five years will have moved to mainstream, and hence the ability to retain market share. The suitability of the industry for emergent farmers relates to farm size. There is nothing inherent in the technology that prevents smaller producers from exporting. There are several examples where farmers are exporting individually. One small exporter is exporting directly to France, despite a plethora of both buyer and country requirements. In terms of environmental efficiency, some studies show at least a 10% efficiency gain from reduced pesticide management.

There is very little linkage in international buyers' requirements between social and environmental requirements, and there may not be a positive economic effect for workers from improved environmental practices.

2. The tourism sector

2.1 Background to the study

This research forms part of a project for the IIED on Stimulating Sustainable Trade, and is supported by the UK Department for International Development (DFID). It forms part of the IIED's Sustainable Consumption and Trade Initiative. The study explores the implications of rising social and environmental expectations for developing country producers. It recognises that a range of drivers are pushing for environmental and social performance and tries to explore the greater pressures in more detail, and to move away from the polarised political debate in WTO circles. It therefore focuses more on trade opportunities than on the constraints of the new requirements. The intention is for this to occur as a strategic policy intervention, and to develop practical tools.

Phase 1 entails scoping the issues, to understand the experiences, fears and hopes of

producers in the South. Case studies include Ghana (cocoa and pineapples), South Africa (tourism and citrus), India (textiles) and Bangladesh (leather, garments and shrimps). The study tries to bring the supply and demand sides together, and aims to produce results before the Seattle round. Subsequent phases will look at supply chains of these industries in more detail, and develop practical strategies and a vision. The WTO are policy makers and politicians, and market representatives (i.e. producers) are often absent. Hopefully through this study they will have stronger input. The project will be finalised in 2002.

2.2 What is sustainable trade?

One possible working definition is offered below:

Sustainable trade takes place when the international exchange of goods and services yields positive environmental, social and ethical benefits, reflecting the four core criteria of sustainable development:

- It generates economic value
- It reduces poverty and inequality
- It regenerates the environmental resource base
- It is carried out within an open and accountable system of governance.

This is a hard definition, i.e. the ultimate goal. In the interim, a weaker definition would imply that sustainable trade involves making trade-offs.

2.3 Background to the tourism sector

The service industry is complex in terms of tracing the supply chain to identify opportunities for intervention. Tourism is promoted as a saviour industry in South Africa, by creating jobs, generating foreign exchange, providing a vehicle for meaningful community empowerment, etc. However, we must know what we are talking about in order to attain those goals. In the tourism industry the market comes to us to access the goods and services. A focus on environmental and social issues regarding tourism is important because the industry is very reliant on the environment. Perceptions of the environment are key in determining the quality of the tourism experience. Socially it is also very important in predicating interactions between people and the nature of interactions between people.

The tourism industry experienced a boom post-1994 but this is tailing off due to crime and other realities. However, in 1998 tourism contributed 8,2% to the GDP (R53,2 billion) and currently exceeds agriculture as a foreign exchange earner, but not in terms of job creation. South Africa is currently 25th in WTO top destinations. About 74% of the total tourism arrivals are from Africa.

2.4 Environmental and social issues

Environmental issues associated with the sector include:

- use of natural resources (e.g. water abstraction)
- increased pollution and waste
- inappropriate development
- ecological change
- damage to cultural resources
- urban sprawl, habitat destruction and visual impacts
- uncoordinated planning, and
- industry lack of awareness or commitment.

Social issues associated with the sector include:

- menial jobs and income inequities
- opportunity costs

- effects on culture and social fabric
- increases in undesirable activities
- sharing of value - leakages
- overcrowding of infrastructure, services, facilities
- fickleness, seasonality, and
- crime - perceptions and realities.

However, no country in the world is free of environmental and social impacts associated with its tourism industry.

2.5 Pressure for social and environmental improvements

It is not yet clear where this pressure is coming from. The greatest driver for consumer demands appear to be in our foreign markets. Empirical studies done by ACSA (Action for Southern Africa) showed that a significant percentage of Germans traveling beyond Europe want to see environmental and social considerations in place. Very little research has been done on the domestic tourism market, but tourism operators feel there is a growing demand in the domestic market as well.

Government policy is not yet seen to be implemented in practice. There have been many national regulatory improvements, such as the EIA Regulations, or NEMA (National Environmental Management Act), which entrenches the Precautionary Principle. Government is requiring social elements as part of its tender regulations, seen in Spatial Development Initiatives (SDIs). There is also pressure from the ground. A politically charged atmosphere has influenced SDIs to include more community and environmental requirements.

There has also been action on the part of pioneering producers, in two key areas: 1) emerging community tourism projects, which protect their competitive advantage (fairly unspoilt environmental and cultural aspects), and 2) mainstream tourism providers are also sensing the increasing importance of maintaining market share. There is very little awareness in the industry that overseas markets are demanding this. There is the sense of it being a niche market but as more environmentally aware generations become the global travellers of the future, the industry will become more alert to these pressures.

Trade agreements, such as the recent EU-Africa Bilateral Agreement, may have a tourism element and some are very positively phrased regarding the promotion of capacity building and other development aspects. Some international conventions, e.g. such as the Convention for Biodiversity, will have strong implications for tourism.

There is no suggestion of protectionism in terms of tourism, so this is an area where we can focus on our opportunities. There are no restrictions on our market assets, and it is therefore very important to ensure that growth occurs in the right way now. There are many examples in the world where this has not happened. For example Australia is very strong on ecotourism programmes, yet the Great Barrier Reef has suffered lot of environmental damage due to unregulated tourism. If an attraction that is so well established can expect negative effects, then it is crucial that South African authorities realise the importance of this issue.

2.6 Key findings: Challenges

- There are major barriers for poor producer communities: land tenure, access to skills and finance, infrastructure, and a disempowerment framework
- Poor marketing at all levels
- Lack of awareness at all levels (government, industry, consumers). There is no clear sense of what is critical for the long-term survival of industry
- Intermediaries are not making the link

- Mindset of the traditional sector, e.g. large travel consultancies
- Forms of tourism - mass *versus* individualised tourism experiences
- Complexity of the supply chain: The focus should be on the connectivity of the supply chain to ensure that trade is more sustainable. However, it is difficult to establish the connective links. The supply chain includes services, accommodation, catering, transport, etc. Intermediaries include travel agents, wholesalers, national and international tour operators. Even broader is the travel and tourism economy, e.g. the manufacture of aeroplanes, foods and beverages, etc.

2.7 Key findings - opportunities

- Strategic push from government
- International demand
- Improved involvement in the sector for marginalised communities through international demand
- New partnerships in tourism marketing
- Raising consumer awareness is key
- Use of locally developed tools for monitoring and implementation. The industry finds ISO 14001 too technical for its purposes
- Standards coming down the supply chain could be dangerous. We should instead be looking at co-evolution of standards along the supply chain
- Massive tourism opportunities from community-based tourism projects to large hotel chains. The links between the various levels of markets create opportunities.

2.8 Recommendations

- It is critical to target the strong domestic tourism market
- Provide greater information to the market on the supply-side opportunities that exist. A lot of research is needed in that area
- Intermediaries could play an important role in facilitating links between supply and demand, e.g. programmes like Marks and Spencer's Global Sourcing Principles, which are developed with suppliers
- Branding *versus* ecolabelling. Zimbabwe has a form of tourism ecolabelling. Ecolabelling is seen as very problematic, and there is more of a move towards brands as a driver of change along the supply chain.

2.9 Conclusion

When speaking of environmental and social integrity, you need the realisation that what you are looking at is one of the three most important issues facing the future of tourism, together with safety and broader economic and political stability.

If we can create this realisation in South Africa and the South generally than we have a good basis for strategic engagement around sustainable trade.

APPENDIX K: DELEGATE LIST FOR THE TRADE AND SUSTAINABLE DEVELOPMENT WORKSHOP, 1-2 JULY 1999

Note: The delegate list includes all those who indicated an interest in attending, and is provided in full to facilitate networking. The actual attendees are indicated in bold type. The list is sorted alphabetically according to organisation represented.

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