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Beyond Trade:

The Case for a Broadened International Governance Agenda

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with
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If people, especially young people, say unemployment is too high, they are right. If unions want better wages and conditions for working people, they are right. If environmentalists say that growth must be sustainable – and not destroy the planet's ecological balance – they are right. When developing countries say they are not getting fair access and economic justice, they too are absolutely right.[1]

Mike Moore, Director General, WTO, November 29, 1999

Introduction[2]

These words, pronounced by Mike Moore on the eve of the Seattle World Trade Organization (WTO) ministerial meeting in November 1999, were almost an advance warning of the tumultuous events that would take place in the days to follow. Seattle saw major groups of global civil society converging, and in the case of the most articulate, demanding democracy, transparency, and a new consideration for environmental and developmental issues. To paraphrase Alexander Dubcek, civil society was asking for "globalization with a human face."[3] Their message was clear: Let us get on board, or we will block the train. The events in Seattle almost derailed the train, and it has remained at a considerably slower pace since. Officials and analysts attending the Davos World Economic Forum and the Bangkok United Nations Conference on Trade and Development (UNCTAD X) in early 2000 struggled to find new strategies for the train to regain its pre-Seattle speed.

Globalization came to a crossroads in Seattle. Either the globalization agenda will now be broadened from its almost exclusive focus on trade and financial issues to include human and sustainable development, or it will face increasing hostility from civil society and developing countries. Such hostility will continue to be a drag on commercial and financial globalization as it is expressed in international fora and will result in diminishing political support for trade and financial liberalisation at the domestic and local levels. The lesson from Seattle may be that continuing on the current course could well lead to a halt in trade liberalisation and a return to regionalism and protectionism, with a considerable negative impact on the world economy, and on the broader human values it sustains.

The post-Seattle context raises fundamental questions about global governance. At the same time, it opens new windows of opportunity for defining innovative governance structures. Governance can be defined broadly as a "framework of rules, institutions and established practices that set limitations and give incentives for the behaviour of individuals, organizations and firms"[4] and, one should add, the governments of nation-states. Never has the need to reconcile the trade and non-trade agendas of globalization been felt with such urgency. It is clear that the WTO was not designed to deal with such dramatic changes on its own and therefore cannot address these new challenges. New approaches to governance are needed that include the WTO but that go beyond it.

This working paper develops the case for these new approaches and identifies some of their key features. It first analyses the multiple facets of globalization and identifies the ensuing tensions between the trade and non-trade agendas, demonstrating that the North-South divide is not only trade-related, but also linked to demographic pressures, natural resources depletion, access to technology and financial vulnerabilities. Second, it briefly examines the divisions that led to failure in Seattle, with special attention to the need to resolve the trade and environment agendas and co-ordination issues under the WTO governance system. Here it argues that beyond a review of these issues, comprehensive adjustments to the WTO system are required to link it better with the system of Multilateral Environmental Agreements (MEAs) developed over the last 15 years. The third section describes and explores the global governance activities and tools developed outside the WTO system, including issues stemming from various international conventions, covenants, and action plans in the 1990s. The final section explores policy avenues for renewing the North-South bargain and for reconciling globalization's multiple agendas. Above all, this working paper makes the case for a call to the highest authorities in the G7/8 and G20 to integrate their agendas for trade, finance, the environment and social globalization, and to do so in a way that brings these agendas effectively together.

The Multiple Faces of Globalization: The Diversity of Change[5]

It is factually wrong to portray globalization as a new phenomenon. The world has experienced extensive economic and political integration in past centuries. The early 16th century and late 19th century were, most notably, two "golden eras" of commerce, characterized by open markets and extensive international trade. The current globalization process, however, is fundamentally different in its scope, depth, and institutional characteristics. The process of economic integration today is truly global, as well as multidimensional. It is market-based, driven by powerful economic forces, and accelerated by a technological revolution. It is also supported and shaped by an extensive web of international organizations and rules, both formal and informal, public and private.

The Growth of Trade

The last 50 years have seen unprecedented economic growth, with considerable impacts on societies around the world:

- Global gross domestic product (GDP) multiplied more than six times in real terms between 1950 and 2000, while per capita GDP expanded almost three times.
- During the same period, international trade multiplied more than 14 times.
- In 1998, international trade represented 14 percent of the world GDP (US $39,300 billion), compared to only six percent in 1950.
- In the decade from 1987 to 1997, the share of trade in global gross domestic product jumped from 10 percent to 15 percent. This trend was dampened only in 1998 by the onset of the Asian crisis.
- Trade currently represents 19 percent of the GDP of OECD countries and 40 percent of Canada's, the smallest G7/8 member.
- The trade share of Canada's GDP increased by 56 percent over the 12 years leading up to 1999.
- In the United States, the G7/8's largest member, exports accounted for more than a quarter of economic growth and the creation of 20 million jobs in the ten years leading up to 1999.

The stakes in ensuring a rules-based, predictable, multilateral, open-trade regime for Canada and many other G7/8 and OECD countries are thus simply overwhelming. International trade does not, however, always lead to international development. For example, sub-Saharan countries export 30 percent of their combined GDP, yet this brings few benefits as debt-servicing costs absorb all these hard currency revenues. As a result, these countries continue to be among the world's poorest. Trade can definitely be one engine of economic growth, but other factors are necessary to translate this economic activity into development.

The Explosion of Mobile Capital

A second economic driver of globalization is the world-wide explosion of financial flows. In 1970, US $10 to $20 billion were exchanged every day in the world's currency market. Today, more than US $1,500 billion changes hands daily.[6] Financial markets are characterized by the anonymity and the non-accountability of many actors involved in these massive flows and almost unlimited instantaneous transactions; many financial actors can elude state control by using powerful technologies. This new situation has considerable influence on both national and global governance as financial markets have become more and more difficult to regulate.

The increasing volume and speed of transactions have also increased the volatility of capital flows in the international financial system.[7] The Asian financial crisis demonstrated the devastating impact of this volatility on world trade and domestic economies. In 1996, net capital flows into Indonesia, Korea, Malaysia, the Philippines, and Thailand totalled US $93 billion. In 1997, these countries faced a net outflow of US $12 billion. This swing in financial flows of US $105 billion represents 11 percent of their combined GDP. As a result, real wages fell by 40 percent to 60 percent and 13 million people lost their jobs. The proportion of poor people in Indonesia rose from 11 percent to 40 percent in less than a year, feeding social and political instability. The international financial community mobilized more than US $170 billion from 1997 to 1999, which stabilised the financial markets in these countries as well as those of Russia and Brazil and apparently averted a similar situation in other countries.[8] Economic growth in developing countries fell to two percent in 1997 and 1998 as a result of the crisis. World trade growth collapsed from 10 percent in 1997 to 3.7 percent in 1998.

Foreign direct investment (FDI), the other major component of financial flows, has grown faster than international trade in recent years. It has thus become an important driver of economic globalization. Total FDI reached US $644 billion in 1998 — a gain of 39 percent over the previous year — driven by cross-border mergers and acquisitions. The share of FDI inflows to developing countries in 1998 was 42 percent, up from 18 percent in the mid-1980s. However, of the total FDI going to developing countries and eastern Europe in the 1990s, more than 80 percent went to only 20 countries. More than one quarter went to China alone. In 1998, the top five developing countries received 55 percent of total FDI inflows to the developing world.[9] FDI has considerable impact on economic growth in the countries where it is massively channelled; indeed, FDI has become much more important than Official Development Assistance (ODA) in major developing countries, with obvious structural effects on their economies. At the same time, capital and money markets have demonstrated through their volatility that they can be disruptive and increase the vulnerability of host countries.

Increased Demographic Pressures

The world's population increased almost four-fold in the 20th century, growing from 1.6 to six billion.[10] Eighty million people, or the equivalent of Germany, are added to the global population each year. The "middle scenario" of the United Nations forecasts the world population will grow by 38 percent more in the next 25 years to reach 8.3 billion by 2025. This growth will be concentrated in developing countries. Ninety percent of it will occur in cities. This will put considerable pressure on urban infrastructures, development strategies, the environment, and social stability.

Demographic growth is accompanied by increasing migration. Forty-two million people migrate temporarily for work each year. Six million migrate permanently. World-wide, 130 to 145 million legally registered migrants permanently live outside their own countries at this time. There are four million internal refugees and 15 million external refugees in the world. Globally, the number of international travellers has risen to 590 million every year. These movements of populations are unprecedented in human history. They can contribute to the instability of borders; they also demand tremendous growth to attain increased per capita income. At the same time, they drive the market expansion and increased consumption that is steadily putting pressure on natural resources and ecosystems. All these factors contribute to reciprocal interdependencies, new linkages among groups across borders, and a changing world social fabric.

The Information Revolution

The world is concurrently witnessing another unprecedented transformation with its development into an information-based society, driven by major technological changes in communications and computers. The number of television sets per 1,000 people doubled between 1980 and 1995, from 121 to 235. In 1990, there were 33 billion minutes of international telephone communications; that figure had more than doubled by 1996, reaching 70 billion minutes. The number of computers with a direct connection to the Internet rose from 100,000 in 1988, to 36 million in 1998. There were 140 million Internet users in 1998. This number will increase to 700 million in 2002. The volume of data traffic on the Internet has been doubling every 100 days as the 20th century gives way to the 21st.[11]

An unprecedented volume of information and ideas is now circulating in real time, often beyond the reach of direct state control. This has a considerable impact on democracy and governance. It thwarts authoritarian state practices to restrict the free flow of ideas. It also allows for the efficient action of nongovernmental organizations through unlimited access to networking, thus facilitating democratic processes at the local and international levels. It also contributes to a wider circulation of knowledge among populations, thus putting pressure on local and national policies.

This technological revolution also has a deep structural effect on the world economy. The Internet economy now represents US $300 billion or five percent of the American GDP. It generates almost a third of US economic growth and employs

1.2 million workers. The Internet sector is now equivalent to the automobile industry in the US in terms of labour force and market. The value of electronic commerce totalled US $2.6 billion in 1996. It may reach, by some accounts, as much as US $300 billion in 2002.[12] The share of high technology products in international trade doubled from 12 percent to 24 percent over the 1990s. Clearly, a new wave in technological and social development has begun.

The Divided World: A New North-South Perspective

These figures on globalization trends hide an increasingly divided world, where a North-South gulf has taken the place of the traditional East-West divide. The richest fifth of the world's population now controls 86 percent of world GDP and 82 percent of world exports. It is responsible for 92 percent of FDI outflows and receives 68 percent of FDI inflows. The poorest fifth accounts for less than one percent of these indicators. Income disparities between the richest and poorest fifths of the world's population increased from 30 to one in 1960 to 74 to one in 1997.

The World Bank estimates that 1.2 billion people live on less than US $1 dollar a day, a number that is likely to remain stable until 2008.[13] Some 840 million are malnourished world-wide. Since 1971, the number of countries considered by the United Nations to be extremely poor — Least Developed Countries (LDCs) — has risen from 25 to 48. These countries, representing 13 percent of world population, accounted for 0.4 percent of world exports and 0.6 percent of world imports in 1997. This represents a 40 percent decline since 1980. More than 80 countries have seen their per capita GDP fall during the 1990s. Only 33 countries sustained a GNP per capita growth of three percent in the 1980–1996 period. During the Cold War, the developed countries could further their geopolitical and strategic interests by supporting some of the poorest countries. The security interest to do the same in a depolarized world is still ill-defined. This has considerable consequences for many of the poorest countries.

In addition, many indicators are announcing a technological or digital divide.[14] The OECD countries, representing 17 percent of world population, have 74 percent of all telephone lines and 88 percent of Internet users. In contrast, 25 percent of the world's countries have less than one telephone for 100 inhabitants. Thailand has more cellular telephones than the entire African continent. The United States has more computers than all other countries combined.[15] In the high technology sectors, OECD countries in 1993 accounted for 84 percent of global research and development expenditures and held 97 percent of world patents.

However, global co-operation has succeeded in raising the literacy rate from 64 percent to 76 percent, and access to safe drinking water increased from 40 percent to 72 percent during the 1990s. Food production per capita increased 25 percent over the same period. Economic growth kept pace with rapid demographic growth, as world GDP per capita rose by one percent annually in the 1990s. Yet the persisting inequalities are a testimony to the considerable challenge of translating growth into human development. Issues of social equity point to the need for global governance institutions to identify and implement innovative ways of disseminating knowledge and technology, including giving masses access to the powerful instrument of the Internet.

The Vertical Loss of Sovereignty: More Room for More New Actors

Nation-states have suffered a vertical loss of power in the globalization process, mainly as a result of the combination of the fiscal crisis of the state and the internationalisation of governance. The fiscal crisis has produced devolution of power to local authorities while states have also delegated aspects of their sovereignty to international regimes. This process has weakened the state and given prominence to new actors. Most notably, transnational corporations (TNCs)[16] have become the main drivers of Foreign Direct Investment and world trade. In 1970, there were about 700 TNCs. In 1998, there were 60,000 TNCs with 500,000 foreign affiliates. TNCs accounted for 25 percent of the world's GDP and one third of world exports in 1997. They have become highly integrated and powerful actors rivalled only by the richest nation-states. General Motors' equivalent GDP of US $164 billion, for example, would place it among the 25 most important economies of the world, ranking between Thailand and Norway. The strength and influence of TNCs is compounded by the concentration of production in many economic sectors. The top ten companies in each sector control 86 percent of the market in telecommunications, 85 percent in pesticides, 70 percent in computers, 60 percent in veterinary medicine, 35 percent in pharmaceuticals, and 32 percent in commercial seeds.

NGOs have also become influential actors. They have developed into a highly organized and diversified web of organizations, creating a truly global civil society. There were a mere 176 international NGOs in 1909. By 1993, there were 28,900. Human rights, environmental protection, and human development are all causes advocated by global civil society by way of NGOs. Civil society also plays an important role in education and community capacity-building in developing countries. While TNCs are the drivers and actors of economic globalization, organized civil society represents the emerging voice of an evolving global democracy.

Although they differ from nation-states as actors in the global system in terms of accountability and responsibility, neither NGOs nor TNCs can be ignored. Their power, influence, and relevance, both at the local and international levels, demand that they be linked into various formal processes of globalization.

The Environmental Challenge

Increased environmental pressures accompany this change in critical economic and demographic processes. Natural ecosystems are under high stress around the world as a result of increased pollution, natural resource over-exploitation, and habitat destruction. Scarcities caused by the exhaustion of natural resources and the destruction of ecosystems pose an enormous challenge to economic growth and development and create serious tensions and displacements of populations.

Freshwater resources are a key component of these overall structural trends. Water withdrawals, mainly for agricultural purposes, grew seven-fold in the 20th century. One third of the world's population, or 2 billion people in 80 countries, experiences moderate to high water stress. By 2025, two thirds of the world population could be in this situation if nothing is done.[17] Water scarcity, combined with the increased pollution of watercourses, constitutes an imminent threat to human health, food security, and social and political stability, and therefore to development and economic growth. Water scarcity could generate numerous international tensions, since shared international river basins drain 47 percent of the world's lands — excluding Antarctica — and are home to 40 percent of the world's population.

Natural ecosystems that provide essential resources for economic development are under stress everywhere. According to the World Conservation Union, 34 percent of freshwater fish species are threatened with extinction,[18] while six out of 14 commercial sea fisheries are seriously depleted. Forest ecosystems are also threatened, as 200 million hectares of forest cover was lost between 1980 and 1995. Deforestation affects 12 million hectares annually, an area half the size of the United Kingdom. Desertification — the degradation of agricultural land in arid, semi-arid, and sub-humid territories — is threatening 40 percent of global lands, which are home to more than a billion humans.[19]

Industrialization has also affected natural macro-systems such as climate and the ozone layer. In 1997, the hole in the ozone layer over Antarctica was twice the size of Europe. The ozone layer might not be restored until 2050. In addition, evidence confirms that global warming is not only a process created by human activities, but also that it has been accelerating in recent years.[20] The warmest year ever recorded in modern history was 1998. The ten warmest years in history have been recorded in the 15 years leading up to 1999. The economic costs of implementing the Kyoto Protocol commitments to reduce greenhouse gas emissions will be considerable. But weather-related damages have been exploding in recent years, reaching US $92 billion in 1998, a 53 percent increase in only two years.[21] The costs of inaction are thus overwhelming.

Economic growth, environmental degradation, and human development are intimately linked, as was recognised at the Earth Summit in 1992. This recognition led the international community to develop a series of international instruments to protect the global environment and promote a sustainable model for globalization. As noted in a 1999 WTO report on trade and environment, the "ongoing dismantling of economic borders reinforces the need to cooperate on environmental matters, especially on transboundary and global environmental problems that are beyond the control of any individual nation."[22] Accordingly, the rising number of international environmental agreements has paralleled the acceleration of trade liberalisation since 1985. There are currently 216 effective Multilateral Environmental Agreements (MEAs) in the world,[23] with eight major global MEAs signed since 1985.[24] These developments create a new need for consistency in governance. As the centre of world trade governance, the WTO cannot escape this new trade and environment/development nexus.

The WTO and the Environmental Challenge: Trade and Sustainable Development Can be Reconciled

Seattle: Confronting the Divisions

In many ways the events of Seattle can be attributed to the convergence of a series of underlying tensions that have characterized world governance since the end of the cold war. While they surely contributed to the tensions, circumstantial causes such as timing, inadequate preparation, US electoral politics, demonstrations, and riots do not explain the Seattle setback. Seattle's failure is rooted in underlying weaknesses in the WTO, such as a lack of transparency, inadequate participation by developing countries, sharp divisions of opinions on the scope of the new round, flawed negotiation procedures, unresolved implementation issues, and conflict over the liberalisation of agricultural markets. The issues at stake are huge: the OECD has estimated that a new round of trade liberalisation would generate annual growth of three percent or US $1,200 billion in global economic activity.[25] But the dividends of growth ought to be more fairly shared among the WTO's 135 members. The next round will have to be oriented toward development.

Environmental protection and related competitiveness issues are also fundamental aspects of the multilateral trade liberalisation process. As Esty and

Geradin have argued, “if freer trade is to achieve the full measure of social welfare gain it promises and avoid the allocative inefficiency of environmental market failures, competitiveness concerns must be tackled head on. Moreover, continued public support for trade and investment liberalisation in many parts of the world depends on public confidence that other values about which people care (including environmental protection) are not being sacrificed at the altar of free trade.”[26] The WTO has therefore launched many initiatives to develop a trade liberalisation model that brings a significant environmental dividend and does not foster downward competitive pressures on domestic environmental regulations.

The WTO has invested considerable energy in analysing trade and environment links over the last five years. In 1995, the organization created the Committee on Trade and Environment, which produced a useful body of work on trade and environment issues and contributed to the development of closer ties with secretariats of MEAs. But the Committee on Trade and Environment was plagued by disagreements over basic principles, and has been unable to produce any concrete recommendations since its creation.

While a comprehensive legal analysis of environment and trade issues at the WTO would be beyond the scope of this paper, it is essential to take a closer look at some of the core elements of the debate. Several issues pertaining to the consistency of trade and environmental agendas contributed to the Seattle failure and will have to be addressed in the next round of negotiations. Here are key pressures that must be addressed.

Environmental Regulations and Market Access

There is asymmetry between the advanced state of liberalisation of trade in goods and services that is of interest to OECD countries and the barriers to trade that persist for labour-intensive goods exported by developing countries. Commodities — especially food and fibre, and their processed products — that constitute most of developing countries’ exports continue to face high barriers to import in OECD countries. In 1992, the *Human Development Report* estimated the cost for developing countries of these trade restrictions to be US $500 billion annually in lost export revenues, almost ten times the amount those countries receive in aid every year.

While all quantitative restrictions on developing countries’ exports of textiles and clothing should be removed by 2005 under the Uruguay Round regime, developing countries will continue to face tariffs as well as non-tariff barriers in the form of standards, regulations, labelling, and other environmental measures. Developing countries have come to consider environmental regulations as disguised protectionist measures designed to restrict access to OECD markets. They also tend to perceive the inclusion of environmental and social protection issues under trade negotiations as threats to their national sovereignty. For these reasons, countries such as India, Brazil, China, and many others repeatedly oppose any discussions on environmental standards in trade liberalisation talks. Clearly, the issues of fair market access and environmental protection cannot be separated because developing countries fear the latter is a threat to the former.

Trade-Related Aspects of Intellectual Property

The Trade-Related Aspects of Intellectual Property (TRIPs) agreement came into force in 1995. This agreement is intended to protect intellectual property and therefore constitutes an important tool for promoting research and development activities, as well as technological innovation. Although each country implements its own regime of intellectual property rights, these regimes are subject to the TRIPs agreement, which imposes minimal standards on patents, copyrights, trademarks, and trade secrets. While TRIPs promises to bring important technological and economic dividends, its implementation poses considerable problems for many developing countries and for the protection of biological diversity.

The TRIPs regime's relationship with the Convention on Biological Diversity is complex and muddled. TRIPs allows, through patenting, for the appropriation by transnational corporations of traditional knowledge and biological or genetic diversity. Yet Article 15 of the Convention focusses on the equitable sharing of benefits of biological diversity and the Convention contains many provisions for protecting indigenous knowledge. TRIPs can also considerably raise the price of technology transfers to developing countries. Private appropriation of contents and knowledge within the TRIPs regime carries the seeds of a future division of the world between the knows and the know-nots, compounding the separation of the haves and have-nots. Many analysts have concluded that modifications to the TRIPs regime are necessary to create a system that gives developing countries access to knowledge and technology and protects biodiversity and traditional knowledge.

The Precautionary Principle and its Relationship with Multilateral Environmental Agreements

The inclusion of the precautionary principle in trade agreements also complicates the reconciliation of trade and environmental agendas. A widely recognised version of this principle states that “where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”[27]

It constitutes a powerful preventive tool in the service of environmental protection. Its coherent operationalisation into a rules-based multilateral trade regime remains problematic: the fear that it could serve as an umbrella for a series of disguised protectionist measures is legitimate and must be properly addressed.

The precautionary principle was integrated into the Cartagena Protocol on Biosafety, which was negotiated in Montreal under the Convention on Biological Diversity in January 2000. This integration brings to the forefront the issue of the relationship between MEAs and the WTO. While some instruments such as NAFTA or the Montreal Protocol on the Protection of the Ozone Layer clearly establish the paramountcy of trade-restricting practices contained in a series of MEAs,[28] the WTO's founding texts remain silent on this issue. The Cartagena protocol, which considers a series of trade issues in the biotechnology sector, has an equal "and mutually supportive" relationship with trade agreements.[29] This situation could eventually lead to a clash between the trade and environmental regimes in the case of a trade dispute. It is clear that the general relationship between the two regimes will have to be clarified.

Trade-Distorting and Environmentally Damaging Subsidies

The elimination of trade-distorting and environmentally damaging subsidies constitutes a key strategy to link the trade and environment agendas. The United Nations Commission on Sustainable Development has estimated the total amount of these subsidies to be US $1,000 billion a year.[30] For example, subsidies in the world fisheries total US $54 billion annually and provide 20 percent to 25 percent of revenues in this sector, with half of this amount spent in OECD countries.[31] These subsidies contribute to over-exploitation of fisheries resources, sometimes to the point of near exhaustion, and constitute distortions to trade that are detrimental to developing countries. It is estimated that the elimination of these subsidies would reduce the world fishing fleet by half and thus allow for the regeneration of endangered fisheries resources. Developing countries would benefit considerably from the massive reduction of OECD countries subsidies in this sector. Significant gains could also be made in such sectors as energy, forestry, nonferrous metals, textiles, and clothing. The politics of subsidies elimination, however, will make it difficult to bring about such rational treatment of the issue.

The elimination of such subsidies would constitute a triple-win strategy: that is, a strategy that has the potential to benefit trade liberalisation, sustainable use of natural resources, and economic development. Such elimination would normally benefit developing countries more than the introduction of new environmental standards or regulations. The 1999 WTO report on trade and the environment identified the elimination of remaining trade barriers on environmental goods, services, and environmental management systems, as well as the reduction of trade-distorting/environmentally damaging subsidies as two key ways the WTO could promote sustainable development.[32]

Transparency and Participation

Lack of transparency and inadequate representation result in credibility problems, which undermines support for trade liberalisation processes both at the national and international levels. Transparency, effective participation of civil society, and adequate representation of developing countries are fundamental areas in which the WTO has tried to improve its credibility and secure support. While the WTO has made some efforts to expand participation in its work, its actions fell short of an effective strategy to integrate NGOs and intergovernmental organizations (IGOs) — especially Multilateral Environmental Agreements secretariats — in its decision-making and dispute resolution processes.

The WTO opens its doors to civil society mostly in the form of informal consultations and improved communications with NGOs and IGOs. However, the core of its work remains strictly intergovernmental in nature and *in camera* in method. In 1996, the WTO adopted guidelines for the participation of NGOs that focused on improved communication channels and open meetings such as the Symposia on Trade and Environment. While they were intellectually productive and fostered a fruitful dialogue, the symposia were not policy-oriented and no attempt was made to summarize issues or generate consensus. Their influence on negotiation processes was therefore very limited.

The effective participation of developing countries constitutes another challenge. Many do not have the resources to participate in preparatory meetings. The issue of representation is made more acute by the absence of 50 countries that do not have a seat at the WTO, including major trading countries such as China. At its General Council meeting in February 2000, members of the WTO agreed to improve and regularise funding for its technical co-operation activities and to co-operate more actively with other agencies such as UNCTAD to support effective participation by developing countries and facilitate implementation of key trade and investment liberalisation provisions and policies.

The WTO needs to make sustainable development a core part of its agenda. Integrating sustainable development into the WTO's trade disciplines, negotiation groups, and dispute resolution panels remains a considerable challenge. This could mean amending or reopening some treaties and reforming negotiation processes and dispute resolution procedures, as well as welcoming the expertise of new actors from civil society and international organizations.[33] It is now clear that the WTO cannot address the trade and sustainable development relationship alone and will therefore have to co-ordinate more closely with secretariats of MEAs, various

UN organizations, and NGOs. Facilitating the presence of developing countries and opening up meaningful channels of substantive communication with NGOs and IGOs is of capital importance for the success of further negotiations.

The Need for Institutional Reform and a New North-South Bargain

Seattle destroyed any hope for a quick start of a new round of multilateral trade liberalisation. Negotiations on agriculture and services resumed in January 2000 without much hope of an early resolution. In February 2000, addressing the UNCTAD X delegates, Mr. Moore declared that the WTO would work on a confidence-building agenda in the next few months, recognising that the WTO will need to build the next negotiation round on a new North-South bargain. However, while it can do much to improve its institutional framework, the WTO also needs to broaden its agenda and co-operate with other organizations to work out new integrative governance models that will allow for the reconciliation of trade and non-trade agendas of globalization. In short, the WTO must elaborate both an in-house plan and a strategy for external presence. Ultimately, the success or failure of the WTO will depend on this reconciliation of trade, environment, and development agendas under a broadened system of global governance. In the words of Mr. Moore, the cost of failure could be a stop to the multilateral liberalisation wheel and a return to trade-distorting and development-slowing regionalism.

Linkages Between Governing Instruments: Charting the Non-Trade World

Trade-accelerating international negotiations have not been accomplished in isolation. Parallel to this activity catering to the prosperity of nations, a large set of international instruments has been developed that responds to other goals and aspirations. These environmental, socioeconomic, and scientific conventions are part of a wider movement to secure balanced development, to ensure stability, and, ultimately, to secure peace. Increased participation by civil society and new governance initiatives are intimately linked to this.

Implementing the 1990s Conferences, Action Plans, and Environmental Conventions

In one of his last interventions before stepping down as the director of the International Monetary Fund (IMF), Michel Camdessus addressed UNCTAD X delegates and called for international mobilisation to implement the action plans of the 1990s United Nations conferences and summits. This important statement recognises the need for active co-operation to raise environmental and social standards and achieve a sustainable globalization model. The 1990s global summits and conferences were instrumental in reaching consensus on a series of issues related to human and sustainable development, and establishing priorities that were assembled in coherent and extensive action plans. An impressive number of conferences collectively contributed to the articulation of the non-trade agenda for globalization. These include:

- The World Summit on Children (1990)
- The Conference on Environment and Development (Rio, 1992)
- The Conference on Human Rights (Vienna, 1994)
- The International Conference on Population and Development (Cairo, 1994)
- The World Summit for Social Development (Copenhagen, 1995)
- The World Conference on Women (Beijing, 1995)
- The Global Conference on Human Settlement (Istanbul, 1996)

Moreover, many MEAs have been concluded in the last 15 years, including:

- The Vienna Convention for the protection of the Ozone Layer (1985)
- The Montreal Protocol on Substances that Deplete the Ozone Layer (1987)
- The Basel Convention on the Transboundary Movement of Hazardous Waste (1989)
- The Framework Convention on Climate Change (1992)
- The Convention on Biological Diversity (1992)
- The Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (1994)
- The Kyoto Protocol on Climate Change (1997)
- The Cartagena Protocol on Biosafety (2000)

In addition, instruments have been elaborated in the forests and water sectors.[34]

Most of these multilateral instruments contain common strategies and principles that will have to be fully implemented if their substance is to be given meaning. These strategies include co-operation, technological and scientific transfers, capacity building, differentiated commitments, and the principle of equity between developed and developing countries.

International Cooperation: The Need to Coordinate Among Institutions

Institutional co-ordination is of particular importance, given the growing number of international instruments and organizations world-wide. In the words of Klaus Toepfer, “the development of conventions and action plans, in particular, has been incremental, rather than strategic. It has not been based on an overarching blueprint for the evolution of international law and institutions into the

21st century. Meanwhile, environmental problems and their solutions are becoming ever more complex and interlinked. A more coherent strategy is needed for policy making, scientific and technical assessment, and programming. In the current circumstances, one of the essential steps that can now be taken to advance the international environmental regime is to strengthen collaboration among the relevant agencies and conventions. Joining together is essential to ensuring that the voice of the environment is not drowned out in the debate over development, trade, and social issues. It is also vital to maintaining momentum and getting the most out of our scarce resources."[35]

Agenda 21 had already recognised this situation in 1992 by advocating better co-ordination of UN development and environment agencies in its section on international institutional arrangements.[36] MEA secretariats and UN agencies have begun intensifying their collaboration through joint initiatives and joint-implementation programs. For example, the secretariats of the Convention of Biological Diversity and the Ramsar Convention on Wetlands have developed joint initiatives and action plans in the last two years. UNEP organized nine informal meetings of MEA secretariats between 1994 and 2000. In addition, UNEP is supporting joint implementation and co-ordinated reporting activities in developing countries to facilitate the implementation of MEA commitments.

Another important aspect of institutional co-ordination is the articulation of an integrated environmental position to serve as an input to the WTO's trade regime. UNEP has also developed an agreement between MEA secretariats and the WTO. It has been examining possibilities to establish an environmental database at the WTO to avoid conflicts between the two regimes. While the WTO administers 24 multilateral trade agreements in a centralised fashion, the environmental field is characterized by a fragmented structure. Some, such as Renato Ruggiero, former director of the WTO, have argued for the creation of a world environmental organization that would act as a counterpart to the WTO. Fearing that the creation of a new organization would contribute to more fragmentation — as it would simply be added on to existing structures — and that the structure of a new intergovernmental organization would not be productive and efficient, the World Conservation Union (IUCN) and the International Institute for Sustainable Development have proposed the creation of a Standing Conference on Trade and the Environment.

This conference would be an open forum that would allow for the full participation of IGOs, NGOs, MEAs, International Financial Institutions (IFIs), and nation-states. Its mandate would be to articulate environmental policy as it relates to trade and to enter into a permanent dialogue with the WTO. The conference's influence would derive from its large representation and from the implementing capabilities of its member organizations. The World Conservation Union and International Institute for Sustainable Development thus support the creation of a powerful and well co-ordinated forum that would allow energies and resources to cumulate effectively.[37]

Scientific and Technological Transfers: Scientific knowledge transfers are promoted throughout international action plans, often discussed in both capacity-building and technological-transfer measures. Spreading knowledge is key to economic development, especially in light of the transition to an information-based economy and of the looming digital divide. As noted in the UNCTAD X report of the Secretary General, "in a world economy in which knowledge is the critical component of economic success, countries without the skills to manipulate knowledge-based processes and to benefit from changes in technology fall behind even when the world economy grows vigorously."[38]

Technological transfer is another related strategy for sustainable development, especially in the area of environmentally friendly technologies. UNCTAD X stressed that there needs to be a better understanding of the various channels for transfers of technology, such as FDI and trade. This position highlights the intimate relationship between the implementation of technology-transfer commitments on one side, and various provisions of the trade and investment regimes on the other. The international community is just beginning to address these links in order to facilitate technology transfers.

Capacity Building: Under most UN action plans and instruments, developing countries are to be given the financial resources, technologies, and institutional capacity to achieve the essential and complementary goals of economic development and environmental protection. This implies a series of technological and financial transfers, as well as sharing knowledge on environmental management strategies. A World Resource Institute study on the forestry sector has demonstrated that trade liberalisation should be accompanied by capacity-building strategies to strengthen the framework for environmental protection. UNEP and UNCTAD have recently launched a joint program to integrate trade and environment policies in developing countries. A major part of this program will consist of capacity-building activities such as training sessions, seminars, and workshops designed to teach policymakers, civil servants, and private-sector actors how to maintain essential resources and maximise benefits of increased trade.

Differentiated Commitments: The action plans developed by Multilateral Environmental Agreements and UN conferences contain common but differentiated commitments for developed and developing countries. For example, under the Kyoto Protocol, developed countries have agreed to substantial reductions in greenhouse gas emissions, while developing countries did not – reflecting a traditional approach of the G77. On the other side, developing countries must bear most of the costs of adaptation to climate change, and developed countries have the obligation under the Convention on Climate Change to co-operate with them to facilitate adaptation. In all negotiated agreements since Rio, developing countries asked developed countries to commit to the transfer of new and additional financial resources to support them in the implementation of these conventions.

Common but differentiated commitments are a fundamental principle of environmental regimes, a reality that trade regimes also take into account. But the establishment of different statuses under some agreements at times leads to North-South conflict. For example, the United States has been pressuring developing countries such as India and China to take a stiffer stance on air emissions reduction commitments under the Kyoto Protocol. Competitiveness and development issues are often closely related to these conflicts. As a result, differentiated commitments must be co-ordinated with trade provisions, development co-operation activities, and development assistance programs.

Equitable Sharing of Benefits: Issues of equity are fundamental in all major international instruments. In the regime of the Convention on Biological Diversity, the equitable sharing of benefits of biological diversity constitutes an essential part of the bargain. Developed countries are given access to developing countries' biological and genetic resources, in exchange for which they agree to share equitably the benefits of commercial and non-commercial use of these resources. This principle is a central component of North-South relations, but its operationalisation constitutes a demanding challenge as it often implies a transfer of obligations to the private sector. It is also difficult to reconcile this principle with the WTO's TRIPs agreement. Equitable sharing of benefits is likely to be integrated into WTO's next round of negotiations and become one of the items that will underpin a new North-South bargain.

From Official Development Assistance to an Integrated Approach to Financial Transfers

In the current globalization process, it has become clear that the traditional ODA model cannot fulfil its promise of development. More innovative strategies must be employed. In the words of Kanbur and Sandler, "the aid delivery system of the last 50 years needs a change. It faces two challenges at the dawn of a new century. The first is disenchantment with conventional country-focused assistance, based on the perceived failure of that aid in fulfilling the objectives of economic growth, development, and poverty reduction. The second is rise of transnational problems as major factors in global relations and the very process of development."[39] Before outlining new strategies for the integration of development financing policies, it is useful to look at the current situation of financial transfers to developing countries.

Official Development Assistance and Other Financial Transfers: Total ODA fell to US $49.6 billion in 1997, down from a 1992 high of US $65 billion. In real terms, this constitutes a 30 percent reduction. The share of ODA in the GDP of donor countries has fallen to 0.22 percent in 1997, below the 0.33 percent average maintained in the 1970s and 1980s, and well under the OECD countries' commitment to allocate 0.7 percent of their GDP to ODA, of which 0.2 percent should go to the least developed countries (LDCs). Currently, total ODA is US $20 billion less than it would have been if this average level had been maintained.[40] On the positive side, the part of ODA that is "tied aid" — that is, bilateral aid conditional on securing procurements from the donor country — has fallen from 50 percent of total ODA in 1979 to 20 percent in 1996, thus allowing for an allocation of resources increasingly driven by the domestic priorities of recipient countries. About three fifths of current aid volume is bilateral and two fifths is multilateral. The World Bank has estimated that the current volume of aid can lift 10 million people out of poverty every year.

While ODA has been reduced in the 1990s as a result of fiscal crisis, investment flows have undergone impressive growth in recent years as a consequence of financial market liberalisation. In 1990, total flows from developed to developing countries totalled US $100 billion, of which 57 percent was traditional official development assistance. In 1996, these flows had grown to US $338 billion, of which $299 billion came from private investment.[41] By 1998, private capital flows were five times higher than ODA.[42] Clearly, private investment has become the most important source of financial transfers to developing countries.

Debt-Relief Initiatives: The Least Developed Countries' external debt burden amounts to 90 percent of their combined GDP. Debt servicing consumes an important share of their export revenues and state budget. Tanzania spends nine times more on debt servicing than on health care, and four times more than on education.[43] In doing so, it sacrifices investment in human resources, which are the basis for future growth and development. In 1996, the World Bank and the IMF launched a special initiative for 41 Heavily Indebted Poor Countries (HIPC) of which 33 are African. At the 1999 G7/8 Köln Summit, this initiative was taken further by broadening admissibility, accelerating the pace of debt relief, and linking debt relief more closely to poverty alleviation. It could still be improved; the international community has shown its ability in the case of the Asian crisis to act decisively when the need arises.

Special Needs of Least Developed Countries: The share of ODA going to LDCs fell from 33 percent in 1995 to 24 percent in 1997. For 14 out of 21 OECD donor countries, ODA to these countries was lower in 1996 than it was in 1990.[44] A UN conference on LDCs is to be held in Brussels in 2001. Many development analysts argue that ODA should be targeted at LDCs. The WTO's February 2000 General Council adopted a package of measures to assist these countries with the objective of developing an integrated approach by all donors and international agencies. But many analysts argue that the largest potential gains for LDCs lie not in improved ODA but in better market access. Reflecting this view, Mike Moore put forward a proposal for duty-free and quota-free market access for the 48 LDCs to attract foreign investment and sustain their economic development. Similarly, in Seattle, the European Union proposed free access to essentially all products from LDCs but failed to reach consensus with Japan, Canada, and the United States, which wanted to exclude textiles from the deal.

The Financing for Development Initiative: The United Nations will hold the Global Conference on Financing for Development in 2001. Representatives from nation-states, Bretton Woods institutions, UN agencies, NGOs, and the private sector will attend. They will consider domestic financial resources, international resources (including FDI and other private flows), and international financial co-operation (including ODA and debt relief). Special attention will be given to the needs of African countries, LDCs, and small island states. The conference will aim at improving the coherence and consistency of the international monetary, financial, and trade regimes. To achieve this goal, it will consider market access, governance, and innovative sources of funding. The conference will for the first time address financial transfers in a broad and integrative manner, thereby constituting a unique opportunity to define new avenues for future financial structures designed to support non-trade agendas of globalization.

Good Governance

Trade and economic growth are more likely to promote sustainable and human development if they are backed by appropriate governance policies. As mentioned in the UNCTAD X action plan, "Democracy, rule of law, transparent and accountable governance and administration, including combating and eliminating corruption, are indispensable foundations for the realization of people-centred sustainable development."[45] A WTO study has similarly concluded that accountability and good governance are critical variables that condition the impact of trade.[46]

Good governance is, for example, important to drawing in foreign investment. FDI is attracted by sound policies that allow for long-term predictability and stability, such as strong property rights, low levels of corruption, openness to foreign trade and investment, and macroeconomic stability. The development of policies that maximise the impact of foreign direct investment in terms of knowledge and skills development, and access to technologies, is also of key importance.

The articulation of national and international policies is another important aspect of good governance. As mentioned in the UNCTAD report on economic governance, "a capacity-building approach focusses attention on the importance of reconciling the task of institution-building at the national level and the challenge of constructing governance institutions at the global level."[47] This is especially true for the multilateral trade regime as the "effective operation of the WTO regime depends on encouraging and strengthening the growth of organizational capacities at the national level." The way in which trade and environmental policies are articulated at the domestic level is also important to achieving sustainable economic development. Particular attention should be given to interdepartmental co-ordination within countries and to environmental reviews of trade agreements.

Good governance also entails fighting corruption and organized crime. This is not an easy task, as international crime syndicates generate US $1,500 billion in revenues annually.[48] Many have argued for an international convention on international organized crime. Such an instrument could include provisions to support developing countries that wish to combat corruption and crime and to raise transparency standards. It is becoming clear that repressive measures alone cannot succeed in eliminating this growing problem. Efforts are increasingly needed to address this part of the informal economy.

New Responses to World-wide Governance Issues

Rubens Ricupero, Secretary General of UNCTAD, presented UNCTAD X, where 190 countries were represented, as a kind of "world parliament" where the post-Seattle "healing process" was to begin. But North-South divisions were still very apparent in February 2000. Developed countries made clear that they would refuse to strike a trade-oriented deal outside the WTO system, while developing countries showed hostility and cynicism toward the WTO. Moreover, OECD countries' top officials did not show up in Bangkok, highlighting the organization's lack of support among developed countries. Consequently, Supachaï

Panitchpakdi, Thailand's deputy prime minister and chair of UNCTAD X, and designated successor to Mike Moore as the WTO's director in 2002, abandoned plans to convene an informal meeting of trade ministers. In his closing statement, Mr. Ricupero said that UNCTAD X had been "instrumental in creating an atmosphere of greater mutual understanding of the complexities of the globalization process. But much remains to be done in translating this into practical moves for institutional change at the international level."[49]

Many actors share the view that institutional change and new governance structures are needed to promote sustainable and human development in an increasingly integrated and complex world. The current governance system suffers from a lack of clear jurisdictions, insufficient participation, and transparency, as well as from incoherence and lack of co-ordination. It also faces the persistent issue of the non-accountability of UN and UN-related bureaucracies. The 1999 Human Development Report prepared by the United Nations Development Program, has tried to answer some of these problems by putting forward an ambitious plan to reform the international governance architecture.

Others argue that appropriate institutional structures are already in place but that they lack openness and proper co-ordination mechanisms. Opening existing institutions and creating new fora that would foster synergies within current structures are strategies that may have a better chance of success in the near term. Before resigning as IMF managing director, Michel Camdessus called for the creation of G30 summits, uniting the heads of states that sit as executive directors on the boards of the World Bank and IMF, and the Bretton Woods institutions and various UN agencies.

The recently created G20 brings together 18 countries[50] (including the G7/8 and major developing countries), the Bretton Woods institutions, and the European Union. It is a promising organization that could play a significant role in global governance. The G20 represents about 80 percent of world GDP and 65 percent of the world population, giving it considerable potential influence. As is the case for the G7/8, the G20 is the responsibility of the economic and finance departments of represented countries, a key feature that gives it special strength and influence. Its mandate focusses on good governance in financial markets and the reduction of vulnerability to international financial crises. But Paul Martin, Canada's finance minister and chair of the G20, has stressed the flexible and comprehensive mandate of the group: "There is virtually no major aspect of the global economy or international financial system that will be outside of the group's purview."[51] The G20 will expand its focus and consider poverty reduction strategies at its next meeting in Canada in the autumn of 2000.

A New Deal for Globalization:
Mapping an Integrated Agenda for Policymakers

In a keynote address at the WTO High-Level Symposium on Trade and Environment in March 1999, UNEP's executive director Klaus Toepfer stressed "that trade and environment policy cannot be isolated from the impact of international debt, the need to alleviate poverty, the equitable imperative to transfer technology, or the need to enhance capacity of developing countries to face the challenges of sustainable development."[52] The UNCTAD X report also insisted that there was an "urgent need to rethink the processes, mechanisms and policies that underpin the functioning of the world economy, and in particular those that link developing countries to the forces of globalization."[53] These statements were echoed at UNCTAD X in Bangkok in February 2000 when several delegations called for an international new deal.

Part of this new deal should embrace renewing the Rio North-South agenda. As early as 1996, analysts argued that the basic post-Rio North-South bargains were already dead and needed to be revived to avoid regionalism or protectionism and to promote effective multilateral trade liberalisation.[54] A new North-South bargain similar to Rio could be struck outside the WTO system (which is perceived as too northern-oriented by many developing countries). This bargain would involve two undertakings. First, developing countries would fully implement their trade liberalisation commitments and also consider environment and labour issues in a new round of trade liberalisation. Second, OECD countries would agree to increase financial and technological transfers significantly to developing countries and to support capacity-building activities, and would open their markets to the South faster than currently planned. Only the most important stakeholders of foreign policy and international trade can craft such a bargain.

The "new deal" should be accompanied by the following policies. Efforts should be made to harmonise the trade and non-trade agendas through a systematic reform of the WTO regime in an integrative, transparent, and participatory manner to make it consistent with the objectives of human and sustainable development. Co-operation programs would be intensified — including a significant increase and better co-ordination in ODA deployment — to support developing countries in implementing trade and environmental agreements, as well as implementing action plans from the major UN conferences of the 1990s. This intensification of co-operation and implementation activities would be supported by a definite improvement of the interface between agendas and actors through reinforced inter-institutional co-operation. Furthermore, global governance would be broadened by the creation of new structures and practices (fora, formal and informal networks, organizations) that would allow for the full participation of developing countries and for a comprehensive consideration of globalization agendas. Institutional intergovernmental practices would also be made more transparent and open to allow for the participation of civil society and the private sector.

Harmonising the Trade and Non-Trade Agendas in the WTO Regime

Conducting a Comprehensive Environmental Review: A comprehensive environmental review of the WTO system should be conducted to clarify the relationship between MEAs and the multilateral trade regime. This review should produce recommendations for ministerial approval and be followed by significant reforms. As a starting point, Canada tabled a paper in Seattle that called for each negotiation group to "take environmental issues into consideration to make certain that liberalised trade is consistent with, and supportive of, the achievement of sustainable development."[55]

Such a review would be mutually beneficial to trade and environment regimes. By supporting the establishment of multilateral environmental standards regimes under MEAs, the WTO should avoid the pitfalls of unilateralism and protectionism in the field of environmental regulation. Harmonisation of provisions of the multilateral trade system with trade measures adopted for environmental purposes, both at the national and international level, would support the implementation of both regimes. This would also be true in the area of subsidies. A reduction in energy subsidies, for instance, would certainly be an effective tool to support commitments to reduce carbon dioxide emissions adopted under the Kyoto Protocol. The consequences for the global environment of certain practices related to trade should be a WTO priority.

Developing Inter-Institutional Co-operation with MEAs: The WTO and MEA secretariats should establish permanent co-ordination structures to make their regimes consistent and to develop mutually supportive policies. They could work on voluntary codes for minimal process and production methods standards, a range of common interpretations about the precautionary principle, and the operationalisation of the polluter-pays principle (Principle 16 of the Rio Declaration). They could also conduct an environmental review of the TRIPs agreement and elaborate a comprehensive plan to phase out trade-distorting and environmentally damaging subsidies. Attention could be given to full-cost pricing of natural resources to avoid market failures in their allocation.

Improving Transparency and Participation: Regarding transparency and participation issues, many share the view that “the WTO should adopt thoroughgoing procedural reforms to improve the transparency of its decision-making processes to both the public and non-governmental organizations.”[56] Significant reforms should be implemented to support the participation of civil society and developing countries in WTO activities, including dispute resolution panels and negotiation groups. There is a need to ensure solid real-time information and communication with civil society representatives where this is feasible and useful.

Implementing the 1990s Action Plans and Programs

Intensifying International Co-operation Activities: International environmental instruments still have untapped potential that could be exploited through the intensification of bilateral and multilateral co-operation and joint implementation activities. A systematic process to implement these instruments in an integrated manner is needed. This process could culminate with a conference of the heads of UN organizations, MEAs, the World Bank, and the IMF, as well as country representatives. It should also involve TNCs and civil society representatives. This conference would aim at integrating agendas and designing permanent co-ordination mechanisms that would ensure consistency in the implementation of major UN and MEA action plans and programs. Bilateral co-operation activities can also be made consistent with multilateral activities by closely following these action plans and programs and by working through the focal-point mechanisms.[57] Strong action is needed from OECD countries to implement their commitments at this level. Resorting to Sahel-Club–like activities in a more engaging way can be a practical approach.

An Integrated Approach to Financing: The rise of FDI, the fall of ODA, the role of trade in financing development, and a series of other factors make an integrated approach to financial transfers more necessary than ever. The Financing for Development initiative should be strongly supported as the key to a comprehensive review of financing sources and channels, and as a way of developing innovative sources and solutions to financing challenges.

The OECD’s Development Assistance Committee also has a key role to play by renewing its member countries’ commitment to allocate 0.7 percent of their GDP to ODA, with 0.2 percent targeted to LDCs. The OECD countries and Bretton Woods institutions also need to co-ordinate and integrate their approaches more closely. There is also a need to better target public and private resource flows to countries that have sound economic policies.[58] This good governance environment is more likely to lead to an efficient use of aid and private resources, and to have structuring impacts on development and poverty alleviation. In addition to better targeting, a common pool approach should be adopted, when appropriate, to aggregate donors' resources for development priorities that would be regionally or domestically defined.[59] Using the "chef de file" approach is likely to achieve better efficiencies in co-ordination efforts in the national settings of recipient countries.

Supporting Inter-Institutional Activities: An effort should be made to systematically identify and support inter-institutional activities and mechanisms that can be gradually developed over the next few years. The UNEP/MEA secretariats meetings should be made into a permanent structure that meets annually and includes other UN organizations, multilateral financing institutions, and key representatives from civil society such as the World Conservation Union. Such meetings could produce a comprehensive framework for the joint implementation of major MEAs, as well as a permanent and systematic framework for collaboration between secretariats and UN institutions that would allow for synergies and a better allocation of scarce financial and human resources. Better funding for MEA secretariats and UNEP would support such initiatives. In the trade and environment area, the creation of the Standing Conference on Trade and Environment should be supported as a key mechanism for the co-ordination of environmental policy as it relates to trade.

Broadening the Governance Table

New mechanisms for Developing Countries Representation: A Role for the G20: At their December 1999 meeting, members of the G20 reaffirmed the importance of the WTO's trade liberalisation process. By addressing some of the issues discussed above, the G20 could play a significant role in elaborating a new North-South bargain that would serve as a basis for resuming talks on a new round of trade liberalisation. This would require expanding the mandate of the group to trade, environment, and development issues in the same way that the G7/8 has gradually expanded its mandate to international security matters. The G20 could serve as a forum to design and foster the establishment of a new global governance for the multiple and necessarily interrelated agendas of globalization. It could thus be instrumental in seizing the current window of opportunity and breaking the Seattle impasse.

Integrating Civil Society and the Private Sector: NGOs and TNCs have become fundamental actors in the globalization process whose contributions to evolving global governance models should be facilitated. Inconsistency — almost whimsicality — affects the decisions and orientations of international institutions when it comes to effective participation of civil society in the definition and implementation of agendas. This could be addressed more systematically through a high-level conference on the role and means of civil society in a better-integrated global governance system.

NGOs can play a major role in capacity-building and implementation activities at the local level. They should identify and articulate new issues to be addressed by international governance structures. NGOs have a strong capacity to synthesise and disseminate information, and to mobilise civil society. Governance structures are gradually opening to allow NGOs and civil society to play their roles fully. As argued by Mark Halle, "It is time to recognise that there is an emerging global standard for transparency, participation and access to judicial processes, which cannot be ignored. It is the basis of the new global governance."[60] Parliamentarians, who have many transnational co-operative institutions and forums (the Commonwealth, la Francophonie, and regional/sub-regional organizations) can contribute to bridging the gap between governance structures and civil society.

TNCs have a major, but largely unexplored, potential to contribute to sustainable development. Channelling investment toward sustainable development is a very complex issue that requires some innovative approaches. To tap the TNCs' potential, the international community needs to bring them into the new framework of world governance. Transparency and accountability, formal obligations and informal habits, must be reinforced, especially in the environmental sector. Appropriate international policies must also be put into place to guide and influence TNCs' behaviour. The careful use of regulations, standards, economic incentives, and disincentives must be promoted to reach this objective. Voluntary codes of conduct or OECD guidelines approaches can also generate useful dynamics.

Seizing Upcoming Opportunities

The next few years will offer many international opportunities to bring about the new approaches and strategies needed in the current post-Seattle context. Annual G7/8 meetings will continue to expand and deepen their focus from economic and financial matters to security, as well as to social and environmental concerns, thereby opening new opportunities for broadened governance. They could benefit from a wider North-South perspective on these issues that could be developed at the G20's next meetings in the fall 2000.

In the coming months, the WTO will experience a phase of introspection and analysis that will give it time for systematic analyses and reforms.

The Summit of the Americas (April 2001) could help resolve some environmental and social issues that plague North-South relations and imperil further multilateral trade liberalisation. The two processes should feed into one another and contribute to resolving some of the harmonisation issues still to be addressed.

Also in the spring of 2001, the Financing for Development Conference will be a unique opportunity to assess the world aid system and to develop an integrated approach to financial transfers that could boost development and contribute to restoring North-South confidence. The outcome of this conference could have a major impact on financial issues that will be addressed at the Rio + 10 Conference scheduled for 2002. Multilateral work at the UN Commission on Sustainable Development will be of central importance. Meanwhile, UNEP's efforts to strengthen the institutional framework supporting the global environmental regime hold the potential for new synergies that could feed into these processes and lead to new efficiency standards. The G7/8 and G20 should systematically prepare for these events so they become meaningful stepping stones toward a new international governance structure.

Conclusion: A New and Determined Approach

It is paradoxical that Seattle's failure highlighted the deficiencies of WTO governance while it opened a new window of opportunity for developing innovative strategies of global governance. Global governance has become more complex and the need to integrate various agendas of globalization into a coherent structure is more apparent than ever. As stated in the Human Development Report: "The challenge of globalization in the new century is not to stop the expansion of global markets. The challenge is to find the rules and institutions for stronger governance – local, national, regional and global – to preserve the advantages of global markets and competition, but to provide enough space for human, community and environmental resources to ensure that globalization works for people – not just for profits."[61]

The values behind such an approach rest on a broadly shared concern in western democracies about the need to provide domestically for the larger number, and the projection of this concern outward to the global community. The rationale at a global level is the importance of achieving the widest participation possible in the trade liberalisation process. In order to secure a commitment from reluctant developing countries that will allow the trade agenda to go forward, it is imperative to craft understandable and clear priorities that encompass the wider globalization agenda. Addressing developing countries' needs, advancing environmental protection, and conserving threatened natural resources are core elements to integrate in this new global agenda. Opening up the decision processes of global governance systems and allowing systematic innovations by hybrid creatures such as the G20 are also part of the meeting of minds and interests that is needed to reconcile developed and developing countries.

This exercise requires an uncommon resilience in giving the multiple non-trade agendas their place in foreign policy efforts by adopting integrated rather than fragmented approaches. Establishing the multilateral structures and fora required to make renewed North-South bargains a reality constitutes a worthy ideal for Canadian foreign policy and that of its G7/8 partners. Canada's ability to articulate interests in multilateral fora and to develop consensual policies would serve this approach well. Canada can also put its credibility to good use by playing a mediatory role between the North and South, helping restore confidence and forging basic bargains. Moreover, Canadian foreign policy has long worked to integrate civil society and can thus work very comfortably with the open, transparent processes this entails. Canada has a seat in the G20, the UN Security Council, and the Summit of the Americas, and is also member of the G7/8, la Francophonie, the Commonwealth, and the trade ministers Quadrilateral, positions that give it considerable influence. It can also make substantive contributions in the UN Commission for Sustainable Development as trade liberalisation talks regain momentum.

To do so efficiently and make a meaningful contribution that gives a direction to these changes, foreign policy, international financial, and trade talks, as well as summitry mechanics, must all be part of defining this new coherence and consistency. There are considerable obstacles on the way to efficiently integrating such complex issues.

Increased trade is unrealistic outside a peaceful and secure setting. Population growth, natural resources depletion, and poverty-related social instability in an increased number of countries can affect peace and security. To face this evolving paradigm responsibly, the links between social and environmental realities and the international trade, peace and security agendas must be clearly recognised, addressed, and acted upon.

As with any change of course, the obstacles to change cannot be overcome without meaningful leadership at the highest level of foreign policy, international finance, international trade, and the security apparatus. The steering of globalization forward in a direction that is more humanistic ultimately rests not on administrative personnel and international bureaucracies, but on the heads of governments and their ministers, who must elaborate and implement the necessary vision.

1 From the opening address to NGOs at the Seattle Symposium on International Trade Issues in the Next Decade, November 29, 1999. Reproduced in *Social Development Review*, Vol. 3, no. 4 (December 1999), p. 24.

2 The author would like to thank Karel Mayrand, his research assistant, for his exceptional contribution. He also wishes to express his appreciation to André Beaulieu and Peter Watson for their comments and input, as well as Élizabeth Camiré for documentary support.

3 The expression was used in the United Nations Development Program (UNDP), *Human Development Report 1999* (New York: Oxford University Press, 1999), p. 1.

4 UNDP, *Human Development Report 1999*, p. 8.

5 Source for this section: UNDP, *Human Development Report 1999*. Additional sources: *Social Development Review*; UNCTAD, *Trade and Development Report 1999* (New York: United Nations, 1999); UNCTAD, *Report of the Secretary General to UNCTAD X* (New York: United Nations, 1999) TD 380; UNCTAD, *World Investment Report: Foreign Direct Investment and the Challenge of Development* (New York: United Nations, 1999).

6 UNDP, *Human Development Report 1999*, p. 1.

7 This phenomenon was analysed in *Toward a New International Architecture: Report of the Task Force of the Executive Committee on Economic and Social Affairs of the United Nations* (ECSA/9/1), New York, January 21, 1999.

8 See K. Kaiser, J. Kirton and J. Daniels (eds.), *Shaping a New International Financial System* (Aldershot: Ashgate Press, 2000).

9 UNCTAD, *World Investment Report*, p. 17.

10 UNDP, *Human Development Report 1999*.

11 UNDP, *Human Development Report 1999*.

12 UNDP, *Human Development Report 1999*, p. 60.

13 J. Wolfensohn, communication at UNCTAD X, Bangkok, February 2000.

14 The term "digital divide" was coined by James Wolfensohn, President of the Word Bank, in a communication at UNCTAD X.

15 UNDP, *Human Development Report 1999*, p. 62.

16 Most international publications refer to TNCs without defining the concept, thus avoiding academic debates over different definitions. However, a simple, widely agreed definition is a company that 1) engages in foreign production through its affiliates located in several countries, 2) exercises direct control over the policies of its affiliates, and 3) implements business strategies in production, marketing, finance, and staffing that transcend national boundaries. Department of Economics, Iowa State University, www.econ.iastate.edu/classes/econ355/choi/mnc.htm (April 2000).

17 Moderate water stress occurs when more than 20 percent of available renewable freshwater resources are used. High water stress refers to a situation in which more than 40 percent of available resources are used. World Meteorological Organization (WMO), *Comprehensive Assessment of Freshwater Resources of the World* (New York: United Nations, 1997).

18 J.M. Baillie and B. Groombridge (eds.), *1996 IUCN Red List of Threatened Animals* (Cambridge/Gland: World Conservation Union (IUCN), 1996).

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20 Intergovernmental Panel on Climate Change (IPCC), *IPCC Second Assessment 1995* (WMO and UNEP, 1995).

21 L. Brown, M. Renner and B. Halweil (eds.), *Vital Signs 1999: The Environmental Trends That Are Shaping*

Our Future (New York: W.W. Norton and Company, 1999), p. 74.

22 H. Nordstrom and S. Vaughan, *Special Studies 4: Trade and Environment* (Geneva: World Trade Organization, 1999), p. 1.

23 Nordstrom and Vaughan, *Special Studies 4: Trade and Environment*, p. 5.

24 They are the Vienna Convention for the Protection of the Ozone Layer (1985), the Montreal Protocol on Substances that Deplete the Ozone Layer (1987), the Basel Convention on the Transboundary Movement of Hazardous Waste (1989), the Framework Convention on Climate Change (1992), the Convention on Biological Diversity (1992), the Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (1994), the Kyoto Protocol on Climate Change (1997), and the Cartagena Protocol on Biosafety (2000). In addition, Agenda 21, the action plan of the Rio Conference on Environment and Development, was adopted in 1992, with a Non-Legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation, and Sustainable Development of all Types of Forests.

25 Michael Moore from the opening address to the Seattle Symposium on International Trade Issues in the Next Decade, November 29, 1999.

26 D.C. Esty and D. Geradin, "Environmental Protection and International Competitiveness: A Conceptual Framework," *Journal of World Trade*, Vol. 32, no. 3 (June 1998), pp. 5–46 (p. 46).

27 United Nations General Assembly, *Rio Declaration on Environment and Development*, A/CONF.151/26 (Vol. I), 1992.

28 The following MEAs are listed in NAFTA: Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Montreal Protocol on Substances that Deplete the Ozone Layer, Basel Convention on the Control of Transboundary Movements of Hazardous Waste. See P.M. Johnson and A. Beaulieu, *The Environment and NAFTA: Understanding and Implementing the New Continental Law* (Washington DC, Island Press, 1996).

29 Without explicitly specifying the relationship between the Cartagena Protocol and trade agreements, the Protocol's preamble establishes the parameters of this relationship by recognising that trade and environment agreements should be mutually supportive with a view to achieving sustainable development, and emphasises that this protocol shall not be interpreted as implying a change in the rights and obligations of a party under any existing international agreements.

30 D. Runnals, *Shall We Dance? What the North Needs to do to Fully Engage the South in the Trade and Sustainable Development Debate*, Working Paper, Trade and Sustainable Development Program (Winnipeg: International Institute for Sustainable Development (IISD), 1996), p. 13.

31 Nordstrom and Vaughan, *Special Studies 4: Trade and Environment*, p. 3.

32 Nordstrom and Vaughan, *Special Studies 4: Trade and Environment* (taken from press release).

33 Many analysts argue that the interpretation of GATT's article XX, sanitary/phytosanitary provisions, as well as processes and production methods, will have to be revised under WTO's dispute resolution procedures. In their view, the interpretative framework should be generally more open to environmental protection measures, which implies the reversal of the burden of proof in certain cases. For a more detailed analysis, see T.J. Schoenbaum, "International Trade and Protection of the Environment: The

Continuing Search for Reconciliation," *American Journal of International Law*, Vol. 91, no. 2 (April 1997), pp. 268–313.

34 The Fourth Session of the Intergovernmental Forum on Forest has produced a comprehensive action plan on forest protection in February 2000 that will be studied by the UN Commission on Sustainable Development. In the water sector, the second World Water Forum and Ministerial Conference on Water (The Hague, March 2000) has produced *A Vision for Water for the 21st Century*, to be followed by a framework for action that will serve as a plan of action for states, NGOs, and IGOs in the next 25 years.

35 K. Toepfer, "UNEP's Convention Priorities," *Synergies: Promoting Co-operation on Environmental Treaties*, Vol. 1, no. 1 (October 1999), p. 1.

36 United Nations Conference on Environment and Development, *Agenda 21*, chap. 38, 1992.

37 For a more detailed analysis of the proposal of the Standing Conference on Trade and the Environment, see M. Mercer, *International Trade and the Environment: Addressing the Co-ordination Challenge* (Montreal: World Conservation Union (IUCN), Canada Office, 1999), pp. 6-7.

38 UNCTAD, *Report of the Secretary General to UNCTAD X* (New York: United Nations, 1999), TD 380, p. 27.

39 R. Kanbur and T. Sandler, "A Radical Approach to Development Assistance," *Development Outreach*, Vol. 1, no. 2 (Fall 1998), p. 15.

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42 Global Environment Facility, *GEF Lesson Notes*, no. 2 (April 1998), p. 1.

43 UNCTAD, *Report of the Secretary General to UNCTAD X*, p. 15.

44 UNCTAD, *Report of the Secretary General to UNCTAD X*, pp. 22-23.

45 UNCTAD X, *Plan of Action* (New York: United Nations, 2000), p. 5.

46 Nordstrom and Vaughn, *Special Studies 4: Trade and Environment*, p. 52.

47 UNCTAD X, *High-Level Round Table on Trade and Development Governance: Summary*, 1999, p. 7.

48 UNDP, *Human Development Report 1999*, p. 42.

49 R. Ricupero, F*rom the Washington Consensus to the Spirit of Bangkok*, Closing Statement at UNCTAD X, Bangkok, February 19, 2000, p. 7.

50 The 18 countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States.

51 Finance Canada Press Release, September 25, 1999.

52 International Institute for Sustainable Development (IISD), *Sustainable Developments*, Vol. 12, no. 2 (rev.), March 22, 1999, p. 2.

53 UNCTAD, *Report of the Secretary General to UNCTAD X*, p. 19.

54 See F. Bergsten, "Globalizing Free Trade," *Foreign Affairs*, Vol. 75, no. 3 (May/June 1996); and Runnals, *Shall We Dance*?

55 The document was entitled "Canadian Approach to Trade and Environment in the New WTO Round."

56 Schoenbaum, "International Trade and Protection of the Environment," p. 313.

57 Focal-point mechanisms are national or regional institutions that centralise incoming funding and co-ordinate

implementation activities related to the Convention to Combat Desertification.

58 Kanbur and Sandler, “A Radical Approach to Development Assistance.”

59 The Sahel Club has the potential to create such a pathway in the case of West Africa, but it would need more consistent support from senior foreign policy personnel and decision makers of key countries.

60 Mark Halle, “Seattle and Sustainable Development,” *Bridges: Between Trade and Sustainable Development*, Geneva, International Center on Trade and Sustainable Development (ICTSD), Year 4, no. 1 (January/February 2000), pp. 13–14.

61 UNDP, *Human Development Report 1999*, p. 2.