



June 1, 2005

Trade and Environment

A Mistra research initiative on policy alternatives for managing the trade and environment interface

Call for pre-proposals for an integrated research programme

Mistra is issuing a call for pre-proposals for an integrated academic research programme on trade and environment. The aim of the programme is to support Swedish and other European actors, primarily negotiators, in how to integrate environmental aspects into international trade negotiations by providing scientific knowledge and tools.

Mistra is inviting pre-proposals for an integrated, interdisciplinary and internationally competitive academic research programme, implemented by a co-ordinated group of researchers (leading organization must be Swedish). The focus should be on social science research with, if necessary, integrated elements of the humanities and natural science/technology. The programme must include arrangements for regular dialogue with relevant policy makers and other relevant practitioners. Selected pre-proposals will be funded with so-called planning grants, allowing researchers to further elaborate their proposals in the period between October 2005 and March 2006 in order to submit a complete programme proposal by April 1, 2006. The actual research programme is planned to start in January 2007. The level of funding for a first three-year phase could be in the order of SEK 15 million. Further phases could follow, if the evaluation for both scientific and user value of the research outcomes are successful.

Applications for planning grants, with pre-proposals attached, must be received by Mistra by September 15, 2005.

1. The aim of the initiative

Mistra launches this initiative in order to support Swedish and other European actors, primarily negotiators, in how to integrate environmental aspects into international trade negotiations by providing scientific knowledge and tools.

Trade policy is international and has since the end of the Second World War been an integral part in the efforts to build an interdependent world. As such, the policy has been spectacularly successful both on the regional and the global level. Today, the trans-boundary flow of goods

and services upholds an unprecedented standard of living and well-being. At the same time, the interdependencies created serve as powerful complements to traditional security policy based primarily on military capacity.

Environmental policy started as national policies during the 1960's. It subsequently evolved into international policy along two rather different paths.

The first path consists of around two hundred regional or global multilateral environmental agreements (MEAs) that have been established since the early 1970's. Many of these concern pollutants that originate in other countries than where the impact is noted. Examples include the UNECE convention of trans-boundary air pollution, the Vienna convention for the protection of the ozone layer, the Basel convention regulating the export of hazardous waste, the UNFCCC, the Stockholm POPs convention, etc. About 20 of these MEAs contain clauses which have direct implications for international trade.

The second path of internationalization of environmental policy follows the flow of products in international trade. Concerns in one country are frequently about the environmental properties of goods that are produced in another country. Examples include heavy metals in electronics, paint, batteries, or persistent and bio-accumulating chemicals in various products. As product policy develops, environmental policy inevitably comes into contact with trade policy. Other examples include concerns about harvesting methods for biological resources (for example leg traps, fishing technologies, by-catch, and illegal logging). All such issues have obvious implications for trade. Agriculture is a particularly complex case, where practices with respect to cultural values and biological values have to be weighed against competitive production and trade liberalization.

Contacts between the international trade regime and the rather fragmented international environmental regimes have become increasingly common. Nothing suggests that this is a temporary phenomenon, as world trade increases and environmental policies develop at unequal rates in different regions of the world.

The interrelations between trade and environment are clearly demonstrated in the development of the European Union. The advent of the internal market in 1985 led directly to more ambitious environmental policies. Dispute settlement mechanisms became clearly defined when the EU court emerged as the key conflict solver. The same interrelations are now becoming more and more visible and important in the global scale. There is no sustainable development in one country only; sustainability and interdependence go together. It is therefore also closely intertwined with the relations between different countries and regions in the world, for example the relations between developed and developing countries.

Due to the close interrelations, the international trade regime is often equally important or even more important than the international environmental agreements for the solution or handling of many environmental problems. The importance of the international trade regime for major environmental problems has been explicitly identified in paragraph 31 and 32 of the Doha Ministerial Declaration in 2001. It has, however, not yet advanced significantly further. The World Trade Organization (WTO) is presently arranging discussions on how to proceed. Most likely, the efforts during the coming years to integrate environmental aspects into the

international trade negotiations will be formative for the future of the relationship between trade and environment.

Today, Mistra funds a number of research programmes aimed at supporting international environmental negotiations on climate change, chemicals, air pollution, marine eutrophication, etc. At the same time, the international trade regime has a considerable impact on the outcome of many environmental issues. A research programme that informs policy on alternatives for managing the trade and environment interface in international trade negotiations has therefore the potential to contribute to solving or handling important environmental problems. A regular dialogue between the researchers in the programme and relevant policy makers and other relevant practitioners will be essential for meeting this purpose.

2. Research areas

Mistra has decided to focus this initiative on a limited number of strategic areas. In these areas, Mistra believes that research is likely to make a contribution to managing the trade and environment interface; not only in Sweden, but also internationally. The research areas are in several ways intertwined and overlapping, and important research questions might exist in the intersections of the areas. The research areas represent the focus of the initiative during its first three-year phase. Additional areas could be added in future phases.

Strategic research areas for the Mistra initiative are:

- Product standardization and product chain policies
- The relationship between the WTO and other international regimes
- Making sustainable development operational within the WTO

I. Product Standardization and Product Chain Policies

The environmental properties of products have become increasingly important, while direct pollution from industrial plants have diminished. This inevitably concerns issues of trade policy. The concerns come in several forms.

Standardization. Standards play a crucial role in the international trade negotiations. The overall ambition for many parties is a scope of synchronized international standards that include all relevant aspects of the goods or services, including environmental aspects. Yet, there are still questions on how to assess and predict the environmental as well as economical benefits of standards.

Two major agreements have established procedures required to make standards acceptable within the WTO: the Agreement on Sanitary and Phytosanitary Standards and the Agreement on Technical Barriers to Trade. These agreements have shifted much of the debate concerning standards and trade out of the WTO itself into a range of organizations that set international standards, and even into national standard-setting procedures. As the standard-setting procedures tend to be quite demanding, this situation has proven particularly difficult for developing countries to master. There might be a need for mechanisms to support and strengthen developing countries in these processes.

Ecolabelling. The emergence of ecolabels has constituted an important development of environmental management, particularly in OECD countries. The position of these labels in the multilateral trading system has been a source of uncertainty, and even contention.

Process and Production Methods (PPMs). The issue of PPMs has played a central role in the trade and environment debate. Considerable progress has been made through dispute settlement in clarifying the scope for PPMs. Yet confusion continues to exist, in particular with respect to non-product related PPMs. It remains difficult to envisage a trading system that promotes sustainable development without adequate rules governing the use of non-product related PPMs.

Product chain management. PPMs are also important in product chain management, when regulators or private actors want to influence how products are produced. One example includes trans-boundary pollution from industrial plants in exporting countries associated with imported products. Other examples concern unsustainable harvesting of timber or fish for export that compete with more sustainable production methods in importing countries.

Research in this area should look into the potential development of different instruments for product standardization and product chain policies. The approach has to be progressive yet practical in order to contribute to international trade negotiations.

II. The Relationship between the WTO and Other International Regimes

International environmental issues are in practice affected by a number of international regimes: the WTO, a vast number of Multilateral Environmental Agreements (MEAs), and other political agendas and international regimes such as security agendas, development agendas and regimes such as Law of the Sea, etc. There are also a number of regional regimes having a major impact on environmental issues.

The relationships between the different regimes and agendas raise important questions about how to promote synergies and co-operation on how to deal with environmental issues. These questions have become particularly evident in the relationship between the WTO and some major MEAs (for example the Basel, Cartagena, CITES, Kyoto, Montreal, and Stockholm protocols), but are also relevant for many other regimes and agendas.

The questions touch on some of the most intricate issues about international governance. How can roles be distributed in a manner that is legitimate, predictable (i.e. not arbitrary), and capable of balancing sometimes conflicting priorities? How can the relationship between the different conflict resolution mechanisms be handled? What can different regimes learn from each other on how to deal with environmental issues? What are the experiences of settling disputes under different kinds of regimes? Can experiences be transferred from one regime to another?

There are no international mechanisms or institutions that facilitate relationships between the regimes. Consequently, there is a need for distributed governance based on “rules of disengagement”; the distribution of functions between regimes in a way that minimize the potential for conflict and utilize the potential for synergies. Research in this area should look into how these issues can be dealt with in a practical yet progressive manner. For example, one

potentially interesting question could be the extent to which the Doha mandate on multilateral environmental agreements (MEAs) can be used to give greater substance to the concept of distributed governance.

III. Making Sustainable Development Operational in the WTO

The WTO agreements contain a number of references to sustainable development.^[1] Yet many of these statements and provisions remain vague goals because no serious attempt has been made to make them operational in the terms that goes into trade policy decisions (and dispute settlements). It is time to consider how both the existing paragraphs and the wider statements of sustainable development within the WTO context can be made more operational.

One of the measures that has been discussed is the development and testing of indicators to refine sustainability impact assessments (SIAs). These impact assessments raise questions concerning the most appropriate methods to apply and the manner in which the results of assessments may be used to inform trade negotiations. Other measures that have been discussed are the establishment of independent panels to evaluate progress towards sustainable development, and regular sustainability assessments of the WTO that might identify both good ideas that would advance sustainability and areas where it is undermined. It might also be relevant to look into questions on different market access approaches, different approaches to lowering domestic support, and the need for compensatory and auxiliary measures. These are recurring issues in the international negotiations (especially when it comes to agriculture) and are relevant for most types of goods and services.

Conflict resolution mechanisms might be a key aspect in making sustainable development operational in the WTO. How can conflicts be handled? On what basis can agreements and judgements be made? What scientific assessments and evidence can be used?

Translating the notions of sustainable development into usable tools will be critical to the future of the multilateral trading system. It will, however, not be easy to do this in practice. It will be necessary to stress approaches that are practical, usable and adapted to the realities of the WTO. At the end of the day, the case body of the WTO dispute settlement mechanism will decide on the extent to which sustainable development is integrated into trade policy.

Research in this area could look into issues of operationalization as well as conflict management, including the role of scientific assessment in managing the trade and environment interface.

[1] For example, the preamble to the Marrakech Agreements states that the goals of an open trading system can and should be compatible with the broader goal of sustainable development. Paragraph 6 of the Doha Declaration states that not only can they be compatible, they must be. Paragraph 51 assigns responsibility to the Committee on Trade and Development and the Committee on Trade and Environment to monitor negotiations under the Doha Round of talks to ensure that they lead to a positive outcome for sustainable development.

3. Programme design and application details

Mistra invites pre-proposals for *integrated research programmes*. The pre-proposals should cover one or several of the strategic issues identified above, although not necessarily grouped in the same way. The pre-proposals must meet the following criteria:

- The research should be *solution-oriented*. There should be a clear idea of how the research will make a concrete and significant contribution to integrating environmental aspects into international trade negotiations. A dialogue should be established with practitioners and the practitioners' perspectives should be given weight in the research efforts.
- The proposed research should be *internationally competitive*. The applicant research groups should have well-established contacts with relevant international research environments. Mistra attaches importance to collaboration and synergies with international research programmes. *Researchers from countries other than Sweden are welcome as members of applicant groups.*
- The proposed research should be interdisciplinary. The emphasis should be on *social science research (including economic and legal research) with, if necessary, integrated elements of the humanities and natural science/technology.*

Programme design

A programme board and a programme manager who is responsible for implementation are always appointed for Mistra's programmes. Activities could be divided into sub-programmes that have to be incorporated into the programme management structure. Normally, Mistra grants funds for a first programme phase lasting three years, with the possibility of funding for further phases if the programme is considered successful following international evaluation. This evaluation will relate both to scientific quality and the practical value to relevant policy makers and other relevant practitioners.

In order to give special support for the participation of early career researchers in the programme, Mistra would welcome that the research initiative provides for *a three-year research post for an early career researcher* in its programme budget. The post could offer the possibility of one year's stay at a university abroad. The post would be advertised at the commencement of the programme and the programme board in consultation with Mistra will elect the successful candidate. An early career researcher that accepts such a post should also be able to participate in the programme in some other position.

The programme should have a clear problem-solving profile and should engage in an active dialogue with the relevant practitioners. Mistra would welcome that the organizational forms for the dialogue are roughly outlined already in the pre-proposals.

The programme is expected to commence on January 1 2007. For the first three years the level of funding will be about SEK 15 million. The planning schedule for the process up to the launching of the programme is as follows:

September 15 2005	Deadline for applications for planning grants
Early October 2005	Decision on planning grants
April 1 2006	Deadline for submission of complete programme proposals

May 2006	Evaluation of scientific value and practitioner's value
June 2006	Mistra's board decides on which proposals to fund
Autumn 2006	Finalizing arrangements between Mistra, Programme and programme host
January 1 2007	Start of the research programme

Planning grants will thus be provided for the period from October 2005 to March 2006. Each grant will total SEK 250 000.

Applications

The applications for planning grants with the pre-proposals must be received by Mistra by September 15, 2005. The pre-proposals should contain descriptions of:

- The research field(s) to be addressed by the research;
- How the research is expected to make a concrete and significant contribution to integrating environmental aspects into international trade negotiations;
- The practitioners with whom the research group is conducting/plans to conduct a dialogue;
- A concise description of the methods to be used;
- The composition of the planned research group and its international contacts.

Applications must be written in English and must not exceed 10 pages. Mistra will award planning grants to the most promising pre-proposals for the preparation of complete programme proposals. The complete programme proposals will be subject to two evaluations during April and May 2006 prior to the decision by the Mistra board in June 2006. One will be carried out by a group of potential users. The other will be carried out by an international peer review group of scientists.

Please send your application both by surface mail (15 copies) and by e-mail in pdf-format to:

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More information on Mistra's application process is available in Mistra's guide for applicants for programme funding "How to go about it". The guide can be downloaded from Mistra's webpage www.mistra.org (under the heading "Fundings").

For questions, please contact Marie Uhrwing, Mistra, phone +46 8 7911025, e-mail marie.uhrwing@mistra.org. This call is available on the website www.mistra.org.