SYNERGIES BETWEEN UNCTAD AND UNFCCC – POTENTIALS, OBSTACLES, CONSEQUENCES

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1. Introduction and background

1.1. Introduction

Climate change is a complex and multidimensional issue. It is not exclusively an environmental problem but also a political, socio-economic and cultural challenge that has to be responded to quickly and decisively. According to the Stern Report, due to lack of action at the present time "the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever" (Stern, 2006, Summary of Conclusions, p. vi). Disruptions in Earth's climate and natural ecosystems may cause inland droughts, coastal flooding and loss of biodiversity, to name a few possible consequences felt at a local, regional and global level (IPCC, 2001). At stake are basic elements of human life concerning access to water, production of food, health matters and habitation issues. Furthermore, such changes may have significant impacts on the global economy and international trade in particular. It is crucial to underline here that the effects of climate change will be distributed unevenly around the world. Whereas few developed countries can feel some benefits depending on the scale of global warming, the poorest nations will experience extremely adverse effects almost immediately (Stern, 2006, part II). Such exposition of unfair vulnerability, especially in the light of unequal contribution to production of greenhouse gas (GHG) emissions, will create more complications in the North-South relations, as well as deepen a division on winners and losers of the climate change and international trade.

It is also worth to observe that winners and losers nexus will probably differ between the time of mitigation efforts and the reality of adaptation process, especially in the context of current changes in the level of development around the world. Nevertheless, no state and nation can be fully immune to effects of climate change and most of all this is a global problem that encompasses all countries, societies and human activities in the world. Therefore, if multilateral treaties concerning complex issues of climate change are to be optimal in their effectiveness and acceptable to all parties, they cannot be established in dispersion through unilateralism, separatism and confrontation. It is necessary to introduce a strategy of dealing with climate change as a whole system instead of simplified tactics of analyzing fragmented sections and elements without understanding the whole. A concept of synergy is such a tactic that could constitute a solid basis for a mutual cooperation between climate change and international trade regimes and, thus, embracing various aspects of global warming with a much more enhanced perspective.

1.2. Aim

This thesis aims at tracing and analyzing linkages between the UN Conference on Trade and Development (UNCTAD) and the UN Framework Convention on Climate Change (UNFCCC) in order to determine potentials, obstacles and consequences of synergies between these two organizations. The analysis is operationalized around the following research questions:

1. What are the setting, functions, principles and objectives that are common for both institutions?
2. What groups of actors exist and operate, as well as what are their roles within the respective institutions?
3. How do these institutions define the problem of climate change? Is there a conceptual basis common for them?
4. What conclusions, solutions and measures do both institutions propose regarding the climate change mitigation efforts?
5. What conclusions solutions and measures do both institutions propose regarding the adaptation strategies?

1.3. Definition: the concept of synergy

An institutional dimension of tackling the climate change on the international level is no less complex than the problem itself. It not only requires combination of different scientific fields but it also demands participation of developed and developing countries, as well as business, social and environmental groups. Therefore, the clash of various economic activities and competitors, different social structures, and most of all, political interests and rivalries, is inevitable. The whole panoply of often contrasting issues is met under one theme of climate change but at the institutional level, this is fragmented into subjects covered by different international regimes. Particular issues, such as environmental degradation, international trade or development, to name a few, are framed within a multitude number of overlapping arrangements. Various themes are governed in detach of each other by regimes defined as sets of both formal and informal rules, institutions and procedures (Depledge, 2005, p. 13). But these entities are dynamic, volatile and evolving due to the constant negotiation process between actors that construct and shape them.

Moreover, because of the cross-cutting character of the subjects, regimes interact with each other often creating overlaps. Conscious efforts to make use of such interrelatedness to promote both cooperation and competitiveness constitute a domain of activities that can be thought of as the politics of institutional linkages (Young, 2002, p. 112). Such tactics of detecting and tracing linkages of interplay would make it possible to merge regimes and encompass a full array of issues concerning human activities instead of dealing with the problem in dispersion. Therefore, on the international level of clustered institutional arrangements, the way to efficiently tackle issues of climate change as a whole could be achieved through the concept of synergy.

A term “synergy” that is taken from the Greek word *synergos* refers to effects produced by elements that work or operate together. Synergy is a result of a mutual cooperation or combined efforts. The final effect is greater than a sum of individual parts working separately. In other words, the whole is greater than the sum of its parts. A modified definition states “that the effects produced by the wholes are different from what the parts can produce alone” (Corning, 1998). A similar formulation of the term given by the American visionary Richard Buckminster-Fuller explains that “synergy means behaviour of integral, aggregate, whole systems unpredicted by behaviours of any of their components or subassemblies of their components taken separately from the whole” (Buckminster Fuller, 1975, 101.00). In such a way of understanding, synergy can provide positive, neutral, as well as negative results. Particular synergy can increase strength of its compound elements because in such arrangement power of interactions grows rapidly in the process of parts getting closer to each other. In other words, complementarities between components are identified and therefore utilised to further accomplishment, while overlaps are eliminated and contradictions or conflicts reduced (UNDP, 1997). Nevertheless, the final value of this process does not have to be positive in every case. In order to determine particular outcomes it is necessary to seek and analyse linkages or patterns of interrelatedness which are initial and indispensable elements of forming synergies.

According to Björn-Ola Linnér, the interrelated linkages that are prerequisites of synergies can be divided into three types based on the area or theme of interaction: natural system and socio-economic, institutional, and political (Linnér, 2006). Natural system and socio-economic linkages are understood as a notion or rationale for cooperation between the two institutional arrangements. In other words, it is a functional context that can server as a basis for a potential synergy. Institutional linkages encompass institutions’ arrangements, structure, codes of conduct, etc., and concern how formal collaboration can be handled, particularly in cross-sectoral areas in order to achieve efficiency and avoid duplicating efforts (i.e. through capacity building, information exchange, technological transfer). Whereas political linkages refer to political choices that can be made by actors, coalitions or organizations due to normative, functional or strategic reasons. Such distinguish will be used as a tool of analysing patterns of interrelatedness between UNFCCC that is an essential institutional arrangement of global climate change regime and UNCTAD that plays a particular part in composing the international trade regime.

Synergy of institutional arrangements can increase strength of their doctrines through inter-attraction of their goals, principles and objectives. At the same time, it can also have different results depending on what actors want to achieve and whether a rising complexity of cooperation between different institutions has a limit. Synergy can be a useful and effective strategy of strengthening and widening capacity-building, research, technology transfer, reporting and funding, as well as building public awareness. Another approach presents synergy as a strategy to build international authority. In such case, direction of streaming linkages is crucial for shifting authority towards particular regime (Linnér, 2006). Moreover, compatibility of regimes is not only based on technical and legal issues, but also concerns behaviours of actors driven by their economic and political interests. Therefore it is especially

important to look at the winners and losers nexus of climate change mitigation and adaptation, particularly in the light of recommendations for actions, and determine how it can influence directions and characters of linkages forming particular synergies.

1.4. Outline

First of all, chapter 2 of the study presents indicators and points of reference providing readers with theoretical and methodological framework that I have applied to this thesis, as well as with description of sources and materials that my analytical work is based on.

The process of tracing and analyzing linkages between UNCTAD and UNFCCC requires a point of a historical perspective that would provide a broader view on examined issues and better understanding of answers to research questions. Thus, chapter 3 of the paper presents a short historical background on how and in what circumstances both organizations were set up, how they have been framed since their establishment, what groups of actors have played important roles in shaping them, plus what are the biggest challenges awaiting these two institutions in the future. The chapter offers a useful juxtaposition remarking the fact that UNCTAD plays a role of the older organization which has been present on the international arena for more than forty years now. UNFCCC is thirty years younger than the Conference on Trade and Development, however, it has a higher status here, because the Framework Convention on Climate Change constitutes a fundamental basis for the global climate change regime, whereas UNCTAD currently does not create binding decisions and is only an element of a broader institutional arrangement of international trade.

When it comes to presenting UNCTAD in a historical perspective, it is a difficult task to write about this institution in an unbiased manner. It is caused by the existence of an asymmetry in scientific sources describing the Conference from a historical background to its present status on the international arena. On one hand, there are many publications issued by scholars of the South who write about UNCTAD in a positive way and signify the importance of its existence among other institutions, on the other hand, publications of the North regarding the Conference are scarce, and generally have a critical attitude towards the organization questioning its presence and usefulness. Therefore, I analyze both contrasting views with a caution trying to draw a more diverse image of UNCTAD, but I also make a use of this asymmetry to point out the North-South dimension that surrounds this organization.

However, a presentation of UNFCCC in a historical perspective - from its establishment to the current state of negotiation process - demands setting up demarcations because it is unnecessary to approach it holistically. The climate change regime is a very complex political process with many decisions being made and various actors from around the world involved. Thus, in order to avoid the storyline to become too extensive and diffused**,** it was necessary to focus my attention on those aspects of UNFCCC's historical background that would provide a significant perspective to answers on analytical questions.

Chapter 4 of this thesis provides answers to analytical questions, thus it is the most elaborated part of the study, and is divided into four parts of examination. The first part traces linkages within the institutional capacity of both organizations and, therefore it answers the

first analytical question. In other words, within this division I will focus on examining linkages in the aspects of institutions' setting (framing arena) as well as of their functions, principles and objectives. The second part traces linkages and analyses the possibility of synergy between UNCTAD and UNFCCC based on examining groups of actors and their specific role premises within theses organizations, thence it provides answers to the second analytical question. The logic for making this theme significant for my study is motivated by the fact that sovereign states are actors that establish, shape and influence institutional arrangements through their utilitarian or collective strategies, choices and actions (Young, 2002). They establish rules, principles and objectives, as well as decide whether to comply with them. However, the key point of this part of the study is not to analyze each individual actor's behaviour, especially that it would definitely extend the capacity of my abilities as an analyzer, but to examine if there are similar groups of actors existing and functioning within the respective organizations, as well as whether there are similar patterns in their collective behaviours which could either become linkages for synergies or rather factors that influence the shape of institutional arrangements, and in result the outcomes of potential synergies. The third part of chapter 4 answers the third analytical question and takes under close scrutiny linkages based on the existence of conceptual basis common for both respective institutions in terms of natural and socio-economic aspects of the climate change. And finally, in the fourth division of examination in chapter 4, I focus on tracing linkages between both organizations in the area of what are their recommendations for actions. Thus, this segment is split into two topics: mitigation efforts and adaptation strategies which answer analytical questions four and five. In both I will juxtapose UNFCCC's legal decisions and its recommendations with analytical work on the issues pursued by UNCTAD. I will specifically examine the Conference's approach expressed in its research publications regarding economic and trade aspects of the climate change regime and its recommendations for actions in particular.

Chapter 5 provides conclusions to analytical findings of this thesis as well as my opinions regarding possible alternative scenarios of potential synergies between climate change and international trade regimes within UNCTAD.

2. Theory, method, materials

2.1. Theory: the world-systems and dependency theory

It is crucial to explain here that categories of the North and the South used throughout in this paper should not be understood in a strictly geographical sense. I use both terms in a global perspective, that is, I refer to the North that indicates economically richer nations and to the South that implies developing countries which are considered to be poorer. As Andreas Wenger and Doron Zimmermann explain, "the terms North and South are used to describe the economic divide between the wealthy industrialized countries of the Northern Hemisphere (the first world and the second world) and the global poor-house in the Southern Hemisphere (the third world) (…) A majority prefer the orthodox usage of the terminology, which

exclusively designates Western Europe, Japan, and North America as the North" (Wenger and Zimmermann, 2003, p. 188). However, Australia located in the Southern Hemisphere is considered to be a rich and developed country, thus it belongs to the North category as well. Therefore, the North-South paradigm should be understood here as a division on developed and developing countries. Adil Najam put it this way: "This still popular view of the North-South divide as a binary distinction between haves and have-nots is a powerful, and not untrue, way of understanding the concept (…)" (in Axelrod ed., 2005, p. 226). The North-South paradigm, however, still holds in UNCTAD as well as in the climate change regime and its negotiation process.

The North-South, as a rich-poor division is embedded within the world-systems and dependency theory (WSD). The fundaments of the world-systems analysis were first developed by Immanuel Wallerstein who defined a *world-system* as a "multicultural territorial division of labour in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants" (Wallerstein, 1974). In other words, the exchange of goods and raw materials - which Wallerstein defined as "necessities" - link together culturally different societies (Chase-Dunn and Hall, 1993). André Gunder Frank and Barry Gills state that "the transfer or exchange of economic surplus is the fundamental criterion of a world-systemic relationship" (Frank and Gills, 1993, p. 106). Furthermore, as Christopher Chase-Dunn and Peter Grimes elaborate, the modern world-system is a "set of nested and overlapping interaction networks that link all units of social analysis", thus, it is conceptualized similarly to the synergy as "the whole interactive system, where the whole is greater than the sum of the parts" (Chase-Dunn and Grimes, 1995, p. 389).

Wallerstein also distinguishes between two basic types of world-systems: a *world-empire* and a *world-economy*, of which the second one will be of my interest due to the fact that it is a reflection of a modern international system, understood as "a multicentric system of unequal and competing states" which lacks political centralization or unification (Chase-Dunn and Hall, 1993, p. 854). The deep structure that constitutes the *ordering principle* of the world-economy is capitalist, that is a system of market-based economy of production that aims at realizing a maximum profit and accumulating capital over a given period of time (Hobson, 2000, p. 134). Therefore, particular states can be weak or strong depending on their position in the system (Chase-Dunn and Grimes, 1995, p. 389). The world-systems analysts also assume that the *capitalist world-economy* began to form in the 16th century (Sanderson, 2005).

According to Wallerstein, the inequality that is present within the capitalist world-economy is expressed through the division into two main regions: *core* – the rich, advanced, powerful world, and *periphery* – the poor, backward, weak world. Frank argued that the third world countries of the periphery "are not backward because they are *un*-developed, (…) but because they are *under*-developed through exploitation by the core" (Hobson, 2000, p. 136). However, in this so called layer-cake structure of the modern world-system, between the two main regions lays a so called *semi-periphery*, which for Wallerstein is "a necessary structural element of the world-economy", because it plays a role of stabilizer that allows the capitalist world-economy to persist (Wallerstein, 1976, p. 229-233). The semi-periphery consists of

multi-dimensional areas of which some used to be part of the core of earlier versions of the given world-economy, whereas other had been peripheral but changed their position in the structure due to promotion, advance or expansion. Thus, it is characteristic of semi-peripheral countries either to have mixed institutional forms and organizational structures of core and periphery, to be geographically located between these two spheres, or to play a role of a mediator between them (Berquist, 1995). The core-semiperiphery-periphery paradigm is a constant feature of the capitalist world-economy, but the existence of a form of upward and downward mobility between core and periphery can influence behaviour of states on the international arena (Chase-Dunn and Grimes, 1995).

Additionally, regions as well as relations between them are subject to two dynamic processes: the process of *broadening* or *expanding* that over time incorporates more from the outside world to the system until it reaches its ecological limits; and the process of *deepening* or *evolving* that is understood as a structural change of the system's organization (Sanderson, 2005). The core, periphery and semi-periphery compose an inter-societal hierarchy in which the core cumulates the more economic and political power as well as concentrates technological innovations that allow countries of the core to keep their position within the system. It is also important to point out and incorporate to this paper, that one of the major evolutionary trends of the capitalist world-economy is *commodification* which occurs as an assignment of a market price to an increasing number of products resulting from human activity (Chase-Dunn and Grims, 1995, p. 401; Sanderson, 2005).

Researchers also argue that the current hierarchical structure of the world-system is achieved through mechanisms of the global market, particularly through the price inequality and cheap labour (see the hypothesis of "unequal exchange": Emmanuel, 1997; Raffer, 1987). The theory of dependency that first arose in Latin America is a parallel to the core-periphery paradigm and the assumption of the periphery's underdevelopment due to its exploitation by the core (see e.g. Ayres and Clark, 1998; Wiarda 1999, Grosfoguel 2000). Its basic principle is that development process of poor countries pushed down to the peripheral region was constrained due to continuous oppression and enslavement pursued by the rich nations. André Gunder Frank and Amir Samin, who stated that the core grew at the expenses of the periphery, represented a radical flavour of the dependency theory, whereas Fernando Henrique Cardoso (later president of Brazil) preferred to represent a milder version of the theory which maintained that under capitalism both poor and rich could grow but benefits would be distributed unequally (Velasco, 2002).

Similarly to the world-systems and dependency theory assuming the existence of the core-periphery structure, in the North-South paradigm the main linking factor consists of various economic forms, of which trade is the foremost. Due to disparities in wealth and attitude of mistrust entrenched on both sides, the North-South evolved into a diverse and confusing relationship. The debate over the development issue, that connotes with the North-South term and has been consistently present within the paradigm, was elevated into political level. In result, the relations between rich and poor countries became a battlefield of vested economic interests and opposite trade concepts clashing with each other (Head, 1989). Thus, the world-system and dependency theory provides a broader perspective and better

understanding of the North-South complicated relations, particularly on how they are framed and how they frame the institutional arrangements of climate change regime and international trade regime within UNCTAD.

2.2. Method

The aim of examining synergies between UNCTAD and UNFCCC is a highly demanding task due to the fact that both institutional arrangements embrace a variety of intricate, multilevel and multidimensional issues, thus the complexity of factors and interactions is high, whereas the possibilities of an analyzer limited. To put it in simple terms, my mission as a researcher was to trace linkages that are prerequisites of synergies in order to determine potentials, as well as obstacles and consequences of such a mutual cooperation. Thus, based on examining and interpreting texts that constitute analytical sources of this paper I searched for similar patterns existing within both institutional arrangements that could form such linkages. However, the methodological framework requires a deeper exploration here in order to prove my transparency as an interpreter.

The manner I conducted the research was based on a case study that allowed me to use a qualitative method of analysis and multiple sources of evidence (Daymon, 2002, p. 105-116). According to Robert K. Yin's definition, the case study is "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2003, p. 13). Therefore, synergies between two respective organizations play a role of such a contemporary phenomenon which is not clearly evident within institutional arrangements but has to be "detected" within frames of this study.

The first step of the analysis was to determine and define research questions that would carry out the aim. In other words, I had to set up directions or points of departure that would allow me to trace linkages and further examine synergies between the two organizations. The questions were how and where could I find patterns of such linkages, in what areas and on what basis? However, due to complexities mentioned above I decided not to approach the problematic of synergies between UNCTAD and UNFCCC holistically, in order to avoid overwriting, wandering and generalization. In result, based on three types of linkages (presented in chapter 1.3), I chose four key areas of study, or small cases, which became subjects of a close scrutiny: institutional capacity, political dimension (actors' roles motivated by their political choices), conceptual basis, and eventually recommendations for actions that, in my view, encompass all three types of linkages but give a deeper inside into how these linkages look like in practice. These four areas constituted an analytical basis for my research. Nevertheless, I did not treat these cases as strictly separate chapters because, along with analyzing patterns common for both organizations, linkages appeared to be intricately connected, and when being traced, they were commonly rooted into particular aspects with a possibility to create various results. As a consequence of that, i.e. in the case of institutional capacity I also discuss political linkages, and in the case of actors I also mention

institutional aspects, etc. In other words, even if I chose four small cases based on three types of linkages, it does not mean that I discuss these types in separation from each other.

At this point I came to realization that the analysis required a historical background regarding circumstances of establishing and framing both organizations, as well as considering particular roles of actors in shaping them. It was also significant to include the biggest challenges awaiting these two institutions in the future in order to draw conclusions, especially on consequences of synergies. Why UNCTAD and UNFCCC were established, how they were framed and shaped, by what actors (or groups of actors), what outcomes and results they created as well as in what situations they are now – all these questions became an extension of the analytical part of my study, because information which they deliver provided a broader view on examined issues and better understanding of answers to research questions. Thence, the historical background became a complementary part to the analysis. However, it was neither impossible nor necessary to focus on all aspects of the past, particularly of the climate change regime, and limitations had to be applied. In other words, the historical outline was adjusted to the requirements of the aim; that is, selection of events and significant factors was based on the four analytical areas.

The contemporary phenomenon of synergies that is a subject of this study does not, however, occur in a vacuum disconnected from reality, but in a dynamic and complex world that is influenced and shaped by various factors – that is a real-life context. Additionally, the multidimensional character of intricately connected and overlapping linkages traced between UNCTAD and UNFCCC forced me to look on these linkages not only as on separate types – that is institutional, political and conceptual for each key area accordingly - but to embrace them within a whole perspective. Thus, in order to obtain broader interpretation of materials and draw clearer conclusions regarding potentials, obstacles and consequences of synergies between the international organizations, I applied the so called *hermeneutic circle* to my way of understanding.

Hermeneutics is a philosophical discipline that originates from traditions of ancient Greece and Biblical studies, and through the ages was developed by various scholars as the art - and method - of interpretation, as opposed to explanation (Inwood, 1998; Czarniawska, 2004; Shklar, 2004). More precisely, it was German philosopher Friedrich Schleiermacher that removed theological context from *hermeneutics* and transformed its traditional shape into a general theory of understanding (Meckenstock, 1998). He also put forth a method of *hermeneutic circle* that was further adapted and developed by other philosophers, such as: Martin Heidegger, Hans-Georg Gadamer and Paul Ricoeur (Inwood, 1998; Sheehan, 1998, 2003; Thompson, 1998, 2003; Wright, 1998, 2003). *Hermeneutics* is a theory of interpretation that provides a better understanding of an interpreted subject. This is gained through putting parts together to create a large whole which then can be comprehended on the basis of the parts. This continual movement back and forth between parts of the whole and the whole of its parts is a theme called *hermeneutic circle* (Ramberg and Gjesdal, 2005). In other words - as R.A. Sharpe explains - “the understanding of the whole comes from the understanding of the parts and yet the understanding of the detail in turn determines the understanding of the whole”, thus “we have a pre-understanding or fore-understanding” (Sharpe, 1990, p. 35).

As I stated above, the phenomenon of synergy that occurs between both institutions, cannot be examined in a vacuum and separation from the world, but it has to be presented in the real-life context. First of all, even if I have limited knowledge and research possibilities, as an interpreter I bring my preliminary conception of the world to the subject that is being interpreted. Using Heidegger's idea of fore-structures that he considers integral part in the investigation of a phenomenon (Heidegger, 1962), the world-systems and dependency theory together with a historical background of the two respective organizations become the horizon (beyond which I cannot see) that forms a contextualization of my understanding during the analytical process. To put it simply, this is my consciousness prior my analytical approach or this is how I enter the *hermeneutic circle*. Thus, in the analytical section of the paper, where I examine patterns common for both organizations and draw particular aspects of linkages within four key areas, I understand and interpret each part in the context of my horizon. This juxtaposition allows me to understand the whole within each separate chapter. In result, the ability to understand the whole enables me to shape my understanding of the parts. In the next stage of my analysis the area of understanding extends, because this time each chapter of the analytical section, that I understood as a whole, becomes a part in my attempt to understand the phenomenon of synergies between UNCTAD and UNFCCC. In other words, to fully analyze, understand and interpret synergies between both organizations I need to comprehend aspects of linkages that are prerequisites of synergies. Therefore, I put together four key areas to form a whole that allows me to go back to the parts and interpret the whole again with a sharpened understanding, as well as in the context of my horizon. This reciprocal movement back and forth enables me to encompass the complexity of the phenomenon, as well as to revise findings and sharpen interpretations. The results of this gradual process of understanding are placed in conclusions of the paper.

2.3. Materials

The primary sources that provide a fundamental empirical basis for the analytical part in chapter 4 are legal documentation of UNFCCC as well as official publications and research papers issued under UNCTAD.

Legal documentation of UNFCCC consists of the Framework Convention on Climate Change, Reports from COPs that contain Kyoto Protocol, Marrakesh Accords, LULUCF and other Decisions made by the Parties to the Convention, and two propositions of countries: Brazilian regarding historical emissions, and Russian regarding voluntary commitments. Additionally, analysing linkages based on adaptation strategies, I also derive information from two UNFCCC documents: background paper for workshop on "insurance-related actions", as well as two texts concerning SBSTA projects. My criteria for choosing particular UNFCCC documentation is based on aspiration to present legal framework of the climate change regime (with its mitigation and adaptation recommendations) and compare it to UNCTAD's functions, principles, as well as with research conduct of the Conference, particularly regarding abatement. Documentation of UNFCCC was acquired from its official website (http://unfccc.int).

When it comes to UNCTAD, the Conference's official publications and research papers, used in this paper as primary sources, mostly deal with tradable carbon emissions, tradable permits systems, emissions trading, as well as with clean development mechanism (CDM). In order to examine the area of recommendations for actions I apply studies pursued by UNCTAD regarding mitigation efforts and adaptation strategies which I juxtapose with legal procedures and decisions established by the climate change regime.

Analytical work of UNCTAD was gathered from the Conference's official website (http://www.unctad.org), mainly from the UNCTAD Carbon Market Programme website (http://www.unctad.org/ghg/). It was also based on a search criteria including key words and phrases (alphabetically): "abatement", "adaptation", "climate change", "climate impacts" "carbon markets", "emissions", "emissions trading" "global warming", "insurance market", "mitigation", "tradable permits" and "vulnerability". The search was done in order to gather as much material regarding any research pursued by UNCTAD in the area of mitigation and adaptation. When it comes to analyzing adaptation strategies I also looked for information on the UNCTAD Insurance Programme website (http://www.unctad.org/insuranceprogramme/). However, some publications listed on the UNCTAD Carbon Market Programme list were not possible to obtain during the time of my research. Despite the fact, that I did not get access to those materials either in paper or electronic versions, the sources were summarized in the Conference's texts "intended for a general audience" and available online (UNCTAD, 1995; UNCTAD, 1996a; UNCTAD, 1996b).

Additionally, I also use formal documents of the United Nations. For example, Resolution 1995 (XIX) of UN General Assembly (UNGA) adopted in 1964 is not a formal document issued exactly under UNCTAD but in fact it was UNGA that established the Conference as well as set up its functions, principles and objectives. Thus it is examined as a legal basis for the Conference on Trade and Development in part of the paper discussing the institutional capacity. Moreover, the primary sources are not used exclusively in the analytical chapter 4 because it would be impossible to outline a historical background of the climate change regime without presenting decisions of the Framework Convention or the Kyoto Protocol. Therefore, the use of primary materials is extended to chapter 3 as well.

The secondary sources that I apply to this thesis can be divided into three groups. The first one consists of research issued by various organizations outside the UN system (such as IETA, IISD, Pew Centre and WRI), as well as scientific and academic publications regarding politics of environment, and the climate change negotiations in particular. This empirical material is especially helpful in comprehending UNFCCC with its sophisticated structure and functions together with socio-economic aspects of the regime, and specifically the Kyoto flexible mechanisms which rules and procedures are spelled out in a multiple number of documents and decisions. Thus, such literature and research work pursued outside the UN system will provide necessary political and economic analyses to negotiations that shape the climate change regime, its framing, implementation, organization, structure, and mechanisms.

The second group of secondary materials comprises of publications issued by parties that play specific roles in shaping both respective organizations. It is significant to analyze perceptions and behaviours of particular groups of actors participating in the negotiations and

in framing the institutional arrangements. Especially the view of developing countries is a crucial cognitive element of this research, thus, publications and documents issued by scholars from the South consists of an important part of this paper. I obtain such materials specifically from the South Centre - an intergovernmental organization of developing countries that supports the Southern nations in organizing themselves on the international arena as well as aims at enhancing the South-South cooperation. The South Centre provides political analyses of development problems and international role of the Southern collective, including its position within UNCTAD, as well as the problematic of the Conference in the view of developing countries. However, as I stated above in the Outline of my thesis, an asymmetrical character of scientific sources describing the Conference requires a counterbalance to perception of the developing world in form of materials issued by Northern scholars, in order to avoid bias not only in the historical background presented chapter 3 but particularly in the analytical part of the thesis in chapter 4. Thus, I gathered necessary literature from various policy, social and economic journals and research institutions as: Foreign Affairs published by the Council on Foreign Relations, International Affairs, Heritage Foundation Backgrounder, Capital & Class, The Freeman (publication of the Foundation for Economic Education) and the University of Chicago (the Chicago school of economics).

As I already mentioned in the Outline, it was difficult to obtain sources regarding UNCTAD as well as materials concerning the Southern collective that are published in the North. Nevertheless, rich publications from the South Centre as well as scarce resources from the industrialized world had to be taken with caution and distance, since both sides are not fully objective in their views and perceptions but rather express subjective opinions, often in a biased manner.

The third group of secondary sources consists of materials that I apply to present definition of synergy, theoretical framework (world-systems and dependency theory) and methods (case study and hermeneutic circle).

3. Characteristics of agenda formation in a historical perspective

This chapter presents a short background on how and in what circumstances both organizations were set up, how they have been framed since their establishment, what groups of actors have played important roles in shaping them, as well as what kind of challenges await them in the future. Thus, this historical perspective will provide a broader view on examined issues and better understanding of answers to analytical questions in chapter 4.

3.1. Formation of UNCTAD

The reason for establishment of UNCTAD has its roots in the decolonization era of 1950s and 1960s that was also strongly tinged with the Cold War reality. 1960s adverse trends in exports of developing countries raised concerns over their growth prospects. Earnings from

their exports were slowed down due to falling prices of primary products and raw materials, which for the majority of Southern nations constituted a main source of income from trade. Moreover, according to UN's projections the gap between required imports and anticipated exports was growing. Thus, developing countries could not allow themselves to import goods and manufactures contributing to development process and economic growth. In result, underdeveloped nations of the South had to find sources to pursue economic growth and meet demands of their rising populations in financial aid or international loans (Frank, 1967). At the same time, industrialized countries were experiencing high growth rates and elevation of their living standards. The situation in export-import relations between North and South called for revision of economic policies from both sides, poor as well as rich countries.

Thus, due to the growing discontent in the developing world with international trade policies and commodity markets, Southern nations decided to establish the UN Conference on Trade and Development – a legal international body that would express their concerns and alleviate issues important to the Third World's poor. The Conference's foundation took place in a political atmosphere highly influenced by the Cold War and formation of the Non-Aligned Movement (Bello, 2000; Wenger and Zimmerman, 2003). The first 1964 UN Conference on Trade and Development was the biggest international conference of the post-second world war era and lasted 12 weeks. It was also the first major international meeting where, instead of the East-West line of Cold War conflict, the North-South confrontation of rich and poor was the case – a turning point in relations between developed and developing countries (Weintraub, 1964). According to Isaiah Frank, developing nations viewed UNCTAD I as "the single most important international event for the less developed countries since the founding of the United Nations" (Frank, 1964, p. 210). The First Conference was a significant event due to the fact that it exposed the existence of inequalities in the global market and international trade, as well as elevated the issue of development into the political level (Head, 1989).

The Conference's findings and conclusions were embodied in the Final Act - a reflection of developing countries' aspirations, requirements, and particularly trade problems they were facing (see: South Centre, 2004a). However, the document also put emphasis on what industrialized countries must do to accelerate development of the South, whereas questionable polices of developing nations where not a subject of discussion (Frank, 1967; Weintraub, 1964). A notion of what the South wants and what the North must do has been evident in UNCTAD until the present time and it has created unwholesome feelings on both sides.

UNCTAD's creation was also accompanied with the emergence of the New International Economic Order (NIEO) proposals as well as Joint Declaration by the Group of Seventy-Seven Developing countries that gave birth to the so called Group of 77 (South Centre, 2004a). "Trade, not aid" was a rallying cry of the South determined to maintain their bargaining position unified within the Group of 77 (Head, 1989). Thence, the basic concept of the new order was a structural change of a prevailing global economic system. Nevertheless, the NIEO was not a new concept but rather an idea rooted in mercantilism and Marxism. These two theories attracted considerable attention during the 1964 Geneva Conference on

World, Trade and Development with help of the Secretary-General of the Conference Raul Prebisch, whose background document prepared for the meeting helped evolve the NIEO concept (see: Prebish, 1964). Thus, the NIEO became a set of proposals for changing the existing international economic system. It put blame on Western countries for imposing their liberal polices on the developing world. The concept assumed that the change of international order would require a massive shift of political power from the leading countries of the rich North to the UN General Assembly where developing countries had a voting majority (Johnson, 1976). Those efforts made it clear that countries of the South tried to crystallize and strengthen their position in decision making on the international arena, in order to solve their economic and social problems through political opposition against the neoliberal agenda of the rich North.

Therefore, establishment of UNCTAD made it possible to articulate the South's concerns and schemes regarding trade and development, and to make a demand for a better deal within political frames on the international level. Additionally, with establishment of the Conference, the UN gained machinery for systematic and in-depth revision of issues related to trade and development of the Southern nations, but at the same time, machinery designed to put constant pressure on rich countries in order to find ways of meeting the needs of the poor (Weintraub, 1964; Frank, 1967). Resolution 1995 (XIX) of UN General Assembly adopted in 1964 constituted legal and institutional basis for UN Conference on Trade and Development. In the process, it founded a permanent forum for addressing problems of developing countries that aimed at reshaping the international trading system and its rules in order to secure their own right to industrialization and economic growth. Thanks to the equal say rule under UNCTAD, developing countries could negotiate on procedurally equal level with the industrialized world and would eventually gain advantage due to their majority, whereas weighted voting under the Bretton Woods system, its World Bank (WB) and International Monetary Fund (IMF) gave control to the industrialized world. The "one country, one vote" that the Southern nations associated with their national sovereignties was one of the most sensible issues in the South-North relations (Weintraub, 1964; Weintraub 1977). Thus, the agenda of an independent developmental path pursued by the South under UNCTAD clashed with the opposition from developed countries that, despite the best intentions towards problems of the Third Word's poor, were defending the Bretton Woods rules and institutions as both proper reference and platform for the issues of international trade. In result, instead of constructive and effective discussion that would lead to consensus between North and South on the matter of trade and development, UNCTAD became more an arena of growing hostility and mistrust between developing countries and industrialized nations.

In the beginning of 1970s, the North experienced transformation of living standards to a higher level, whereas the South had to cope with financial debts and particularly growing populations that exceeded possibilities of domestic economies and development. In result many developing countries had to face internal political and social turbulences. However, escalation of tensions between both camps of North and South took place particularly during the so called "oil crisis" in 1973 caused by the Organization of the Petroleum Exporting Countries (OPEC), which then encouraged the South to further push for the NIEO agenda in

UNCTAD. Gamani Corea sees the call for NIEO as a reflection of the third world's unwillingness to continue to remain on the *periphery* of the prevailing economic order that brought benefits to industrialized nations but left developing countries behind without similar gains (Corea, 1977). The economies of the rich North were dependent on oil, thus, OPEC, dominated by Arab countries with nationalistic ambitions, realised that increase of price and prices manipulation for the vital fuel were efficient weapons against policies of developed nations (Wenger and Zimmermann, 2003, p. 168-169). Therefore, countries of the South drew a parallel between oil and other commodities assuming that similar pricing policies would allow them to gain control over commodities exports for foreign exchange, since the majority of the Third World nations were still dependent on commodity sales. In result, UNCTAD's Secretariat pushed for creation of the Integrated Program for Commodities (IPC) which was part of the NIEO agenda. The concept of IPC was believed to serve better for interests of developing countries, despite the existence of a constructive criticism of such plans in the North (Michalak, 1984, 1985).

Vast majority of the South perceived mainstream economics of the industrial world as a new tool of control and cultivation that deprive developing countries from their independency in a form of neo-colonialism. However, many proposals presented by the Conference could not be accepted by developed countries due to the financial costs of their implementation and because the schemes stood in opposition to the neoliberal, market based economics course that the rich tried to keep on (Jones ed., 1999). According to Stanley J. Michalak, who expresses his strong criticism about UNCTAD in his analyses written for the US conservative think-tank Heritage Foundation, instead of following its original goals spelled out in terms of Resolution 1995 (XIX), for nearly thirty years the Conference had in most part remained a global forum for unnecessary propaganda and politicization of issues steered by the Third World countries, often unreasonable bias against the developed world, double standards, and one-sided discussions of poorly carried research and manipulated data (Michalak, 1984, Part 3; Michalak 1985, Part 4). Therefore, it is noticeable that the Southern perception of UNCTAD's role differed radically. According to the South Centre, developing nations have regarded the Conference as the UN's primary tool for shaping and harmonizing economic policies, determining outlines and direction of international trade relations and creating possibilities for development (South Centre, 1996, p. 170).

However, as it was perceived in the North, instead of seeking and promoting various economic opportunities within different trade and development schemes (that could also include patterns from industrial nations) and trying to create a new wealth within their own boarders, developing countries used UNCTAD for pushing their agenda that aimed at redistributing wealth from the rich world and rejecting its economic strategies (Billings 1979; Johnson 1976). Industrial countries never gave confidence and support to the Conference which needed them for implementing its ambitious plans and schemes, such as NIEO. UNCTAD's policy recommendations met a strong opposition from the mainstream market-based economic regarding international trade rules. In terms of power politics, developed countries did not want to allow for any compulsory measures of the developing world that was aiming at increasing its export earnings and stabilizing primary prices for its commodities

(Jolly, 2004, p. 106). Disagreements, lack of consensus, growing hostility and mistrust between the two camps were further deepening the North-South paradigm.

Eventually, in 1980s and 1990s, the end of the Cold War era that closed the period of bipolarity of international relations (Wenger and Zimmermann, 2003, p. 157-164), rising domination of Bretton Woods institutions and emergence of WTO that took the lead in shaping global economy (Bøås and McNeill, 2004), as well as increased pressure from the developed world triggered transformation of UNCTAD in both ideological and organizational aspects. During UNCTAD VIII held in Cartagena in 1992 and UNCTAD IX in Midrand that took place four years later, its objectives were redefined and its international role reduced. Since its mandate and functions were "drastically pruned", as Boutros-Ghali describes it, and its previous negotiating role was limited to consensus building, the Conference was no longer able to put forward alternative approaches to development and negotiate rules of international trade (Boutros-Ghali, 2006, p. 5). Instead, it was ought to conform to the mainstream principles and guidelines dominating in the reality of globalizing world, and limit its activity mainly to providing assistance to developing countries in order to help them integrate with the trade rules imposed by the North. The South view intends to blame industrialized nations for decline of UNCTAD and diminishing its role in shaping international trade and development for the benefit of the Third World (Bello, 2000).

However, it is important to emphasize in this research that both UNCTAD VIII and UNCTAD IX succeeded in bringing the domestic problems of developing countries to the centre of UNCTAD's mandate and concern, as well as giving the Conference a role in assisting developing countries in their integration with the world mainstream economy (Boutros-Ghali, 2006, p. 4-5). Furthermore, UNCTAD has remained a forum for intergovernmental discussions in the field of trade and development aimed at consensus building. It continues to undertake important research and data collection that shape global policy debate and thinking on trade and development. Moreover, it provides technical assistance to the poorest, particularly to a group of the Least Developed Countries (LDCs), focusing on their domestic economic policies and trying to make them cohesive as well as effective within the mainstream international economic order. However, the future of UNCTAD on the global arena and in the UN system is not clear. Again, the North-South paradigm appears on the horizon when the destiny of the Conference is discussed. For developing countries, existence of UNCTAD - an international platform addressing their economic and social problems in terms of international trade – can be considered vital. For scholars from the South, dismantling of the Conference's position is perceived in a broader perspective of UN reform carried out by the North in order to weaken this multinational system of many international organizations, conferences and agencies. As Boutros-Ghali writes in his paper, "UNCTAD has been the worst victim of this process" (Boutros-Ghali, 2006, p. 22). Whereas developing world observes progressing shift in the geopolitical balance towards the economic order pursued by rich nations and fears of loosing a useful institutional platform for discussing trade and development issues, it therefore seeks strategies to reinvent and strengthen the mandate and position of the Conference, in particular as the counter-weight international body to the Bretton Woods institutions with GATT/WTO.

For the South, UNCTAD's existence is more crucial than ever due to the emergence of new trade and trade-related global regimes and disciplines (South Centre, 1996, p. 171). However, perspective of the industrialized world differs in this matter. The North would rather see UNCTAD being merged with other organizations of the UN system or institutions of Bretton Woods including WTO (Khor, 2006a). Of course, such proposals stand in opposition to the view of the G-77 and China (currently as an associate member of the Group) that want the Conference to remain a centre UN institution for promoting comprehensive trade and development strategies and building consensus between South and North in the area of international trade. Moreover, some propositions from the Southern scholars suggest that instead of becoming a passive element of the global trade, UNCTAD should take an active role in reducing powers of the Bretton Woods system and WTO, especially that it is the Conference that has a strong legitimacy among developing countries (Bello, 2000). Therefore, UNCTAD is not only an arena but also a subject of a constant bargain for power and authority in the North-South paradigm, particularly now, when its future is blurry.

3.2. Framing of the global climate change regime under UNFCCC

While in 1970s UNCTAD was plagued with growing hostility and mistrust accelerated by OPEC "oil crises" between North and South over radically different trade and development schemes, the climate change regime only just started framing its agenda. Even though, the first scientific concerns regarding relations between changing global climate patterns and human activity began appearing already in the end of 1950s. The emerging anxiety for rising CO_2 levels in the atmosphere prompted scientists and other representatives to meet at the 1979 First World Climate Conference organized by the World Meteorological Organization (WMO). In the next decade various scientific and political conferences took place, organized in collaboration with UN Environmental Programme (UNEP). Those meetings helped elevate the problem of climate change from just a scientific concern to a serious international issue (Axelrod ed., 2005).

In 1988, due to the growing scientific evidence and establishment of consensus regarding human induced climate change, WMO and UNEP created the Intergovernmental Panel on Climate Change (IPCC). This international body with a mandate to crystallize and asses the knowledge and evidence on climate change guaranteed scientific consensus within the process of negotiations framing the regime. The IPCC First Assessment Report revealed the environmental and socio-economic consequences of climate change, as well as the issue of adaptation to impacts of global warming, and therefore drew attention of the international community which acknowledged the necessity of preventing such changes (Elliot, 2004). As a result, in the end of 1990, under resolution 45/212, the UN General Assembly (UNGA) established the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change (INC/FCC) and by doing so it removed responsibility for negotiation process from UNEP and IPCC. However, it is important to emphasize that scientific concerns over climate change were not only expressed on behalf of the rich North and pursued by them on the global agenda dragging the South to the debate. On the contrary, developing states took

part in several international meetings regarding the climate change problem, such us the 1989 Commonwealth Heads of Government Meeting and the 1989 Conference of Non-Aligned Heads of State. Southern nations expressed their concerns, for example through 1989 Caracas Declaration of G-77, about the situation of poor countries that could become highly affected by consequences of the global warming, particularly the sea-level rise dangerous to coastal and island states ((Linnér and Jacob, 2005).

The process of negotiations under INC/FCCC, that took eighteen months and produced a convention document ready for the 1992 Rio Conference, showed first areas of disputes between bargaining countries (Elliott, 2004). According to Lorraine Elliott, the first area that considered a question of how to stabilize emissions and reduce their concentration, showed that it was not only a scientific and technical problem but, and most of a all, a highly political issue, simply because it brought up revision of economic and particularly energy policies of negotiating countries. The second area of dispute had to confront a problem of responsibility to act and, therefore, it raised questions of who has emitted more GHGs, also in a historical perspective, and who should first start mitigating the problem of climate change. It appeared, thou that developed countries could not escape the responsibility of their economies and industries that significantly contributed to GHG concentration in the atmosphere. However, the question was whether developing countries, eager to further continue their economic growth, would also considerably contribute to the global pollution and, therefore, should also act sooner or later. The third area of differences cumulated around the issue of scientific uncertainties regarding the global climate change and how they should be included into the negotiation process. Whereas United States expressed the strongest scepticisms about political support for scientific consensus tinged by lack of certainty, developing countries took such conduct of the industrial world as a measure to escape responsibility and avoid further obligations. Those disputes clearly showed that there was a strong North-South paradigm in perceiving and addressing issues regarding climate change negotiation process, and thus, having a significant influence on regime framing (Elliot, 2004, p. 82-84).

Eventually, after almost eighteen months of negotiations under INC/FCCC, the UN Framework Convention on Climate Change (UNFCCC) was finalized during the 1992 Earth Summit in Rio de Janeiro and two years later entered into force and, to date, it was ratified by more than 185 countries. The Framework Convention defined an ultimate objective and principles, as well as divided countries into three groups: Annex I (developed countries and economies in transition (EITs)), Annex II (developed countries only) and Non-Annex I (mainly developing countries). Moreover, the FCCC imposed particular commitments on Annex I and Annex II countries. Whereas the first group was given an aim to return emissions to 1990 levels by 2000 the latter was ought to provide financial assistance to developing countries and promote transfer of technology, also to EITs (UNFCCC, 1992; Deplegde, 2005). Therefore, the future conduct of negotiations found itself divided into three main issues that were given the highest concern by the parties to the Convention: target and timetables, financial and technology transfer and implementation mechanisms (Linnér and Jacob, 2005).

Ratification of the Framework Convention on Climate Change marked the next step in the negotiation process which started with the first Conference of Parties (COP-1) held in

Berlin in 1995 (Elliot, 2004). Regime development constituted the biggest share of work during the first round of negotiations between parties to the Convention. However, the most politically charged issue was the adequacy of commitments imposed on industrialized countries. Therefore, COP-1 launched a new round of negotiations known as the Berlin Mandate which triggered a hot debate that was, again, tinged by the North-South dimension. Whereas developing countries gathered in a Group of 77 plus China stressed the responsibility of industrialized world, Japan, the United States, Canada, Australia and New Zealand (the JUSSCANNZ group) were particularly unwilling to accept further obligations. The task of preparing a legal tool for setting further commitments was given to a specially created Ad Hoc Working Group on the Berlin Mandate (AGBM) which was authorized to have a draft ready for adoption at COP-3 held in Kyoto in 1997 (Elliott, 2004). One of the most debatable issues of the negotiations under AGBM was a legal and functional definition of GHG emission targets, including what should constitute their basis of reduction and how these emissions should be counted. In the end, these heated and tense negotiations resulted with the Kyoto Protocol adopted in December 1997. In a broader view, the Kyoto Protocol established general commitments to all parties, emission targets to Annex I parties, three Kyoto mechanisms that can be used to help meet the targets, stricter monitoring as well as review and compliance instruments. The Kyoto mechanisms, also called as flexibility mechanisms, consisted of Joint Implementation (JI), Clean Development Mechanisms (CDM) and Emissions Trading (ET) (UNFCCC, 1998, Decision 1/CP.3).

The concept of market based mechanisms aiming at regulating concentrations of GHG emissions in the atmosphere derives from proposals of industrial countries, particularly the United States. The US has the most extensive experience of using market based mechanisms aiming at reducing air pollution, thus far, not all of their emissions trading schemes were fully successful (UNCTAD, 2001). Nevertheless, as the world's biggest contributor to GHG emissions accounting to nearly 20% of the global total, the US sought market-based mechanisms as the best solution to their situation in order to lessen the "pain" of pollution control (Yamin, 2005, p. 4). However, the first proposals to include such solutions into the recommendations for mitigating the global climate change met with a lack of understanding, mistrust and scepticism, especially from most developing countries that stood in opposition to such concepts. Yet, the JUSSCANNZ group continued to press for including such options into the legal framework of the regime and used developing countries' reluctance to the issue of imposing any commitments on them as a bargaining tool in negotiations. In result, despite disagreements over implementation of emissions trading schemes within the North-South dimension, eventually the parties to the Convention had to seriously take under consideration the concepts of market-based mechanisms during the COP-2 in 1996, when it was the US that announced the will to negotiate such options. In fact, developing countries, still reluctant to accept emissions trading, did not participate at Kyoto in the drafting groups dealing with JI and ET schemes. However, they managed to gain a concept of CDM that originated from the Clean Development Fund (CDF) of the Brazilian proposal regarding responsibility to mitigate emissions based on historical contribution of each country (UNFCCC, 1997; Yamin, 2005; Linnér and Jacob, 2005).

The concept of "historical responsibility" introduced by Brazil in May 1997 assumed that the burden of responsibility for the climate change should be laid on the North due to its historic emissions (UNFCCC, 1997). Furthermore, the proposal emphasized that the historical responsibility was actually supported by the principle of "common but differentiated responsibilities" spelled out in Preamble to the Framework Convention on Climate Change, which noted that "the largest share of historical and current global emissions of greenhouse gases has originated in developed countries" (UNFCCC, 1992). Additionally, based on the "polluter pays principle", the proposition envisaged establishment of the Clean Development Fund (CDF) – that would be funded by penalties of Annex I parties (developed nations), for the benefits of non-Annex I countries (UNFCCC, 1997). However, the proposal was neglected during the negotiation process and eventually struck from the agenda turning into discussions on its methodological aspects and scientific uncertainties. Despite the fact that the Brazilian proposal did not receive proper recognition or acceptance from developed countries, it created a basis for establishing the Clean Development Mechanism that intended transfers of technology and financial resources to the South. Thus, this move allowed parties to the Convention to reach the consensus regarding flexible market-based mechanisms aiming at helping to reduce atmospheric concentrations of GHG emissions. In result, the three instruments were included into the Kyoto Protocol.

The adoption of the Protocol strengthened institutional and legal frames of the climate change regime but, at the same time, it created new challenges to the parties, such as the need for a detailed composition of flexibility mechanisms and the question of equity between developed and developing countries. Particularly the issue of equality regarding different commitments was the reason that the post-Kyoto negotiations positive attitude of further negotiations started to crack and forecasted more disagreements between the parties. At the COP-4 the issue of voluntary commitments announced by Kazakhstan and Argentina triggered a heated debate but was eventually struck from agenda (Depledge, 2005; Elliot, 2004). Nevertheless, the COP-4 was concluded with adoption of the so called Buenos Aires Plan of Action which scheduled timetable for negotiating the "modalities" that would expand principles, guidelines and strategies of the Kyoto Protocol. According to the Plan, advanced rules of the Kyoto flexible mechanisms were to be adopted during the COP-6 (UNFCCC, 2001, Decision 1/CP.6).

Unfortunately, the COP-6 in The Hague in 2000 finished with the collapse of negotiations and did not finalize any package deal or agreement. The COP-6 failure indicated a complexity and serious economic implications awaiting the post-Kyoto negotiations evolution of the regime (UNCTAD, 2001, p. 35-37). The COP-6 revealed some fundamental disagreements within the developed North, particularly between the United States and the European Union. Moreover, in March 2001, the US announced that it would no longer support the Kyoto Protocol, mainly because the agreement did not impose any substantial commitments on developing countries (Elliot, 2004). Further negotiations continued in November 2001 during the COP-7 when parties eventually finalized rules and procedures of the KP through adoption of the Marrakesh Accords, a 210-page extension to the 14-page Bonn Agreements. Among other issues, the Accords addressed uncertain and controversial

aspects of the flexible mechanisms and specified their particular rules in details, including the issue of carbon sinks and the land use, as well as the additional character of the instruments to domestic actions of mitigating the climate change (Ott, 2002, UNFCCC, 2002). Adoption of Marrakesh Accords marked the end of the legislative era and started the phase of implementation in the climate change regime (Ott, 2002, p. 11).

Eventually, the KP came into force February 16, 2005 and in the end of 2006 it was already ratified by 169 countries. Despite this optimistic outcome, the climate change negotiation process will have to face challenges waiting in the nearest future. First of all, the United States and Australia, the two serious GHG emitters (per capita), refused to ratify the Protocol and, thus, are not bound to any obligations regarding mitigation efforts as well as cannot participate in the emissions trading within the flexible mechanisms. Secondly, the South continues to resist any substantial commitments under the Convention, and probably will not change such position since it prioritizes the right to continue its economic development as well as expects that industrialized nations will meet their targets first. However, the rich North confirmed decline in the level of its GHG emissions during the 1990s, but since then noted a trend of increase that could grow to about 17% over the 1990 level by 2010 (UNFCCC, 2003a).

The issue of voluntary commitments put forward during COP-4 came back on the agenda during COP-11 in Montreal, when Russia issued a proposal of establishing a pathway for non-Annex I countries to take on voluntary emissions targets (UNFCCC, 2006a). This proposition was further a topic of a heated debate at the COP-12 meeting in Nairobi which concluded with a compromise to organize a workshop in May 2007 “to clarify and explore the scope and implications” of the Russian proposal, with a report to COP-13 (Pew Center, 2006). However, Russia’s call on new mechanisms allowing non-Annex I countries to take voluntary commitments is just one of many voices in the much broader and highly heated debate over the future commitments based on the review of Article 3.9 of the Protocol and establishment of the post-2012 framework of the Convention. The problematic of future commitments is the most intense North-South controversy. Opinions on the issue among members of G-77 plus China were divided during the first session of Ad Hoc Working Group (AWG) adopted during COP-12 and held in May 2006, ranging from “substantially stricter” form (South Africa) to significant contributions from all parties (AOSIS). Among other voices, India stressed the importance of more extensive use of CDM projects in meeting future commitments, whereas the EU opted for a clearly defined and fair proposition, thus it proposed a more balanced and slower approach (IISD, 2006).

The participation of developing countries in mitigation efforts is the future key element and the most controversial issue of the climate change regime especially that emissions of industrializing and populated countries, such as China and India, are estimated to grow and soon will require some sort of a control and form of reduction as well. On the other hand, much more vulnerable nations of the South will also have to face their exposure and weakness towards various impacts of the climatic changes and, thus, perhaps they will have to force adaptation strategies through on the negotiations’ agenda under the UNFCCC.

4. Linkages between UNCTAD and UNFCCC

This chapter answers analytical questions and it is divided into four areas of examination that were chosen based on the three types of linkages. The first part traces linkages within institutional capacity of both organizations, that is: their setting, or in other words the framing arena, as well as their functions, objectives and principles. In the second area I will focus on examining linkages based on the groups of actors and their specific roles motivated by political choices in both organizations. The reason for choosing such logic is given in the outline and methodological parts of this paper. In the third part I will analyze the conceptual basis common for both institutions. Finally, the fourth part of this chapter will examine linkages within means and actions that both organizations recommend regarding mitigation efforts and adaptation strategies. This will be done through juxtaposition of UNFCCC's legal decisions and its recommendations with analytical work on the issues pursued by UNCTAD.

4.1. Institutional capacity

4.1.1. The setting: the UN system as a framing arena

The choice of arena for framing issues within arrangements, such as international organizations and regimes, plays a significant role for the patterns of institutional interplay (Young, 2002). The consequences of a particular option can be different and far reaching. Therefore, it is important to emphasize that both UNCTAD and UNFCCC are institutional arrangements framed and coexisting within the United Nations system.

The Conference on Trade and Development was established as an organ of the UN General Assembly (UNGA). Therefore, it is perceived by the South as a highly significant, "standing body", than just an intergovernmental conference that meets every four years to discuss particular issues (Mehta, 2004). More importantly – as Stephen Zamora notes – "the one-nation, one-vote rule of UNCTAD complements its role as the principal forum for promoting greater equality in world economic affairs" (Zamora, 1980). Thus, this matter has become particularly important to developing countries that constitute a majority in the UN. Moreover, a decision to set up UNCTAD as an organ of UNGA shifted issues of trade and development from economic research to the political range. In result, it created a principal platform for discussion and analyses regarding trade rules and economic growth in poor nations, as well as a significant policy space for the South. The Conference allows developing countries to address their vital concerns in a more powerful and discernible way. The focal point of UNCTAD's activities and research are trade and development issues. Thus, the Conference constitutes an element of the international trade regime.

Nevertheless, it is important to note that UNCTAD is not a part of the Bretton Woods system with its GATT and later WTO institutional arrangements. Therefore, it can be observed that UNCTAD is a more flexible institution because, in contrary to WTO, it does not create rules in form of binding decisions that become a subject of bargaining (Young, 2002).

However, due to the continuous tug-of-war between North and South over UNCTAD's mandate and its alternative position – what in a broader picture represents ongoing conflicts over the shape of international economic order – it is the Conference itself that constitutes an issue of bargaining. The South's desire to keep and revitalize UNCTAD within the UN refers also to the fact that developing countries constitute a majority in this international system of organizations, and for many the UN provides an arena for diplomatic influence and the primary outlet for their foreign affairs.

The climate change regime is derived from scientific concerns and therefore, in the beginning of its framing, it was brought up on the international agenda by the scientific community. However, as soon as it was clear that the problem of climate change had a highly cross-cutting character with economic and social issues it was elevated to the political status. It is crucial to emphasize that the negotiation committee in form of INC/FCCC was launched by UNGA and in result it became submitted to report directly to the General Assembly. The consequence of such decision was that the issue of climate change became more a political matter, rather than scientific, thus, encompassing the North-South dimension of the problem with all its aspects, and not only with environmental considerations (Young, 2005, p. 119-120). These initial negotiations, that constituted a fundament for regime framing, were based on General Assembly's formal procedural rules and informal practices, which, therefore, influenced the establishment and evolution of the climate change regime's own procedural rules and practices (Depledge, 2005, p. 21-22).

However, the institutional linkage based on the common setting in form of the UN system as a framing arena is overshadowed by political linkages which, in this case, make the synergy effects both positive as well as negative, and its consequences are conditioned by the tactical choice of actors. It is due to the fact that even if the United Nations' network of organizations still has a loose structure, its significance as a global authority that sustains international rules and norms is growing. Based on James Rosenau's assumptions regarding "new spheres of authorities" (SOAs), Andres Rivarola Puntigliano puts forward a hypothesis that "the UN system is becoming a new *core* as a sphere of authority, causing an erosion of the hegemony of industrialized countries" that constitute a traditional *core* in the world-system theory (Rivarola Puntigliano, 2007; see: Rosenau, 1997). Thus, developing states, considered to be the *periphery* of the world-system, have a collective possibility to improve their bargaining power within the UN – a new *core* as a sphere of authority. Consequently, for the Southern nations the UN is a global platform where they can aim at broadening and strengthening their policy space, particularly in relation to the North. In result, developing countries might pursue a politically motivated strategy to revitalize UNCTAD through the synergy with UNFCCC, what could result with broadening the scope of the Conference, adding climate change issues to the context of trade and development, and therefore making the Conference more valuable on the international arena. Moreover, it could also toughen its alternative position against the Bretton Woods institutions with WTO. Nevertheless, it would also mean that the Southern nations had to review their policy space in the context of future commitments to the climate change regime.

For industrialized countries the choice seems to differ radically due to the fact that they regard UNCTAD in a completely opposite way to the South. It is questionable weather the North would have a will to accept a concept of linking the Conference with the global climate change regime, due to the fact that developed countries would rather see it merged with WTO. The so called Memorandum of Understanding signed in 2003 by these two organizations can suggest the first step to set up stronger relations between them. The document establishes the "Strategic Partnership" which purpose is the cooperation "to ensure that trade serves development goals" and assisting "the *beneficial* integration of the developing and least developing countries into the global economy and the multilateral trading system" (UNCTAD, 2003b). At the same time, Bello argues that "the collapse of the Third WTO Ministerial in Seattle provides an opportunity for UNCTAD to reclaim a central role in setting the rules for global trade and development. But this cannot be on the basis of the old paradigm and old practices that have marked the UNCTAD approach" (Bello 2000, p. 21). Moreover, the South seeks to reform UN system in order to make it more democratic and UNCTAD is an important element of this strategy (South Centre, 1996). Therefore, the scope, nature and level of institutional interplay between UNCTAD and UNFCCC depend not only on their relations inside the UN system, but also particularly on connections with institutions outside this system, such as the WTO, as well as on differentiated actors' behaviours, framed within those outer arenas.

4.1.2. Functions, principles and objectives: the right to development

UNCTAD and UNFCCC were established to serve different purposes and play distinct roles on the international arena. Whereas the Conference strives to accelerate development through promoting various economic instruments of international trade, the objective of global climate change regime is to stabilize GHG concentrations in the atmosphere. In a general view, these two international arrangements do not have much in common. However, when their functions, objectives and principles come under closer scrutiny it appears, though, that there are similar elements in perceiving a particular issue.

Resolution 1995 (XIX) that established UNCTAD does not clearly divide principles of the institution. However, the UN General Assembly, that adopted the document, emphasizes in the beginning that "sustained efforts are necessary to raise the standards of living in all countries and to accelerate the economic growth of developing countries", and further considers that "international trade is an important instrument for economic development" (UN, 1964). In other words, the Conference's role is to aim at accelerating development, particularly in the South, whereas international trade is a tool for achieving this goal. In the next paragraph, the Resolution recognizes that establishment of UNCTAD "has provided a unique opportunity to make a comprehensive review of the problems of trade and of trade in relation to economic development, particularly those affecting the developing countries". The General Assembly puts stress on the fact, that properly shaped and implemented international trade can contribute to the accelerated economic growth in the South. It also acknowledges "the widespread desire among developing countries for a comprehensive trade organization".

"Principal functions" of the institution are specified in paragraph 3 of the Resolution and grouped in seven points. The most significant function of UNCTAD is to "to promote international trade, especially with a view to accelerating economic development, particularly trade between countries at different stages of development, between developing countries and between countries with different systems of economic and social organization". Thus, the Conference does not only prioritize the importance of international trade as a tool for accelerating development. It also emphasizes the significance of economic growth of developing countries for which it is necessary to raise standards of living, as well as highlights the need of policy space for the development of the South.

The objective of climate change regime expressed in Article 2 of the Framework Convention is to stabilize greenhouse gas (GHG) concentrations in the atmosphere "at a level that would prevent dangerous anthropogenic interference with the climate system" (UNFCCC, 1992, Article 2). It further states that "such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner". In other words, mitigation efforts should be processed in such a way as not to halt economic development, but rather process it in a sustainable way.

In Article 3, the Convention sets principles that should guide the parties in their efforts to mitigate climate change. The principle of "common but differentiated responsibilities" emphasizes the basis of equity on which countries should protect the climate system. It also expresses an underlying consensus between developed and developing countries that, whereas all have obligations to protect the climate, it is the North that first needs to meet its commitments to take the lead due to their historical and current GHG emissions, whereas the South is not obliged to such commitments. The second guiding principle emphasizes "the specific needs and special circumstances of developing countries" recognizing that some of them can be "particularly vulnerable to the adverse effects of climate change" or "would have to bear a disproportionate or abnormal burden under the Convention". Whereas vulnerability refers to natural, adverse impacts of climate change, such as floods and droughts, the abnormal burden concerns economies of such countries as OPEC that are based on fossil-fuel production. The third guiding principle recognizes that measures and policies dealing with climate change should take into account "different socio-economic contexts" (UNFCCC, 1992, Article 3).

Earlier in the document, the Parties to the Convention also note that "per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs", and further recall that states have "the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies". Moreover, the Convention takes into full account "the legitimate priority needs for developing countries for the achievement of sustained economic growth and the eradication of poverty". In other words, the climate change regime recognizes the right of developing countries to continue their development in spite of growing emissions originating from this process, because economic growth is a necessity in order to elevate the standard of people's lives, particularly of poor in

the South, and therefore it is significant in combating environmental changes (UNFCCC, 1992).

In its principles UNCTAD does not mention environmental issues and mitigation of climate change in particular. Despite that, the Conference emphasizes the significance of economic growth for developing countries, whereas UNFCCC recognizes the right of the South to continue its development. In such a way, both views appear to be complementary because on the one hand, accepting the right to continue development expresses its importance, on the other, significance of economic growth for the South constitutes the right to continue the process of cumulating wealth. Such assumption lies in a conviction, expressed in the Brundtland Report that poverty is both a cause and effect of environmental degradation (WCED, 1987). Therefore, there is a need to raise social and economic level of the poor in order to gain tools and opportunities to effectively mitigate ecological problems. At the same time, it can be argued whether worsening of ecological situation in nations of the South is caused by the present international economic order that has slowed down their development and environmental protection (Holdgate, 1982).

On one hand, industrialized North does not make significant progress in reducing their GHG emissions, but on another, it is currently noticeable that emissions of such intensely industrializing countries of the South as China and India are rapidly growing (WB, 2007), and if not controlled, they can jeopardize international efforts to mitigate climatic changes. Thus, the question is what kind of form of development of the South could become a common goal for UNCTAD and UNFCCC, as well as how it should be confronted with environmental issues such as mitigation of climate change in this particular case? To what extend and level can developing countries pursue their economic growth, when there are dramatic differences in consumption patterns between the rich nations and the poor ones (WI, 1995; WI, 2004)? Knut G. Nustad states that the hegemonic idea of development "did not transcend the dichotomy of developed and underdeveloped countries; instead the theory was concerned with discovering 'the cause' of 'underdevelopment'" (Knut, 2004). Ramon Grosfoguel further explains that by defining *peripheral* regions as underdeveloped and backward, in opposition to the normal development patterns of the *core*, the dominant powers gained a justification for their intensified political and economic interventions. In other words, "by treating the other as underdeveloped and backward", exploration and domination of the *core* are "justified in the name of civilizing mission" (Grosfoguel, 2000, p. 370). Additionally, when thinking about development as a remedy for ecological degradation, Alf Hornborg asks whether economic growth "simply dissolve environmental problems as such (and not just locally), or does it shift them to poorer areas?", thus, the question should be: "where is environmental quality improved?" (Hornborg, 2003, p. 213; see also: Podobnik, 2002; Grimes and Kentor, 2003).

In consequence, developing countries tend to blame the North for imposing their liberal polices and for polluting the atmosphere with GHGs (in a historical perspective). On one hand, Southern nations have sought under UNCTAD to emphasize their vulnerability to the mainstream neoliberal rules and, therefore, pursue to protect themselves through revision of those rules and promotion of an alternative frame of the international trade that would allow them to accelerate their economic growth. On the other hand, the Southern nations

under UNFCCC strive to protect their right to development and insist on decisive actions from the North, despite the fact that, sooner or later, their increasing GHG emissions will require reduction and control. Thus, the synergy between both institutions could rather strengthen the problematic of the right to development, what would make much more difficult to impose any substantial commitments on the South.

4.2. Groups of actors: cohesion of the collective South

Countries as members of institutional arrangements are signatories to constitutive agreements, including conventions and treaties that bring particular organizations or regimes into existence (Young, 2002). Member countries can play a unitary role making utilitarian calculations regarding their own interests and benefits, however, individual actors try to push for a collective action within groups that are compatible with their own interests. It is significant to observe that in UNCTAD as well as in UNFCCC countries that are parties to these institutions create arrangements and join coalitions in order to represent an aggregated position on the international arena and strengthen their position in the process of discussion or bargaining.

In the UN Conference on Trade and Development, the Group of 77 plus China creates a solid coalition whereas the developed world does not seem to be represented within any particular set of countries. During the Conference's meeting on its Mid Term Review in May 2006, the G-77 plus China chairperson Ambassador Masood Khan stressed the organic link between the Group and UNCTAD (Khor, 2006b). Boutros-Ghali in his paper described G-77 as a twin intergovernmental organization to UNCTAD (Boutros-Ghali, 2006, p. 3). He recognizes the existence of a mutual relation between the Group and the Conference consisting in the problematic of trade and development. Whereas UNCTAD alleviates issues important for the economic growth in developing countries, it also plays an important role of keeping G-77 and China in a state of cohesion, providing them a platform for important research and discussion (Boutros-Ghali, 2006, p. 7). In exchange, G-77 guards institutional arrangement of the Conference and tries to prevent the process of its dismantling and restricting pursued by the North and economic institutions of developed countries, as it was the case during UNCTAD VIII and UNCTAD IX. The bound of G-77 proved its quality of presenting cohesive stand in UNCTAD even during the 1973 "oil crisis" which was not included into Conference's agenda because developing countries sympathized with the oil producing states (Michalak, 1984, Part 3). Thus, the cohesion of G-77 under UNCTAD is expressed in the common goal to oppose industrialized countries at all costs.

On the other hand, developed countries do not construct any cohesive block or coalition within the institution. Thus, United States (US), European Union (EU), Switzerland, Canada and Japan can be pointed out as current leaders of the North in the Conference's discussion. Their different attitude towards position presented by the South can be especially seen during UNCTAD XI held in São Paulo in 2004 during which the Group of 77 plus China tried to revitalize the mandate and functions of the institution (South Centre, 2004b). In result, UNCTAD XI did not finish successfully for the efforts of developing countries, in the sense

that they were not able to extend its status to the policy-making negotiation forum. Nevertheless, the outcome of UNCTAD XI shows that the Group of 77 and China do not have enough political strength to pursue their agenda that eventually clashes with a position of developed countries, even if the latter group does not speak with the same voice.

Major coalitions of countries exist also in UNFCCC. These groups represent different perception of the climate change problem as well as express their concerns in an opposing manner. Developed countries do not constitute a common block but are divided into European Union (EU), the Umbrella Group and recently formed coalition of three countries (Mexico, South Korea, Switzerland) in form of the Environment Integrity Group (EIG). Whereas EU states almost always speak with one voice and strive to take the lead in climate change mitigation efforts, members of the Umbrella Group, that evolved from JUSSCANNZ and Economies in Transition (EITs), share some similar views but are often divided, especially when it comes to the US and Australia that refused to ratify the Kyoto Protocol. Developing countries represent their position in the G-77 plus China and have always perceived climate change as a social and economic development issue, thus, stressing the principle of equity as a fundamental necessity for addressing it (Depledge, 2005). However, due to some opposing national interests, particular nations address their issues in smaller coalition, such as OPEC, the Least Developed Countries (LDCs) and Alliance of Small Island States (AOSIS) and other regional groups (such as African UN regional Group, CACAM, League of Arab States) which generally operate under G-77 that establishes common negotiating positions. Nevertheless, despite differences regarding climate change effectiveness and long-term strategies for development, they are firmly united within G-77, and have often proved consistency of their opinions and statements during the process of climate change negotiations (Stokke, Hovi, Ulfstein ed., 2005). Even if OPEC and AOSIS have considerably different agendas, G-77 almost always pursues its interests within the framework of the Southern collective (Axelrod ed., 2005). Nevertheless, it is important to note that for these smaller internal groups of developing nations it is politically difficult to speak on their own behalf because of the danger of appearing to diverge from the G-77 position (Depledge, 2005).

However, if parties of the G-77 arrive at a particular decision, they also take a risk of a collective consequence that will impact all of them but in a different way. For example, China and India could not be interested in adaptation strategies to such extend as the poorest countries of the South or island states. Thus, LDCs or AOSIS cannot afford themselves to have the same position as privileged nations, because it is only under the climate change regime that they can find international exposition of their problems, as well as legally binding efforts to provide them necessary financial and technological help. It is interesting, though, how such countries react on increasing GHG emissions of developing nations that are more industrialized and definitely more populated. It seems that a further climate change negotiation process may be a big challenge for the collective South, especially when it comes to substantial commitments and emissions control for several developing countries.

The relatively strong coherence of the Southern nations, that constitute the subordinate *periphery* in the capitalist world-economy, is clearly present and visible within both institutional arrangements, whereas industrialized countries – the dominant *core* – do not

constitute any single, homogenous group under any of the two organizations. Moreover, developing countries have a specific position in both UNCTAD and UNFCCC, because in both institutional arrangements they require special considerations concerning the right and importance of their economic growth. At the same time, the South perceives the issue of climate change as a problem caused by the North that has benefited from exploitation of Earth's environment and its resources and continues this exploration particularly in *peripheral* areas through economic penetration (Grimes and Kentor, 2003; Hornborg 2003; Podobnik, 2002). A similar pattern can be noticed in the South's perception of the international economic order imposed by the industrialized world. This view is represented in a conviction that it is developed countries and their neoliberal trade rules that accelerate injustice in redistribution of global wealth, thus, causing poverty and economic backwardness in developing countries. Based on dependency theory, Theotonio Dos Santos states that the backwardness of *peripheral* economies is "not due to a lack of integration with capitalism but that, to the contrary, the most powerful obstacles to their full development come from the way in which they are joined to this international system and its laws of development" (Dos Santos, 1970). In other words, economies of developing countries are incorporated by and dependent on international, neoliberal economic relations imposed by a dominant *core* – the Northern states.

Therefore, it seems thou that mitigation of climate change and international trade rules are highly controversial issues to the collective South which seeks to extend its policy space on the international arena. Developing countries do not simply strive for economic development but, most of all, for having their own say in the political decisions that can affect their destiny (Axelrod et al., 2005). That is why they seek to revitalize the position of UNCTAD dismantled by the North, as well as to push for reforms of the UN system that, in their view, lost its international democratic shape (South Centre, 1996). Therefore, the policy space concept, which asserts the freedom of choice in terms of adoption and implementation of the development policies, has been pushed through by the South since the establishment of UNCTAD (South Centre, 2006). However, developing countries are not only sceptical about the global warming research, mostly because of lack of their own scientific basis what forces them to rely on the North (Linnér and Jacob, 2005; see: Jasanoff and Martello, 2004), but their desire to have a freedom of choice in terms of development policies is clearly narrowed by the way the problematic of climate change is framed. To put it simply, if the South continues to develop, it will pollute more and in result, it will contribute to higher concentrations of GHG emissions in the atmosphere. Thus, the issue of emissions control in developing countries is highly significant for the mitigation efforts and future state of negotiations under UNFCCC. At the same time, developing countries are the most vulnerable to adverse impacts of climate change. In such case, sooner or later they will have to agree on some forms of commitments in order to mitigate the global warming. However, such obligations can clash with their concept of policy space, which for UNCTAD XI means "the space for national economic policy" that refers to "the scope of domestic policies, especially in the areas of trade, investment and industrial development" (UNCTAD, 2004, par. 8).

4.3. Conceptual basis: socio-economic relations

The increasing human activity does not remain without significant impacts on Earth's climate. Such relation also concerns international trade and its liberalization efforts. Any serious shifts in the natural system, especially within factors of temperature and precipitation, will undeniably disrupt global production of goods, and food in particular. Vulnerability of socio-economic structures to climate change exposes serious dangers to human development (IPCC 2001; Stern, 2006, part 2). This cause-and-effect connection that occurs between global climate change and international trade interacts in both ways and on different levels. The first one is considered to be a serious environmental problem that above all can seriously disturb shapes and processes of Earth's ecosystems that people's lives depend on. Changes in global climate might have negative impacts on the world's economic system and disrupt functioning of trade relations between nations. Furthermore, climate change policies that push for reduction of greenhouse gas (GHG) emissions will influence various sectors in the world economy, especially energy, production processes and transport. In result, this will inevitably affect the shape and competitiveness of international trade (Assunçao, Garcia, 2003). Articles 2.3 of the Kyoto Protocol recognizes the problem stating that these policies and measures should be implemented in such a way as to minimize, among others, "effects on international trade" (UNFCCC, 1998, Decision 1/CP.3). Thence, on the opposite side of the link to climate change regime stands international trade that, for a change, can be a cause of both negative as well as positive outcomes of global warming. Liberalization of international trade through lowering barriers and opening new markets results in boosting economic growth (Charnovitz, 2003, p. 141). Therefore, increasing trade accelerates development, but by doing this it simultaneously intensifies an already substantial strain put on environment. On the other hand, the Rio Declaration (RD) exhorts countries in its Principle 12 "to promote a supportive and open international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation" (UNCED, 1992a). According to the RD, it is possible for trade and environment to exist in a mutual accordance. Moreover, it is necessary to further liberalize trade in order to make "trade and environment supportive" (UNCED, 1992b, Chapter 2). Liberalization of international trade can create socio-economic wealth that is needed to tackle a costly problem of climate change. Additionally, according to UNCTAD current trade measures and incentives may have positive impact on mitigation efforts because they offer cost-effective, market based solutions that promote sustainable development, capacity building and transfer of technology (UNCTAD, 2003a).

Climate change and international trade regimes are driven by different sets of objectives and principles. Whereas the first one seeks to mitigate changes in climate patterns through stabilization of GHG emissions (UNFCCC, 1992, Article 2), the latter is focused on multilateral system of international trade, its legal framework and functionality. Yet, both are aware of their coexistence on the international arena and along with more scientific evidence rises consciousness of linkages between them. However, for the international trade regime, alteration of its perspective towards the problem of climate change did not happen easily, due

to the fact that it rather sought protection of trade against environmental measures than the other way around (Bøås and McNeill, 2004, p. 95). Nonetheless, UNCTAD – in contrary as to the World Trade Organization (WTO) that sets rules for global trading system – plays a somewhat different role in the trade regime. It is an intergovernmental forum aimed at building consensus, undertake necessary research and policy analyses, as well as provide technical assistance to developing countries. Therefore, it is more flexible in regard to outside changes, such as growing environmental awareness because it is not obliged to form trade rules directly, the process that can be a subject of bargaining. UNCTAD recognition of socio-economic linkages between climate change and international trade regime took place in the beginning of 90's, starting with the "Study on a global system of tradable carbon emissions entitlements" for the Earth Summit held in 1992 (UNCTAD, 1992), only to six years later join "forces with the Earth Council to create Carbon Market Policy Forum" (UNCTAD, 2002a, p. 7). In this regard, the Conference seems to have a potential to become an important research and capacity building body that provides significant "trade and development" oriented research concerning market based mechanisms established by the Kyoto Protocol. Its focus is directed towards developing countries that will become adversely affected by the climate change. For them, the mitigation as well as adaptation costs will be much higher than in the developed world (Stern, 2006, part 2). Thus, the research undertaken by UNCTAD could have a potential to make the climate change mitigation efforts richer and broader.

The only concern involved here appears to be the way UNCTAD deals with the clash of liberal economic options supported by the developed world with resistance to further liberalization in countries of the South, particularly LDCs, which realized that opening up their economies to foreign goods, services and investments did not help their development (Boutros-Ghali, 2006, p. 14). This situation can create an opportunity for including fresh ideas and alternative approaches into climate change mitigation (such as the concept of historical responsibility), but it may also shift balance from environment towards the importance of development in the South, a step that would lower the significance of climate change to the level of a bargaining tool. On the general surface, the socio-economic linkages exist between global climate change and international trade regime, also within UNCTAD. However, these connectors are formed differently according to attributed directions and motivations given by the institutions of both regimes, whether they are channelled from environmental position towards trade, emphasizing the need for climate protection, or the other way around, giving more importance to trade rules and development schemes.

4.4. Recommendations for actions

Whereas the previous chapter examined institutional capacity, groups of actors and conceptual basis for synergies between UNCTAD and UNFCCC, this part of my thesis focuses on analyzing linkages within recommendations regarding mitigation and adaptation issues. The first part of this chapter is focused on mitigation efforts and answers research question 4, whereas the second part takes under close scrutiny the issue of adaptation strategies, thus answering research question 5.

4.4.1. Mitigation efforts: carbon markets and Clean Development Mechanism

Whereas the Convention on Climate Change establishes a fundamental framework for the regime, the Kyoto Protocol (KP) is the regime's rulebook that determines substantial commitments, regulations, mechanisms and compliance. In Article 3, The Protocol imposes commitments on industrialized countries listed in Annex I that are required to reduce individually or jointly their aggregate GHG emissions at least 5.2% below 1990 levels by 2008-2012 (UNFCCC 1998, Decision 1/CP.3). However, such obligations are very costly to achieve because they involve revision and changes in such important branches of domestic economies as the energy sector, industry and transport that basically shape the production process (Owen and Hanley, 2004). In order to make these efforts less expensive, the Protocol gives developed countries flexibility in making a decision of how to fulfil their commitments. Thus, industrialized countries, that ratified the Protocol, can chose between three market based mechanisms.

Emissions trading (ET) spelled out in Article 17 of the KP provides participation of developed countries listed in Annex B of the Protocol that when exceed their allowed emissions imposed by the KP, they can purchase emissions credits in form of Assigned Amount Unit (AAUs) or Removal Unit (RMUs) from other Annex B countries that emitted less GHGs than their allotted amount. Article 6 of the KP establishes joint implementation (JI) allowing developed countries and economies in transition listed in Annex I of the Convention to use Emissions Reduction Units (ERUs) resulting from GHG mitigation or sequestration projects in any other Annex I country in order to meet their obligations spelled out in Article 3 of the Protocol. The third instrument called Clean Development Mechanisms (CDM) is established by Article 12 of the KP. Under the CDM, developing countries that are not listed in Annex I "will benefit from project activities resulting in certified emission reductions" whereas developed countries listed in Annex I "may use the certified emission reduction units (CERs) accruing from such projects activities to contribute to compliance with part of their quantified emission limitation and reduction commitments under Article 3". Thus, the dual character of CDM derives from the assumption that both, industrialized countries ought to meet their obligations, as well as developing countries that do not have to meet any substantial commitments can benefit from the projects. It is also important to emphasize the additional character of three Kyoto mechanisms. According to the Protocol, ET and JI shall be "supplemental do domestic actions" in order to meet "quantified emission limitation or reduction commitments under Article 3", whereas CER credits derived from CDM projects shall be used by Annex I parties to "contribute to compliance with part of their quantified emission limitation and reduction commitments".

The idea of market based mechanisms aiming at regulating concentrations of GHG emissions in the atmosphere derives from experience of particularly the United States and it was the US that led in pushing the concept through on the agenda, because as the biggest emitter of GHGs it sought the most cost-effective strategies to meet their commitments. The US had the most extensive experience of using market based mechanisms in domestic emissions trading systems (UNCTAD, 2001, p. 12-16) and as the leader of the JUSSCANNZ group it successfully converted others to the advantages of implementing such

recommendations for combating the global warming. The problem was that after this efficient campaign promoting emissions trading systems pursued under the Clinton administration and their final acceptance within adoption the Kyoto Protocol in 1997, the current US administration refused to ratify the document and therefore the biggest GHGs emitter cannot participate in carbon markets framed within the climate change regime.

On the other hand, developing countries were particularly opposed to the concepts of emissions trading, understanding them rather as the rich North's tactic to shirk responsibilities of climate change mitigation efforts. However, it was not the only reason of the South's reluctance and mistrust expressed towards the idea of global emissions trading. First, the Kyoto Protocol, by introducing flexible mechanisms, created a basis for carbon markets and, therefore, blended climate change mitigation efforts with the mainstream neoliberal economy framing them within the globalization process (Linnér and Jacob, 2005). Second, for the majority of developing countries, environmental regulations constituted a very new branch of domestic and particularly international law. Moreover, they did not have their own strategies allowing them to tackle various environmental problems. Thus, developing countries did not have time to acquire knowledge and experience regarding new techniques dealing with the climate change (Yamin, 2005). Additionally, due to lack of their own scientific basis regarding the global warming, including market-based mechanisms allowing cost-effective mitigation, they had to fully rely on the North's research. In result, developing countries did not participate in the pre-Kyoto negotiations dealing with emissions trading and joint implementation schemes. However, pushing for the concept of the historical responsibility, which was further declared in the so called "Brazilian proposal", they resulted in establishing Clean Development Mechanisms. The idea of a penalty mechanism called the Clean Development Fund that was included in the proposition was transformed into the CDM scheme (UNFCCC, 1997; IISD, 2003). Therefore, the struggle for historic responsibility of developed countries in the pre-Kyoto negotiations resulted in setting up an instrument for much needed investments that could allow transfer of capital and technology to the South and, in result, making its development efforts more environmentally friendly, especially in the context of the global warming.

The Kyoto Protocol is a legal interpretation that gives a fundamental basis of three flexible mechanisms. However, their more detailed framework in form of rules, procedures and institutions were further developed in the post-Kyoto negotiations process, particularly during COP-6 and COP-7 finalized within the Marrakesh Accords. In result, the institutional basis for the market-based instruments can be found in two separate treaties and in several COP decisions. Moreover, the registration and validation rules of the CDM projects are being further developed by the Executive Board of the CDM (EB/CDM) (Yamin, 2005). Thus, it can be difficult to encompass all procedures regarding the Kyoto mechanisms. The most complicated and controversial are the CDM projects because they involve transactions between developed and developing countries and, therefore, have a capacity to bridge the division between North and South. The CDM allows nations of Annex B to reduce their GHG emissions through investments and projects located in developing countries where the mitigation process is less costly and because non-Annex I parties are not obliged to any

substantial commitments under the Convention. Thereby, in exchange for financial and technology transfer to the South, the North states can obtain Kyoto units in form of CERs for the amount of reduced emissions.

UNCTAD has been aware of the climate change negotiations process and regime building as well as recognizes significant implications of such actions on trade and development, thus, it has been carrying on analyses regarding emissions trading and carbon markets. Starting with the 1992 study "on a global system of tradable carbon emission entitlements" prepared for the Earth Summit, the Conference began its research on GHG emissions trading systems in order to facilitate a process of forming global carbon markets that could help mitigate the climate change. Although Kenneth Dadzie – the Secretary-General of UNCTAD at that time – writes in the publication that proposition of controlling CO2 emissions through a system of "tradable permits" was presented even earlier, that is in May 1990 at the Bergen Conference on Sustainable Development hosted by Norway and co-sponsored by the United Nations Economic Commission for Europe (ECE) (UNCTAD, 1992). In 1997, UNCTAD and the Earth Council established the Greenhouse Gas Emissions Trading Policy Forum to create a platform for discussion between government policy-makers, private business and NGOs in order to pursue a launch of an initial-phase market for GHG emissions allowances and credits by the year 2000 (UNCTAD, 1997a). In 1998, the Conference helped to set up the International Emissions Trading Association (IETA) and continues its analytical work on carbon markets and flexible mechanisms. Moreover, in 2005, "the UNCTAD Commission on Trade in Goods and Services recommended that the secretariat assist developing countries to make use of the trade and investment opportunities arising from the Kyoto Protocol, including the Clean Development Mechanism (CDM), as a project-based activity" (UNCTAD, 2006). The research conducted by the Conference clearly reflects the patterns of climate change negotiations and, therefore, can be divided into two time-based segments: the pre-Kyoto negotiations (including adoption of the Protocol) and the post-Kyoto negotiations period (taking place after the adoption of the KP in 1997).

4.4.1.1. The pre-Kyoto negotiations research

The pre-Kyoto negotiations section of UNCTAD's analyses is integrated into the characteristics of the negotiation process that led to the KP and reflects intense promotion of the emissions trading systems that was pursued particularly by the US. Basically, the pre-Kyoto negotiations research aimed at defining the future structure of emerging global carbon markets, since deliberations over this issue were one of the key matters of the ongoing climate change negotiation process. Based on lessons from the US experiences on domestic emissions trading systems, such as two most successful schemes: the US Lead Phasedown set up in 1982 to reduce lead levels in gasoline and the US Sulphur Dioxide Allowance Trading Programme established in 1990 under the US Clean Air Act, the analyses tried to elevate frames of those systems to international level (UNCTAD, 2001, p. 12-16). Thence, the work focused on transforming assumptions of such domestic systems into the global frames of multilateral carbon markets. In general, those publications of the Conference revolved over the key legal, institutional and organizational aspects of the future emissions trading system

and its probable pilot module. Their composition, frames and instruments were a main concern of the analyses, including such issues as: reporting, monitoring, verification, certification and enforcement. However, the approach of UNCTAD's research reveals some characteristic patterns that reflect the direction and style of negotiations pursued by the JUSSCANNZ group and especially the US under the UNFCCC. In general, the reports recognize that the GHG emissions abatement is an essential policy option for coping with the global warming because it will allow preventing or reducing the possible costs of the future adaptation to climatic changes. Furthermore, the documents emphasize that the cost of mitigation efforts in developed countries is high and, therefore, there is a need to find flexible and cost-effective means in order to reduce global emissions as cheaply as possible (UNCTAD, 1995a; UNCTAD 1996a; UNCTAD, 1996b). Thus, UNCTAD's analyses suggest that the emissions trading in form of a tradable permit system is the most promising among other solutions, such as emissions taxes and external offsets to name a few, because such instrument would offer flexibility and efficiency in order to reduce substantially the cost of abatement. One of the research documents regarding "Controlling carbon dioxide emissions" states that "the main reason for recommending a tradable permit system for carbon emissions is economic" and that such system is the most cost-effective "since it is based on actions – buying and selling – in which participants seek to minimize their costs" (UNCTAD, 1995a, p. 24, p. 4). This very much business oriented tone can be noticed even more clearly in another UNCTAD publication focused on emissions trading in which one can read that "tradable permits facilitate the mobilization of private capital for controlling global warming" and, furthermore, "private capital is likely to be critically important component of any effective global warming strategy" (UNCTAD, 1996a, p. 3). However, it is questionable whether such concept represents novel approaches to climate change control or rather a continuation of a "business-as-usual" strategy. According to the study, "a market in which only the EU, Japan and the US traded would be worth more than US$8000 million a year" suggesting that climate change abatement is profitable (UNCTAD, 1995a, p. 5). Therefore, it is worth to participate and invest in such market, whereas it does not necessarily mean to take action that main aim is to prevent climatic changes. Another paper called "A pilot greenhouse gas trading systems" – issued by UNCTAD in collaboration with the US Environmental Protection Agency (US EPA) – goes even further in its deliberations regarding the shape of a possible pilot emissions market. For example, the document suggests establishment of the International Emissions Trading Organization (IETO) based on the international law in the context of UNFCCC rules, however, an institution that would not possess authority to block potential trading schemes with adverse environmental and social impacts (UNCTAD, 1996b). This suggests that such concept would lack compliance with the climate change mitigation efforts and the quality of projects that shun abatement measures could be questionable.

The position of developing countries in the pre-Kyoto negotiations research pursued by UNCTAD is somehow minimized, or rather stands in a shadow of the developed world. One can sense that the North has an advantage in the concept of emissions trading systems presented in the analytical work of the Conference because it is industrialized nations that have an appropriate amount of a critically important private capital for mitigating the climate

change. However, developed countries find abatement measures within their own borders too costly, since such strategies would interfere with their economies. Thus, they search for the most cost-effective measures in order to meet their substantial commitments under the climate change regime, in order to allow continued development. On the other hand, developing countries do not have to meet any obligations at a present time, but their GHG emissions will inevitably increase in the future (UNCTAD, 1995a, p. 8). The UNCTAD's pre-Kyoto analyses of global carbon markets recognize that emissions reductions can be made most cheaply in developing countries. In such case, industrialized nations would be able to allocate their tradable entitlements through facilitating the development process in the South. The financial and technological transfer to developing countries could enable them to participate more effectively in implementing the UNFCCC. Thus, the research justifies that emerging emissions trading systems is a key to impasse on commitments imposed by the climate change regime (UNCTAD, 1995a, p. 26), despite the fact that it also acknowledges the South's feeling of mistrust towards the concept of emissions trading systems due to the fact that developing countries interpreted such schemes as a new form of colonialism (UNCTAD, 1995a, p. 9). Unfortunately, the pre-Kyoto analytical work of the Conference does not pay enough attention to the significant equality and quality aspects of financial and technological transfers to the South, whether they will be distributed evenly among poorer countries and with emphasize on the climate change mitigation efforts, or such projects will rather constitute another form of the "business-as-usual".

4.4.1.2. The post-Kyoto negotiations research

In general, the post-Kyoto negotiations research pursued by UNCTAD continues to deliberate on the development of global carbon markets and discusses the composition and implementation of plurilateral GHG emissions trading system including legal, political and technical aspects of such a scheme. However, this time the Conference's analyses take into consideration the existence of the Kyoto Protocol's legal framework with its three project-based mechanisms which offer a flexible strategy instead of a one-size-fits-all tactic under command regulations. UNCTAD envisages establishment of the global multilateral emissions trading system based on domestic emissions trading programmes and their tradable emissions units that would be compatible with the international law, including the Convention on Climate Change and its Kyoto Protocol, WTO rules and other international arrangements, such as energy and anti-trust law (UNCTAD, 2001).

Furthermore, UNCTAD's exploration concentrates on estimating the size of carbon markets and shifts its preoccupation towards issues regarding the CDM which involves participation of developing countries. Publications from the post-Kyoto negotiations period concentrate on the rules, structure and organization of CDM projects, as well as on their implementation process and investment opportunities, thus, providing non-Annex I Parties with important knowledge and information regarding different aspects of this market-based mechanism (Rosales J., Pronove G., 2002; UNCTAD, 2000a; UNCTAD, 2003a). Additionally, when it comes to CDM projects, in 1999 UNCTAD - together with other UN organizations (UNDP, UNEP, UNIDO) - became involved in a joint project "Capacity-

building support regarding the clean development mechanism" (UNFCCC, 1999), pursued by the Subsidiary Body for Scientific and Technological Advice (SBSTA) – a UNFCCC body that counsels COPs on environmental and technological issues. The initiative also took into considerations views of the G-77 plus China and of other countries that are parties to the Convention.

When it comes to the development of global carbon markets, the report published by the Conference in 2001 considers the Kyoto Protocol a "principal catalyst" of this process, assuming that the establishment of plurilateral emissions trading system will not take place in a legal vacuum, on the contrary, it will be more attractive under the FCCC/KP because this way countries could carry out their obligations imposed by the climate change regime (UNCTAD, 2001, p. 36). The researches also point out that the size and quality of carbon markets under the KP depend on the amount of participants and supply pool of tradable emission permits, as well as on restrictions that can be further imposed during development of legal issues of the climate change regime. The economic perception suggests that the larger pool of emissions rights the lower the cost of abatement that participating states have to bare (UNCTAD, 2001, p. 40). However, such a lucrative relation indicates the occurrence of the lower environmental efficiency that would make it more difficult to fulfil commitments of the climate change mitigation efforts. On the other hand, the greater amount of restrictive rules could make carbon markets more complicated and confusing to particular countries as well as less attractive to potential private investors that would shift their interests from one mechanism, discouraged by additional rules and principles, to another less demanding instrument.

Moreover, according to many economic models CDM is considered to be a constraint on global carbon markets due to the increase of transaction costs that is a result of a wedge between the price paid by consumer and the price received by producer (UNCTAD, 2001, p. 58). In such case, JI and ET can become more attractive to developed countries which are allowed to choose between flexible mechanisms since their participation in any of these three Kyoto instruments is voluntary. Investors from the Annex B group can freely choose between CDM, ET and JI depending on which opportunity involves the lowest risk and offers the greatest benefit. Thus, the size of each market based on different mechanisms introduced by the KP would rely on their mutual interaction as well as on domestic options and institutional capacity of particular states (UNCTAD, 2000a). However, UNCTAD researchers acknowledge the problem of unequal transfer of benefits between countries participating in global carbon markets, particularly in the CDM projects. It appeared that Africa is left out from the initial stage of CDM implementation, whereas studies estimate that China, India and countries of Latin America will benefit the most from the CERs production within their borders. A rapidly expanding Chinese economy could be able to obtain 57-70% of total CDM market and such a monopoly raises concerns in other regions of non-Annex I group over unequal distribution of financial and technology transfers from CDM projects undertaken in the South (UNCTAD, 2001).

It seems that the emergence of carbon markets is a very delicate economic process that may affect not only the climate change mitigation efforts but it can specifically influence the

division on winners and losers of the abatement process. UNCTAD's research indicates that the financial and technology transfer will be distributed unequally between developing nations what can result in creating a South-South form of a rivalry over investment opportunities and financial flows. The question of equity is one of the most important issues raised by the post-Kyoto negotiations analyses of the Conference which acknowledge the inevitable competition between more industrialized nations of the South with better developed financial institutional structures able to attract capital inflows and technological transfer from CDM projects and less industrially and financially developed regions that are regarded high risk, unattractive and hence having minimized opportunities to achieve any substantial stream of CERs to Annex B countries (UNCTAD, 2000a). Therefore, particularly the Conference's reports from 2000 and 2003 regarding the CDM market and its implementation emphasize the importance of capacity building in developing countries because, so far, most of them have a limited ability to identify opportunities for the project-based mechanisms as well as unequal capabilities to attract foreign investments (UNCTAD, 2000a; UNCTAD, 2003a). In order to allow the CDM market to flourish and make the South competitive enough to attract financial and technological transfers from the industrialized world, there is a strong need for non-Annex I parties to acquire knowledge of currently available financing techniques and capability to correctly interpret complicated procedures. The research also strongly highlights that lack of capacity building in the South could be dangerous in the sense that significant differences in the levels of understanding market-based mechanisms between non-Annex I and Annex B parties could affect the outcomes of negotiations on potential investments. Thus, such imbalance of knowledge and experience could shift the advantage towards the rich North and make CDM a tool of the South's exploitation in hands of capitalists from the industrialized world (UNCTAD, 2000a).

The document called "An Implementation Guide to the Clean Development Mechanisms" issued by UNCTAD in 2003 lists indispensable requirements for attracting CDM projects, particularly in countries of Africa that due to their backwardness could be left behind other more profitable and better equipped regions. The projects may take place especially where such schemes within boarders of particular developing countries will be the most advantageous for foreign investors that would seek such criteria as: open market and business environment, adequate legal infrastructure, appropriate administrative framework, well trained employees and staff of business developers and managers, availability of financing tools and options, low cost of technological upgrade, monitoring and reporting capabilities, accessible project information databases, and eventually the government's level of cooperation with private sector and NGOs (UNCTAD, 2003a, p. 18). The studies of the Conference signify that the CDM is a commercial and free market based instrument, thus, its projects have to be attractive, beneficial and low-risk driven in order to capture a favourable percentage of total carbon markets, maximize flows of private capital and reach its full potential in form of a multibillion dollar business. Thus, under such free market conditions, financial and technology transfers will not go to developing states, their sectors and projects that are considered high-risk and unprofitable for private capital. If particular host countries raise a risk level of CDM ventures, it can be expected that investors will shift their interests to

other hosts or even to another flexible mechanism. UNCTAD study recognizes potential risks in such areas as: climate change regime and its CDM policy development that can introduce new rules and terms uncomfortable for investors, the compliance performance risk regarding project approval and certification of CERs, and finally other risks related to domestic situation of individual countries, such as political, economic, technology and natural (UNCTAD, 2001, p. 64).

It is important to note here, that according to some researches the real size of the CDM market may be much lower than it is estimated by the economic models, because in practice the activity of this project-based instrument can be smothered by political institutions and transaction costs, a concern raised during the COP-6 (UNCTAD, 2001, p. 70). The remedy for such situation, according to the research of UNCTAD, could be an immediate and extensive capacity building in developing countries, especially at the local level, in order to prepare them for managing and mitigating particular risks. Additionally, the majority of economic models that address the size of the emerging global carbon market include the United States in their estimates. However, the US that could be potentially the biggest beneficent of emissions trading did not ratify the Kyoto Protocol and hence cannot participate in any of the three flexible mechanisms. In such case, models that did not include participation of US could offer different estimations and scenarios.

Moreover, developing countries must be able to recognize their own sustainable development priorities in order to increase capital and technological flows into sectors that need such requirements in the first place, instead of making own domestic policies easy to be influenced by the particularistic interests of investors from the Annex B group. According to the 2003 report issued by the International Emissions Trading Association (IETA), the emerging CERs market was dominated by large scale projects in the chemical sector, which helped in reduction of GHG emissions but had little direct affect on meeting host countries' sustainable development goals (IETA, 2006, p. 109-110). It is also likely that investors from the developed world would seek any opportunity to generate CERs in order to meet their targets, rather than choose CDM projects more carefully and with sustainable development criteria in mind, so as to assist the South in continuing its economic growth. Therefore, UNCTAD suggests in its reports that in order to remain consistent with the individual country's sustainable development priorities and strategies, non-Annex I parties could establish investment incentives and guidelines to direct capital flows and technology transfers towards preferred target sectors or projects (UNCTAD, 2000a, p. 15). However, the quality of CDM projects regarding their sustainable development criteria is further questionable whether the targets are pointed out by the host's national interest gauge or investor's emissions reduction concern. It is due to the fact that developing countries could be more preoccupied with immediate economic benefits, rather than focus on long-term sustainable strategies, therefore choosing the cheapest projects to attract foreign investors, that would not necessarily imply meeting environmental needs, instead of going for the most optimal solutions (WRI, 1999).

UNCTAD's research also explores the controversial issue of voluntary participation concerning developing countries and their potential right to participate in Annex B emissions

trading (UNCTAD, 2000a, Chapter IV). Moreover, it suggests that such option would be beneficial for the non-Annex I parties because of "an opportunity to earn significant revenues from export of a new and, hitherto, 'unvalued' commodity", as well as discuses procedures of a potential accession and participation of the South in carbon markets (UNCTAD, 2001, p. 131-140). However, such accession is surrounded by many legal, institutional and procedural uncertainties especially regarding the form of commitments and the level of emission targets that could be imposed on the non-Annex B countries. So far, except some few individual cases, such as Argentina and Kazakhstan, generally the South represents an opposition to the idea of voluntary participation. Even though the Russian proposition, issued during the COP-11 and heatedly debated during the COP-12, established a pathway for voluntary commitments and put the concept back on the agenda. Nevertheless, developing countries have to bear in mind that their GHG emissions are growing and will soon exceed carbon concentrations of the developed world. In such case, there is a possibility that the non-Annex I group would face a partition into smaller units of which one could agree on some sort of initial commitments in form of relaxed emission targets. The South's emissions participation is essential to climate change mitigation efforts but its voluntary participation in the Annex B trading schemes is approached mostly from a business driven perspective since developing countries' share in global permit market is estimated by economic models at approximately USD 30-35 billion /year level (UNCTAD, 2000a, p. 39), whereas social and environmental aspects of such a strategy is not discussed. UNCTAD study even suggest that at one point CDM will be no longer needed as non Annex B countries accept their commitments under the climate change regime and establish their own domestic certification and verification schemes in order to fully join global emissions trading systems (UNCTAD, 2000a, p. 59).

It is important to note that especially the post-Kyoto negotiations analyses pursued by UNCTAD consider emissions trading units (TEU) derived from the Kyoto mechanisms (in form of AAUs, ERUs and CERs) as a commodity. For example, one of the report states that "the three flexible mechanisms are eventually to interact for creating a single fungible commodity in the global market (tonne equivalent of CO2 emissions)" (UNCTAD, 2000a, p. 47). Furthermore, another publication issued by UNCTAD envisages "the creation of a fungible, homogenous TEU commodity with appropriate property right, ownership and transfer rules" (UNCTAD, 2001, p. 10). The 2003 Conference's "Implementation Guide to the Clean Development Mechanisms" recognizes CERs as "standardized GHG reduction credits that are becoming a commodity that can be bought and sold on the global market (...)" and "once CER credits are produced from CDM projects, they can be sold like any other commodity" (UNCTAD, 2003a, p. 4, 16). Such statements can be considered controversial and confusing since according to the Marrakesh Accords the Kyoto Protocol did not determine or bestowed any right and ownership to emissions. The decision does not clearly specify whether such "emissions" term also includes units created by the KP, yet such provision indicates that Parties do not regard holding of Kyoto units as property right but rather as uniform divisible embodiments of promises accepted by countries under the climate change regime (Yamin, 2005, p. 16).

It is therefore interesting that publications issued under UNCTAD recognize tradable emissions units as commodities that can be easily bought and sold. It also indicates the direction of the Conference's analyses which apparently further seek to promote global emissions trading systems driven by free market, private capital and financial benefits. It is also important to notice here, that the idea of a commodity in form of an emission trading unit is a reflection of the capitalist world-economy *commodification* process, which Terry Boswell explains as "the transformation of all relations into monetized market exchanges" (Boswell, 1995). According to Wallerstein, "commodification means that activities that involve production, exchange, saving, or borrowing are monetized and thus become market operations" and "that over time there has been a thrust towards the commodification of everything, a thrust which by the late twentieth century had reached levels undreamt of in former historical systems" (Wallerstein, 1995). TEUs, CERs or one tone of carbon dioxide, these units are incorporated by the mainstream international economic system pursued by the dominant *core* – particularly the United States in this case. Thus, it raises question whether UNCTAD, with its institutional dimension in the area of research and capacity building, aims at addressing problems and expressing opinions of developing countries, that is work for the benefits of *peripheral*, not the *core*.

Furthermore, in its analytical work, UNCTAD does not give enough attention to the controversial role of carbon sinks within the Kyoto flexible mechanism, particularly in the CDM projects, or rather treats this problem in purely economic terms leaving environmental and social aspects without answers. The IPCC Special Report on Land Use, Land-Use Change and Forestry (LULUCF) issued in 2000 identified a number of risks related to carbon sinks and emphasized that the position of local communities could be endangered in various ways by extreme tree-plantation projects. However, the Conference mentions in its study that the role of sinks triggered a strong disagreement on the United States – European Union line over the shape and limitation of using such biotic sequestration projects (UNCTAD, 2001, p. 83). The concept of carbon sinks was introduced to the climate change negotiations because of increasing global deforestation practices on one hand, and the ability of large forests to absorb huge amounts of carbon dioxide. Additionally, for some industrialized countries, especially the United States, such reforestation/aforestation strategy appeared to be the cheapest option of reducing GHG emissions and hence carbon sinks were put on the agenda of the regime. In result, the Kyoto Protocol gave Annex I countries the possibility of mitigating climate change through removing GHG emissions by using reforestation/aforestation schemes.

Moreover, during the COP-6 Part II in 2001 carbon sinks were included into the CDM projects and, thus, private investors from the industrialized world could acquire CERs for tree planting in developing countries, whereas the forest preservation option was not included to the CDM (Jasanoff and Martello, 2004). The COP-9 held in 2003 resolved majority of rules on LULUCF and details regarding the carbon sinks option and its inclusion to the CDM (Yamin, 2005). However, several environmental NGOs, observing the emergence of flexible mechanisms and inclusion of carbon sinks to the CDM, expressed their strong concerns over the fact that large-scale reforestation/aforestation projects could harm rural and indigenous communities in the South (Jasanoff and Martello, 2004, p. 105-106). Eventually the

Marrakesh Accords regarding rules for crediting of domestic sink activities (including reforestation, forest management and agricultural management) were finally settled during the COP-11. Nonetheless, analyses of UNCTAD do not mention such concerns regarding LULUCF but rather regard forest plantation options in a neutral way as any other project opportunity, focusing more on the low-cost character of carbon sinks that would make it easier for developed countries to meet their commitments and mitigate the climate change. What is more, the study on "CDM Challenges and Opportunities in the Rubber Sector", issued under UNCTAD in cooperation with Earth Council, deliberates on the possible inclusion of large, monoculture natural rubber-tree plantations into CDM projects suggesting that such option would benefit both the climate change mitigation efforts through carbon sequestration and the production of natural rubber (UNCTAD, 2002b). Currently, the rubber sector cannot participate in the CDM projects because it does not meet a condition of supplementarity, but the analysis suggests that the concept of rubber-tree plantation will be probably forced through on the CDM agenda.

The problematic of supplementarity of flexible mechanisms, or in other words their "additional" character towards each country's domestic mitigation efforts, is also approached by researches of UNCTAD. The climate change regime defines domestic mitigation efforts as superior to additional options of reducing GHG emissions in form of flexible mechanisms. However, the supplementarity issue was one of the most controversial problems of the post-Kyoto negotiations process. In order to keep such delimitation, according to Article 7 of the KP, Annex I countries are ought to submit information regarding their domestic activities aiming at GHG emissions reduction. However, UNCTAD's study suggests that additionality can be understood in two ways. Either domestic action should provide the main means of Annex I parties' commitments whereas flexible mechanisms would be supplemental to such measures, or domestic action means all activities pursued by developed countries, including supplementary operations undertaken abroad. The second mentioned way of comprehending the supplementarity concept implies that industrialized nations could use Kyoto mechanisms without limits what, according to analyses, would be the most profitable option (UNCTAD, 2001, p. 83-86).

To sump up, UNCTAD's analytical work regarding emissions trading systems and Kyoto flexible mechanisms, including the project-based CDM, is evidently market driven, business oriented, private capital saturated and focused mainly on economic benefits, whereas environmental and social impact assessments of such trading schemes are basically passed over since such problems are not really in gesture of the Conference to deliberate on. This approach is particularly visible in the fact that studies pursued by UNCTAD consider emissions trading units and reduction credits as commodities that can be easily bought and sold, whereas supplementarity of flexible mechanisms is regarded as an obstacle that limits the potential of carbon markets. Therefore, it could disturb the balance of various elements surrounding the flexible mechanisms, shifting their concept towards private capital influences, rather than trying to optimally compensate economic, social and environmental aspects as well as sustainable development criteria of the Kyoto instruments. Thus, such business oriented perception could influence the climate change regime mitigation process and further

evolution of the Kyoto instruments, including their right and ownership aspect, as well as the issue of utilization unlimitedness.

Additionally, publications on carbon markets were issued with financial and scientific support of developed countries, such as Norway, Switzerland, the Netherlands, Germany, USA and Canada, as well as prepared in collaboration with their institutions (i.e. US Environmental Protection Agency, US Aid, the Swiss Agency for the Environment, Forrest and Landscape or the Earth Council Institute of Canada). The South lacked experience as well as financial and scientific means to pursue analytical work on carbon markets. More importantly, developing countries did not ask the UNCTAD's Secretariat to undergo studies on such schemes. Only in one case a request for commissioning the report on CDM came from Brazil (UNCTAD, 2000a) what could suggest that emissions trading systems were not on the South agenda but from the beginning it was a concept forced through under UNCTAD by the North. Additionally, the research pursued under the Conference, from the pre- as well as the post- Kyoto negotiations period, omits the concept of "historical responsibility" and does not analyse it at all. It is cursorily mentioned only in a study from 2001 in the context of voluntary participation of developing countries.

4.4.2. In search of adaptation strategies

In search of linkages between UNFCCC and UNCTAD regarding the adaptation issue it is important to emphasize in the very beginning of this chapter that whereas the climate change regime embraces the full array of the problematic and recognizes the significance of global warming impact – particularly when it comes to its adverse effects on environment, as well as on social and economic structures of human lives – UNCTAD's acknowledgement of risks related to climatic changes is mostly related to potential trade options connected with mitigation efforts (such as the abatement tactic in form of global carbon markets) rather than focused on ecological and social aspects of dangerous transformations in Earth's ecosystems.

The IPCC Third Assessment Report (TAR) issued in 2001, in its second volume "Impacts, Adaptation and Vulnerability" prepared by the Working Group II (WGII), offers an extensive analytical research on global environmental, social and economic consequences of the climate change, as well as suggests possible adaptation options and responses to natural and human vulnerability towards potential impacts caused by disturbances of ecosystems. The TAR mentions such dangerous and adverse effects of climate change as: rising sea levels and coastal flooding, temperature increases and changes in global precipitation patterns, inland flooding and desertification process, water scarcity, disruption of food security, higher risk of diseases. The IPCC report concludes that "adaptation is a necessary strategy at all scales to complement climate change mitigation efforts" (IPCC, 2001, WGII: Summary for Policy Makers, p. 6). The TAR also emphasizes the fact that the most vulnerable to climate change impacts are generally the poorest developing countries which rely mostly on agricultural production and have weaker infrastructure, thus, they lack resources necessary to implement adaptation measures towards the climate change which they are not responsible for, since such nations have the smallest contribution to GHG emissions (IPCC, 2001). Thus, in order to

sustain current global development process, food production security, economic systems and trade networks, there is a strong need to enhance the capacity for effective planning of adaptation infrastructure and adaptation strategies, including the improvement of insurance markets (Owen, Hanley, 2004).

However, countries participating in negotiation process under the UNFCCC have generally neglected the issue of adaptation and focused mostly on mitigation efforts until the present time, even though the Framework Convention recognizes "specific needs and special situations" of the Least Developed Countries (LDCs) (UNFCCC, 1992, Article 4.9). Nevertheless, as Roger A. Pielke proves in his paper, UNFCCC treats the adaptation issue in the narrowest way due to the highly restricted "climate change" definition that focuses mostly on the cause in form of anthropogenic GHG emissions and thus stresses the importance of mitigation efforts (Pielke, 2005). The Kyoto Protocol is concerned mostly on mitigation strategies, whereas any options regarding adaptation are mentioned barely twice in the document. Article 10.b states that Parties to the Convention shall "formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change and measures to facilitate adequate adaptation to climate change", whereas Article 12.8 regarding the CDM determines that a share of the proceeds from CERs shall be used "to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation" (UNFCCC, 1998).

The issue of adaptation was elevated to the more recognizable level during COP-7 and finalized in 2001 within the Marrakesh Accords that established three new funds: a special climate change fund set up in accordance with Decision 7/CP.7 in order to finance, among others, projects relating to adaptation; a least developed countries fund, also established by Decision 7/CP.7, that aims at providing support and assistance for vulnerable LDCs; and eventually an adoption fund, set up in accordance with Decision 10/CP.7, which would operate under the Kyoto's CDM and derive financial flows from certified project activities (further set on 2% of share from CERs issued for CDM projects) (UNFCCC, 2002; Yamin, 2005). The COP-7 also acknowledged a difficult situation of the Least Developed Countries establishing an LDC work programme including National Adaptation Programmes of Action (NAPAs) as well as other supporting activities (UNFCCC, 2002, Decision 5/CP.7). Since the Accords, the need for recognition of adaptation requirements was growing among countries, thus, achieving the biggest advance so far during the COP-9, where the awareness of vulnerability and adaptation topic was put on the agenda of negotiations and discussed during the roundtable discussions (Depledge, 2005).

On the other hand, according to UNCTAD, adaptation is considered to be one of the policy responses to climate change that does not necessary have to be a required option. In the Conference's pre-Kyoto negotiations research on emissions trading systems, one study even assumes that "since many of the world's poorest people already live in hot, dry regions, adaptation policies are unlikely to be attractive to the governments of developing countries" and further suggests that "there is an added danger that some adaptations, such as the increased use of air conditioning in warm countries, would increase the rate or extent of

climate change" (UNCTAD, 1995a, p. 10). Therefore, except an illusive air conditioning option and mentioning that some degree of adaptation will be required, UNCTAD treats the issue very lightly and does not really identify a strong need of planning adoption strategies enabling vulnerable developing countries to prepare themselves for various adverse impacts of climatic changes that could seriously disrupt their development and production process, economic systems and in consequences trade networks as well. The post-Kyoto negotiations research pursued by the Conference mentions adaptation mainly in the context of the CDM and that a share of the proceeds from CER credits is used to finance adaptation measures in developing countries that are most vulnerable to climatic changes. UNCTAD research does not deliberate on the form of such measures and what kinds of projects are financed from the resources provided by the CDM. Moreover, the study from 2000 recognizes "inequality between the instruments as the burden of the adaptation proceeds has only been imposed on the CDM, which provides an unfair competitive advantage to JI and ET" (UNCTAD, 2000a, p. 10). However, the analysis does not question whether adaptation proceeds should be imposed on JI and ET as well in order to make adaptation fund bigger. On the contrary, it considers such "taxation" of the CDM as a factor that makes this flexible mechanism less competitive against / towards other instruments. In some way, adaptation to the climate change is less important than competitiveness of the Kyoto mechanisms.

The IPCC Third Assessment Report also indicates that the insurance sector, in form of financial services that provide risk-spreading mechanisms, is a key agent of adaptation efforts (IPCC, 2001, GWII: Technical Summary, p. 38). Raising economic losses caused by natural catastrophes and increasing costs of weather related events are some of the biggest challenges of adaptation process. Particularly the most vulnerable developing countries, exposed to the biggest climate change effects in terms of human, economic and environmental losses, will definitely require disaster recovery options and other financial, risk-lowering solutions. Therefore, the insurance sector could provide adaptation strategies with various instruments that, if properly implemented, would enable countries to limit catastrophe risks caused by different impacts of the climate change (Munich Re Group, 2005). Since the climate change regime has been mostly focused on mitigation efforts, the concept of adaptation strategies has not been yet sufficiently approached until recently, when it was put on the agenda of COP-9 in 2003. The low level of interest for adaptation strategies concerns also the issue of insurance which requires a proper exploration, especially in relation to vulnerable developing countries. Nonetheless, in May 2003, the UNFCCC Workshop on insurance-related actions took place, in order to "address the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and from the impact of the implementation of response measures" (UNFCCC, 2003b). This particular research meeting signifies the growing concern regarding adaptation and insurance strategies, not only in relation to economic costs and losses caused by natural catastrophes and weather disasters, but also in the field of costs and losses due to emission reduction.

When it comes to UNCTAD, its Insurance Programme that have been operating since the Conference's establishment in 1964 aims at responding to the needs of developing countries in the field of activities related to the insurance sector. The Programme

acknowledges the insurance and reinsurance needs in respect of: catastrophes, environmental impairments and large risks, but does not explicitly recognize or mention any natural, adverse impacts of the climate change resulting in serious human, social, economic and environmental losses (UNCTAD, 1995b). Unfortunately, at the moment the issue of insurance in perspective of the adaptation to climatic changes is not present on the agenda of research pursued by UNCTAD. Therefore, the institutional linkage in the area of adaptation strategies between UNFCCC and UNCTAD, whether approached from the issue of financial options under CDM or from the insurance sector aspect, is unvaryingly insufficient and currently cannot be taken under consideration regarding the potential synergy within this particular field of interest.

5. Conclusions

The aim of this thesis was to trace and analyze linkages – that are prerequisites of synergies – occurring between UNCTAD and UNFCCC in order to determine potentials, obstacles and consequences of such a mutual cooperation. At this point, it is important to remind the readers that the synergy is understood here not as a simple cooperation of two separate parts, but as combined efforts which final effect is greater than a sum of individual parts working separately. Additionally, I also recall that historical background of the two organizations, as well as the world-systems and dependency theory played a role of my pre-understanding of analyzed issues.

Generally, according to my findings I suggest that the synergies between the two respective organizations can be obtained from institutional linkages based on the UN system, in which both organizations are shaped and coexist with each other, as well as on assistance and capacity building provided for developing countries regarding their participation in the CDM projects. However these positive aspects are overshadowed by political linkages which create more obstacles rather than facilitations. Therefore, as I stated in the definition part of my paper (chapter 1.3.), the possible outcomes of the synergy do not have to necessarily be positive but can become neutral or negative as well.

In my opinion, the institutional linkage between UNCTAD and UNFCCC based on the affiliation with the UN family of organizations, as well as on procedures derived from UNGA can have positive results in the way that for these two legal bodies shaped in the same international system it would be easier to merge and cooperate, because both have been framed within the same institutional arena. However, developing countries seek to revitalize UNCTAD and the synergy with UNFCCC could allow them to pursue such a tactic. On the other hand, the process of dismantling UNCTAD and limiting its role on the international arena suggests, in my view, that generally the North is not interested in supporting alternative voices and ideas to the mainstream economic of the international trade regime. It is, therefore, a delicate issue that depends mostly on the strategic choice of the South and how much significance they attach to the revitalization of UNCTAD, whether its mandate should focus on reshaping the international economic order or rather become a capacity building institution framed within the mainstream economy of the international trade.

Based on my analysis I also conclude that further exploration of CDM projects with their implementation in the South, as well as the capacity building in developing countries constitute a strong institutional linkage between UNCTAD and UNFCCC, particularly that the Conference has already been active in this field cooperating with SBSTA. Additionally, the CDM is a main element of the Kyoto Protocol that bridges the rich North and the poor South because it involves cooperation of both sides. The Conference can offer particularly to developing countries necessary assistance and guidance regarding investment incentives, project finance tools and sustainable development criteria that could make potential CDM projects attractive and most optimal for generating long-term benefits.

However, synergies between UNCTAD and UNFCCC that could be based on the institutional linkages in form of the UN system, as well CDM research and capacity building involve political implications.

First of all, the political linkage between both organizations in form of the situation of developing countries suggests that it is not much about building an authority of any of both institutions, but it could rather result in shifting an authority either towards the collective South (*periphery*) or the industrialized North (*core*). The opposing positions of developed and developing countries prompt constant tensions, disputes and controversies that deepen the conflict between the global North and the global South, thus, strongly influence discussions, negotiations, research, agenda framing and actors' behaviours. The conflict between the South's policy space and external forces framing this space – the shape of international trade rules, the global climate change and its mitigation efforts – could be lowered by the behaviour of developed countries (a dominant *core*). However, the rich nations do not act collectively as the South and they can behave differently depending on the arena of negotiations (i.e. US and EU have different views). At the same time, the cohesiveness of G-77 plus China can be regarded as an obstacle to the synergy between both institutions. Behaviours of individual countries inside the G-77 are less flexible because they are bound within the collective South (subordinate *periphery*) that is supposed to speak with one voice on the international arena, especially being in opposition against industrialized nations.

Secondly, a political link is also placed in the issue of the winner-loser division, particularly when it comes to the unequal distribution of CDM that creates the South-South competitive edge, but also regarding adaptation to climate change impacts. Thus, actors will have differentiated dual roles in the climate change. For example, according to the research of UNCTAD analysed in my paper, China and India can benefit from the mitigation efforts through the CDM projects, but the IPCC report suggests that these regions of Asia may be exposed to great economic losses due to various impacts of the climate change, if adoption options are not properly implemented on time. Whereas some developing countries (such as AOSIS, LDCs, SIDS – Small Island Developing States, African nations) could become doubler losers of the climate change, situated on the margin of CDM projects distribution and due to the highest level of vulnerability to global warming effects. Nevertheless, changes and outcomes depend on the level of actors' recognition of and approach to the winner-loser division possibilities in the South.

Finally, it is only after making oneself acquainted with UNCTAD's research regarding carbon markets and CDM to notice that the socio-economic linkage within the Conference is basically connected with economic profits derived from climate change mitigation. UNCTAD does not fully acknowledge climate change as a factor that could affect international trade but perceives it more as a source of potential benefits in form of abatement measures, particularly emissions trading systems. Additionally, it is questionable weather research and assistance capabilities of UNCTAD could influence climate change mitigation efforts in a positive way or rather shift the attention from environmental aspects to economic benefits of the abatement, transforming carbon markets into a prosperous international business that would have little in common with sustainable development criteria and reduction of GHG emissions. It is also questionable whether the Conference will approach sustainable development from the environmental – climate change abatement – point of view or rather through the economic benefits derived from emissions trading. It seems, though, that "sustainable" could mean two different things under UNFCCC that is focused more on environmental aspects, and under UNCTAD that is more driven by trade and economic issues. Moreover, a juxtaposition of environmental issues versus economic growth is also a reflection of a dominant development discourse assuming that accumulation of wealth is a solution to ecological problems. In reality these two goals are more contradicting than complementary, what is particularly visible in the dilemma of Southern nations, which strive to continue their economic growth and elevate living standards, whereas such tactics jeopardizes mitigation efforts due to rapid increase of their GHG emissions. However, the higher concentrations of GHG emissions the more adverse impacts of climate change. Simultaneously, developing countries are considered to be the most vulnerable to impacts of global warming, thus, their young and fragile economies will have to face the possibility of serious threats in form of climatic changes.

Conclusions of this thesis allow me to envisage three potential outcomes of synergies between UNCTAD and UNFCCC.

In the first possible scenario I envisage a relative balance between influences of the North and the South. Some developing countries would facilitate their willingness to make a progress in climate change negotiations and voluntary agree on commitments. This move would allow them to participate in carbon markets in form of emissions trading that is currently allowed only to Annex-B parties of the Kyoto Protocol. In such case, UNCTAD could become an important analytical tool as well as provider of a crucial assistance in capacity building to a majority of developing countries that do not have experience with participating in carbon markets. The Conference's analytical work on emissions trading would strengthen common efforts to make such schemes functional and beneficial also in the South. Additionally, UNCTAD could also play a role of a "trusted" organization that manages to talk developing countries round over their agreement to voluntary or even future commitments. However, such option raises question whether a global emissions trading system would have any significant input to the mitigation efforts, especially that the current scientific findings on global warming are alarming and request serious cuts in GHG emissions.

In the second possible scenario I assume a relative dominance of the Southern influences over the North. It can happen due to the strengthened position of the collective South (the G-77 plus China) accomplished through revitalization of UNCTAD, under which developing countries would be able again to pursue their alternative economic approaches in opposition to the neoliberal economy of international trade. Therefore, the South would continue to disagree on any substantial commitments and on their GHG emissions control in order to favour continuation of its economic growth fostered by the revived position of the Conference. Thus, that climate change negotiation process would become more complicated and mitigation efforts difficult to achieve. However, there is also a possibility that developing countries could actually achieve better trade agreements and gain an input to accelerate their economic growth. But this option involves an inevitable rise of their GHG emissions and further complication of mitigation efforts. The pressure on developing countries would be then marked by the North through the climate change regime in form of future commitments.

In the third possible scenario of a synergy between both institutional arrangements it is the Northern influences that relatively dominate over the South, thus, climate change regime would be pushed closer towards free-market based international trade regime. This would be achieved through further dismantling and restriction of UNCTAD's mandate merged with WTO, as well as with limiting the policy space of developing countries and framing them in the mainstream neoliberal economy of international trade. Therefore, the G-77 would become partitioned into smaller groups or individual countries of which some of them would accept a form of commitments as well as could be allowed to participate in emissions trading. Nevertheless, further efforts to involve the South in the neoliberal economy of international trade through flexible mechanism can perhaps lower the cost of abatement but at the same time it will allow developing countries to pursue their economic growth, and in consequences it could actually squander the opportunity of mitigating the climate change when the world still has time to minimize its future impacts. In my opinion, the synergy between the UNCTAD and UNFCCC could foster acceleration of development what would make measures of abating climate change more difficult due to the faster growth of the GHG emissions contributed by the South.

Thus, I suggest three alternative scenarios that could be envisaged not necessarily as separate but as complementary options as well. These alternative options are based on the aspiration to balance influences of the North and the South – a tactics that could make mitigation efforts more effective and adaptation strategies successful for the benefits of all, *core* and *periphery*.

In the first scenario, developing countries pursue or commission under UNCTAD scientific research that would either continue its analyses of carbon markets, particularly emissions trading options and CDM projects in the South, or propose and examine their own options regarding mitigation efforts in the context of trade and development. The continuation of research pursued by the Conference could include such mutually important topics demanding further examination as: the equality of CDM projects distribution, the quality of CDM projects in the context of the sustainable development criteria, and the voluntary participation of developing countries in the Annex B trading schemes.

In the second scenario, developing countries would be able to analyze options that are competitive to those originally proposed by the North. The carbon markets idea pushed through by rich nations was brought up on the agenda of climate change regime on the notion of flexibility. However, the flexibility mechanisms could in fact be regarded as one-sized because all three are based on liberal economy and free-market that do not necessarily have to be beneficial for all, especially for developing countries. Thus, there is a need of diversifying possible solutions that could become suitable for particular regional, political and economic situations of the Southern nations and UNCTAD could stress its support for various initiatives on the local level. It is important to hear different options and solutions in order to make mitigation efforts more efficient in regard to environment as well as development, not only on a global but particularly local level.

In the third alternative scenario, I suggest establishment of the linkage that would become a prerequisite of a synergy between UNCTAD and UNFCCC on the ground of adaptation strategies. As I showed in my analytical work, currently there is no basis for such option. In my view, it is quite astonishing especially that scientific reports have pointed out dangers of developing countries' vulnerability on climate change impacts, whereas the Conference's main concern are trade and development of the South. Even if serious cuts in GHG emissions are to be made now or in the nearest future, the global warming will inevitably affect developing countries in a quite painful way, hitting their young, vulnerable economies and growing populations (Sarewitz and Pielke, 2000). Therefore, UNCTAD's Insurance Research and Technical Cooperation Programme could focus its attention on adaptation strategies in the context of trade and development. Such analytical and technical work in the area of adaptation and insurance markets could become a useful enhancement of work pursued under UNFCCC, especially that the latest round of negotiations made further steps on adaptation issues. The COP-12 meeting detailed a five-year work plan adopted by COP-11 (decision 2/CP.11) that calls for workshops and reports in upcoming three years to share and analyze information on various aspects and approaches regarding adaptation. UNCTAD is listed as an organization active in areas relevant to the five-year programme (UNFCCC, 2006) and it will be very interesting to observe what kind of impact the Conference will provide to the analytical work on adaptation issues pursued under the climate change regime.

Acronyms and Abbreviations:

AAU	Assigned Amount Unit
AGBM	Ad Hoc Working Group on the Berlin Mandate
AOSIS	Alliance of Small Island States
AWG	Ad Hoc Working Group
CDF	Clean Development Fund
CDM	Clean Development Mechanism
CER	Certified Emission Reduction (Unit)
COP	Conference of Parties
EB/CDM	Executive Board of the Clean Development Mechanism
ECE	United Nations Economic Commission for Europe
EIG	Environment Integrity Group
EITs	Economies in Transition
ERU	Emissions Reduction Unit
ET	Emissions Trading
EU	European Union
FCCC	(UN) Framework Convention on Climate Change
G-77	Group of 77
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GHG	Greenhouse Gas
IETA	International Emissions Trading Association
IETO	International Emissions Trading Organization
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
INC/FCC	Intergovernmental Negotiating Committee for a Framework Convention on Climate Change
IPC	Integrated Program for Commodities
IPCC	Intergovernmental Panel on Climate Change
JI	Joint Implementation
JUSSCANNZ	Japan, USA, Switzerland, Canada, Australia, Norway and New Zeeland
KP	Kyoto Protocol
LDCs	Least Developed Countries
LULUCF	Land Use, Land-Use Change and Forestry
MOP	Meeting of Parties
NGOs	Non-Governmental Organizations
NIEO	New International Economic Order
OPEC	Organization of the Petroleum Exporting Countries
RMU	Removal Unit

SBSTA	Subsidiary Body for Scientific and Technological Advice
SIDS	Small Island Developing States
SOAs	New Spheres of Authority
TAR	(IPCC) Third Assessment Report
TEU	Emissions Trading Unit
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
US	United States
US EPA	United States Environmental Protection Agency
WB	World Bank
WCED	World Commission on Environment and Development
WGII	(IPCC) Working Group II
WMO	World Meteorological Organization
WRI	World Resources Institute
WSD	World-Systems and Dependency Theory
WTO	World Trade Organization

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