Debt-for-Nature Swaps: A New Strategy for Protecting Environmental Interests in Developing Nations

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INTRODUCTION

In its year-end issue for 1988, Time broke from its tradition of naming a Man or Woman of the Year and named “Our Endangered Earth” Planet of the Year1 to emphasize the global nature of environmental problems. Just as economists speak of a global economy, environmentalists now speak of a global environment, one facing an increasing number of transboundary problems that are amenable only to international solutions. The unrestrained development of natural resources in developing nations, with its consequent deforestation, desertification, and contribution to global warming, is one leading example. Rainforest destruction, for example, occurs almost exclusively in developing nations, but its solution demands the involvement and cooperation of developed nations that possess the economic and technical wherewithal to address both the environmental and the economic issues.

One new strategy, the so-called debt-for-nature swap, attempts to control the exploitation of natural resources without ignoring the economic needs of developing nations. In rough terms, debt-for-nature swaps restructure or retire some of a developing nation’s debt in return for protection of undeveloped and environmentally sensitive areas within the country. In 1987 and 1988, two U.S.-based nonprofit environmental organizations negotiated debt-for-nature swaps with the governments of Bolivia, Ecuador, Costa Rica, and the Philippines. This Comment analyzes these four agreements and the prospects for future debt-for-nature agreements.

Part I reviews the chronology and mechanics of the four debt-for-nature swaps that have taken place. Part II examines the objectives pursued by the parties and analyzes the extent to which these objectives have been accomplished. Part III considers the potential conflict between the environmentalists' desire to protect natural resources and the sovereignty of swapping nations, a conflict that could frustrate debt-for-nature swapping.

I

THE DEVELOPMENT OF DEBT-FOR-NATURE SWAPS

Two major problems spurred the development of debt-for-nature swaps: the destruction of tropical rain forests and the accumulation of foreign debt by the countries in which these forests are located. To respond to these problems environmental groups adapted the idea of debt-for-equity swaps to create programs that help developing countries reduce their foreign debt burden and protect their undeveloped land. After briefly reviewing the forces that led to the creation of debt-for-nature swaps, this section examines the mechanics of the swaps negotiated thus far.

A. Deforestation

The scope and rate of tropical deforestation is alarming. According to the United Nations Food and Agricultural Organization, one-half of the globe’s forests, nearly all of which are located in developing countries, have disappeared since 1950.2 More recent estimates indicate that over eleven million hectares (approximately forty-two thousand square miles) of tropical forest are lost annually.3

The consequences of tropical deforestation are potentially devastating. Deforestation may cause dramatic changes in local climates, raising temperatures and lowering rainfall in areas once richly forested. It may also contribute to global warming.4 If left unchecked, the consequences of these changes could threaten prosperity and perhaps political stability in the developing world.

Deforestation also threatens genetic diversity. Tropical forests contain at least fifty percent of all plant and animal species on earth.5 More species of trees grow in the areas protected by the Bolivian debt-for-nature agreement than grow in all of North America.6 Five hundred spe-

3. See World Committee on the Environment and Development, Our Common Future 34 (1987) [hereinafter Our Common Future]. This amounts to an area larger than Massachusetts, Connecticut, and Rhode Island combined.
cies of birds nest within this same area. In western Ecuador, it is estimated that over 50,000 animal species have become extinct over the past twenty-five years due to the destruction of tropical forests.

Such rapid extinction seriously depletes the world's genetic pool. Tropical forests are the earth's main source of naturally occurring drugs. In addition, genetic engineering depends upon the existence of a wide pool of genetic material for producing new medicines and industrial materials. Thus, species extinction can permanently foreclose sectors of tropical forest biology, research that has contributed significantly to the development of modern medicine.

B. Debt

While the forests have shrunk, the developing world's debt has expanded. The total foreign debt of developing countries passed the $1 trillion mark in 1987 and continues to grow. Debt service creates a tremendous strain on the economies of developing countries. Costa Rica, for example, allocated twenty-five percent of its 1988 budget to service its $4.5 billion foreign debt. Ecuador and the Philippines have budgeted similar proportions in recent years.

The explosion of foreign debt and the growing realization that developing nations cannot service their existing debt have forced international lenders to restructure their loans by deferring payments or exchanging debt for equity investments (so-called debt-equity swaps). In a debt-equity swap, foreign currency debt held by an international lender is exchanged first into currency of the developing nation then into equity in a business within the debtor nation. Debt-equity swaps allow a bank to convert a nonperforming loan into an income-producing equity investment. The swapping nation benefits because it exchanges currency for

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7. Borrelli, Debt or Equity?, AMICUS J., Fall 1988, at 42.
8. OUR COMMON FUTURE, supra note 3, at 149.
10. See OUR COMMON FUTURE, supra note 3, at 156.
13. 1 EUROPA YEAR BOOK 1988, at 797.
14. Id. at 931; 2 EUROPA YEAR BOOK 1988, at 2163.
15. See Evans, New Debts for Old—And the Swapper is King, EUROMONEY, Sept. 1987, at 72.
16. Telephone interview with Faustino Garza, Vice President and Manager, Latin America Corporate Finance, Security Pacific National Bank (Nov. 20 1989) [hereinafter Garza Interview].
more than the market value of the debt, but substantially less than the face value. The difference is written off as a loss by the swapping lender.

C. The Origins and Structure of Debt-for-Nature Swaps

In 1984, Dr. Thomas Lovejoy III of the World Wildlife Fund suggested a variation on debt-equity swaps as a means of preserving undeveloped lands in developing countries. He urged private creditor banks to discount debts or offer credit against debts in exchange for the debtor nation’s protection of forested lands. Dr. Lovejoy’s proposal incorporated government participation through tax relief for the private creditors who made such agreements.

Neither Congress nor the banking community responded favorably to Dr. Lovejoy's proposal, but the Connecticut-based Frank Weeden Foundation took the initiative, allocating $300,000 for grants to environmental organizations to finance debt-for-nature agreements. The grants were intended not only to protect undeveloped lands, but also to help the environmental organizations and governments of the developing states undertake further preservation efforts themselves. The grants were also designed to prompt the U.S. Government and the World Bank to encourage similar agreements.

Conservation International (CI) was the first environmental organization to arrange a debt-for-nature swap, signing an agreement with the government of Bolivia on July 13, 1987. Over the course of the next eleven months, the World Wildlife Fund (WWF) negotiated agreements with Costa Rica, Ecuador, and the Philippines. All four of these agreements exchange foreign debt obligations for increased protection of forests. Each also promotes the development of local environmental groups by calling for their participation in the implementation of the

17. Id. The difference between the market value and the face value can be dramatic. Latin American debt trades from a low of approximately 12 cents on the dollar (Argentina) to a high of approximately 58 cents on the dollar (Chile). Id. See also infra note 26.
18. Garza Interview, supra note 16.
20. Id.
22. See id.
24. Conservation International was formed largely from the membership of The Nature Conservancy’s International Program, which had been involved in the negotiations leading up to the Bolivian agreement. The Weeden Foundation grant followed the International Program personnel to CI. See Walsh, supra note 21, at 597. Copies of the Bolivian debt-for-nature agreement discussed in this Comment may be obtained from CI at 1015 18th Street, NW., Suite 1000, Washington, D.C. 20036.
25. WWF's headquarters are at 1250 24th Street, NW., Washington, D.C. 20037.
agreements. The means of accomplishing these goals, however, vary significantly from agreement to agreement.

In the first of these debt-for-nature swaps, CI purchased debt with a face value of $650,000 for $100,000.26 CI then traded its right to repayment of this debt for Bolivia's promise to preserve 3.7 million unprotected acres in the Bolivian llano, or lowland plain.27 Bolivia also promised to give statutory protection to the 334,200-acre Beni Biosphere Reserve28 and to allow CI to participate in the administration of all the protected lands.29 Finally, Bolivia agreed to create a $250,000 endowment for the Beni Biosphere Reserve, with $150,000 provided by a grant to Bolivia from the Agency for International Development (AID).30

On December 14, 1987, WWF announced a $1 million debt-for-nature swap with Ecuador.31 This agreement adopted a more complex three-step procedure. First, WWF purchased dollar-denominated Ecuadorian debt from a group of international banks. Next, WWF exchanged this debt for Ecuadorian bonds, repayable in local currency, to be held by a local environmental group, the Fundacion Natura. Third, WWF and the Ecuadorian Government agreed to allow Fundacion Natura to use the payments from these bonds to fund the preservation of undeveloped lands.32 Thus, Ecuador exchanged dollar-denominated debt for debt payable in Ecuadorian sucre. Because the government controls the supply of sucre, the burden of repayment is eased. WWF, in return, secured its relationship with a local environmental organization and received assurances that undeveloped lands would receive greater protection.

In March of 1988, WWF exchanged the first $1 million in foreign debt, and the first local bonds were issued to Fundacion Natura. WWF purchased the bonds used in that exchange for $350,000 ($100,000 of which had been provided by the Frank Weeden Foundation).33 In April,

27. Shabecoff, supra note 6.
29. Bolivia-CI Agreement, supra note 28, 14th clause.
WWF and The Nature Conservancy announced that another swap involving $9 million of foreign debt had been arranged.\textsuperscript{34}

WWF has utilized the basic format of the Ecuadorean swap in subsequent agreements with Costa Rica and the Philippines. On March 17, 1988, WWF announced an agreement pursuant to which WWF would exchange $3 million of foreign debt for Costa Rican-denominated bonds issued to the Costa Rican National Parks Foundation.\textsuperscript{35} Subject to consultation with WWF and the Costa Rican Government, the local foundation will determine how the money will be spent.\textsuperscript{36}

Finally, on June 23, 1988, WWF announced a debt-for-nature swap involving the Philippines.\textsuperscript{37} Unlike the other WWF agreements, in which foreign debt was exchanged for domestic debt, this agreement provides for the exchange of foreign debt for domestic currency.\textsuperscript{38} Under this agreement, which has yet to be fully implemented, up to $2 million in foreign debt will be converted into Philippine pesos that will be invested by the Haribon Foundation.\textsuperscript{39}

\section*{II
ANALYSIS}

Evaluating the success or failure of the debt-for-nature swaps is a difficult task because relatively little time has passed since their implementation and because the agreements were not designed with a narrow focus or a single goal. Both the debtor nations and the environmental groups sponsoring the agreements pursued complex agendas, so any evaluation of the agreements must assess the degree to which the agreements have allowed both sides to pursue their various goals.

This evaluation considers five issues: 1) the respective financial interests of the debtor nations and the environmental groups, 2) the development of environmental groups within the swapping nations, 3) the environmentalists' interest in encouraging future agreements, 4) concern among all the parties about the management of undeveloped resources, and 5) the potential conflict between the environmentalists' desire to ensure implementation of the agreements and the debtor nations' interest in preserving their national autonomy. Because the last issue may be the

\textsuperscript{34} Id.


\textsuperscript{36} WWF-Costa Rica Agreement, supra note 35, § 2(b).

\textsuperscript{37} See Debt-for-Nature Agreement, June 24, 1988, World Wildlife Fund-Department of Environment and Natural Resources (Philippines)-Haribon Foundation [hereinafter WWF-Philippine Agreement].

\textsuperscript{38} World Wildlife Fund, News Release (June 23, 1988).

\textsuperscript{39} WWF-Philippine Agreement, supra note 37, § 1.
most crucial to the success of the existing agreements and to the potential expansion of such swaps, it is addressed in a separate analysis.

A. Financial Interests

The developing countries pursued swaps both to reduce foreign debt and to obtain assistance in managing their resources. The environmental organizations wanted the most environmental protection for each dollar they invested. Given the limited resources of the environmental organizations, there was not any expectation that the debt-for-nature swaps would significantly impact the aggregate debt burden of any of the swapping nations. The agreement between Bolivia and CI involves a total of $650,000, but Bolivia's total foreign debt has been estimated to be $3.7 billion. Similarly, Ecuador's agreement with WWF involves at most $10 million of an overall foreign debt of $8.3 billion. WWF's agreement with Costa Rica relieves only $3 million of an estimated total debt of $4.5 billion. The Philippine-WWF agreement trades only $2 million out of that country's estimated $28.4 billion foreign debt. Thus, relative to the aggregate debt burden, the amounts involved in nature swaps are minuscule.

Nonetheless, both sides in the agreements win financially. Although the debt-for-nature swaps negotiated to date have had little impact on the total foreign debt of the swapping countries, they have provided a means for these countries to redirect a portion of their foreign debt payments to local projects that preserve environmentally sensitive areas. Environmental organizations win by taking advantage of the steep discounts in the secondary market to increase the value of their contributions. Thus, debt-for-nature swaps should not be dismissed because they deal with relatively small sums; rather, they should be judged a financial success for the mutual benefits they provide.

B. Encouraging Local Environmentalists

The CI and WWF agreements strengthen environmental groups in the swapping countries by including them in the implementation of the agreements and by channeling funds through them. The Bolivia-CI agreement directs CI to "name a national institution as executing entity of its programs and/or projects" in Bolivia. The agreement empowers this institution to act as CI's representative and to contract for "the exe-

40. Beautiful Barter, supra note 26.
41. 1 Europa Year Book 1988, at 511.
42. Id. at 931.
43. Id. at 797.
44. 2 Europa Year Book 1988, at 2158.
45. See supra note 26.
46. Bolivia-CI Agreement, supra note 28, 5th clause.
cution of [CI's] programs and/or projects." In addition, CI and the local organization are each liable for violations of the Bolivian Labor and Social Security Codes during the implementation of the agreement.

CI selected La Liga de Defensa del Medio Ambiente (LIDEMA) to execute the agreement. LIDEMA's role has been enhanced since the signing of the agreement, and LIDEMA now enjoys membership on the Finance Committee, which can veto the expenditure of funds from the endowment that protects the Beni Biosphere Reserve. In addition, CI and LIDEMA are to be represented on the Board of Directors of the Programa Chimane, a nongovernmental organization that will have authority over all plans undertaken in the Chimane Permanent Production Forest.

Local organizations play a larger role in the agreements negotiated by WWF because the WWF agreements, unlike the CI agreement, include as signatories local environmental groups in Costa Rica, Ecuador, and the Philippines. This action is not just symbolic; the local organizations have substantial authority under the agreements. Under the Ecuadorian and Costa Rican agreements, the local environmental groups hold the local currency bonds and receive all of the interest from them. Similarly, the currency exchanged under the WWF-Philippine agreement is paid directly to the local environmental organization. While fiscal control does not necessarily imply management autonomy, it does indicate the importance of local organizations to the implementation of the agreements.

By including local environmental organizations in both policymaking and implementation, the agreements strengthen the influence and expertise of environmental interests in developing nations. Although the CI and WWF agreements provide different roles for the local organizations, each provides an institutional structure within which the local environmentalists can work to implement their goals. Creating this formal linkage between local environmentalists and their respective governments may be the most significant accomplishment of the debt-for-nature agreements.

47. Id., 6th clause.
48. Id., 7th clause.
50. Id. See infra note 87 and accompanying text.
51. See WWF-Costa Rica Agreement, supra note 35, § 1; WWF-Ecuador Agreement, supra note 31, § 1.
52. See WWF-Philippine Agreement, supra note 37, Attachment No. 1, § IV.
53. See infra notes 110-31 and accompanying text for a discussion of the authority retained by the respective governments over the use of these resources.
C. Encouraging Future Debt-for-Nature Swaps

Given the limited resources of environmental organizations, the long term success of debt-for-nature swapping as a program of debt reduction and forest preservation depends on the ability of CI and WWF to inspire others to follow their example. This section examines the responses of three groups of institutions that would have to become involved in any large-scale swapping program: the United States Government, private banks, and the World Bank. While these institutions have responded favorably to the existing swaps, it is unlikely that any of them will participate substantially in any future swaps.

1. Administrative Agencies and Congress

Although the Executive Branch, through the Agency for International Development, has supported the efforts of private environmental groups to negotiate swaps, it has resisted initiating them. AID contributed $150,000 of the $250,000 endowment for the Beni Reserve in Bolivia.\(^54\) Nevertheless, the Reagan Administration opposed the creation of an international debt management institution that could have encouraged debt-for-nature exchanges.\(^55\)

The Treasury Department has encouraged debt-for-nature swaps by clarifying their tax implications and by indicating its willingness to cooperate in swaps. Following introduction in the House and Senate of bills to allow private banks to take charitable deductions for the face value of donated debt,\(^56\) the Internal Revenue Service issued Revenue Ruling 87-124,\(^57\) which addressed some of the issues raised by the prospect of donating debt. The IRS held that banks would be allowed a loss deduction for the difference between the donor's tax basis in the loan and its market value and a charitable deduction for the market value of any donated debt.\(^58\) Charitable donations, however, can only be made to registered nonprofit organizations, such as WWF and CI, not directly to the developing country.\(^59\) The U.S. nonprofit organization receiving donated debt must also have discretion to ensure that the funds are used in pursuit of the nonprofit's goals.\(^60\) Ambiguities remain in the application of Revenue Ruling 87-124 and failure to structure a transaction correctly may

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\(^{58}\) Id.

\(^{59}\) See Dionne, Treasury Agrees to Construe Revenue Ruling on Debt-for-Nature Swaps Liberally, TAX NOTES, Apr. 18, 1988, at 307, 309.

\(^{60}\) Id.
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prevent the donor from being able to deduct the value of the donated debt.\textsuperscript{61}

While the Treasury has encouraged debt-for-nature swaps with favorable tax treatment, it has not taken an active role in promoting or initiating them. However, M. Peter McPherson, then Deputy Secretary of the Treasury, indicated in January 1988 that the Department was "prepared to encourage the World Bank" to link nature swaps to World Bank funding.\textsuperscript{62}

Congress has taken an interest in nature swaps, but has not yet passed any legislation to promote them. Two bills were introduced in 1987 that would have allowed private banks a charitable deduction for the entire face value of the debts donated to international conservation organizations.\textsuperscript{63} Revenue Ruling 87-124 made the bills largely moot and led to their abandonment.\textsuperscript{64} Thus, while Congress seems favorably disposed to the idea of debt-for-nature swapping, it has not forcefully encouraged private lenders to swap and has made no effort to engage the federal government in swaps directly.

2. \textit{The Private Banking Community}

Although one commercial bank has donated debt to an environmental organization, private banks are not likely to engage in large-scale donations. In response to Revenue Ruling 87-124, the Fleet/ Norstar Bank of Providence, Rhode Island donated $250,000 of Costa Rican debt to The Nature Conservancy in January 1988, approximately six months after the Bolivia-CI agreement.\textsuperscript{65} However, this donation does not signify an endorsement of debt-for-nature swaps by banks in general. No other private lender has donated debt. Not surprisingly, lenders have preferred to reschedule rather than donate their holdings.\textsuperscript{66} The banking commu-

\textsuperscript{61}. See W. Lamp, A Tax Blueprint for LDC Debt-for-Development Swaps (May 23, 1988) (paper delivered at 1988 Seminar for Private Voluntary Organizations, sponsored by AID). The transaction must be structured to permit recognition of a tax loss under traditional loss recognition provisions of the Internal Revenue Code. Essentially, any asset received by the donor in the exchange must differ substantially from the asset given up for the loss to be recognized for tax purposes. The tax risk is exacerbated by the fact that there are no clear statutory or regulatory rules or standards that state exactly how much difference between the assets is required. \textit{Id.} at 6.

\textsuperscript{62}. Letter from M. Peter McPherson, Deputy Secretary of the Treasury, to Senator John H. Chafee (Jan. 13, 1988).


\textsuperscript{64}. The House and Senate bills would have allowed donors to take the full tax basis of donated debt as a charitable donation under I.R.C. § 170. The treatment outlined in the Revenue Ruling accomplishes essentially the same result, but treats only the market value of the debt as a charitable deduction. The excess of the donor's basis over the market value of the debt would be treated as a bad debt loss under I.R.C. § 166.

\textsuperscript{65}. \textit{Fleet/Norstar Donates Latin Debt to Conservancy}, Wall St. J., Feb. 9, 1988, at 20, col. 3.

\textsuperscript{66}. See W. Lamp, \textit{supra} note 61, \textit{passim}. 


nity has urged environmental organizations to purchase discounted debt in the secondary market.67

Even if the banks were interested in donating their debt, the size of their holdings raises serious doubt about the ability of environmental organizations to manage the volume of swapping that would be possible. Additionally, swapping foreign debt for local currency bonds on a massive scale could trigger inflation as swapping countries print more currency to make payment on the local bonds.68 Given the difficulties of large-scale debt donation for both the banks and the economies of the debtor nations, conservationists agree that private banks probably will not initiate future debt-for-nature swaps, although smaller banks may make donations.69

3. The World Bank

The World Bank has been under growing pressure from environmental organizations to reform its lending policies primarily because of the environmental destruction caused by a number of World Bank projects.70 As a result, the number of World Bank personnel involved in analyzing environmental issues has increased from seventeen to about sixty.71

A staff report of the World Bank's Environment Department, however, views traditional programs of refinancing and repayment more favorably than debt-for-nature swaps.72 The report expresses concern that swaps may skew the proper functioning of a developing country's domestic money market and cause inflation.73 The report also questions whether the favorable terms of swaps might inappropriately skew local development decisions in favor of environmental protection at the expense of poverty-alleviating projects or projects promoting economic growth.74 Finally, the report notes that writing off loans poses a risk to the Bank's bond rating.75 It concludes that "debt-nature swaps involving World Bank loans cannot be part of the menu of options, but in specific cases the Bank could provide technical assistance for swaps involving private debt."76

67. Dalton interview, supra note 55.
69. See Dionne, supra note 59, at 309.
73. See id. at 9-12.
74. Id. at 12-13.
75. Id. at 15.
76. Id.
D. The Management of Undeveloped Resources

The driving force behind debt-for-nature swapping is the growing concern about resource management in the developing world. Both the environmental groups and the swapping nations wanted to find a balance that would accommodate economic development and resource conservation. However, the CI and WWF agreements differ in their approaches to preservation of undeveloped lands. CI has utilized a sustainable development strategy, which allows limited economic use of protected areas. The WWF agreements, on the other hand, seek to keep lands completely undeveloped. These differing approaches demonstrate how debt-for-nature agreements can accommodate different conservation planning and management goals.

1. The Sustainable Development Strategy

The Bolivia-CI agreement embodies "sustainable development" as an attempt to allow development while ensuring the regeneration of resources and the maintenance of biological diversity. Proponents of this approach argue that sustainable development is the best way to serve both the conservation goal and the developing world's long-term economic needs.

The management of the Beni Biosphere Reserve by CI and the Bolivian Academy of Science illustrates how the sustainable development philosophy is implemented in the nature swap context. Beni was established in 1982 as a tropical forest reserve dedicated to scientific research. It was selected for its biological diversity, the presence of indigenous nomads—the Chimane—and because its isolation would permit planning to precede development. In 1986, Beni was designated a "biosphere reserve" under UNESCO's Man and Biosphere Programme.

77. The "sustainable development" philosophy is evident in the first clause of the agreement which states: "Conservation International...will lend assistance to promote the scientific, technical, financial and administrative capacity in the conservation sector and sustained use of renewable natural resources." The second clause contains very similar language. The third clause states that the Bolivian Government is to "develop activities favoring conservation and sustained use of natural renewable resources." Bolivia-CI Agreement, supra note 28.


79. Peter Seligman, Executive Director of CI, clearly articulated this approach in his statement announcing the Bolivian agreement. "The debt-for-nature swap agreement demonstrates that balancing and integrating conservation with development of natural resources can help developing nations establish more stable economic systems built on sustainable use of natural resources." Statement Accompanying Conservation International Press Release, July 13, 1987.

80. Walsh, supra note 21, at 596.

81. Telephone interview with Maria Teresa Ortiz, Director of Conservation International's Bolivian Programs (Apr. 28, 1989).
Consequently, it is to be managed according to MAB's sustainable development philosophy, whereby the protected area is divided into a "core" area surrounded by "buffer zones." Under the Bolivia-CI agreement, the core area will remain undeveloped. The agreement and representations made to the news media indicate the parties' intent that the Beni core zone be used only for scientific observation. In contrast, the buffer area will be used by the nomadic Chimane Indians and will be opened to carefully managed agricultural and forestry development. The largest of three buffer areas, the "Bosque de Produccion Permanente Chimane" (Chimane Permanent Production Forest), will, as its name implies, be used for lumber production. The land is intended to be maintained as a source of timber, and is not to be converted, for example, into grassland for cattle production.

2. Traditional Conservation in the WWF Agreements

The WWF agreements reflect a strong preference for traditional conservation instead of sustainable development. The WWF swaps do not create new protected areas, although they do permit small acquisitions of land. Instead, they address the "paper parks" problem by teaming with local organizations to emphasize conservation, as opposed to economic development. This approach reflects the concern that while many developing countries have passed laws establishing protected areas, they may be unwilling or unable to enforce them. This strategy accommodates WWF's traditional approach of acquiring and setting aside eco-

82. Bolivia's Beni Biosphere Reserve (Conservation International Fact Sheet, July 13, 1987).
83. See Action Plan, supra note 78, at 4-10; see especially Recommended Action 24: "To demonstrate the value of biosphere reserves in integrated regional planning, governments should develop existing biosphere reserves as models of balanced and sustainable development. These models should be used to demonstrate the economic and social benefits of conservation." Id. at 10.
84. "Natural or minimally disturbed core areas" are centers of endemism and of genetic richness or unique natural features of exceptional scientific interest. Action Plan, supra note 78, at 2. The buffer zone is a multiple use area and "may contain a variety of agricultural activities, settlements and other uses." Id.
85. See Walsh, supra note 21, at 596. In an article in the New York Times, CI President Spencer Beebe and board member Peter Stroh indicated that the protected areas "will be zoned for a variety of uses: undisturbed areas for research; forest reserves in which traditional hunting and gathering by native Chimane Indians will still be allowed; and watershed forest where productive, sustainable forestry and agriculture will be encouraged." Beebe & Stroh, supra note 23.
86. Walsh, supra note 21, at 596.
87. This area consists of approximately 1.66 million hectares. See Bolivia-CI Agreement, supra note 28, 10th clause.
logically important lands, especially those providing habitat to endangered species.  

The sections of the WWF agreements that stipulate how the money from the newly created local bonds should be spent direct some of the funds to support existing set-asides of undeveloped lands. The WWF agreements also direct that funds be used for "training a cadre of conservation professionals through the organization and implementation of local workshops, field courses, university training programs and related activities to improve the local capacity for protecting and managing . . . natural resources especially its parks and reserves." WWF considers such "institutional development and individual training" essential for the "long-term conservation of . . . wildlife and wildlands."

Each of the WWF agreements includes an attachment that describes how the initial funds are to be allocated among various national parks and other protected areas. These attachments provide additional indicia of the conservation orientation of the WWF agreements. The attachments describe each park's unique or endangered wildlife and ecosystems, as well as the threats facing each: potentially destructive economic uses such as logging, farming ("spontaneous colonization"), and poaching. On the other hand, economic concerns are reflected in

89. See World Wildlife Fund & The Conservation Foundation, A Quarter Century in Costa Rica (n.d.) (unpublished background paper) [hereinafter Quarter Century]. A "fact-sheet" of WWF's accomplishments likewise reveals a heavy emphasis on protecting endangered species and their habitats. Examples of WWF programs include reintroducing the nene goose into its native Hawaiian habitat, establishing reserves for and releasing into wild habitat an endangered primate, the golden lion tamarind, and working with the Peruvian Government in establishing the Manu National Park, a 6,000-square-mile shelter for numerous species of birds. World Wildlife Fund Accomplishments (n.d.) (unpublished factsheet).

90. See WWF-Ecuador Agreement, supra note 31, § 2(a)(iii); WWF-Costa Rica Agreement, supra note 35, § 2(a)(iii); WWF-Philippine Agreement, supra note 37, § 2(a)(ii).

91. WWF-Ecuador Agreement, supra note 31, § 2(a)(iii); WWF-Costa Rica Agreement, supra note 35, § 2(a)(iii); WWF-Philippine Agreement, supra note 37, § 2(a)(iii). The Ecuadorian agreement, drafted first, does not mention university training programs or parks and reserves. An attachment to the WWF-Philippine agreement specifies that 10% of the first year bond proceeds are to be devoted to training personnel to "manage parks and reserves as well as local forest, marine and other natural resources." A training curriculum will address "national park and wildlife reserve management, communal forests and fisheries resource management and community-buffer zone management." WWF-Philippine Agreement, supra note 37, Attachment No. 1.

92. Quarter Century, supra note 89, at 5.

93. The WWF-Philippine agreement is especially detailed in this regard. It indicates the percentage of the budget each of the parks and projects is to receive. The projects to be undertaken are described in great detail. See WWF-Philippine Agreement, supra note 37, Attachment No. 1.

94. See WWF-Ecuador Agreement, supra note 31, Attachment; WWF-Costa Rica Agreement, supra note 35, Attachment; WWF-Philippine Agreement, supra note 37, Attachment No. 1. WWF's attitude toward development is also reflected in its participation in a resettlement program in Costa Rica's Corcovado National Park. Under this program, efforts to restore the park to its original form led to the eviction of workers living in the park. See Whelan, A Tree Falls in Central America. AMICUS J., Fall 1988, at 28. There are indications
the establishment of the Gandoca Land Management Project, created by an attachment to the Costa Rican agreement. The Gandoca Project involves an area of 10,000 hectares containing rain forest, mangrove swamps, wetlands, and small farms, as well as two rural coastal communities. Many farmers and lumber companies were engaged in logging the forest. The stated goal of this project is to "support sustainable development through land titling, organization of tree and crop nurseries, agricultural extension work, environmental education, . . . and several other ecodevelopment projects such as aquaculture and nature tourism." While committing 10,000 hectares is not insignificant, it is small compared to the 255,721 hectares of parkland and 430 square miles of nonparkland protected from development in the Costa Rican agreement.

The Philippine agreement reflects a similar preference for traditional conservation over sustained development. In an attachment to the Philippine agreement, some funds are diverted to "community-buffer zone management." This notion of a buffer zone reflects the split between core and buffer frequently used in sustainable development land use programs. However, the specifics of "buffer zone management" are never spelled out in the agreement. In fact, to the degree expenditures are made specific, the agreement allocates sixty percent of the funds to protect and preserve undeveloped national park lands.

The Ecuadorean agreement contains no sustainable development programs. Almost all of the land it covers consists of parkland. The agreement protects seven national parks encompassing over two million hectares, as well as Yasuni National Park, Ecuador's largest protected area. One 800-hectare park will be the site of a "pilot program in environmental education and nature interpretation," but even that program is far from sustainable economic development.

Although it is clear that CI and WWF have pursued fundamentally different strategies, it is not clear that either is necessarily superior.

that the poor resent the restrictions imposed by the creation of parks. One Costa Rican campesino complained:

They make the land useless. They forbid me to farm it, but they don't buy it and I can't sell it. They say it is a national park for the people of San Jose and the tourists, to come and enjoy. But what am I to enjoy if I don't have [enough] to live?

Id. at 30.

95. WWF-Costa Rica Agreement, supra note 35, Attachment.
96. Quarter Century, supra note 89, at 7.
97. This will permit those who want to acquire land to obtain title without having to clear the forest in an effort to demonstrate how they have "improved" it. Id.
98. WWF-Costa Rica Agreement, supra note 35, Attachment.
99. Id. at 1-3.
100. WWF-Philippine Agreement, supra note 37, Attachment No. 1.
101. Id.
102. WWF-Ecuador Agreement, supra note 31, Attachment.
103. Id. at 3.
WWF's approach confronts the paper park problem directly. It also allows the swapping government to decide which lands will be preserved. In contrast, CI's approach requires Bolivia to set aside relatively large amounts of previously unprotected land, thus forcing the allocation decision. In exchange, however, CI's approach facilitates sustainable development, a resource management philosophy that is sensitive to the developing world's desire for economic growth.

III
RESOLVING THE TENSION BETWEEN ENFORCEABILITY AND NATIONAL AUTONOMY

Resolving the tension between the environmental groups' interest in creating enforceable agreements and the developing nations' interest in maintaining unfettered control over their natural resources is the key to the success of debt-for-nature swaps. This tension between American interests and the autonomy of the developing nations is not new or unique to the debt-for-nature agreements. Historical tensions between the United States and each of the swapping nations form the backdrop of the agreements. The swapping nations were understandably reluctant to allow foreign control of their lands. For their part, the sponsoring groups wanted to maximize the conservation potential of relatively tiny investments in debt reduction. Consequently, the parties negotiated cooperative administrative structures that protect tropical rainforests without sacrificing governmental sovereignty over natural resources.

After highlighting the sovereignty concerns that affect the developing nations' attitudes towards debt-for-nature swaps, this section examines how the agreements resolve these concerns through cooperation, shared administrative authority, and, ultimately, unenforceability. The analysis suggests that the environmentalists sacrificed enforceability, believing that they could obtain greater long-term benefits by establishing cooperative relationships with the developing nations than they could by demanding enforceable agreements.

A. Sovereignty Concerns

The developed North's economic domination and attempted political hegemony over the developing nations of the South are perceived, at least among citizens of developing nations, as violations of their sovereignty and autonomy.104 As a matter of ethics or historiography this view of U.S. conduct may be debated, but as a matter of practical politics, the prevalence of this perspective is a fact that cannot be denied. A detailed history of North-South tensions is not the purpose of this Com-

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ment, but with respect to each of the swapping nations, recent examples of sovereignty tensions are not hard to find.105 It is easy to understand why the payments on huge debts owed to foreign (primarily American) banks are widely regarded as continuing affronts to the developing states. They perceive a debt crisis produced by a system in which "western banks and governments control the resources and set the terms, where nations of the South cannot get fair prices for their goods, and where Third World elites are rewarded by the North for pillaging their countries and repressing their people."106 Some commentators suggest that, considering the payments already made as well as the social disruption and environmental destruction caused by the debt crisis, equity compels debt forgiveness.107

Obviously, the mechanisms used to respond to the debt crisis implicate the same sovereignty issues. International Monetary Fund austerity measures, typically enacted as conditions to additional loans, are often met with resistance.108 Debt-equity swaps are controversial, in part, because they appear to give developed states inordinate control over local companies.109 Debt-for-nature swaps, by granting foreign actors power over a developing country's natural resources, may similarly be viewed as another mechanism by which the North pursues its interests at the South's expense.

B. Accommodating Sovereignty Concerns

The CI and WWF agreements accommodate sovereignty concerns by preserving the autonomy of the swapping states. Two aspects of the agreements stand out. First, the swapping governments play large roles in the administrative decisionmaking processes established by the agree-

105. The Bolivian Government's decision to allow U.S. forces to coordinate a coca eradication program within its borders aroused strong criticism from opposition groups. 1 Europa Year Book 1988, at 509. Filipinos, upset at the presence of U.S. military bases in their country, have urged the Aquino government to reconsider the lopsided relationship between the Philippines and the United States. See Mydans, U.S. "Father Image" is Blamed for Low Filipino Self-Esteem, N.Y. Times, Dec. 28, 1987, at A6, col. 1. Costa Rica, after feuding with Oliver North, exercised its power of eminent domain and confiscated a 6520-foot air strip built by the CIA to supply the Nicaraguan Contras. Harwood, Nature Swaps, Taxes Int'l, Feb. 15, 1988, at 3, 5 (WWF contributed $100,000 of the $258,000 price of the acquisition. This tract is within the areas to be administered under the Costa Rican swap). Ecuador refused to accept a U.S. offer of food and road rebuilding assistance after an earthquake because the assistance would have placed 6,000 U.S. troops in the country. These examples illustrate both the military and the economic aspects of the sovereignty tension between the U.S. and the swapping nations.


107. Id. at 48.


109. See Curtis, Here Comes the Repo Man, 244 The Nation 570 (1987).
ments. Second, the agreements are ultimately unenforceable. Consequently, the agreements can be defended by their sponsors as balanced partnerships that enhance the swapping government’s ability to administer previously dedicated parks and to practice environmentally sound economic development.

1. **Cooperation and Shared Administrative Authority**

The Bolivia-CI agreement protects Bolivian sovereignty both through explicit provisions mandating cooperation and through veto power. The text of the agreement suggests that CI is expected to play a dominant role in planning and managing the protected areas.\(^{110}\) CI and the Bolivian environmental organization, LIDEMA, will retain control over funds and be the primary planners.\(^{111}\) However, the Bolivian Government’s approval power over personnel and contracts gives it an equal voice in program selection, which in turn allows it to rebut arguments of foreign domination.

Similarly, while the language used suggests that the parties expect that CI and LIDEMA will do most of the day-to-day management, the Bolivian Government’s approval power may be used to force CI and LIDEMA to grant the government an equal voice in the program planning. The agreement grants LIDEMA the authority to enter contracts “for the execution of the programs and/or projects promoted by” CI, but this is subject to the approval of both the Ministry of Planning and Coordination (MPC) and the Ministry of Agriculture and Peasant Affairs (MAPA).\(^{112}\) While the agreement does not state that such plans must be made through consultation with the Bolivian institution or with the ministries, consultation may be unavoidable if the ministry is to approve the contracts. These provisions allow the government to deflate any argument that Bolivia sold its territory to a U.S. organization in exchange for debt reduction.\(^{113}\)

The Bolivian Government also retains control of personnel selection through veto power. The agreement provides that “[i]n [the] case that specialized, technical outside personnel (experts and/or volunteers) is [sic] required, they must be accepted” by both MPC and MAPA.\(^{114}\) This suggests that the government could exercise control over program selection by vetoing CI’s personnel requests.

\(^{110}\) See Bolivia-CI Agreement, supra note 28, 6th clause.

\(^{111}\) Id.

\(^{112}\) Id.

\(^{113}\) Nevertheless, the reaction to the swap by some Bolivians was not positive. As one official put it, “How would you like it if the Japanese used your trade deficit to buy the Grand Canyon?” “Debt for Development” Plan Is No Gift For The Third World; US Banks Get Tax Break, Debtor Nations Get Left Out, Los Angeles Times, Dec. 9, 1987, § II, at 7, col 1.

\(^{114}\) Bolivia-CI Agreement, supra note 28, 8th clause.
Subsequent negotiations between CI/LIDEMA and the Bolivian Government illustrate the cooperation to date. CI and LIDEMA have agreed to establish a finance committee, including an official of the Bolivian government, to approve projects funded by the endowment. In addition, other activities undertaken in the protected areas will be subject to approval by the Board of Directors of Programe Chimane. Members of this board are to include representatives of local populations, local cattle and timber associations, and the government’s provincial development corporations.

To supplement the shared authority regime, the Bolivia-CI agreement establishes an explicit framework for cooperation. In the agreement, CI pledges to "lend assistance to promote [Bolivian] scientific, technical, financial and administrative capacity" to carry out conservation and sustained development. The Bolivian Government pledges to "develop activities to benefit conservation and sustained use" of resources. The government is also directed to establish "through pertinent legal instruments . . . appropriate mechanisms for the development of technical, financial and administrative activities that generate from this Agreement." Thus, both parties have made an effort to establish a workable framework for cooperation within the agreement.

This explicit duty to cooperate, although probably unenforceable as a contractual term, serves the goals of both CI and the Bolivian Government. CI seems to recognize that, given its limited resources, the amount of influence it can buy in the form of swapped debt is limited. By using the swap to establish a cooperative relationship with highly placed Bolivian officials, CI hopes to have an influence on environmental affairs in Bolivia well beyond the contractual terms of the present agreement.

It is equally clear that Bolivia was interested in more than debt reduction. CI invested $100,000 in discounted debt and Bolivia invested $100,000 in the Operational Fund. Bolivia could have used this money to buy back some, perhaps all, of the discounted debt directly.

116. Id.
117. Id.
118. Bolivia-CI Agreement, supra note 28, 1st clause. The second clause of the agreement states that CI will provide aid “for the design and execution of conservation programs and the rational and sustained use of renewable natural resources [of] the Republic of Bolivia.”
119. Id., 3rd clause.
120. Id., 4th clause.
121. See infra notes 132-35 and accompanying text.
122. See Bolivia-CI Agreement, supra note 29, 11th clause.
123. To do this without violating the terms of its debt restructuring agreement, however, Bolivia would have had to divide the amount it sought to pay among its foreign creditors. Generally, restructuring agreements contain provisions which prohibit a debtor from favoring the loans of one creditor over another. Interview with Deborah K. Burand, Coordinator of Conservation Financing for Conservation International, in Washington, D.C. (Aug. 13, 1988).
Instead, Bolivia agreed to create an endowment and improve the legal protection of the Beni Biosphere Reserve. Thus, it appears that Bolivia was less interested in small-scale debt reduction than it was in establishing a framework for collaboration with environmental experts through which sustainable development of environmentally sensitive areas could be studied and implemented.

The WWF agreements attempt a similar resolution of the sovereignty issue, but provide even more autonomy to WWF and the local environmental organizations in program selection and funding. Government supervision consists of establishing policy for and a general veto power over projects. Because the mechanisms of cooperation are less structured, the WWF agreements depend more upon the good will of the parties.

A section common to each of the WWF agreements addresses how the various governmental and nongovernmental organizations are to interrelate. WWF and the local environmental organizations are given tremendous independence in their day-to-day management. The WWF-Ecuador agreement, for example, states that "(t)he selection, development and implementation of specific projects within the framework of Section 2(a) will be defined by the National Conservation Strategy\(^\text{124}\) of Ecuador, the Resolution,\(^\text{125}\) and World Wildlife Fund's Ecuador Country Plan."\(^\text{126}\) The Ecuadorean Government is not mentioned; furthermore, an attachment to the agreement seems to give WWF and Fundacion Natura full discretion to allocate funds without government advice.\(^\text{127}\)

The WWF agreements with Costa Rica and the Philippines contain similar provisions. Both agreements state that "the Foundation\(^\text{128}\) will cooperate with World Wildlife Fund in selecting developing and implementing specific projects."\(^\text{129}\) Only the Philippine agreement specifically includes a government body, the Department of Environment and Natural Resources, in program selection.\(^\text{130}\) With the exception of this one Philippine agency, the WWF and their local environmental counterparts have independent discretion in the day-to-day management of programs funded by the agreements.

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More recently drafted agreements explicitly permit nature swaps. \textit{Id.}

124. WWF has sponsored a number of these National Conservation Strategies, efforts by nations to develop policies and formulate plans for economic development that integrate conservation goals. \textit{See} Quarter Century, \textit{supra} note 89, at 5, 6.

125. Referring to Ecuadorean Monetary Board Res. JM-259-FN (authorizing debt swaps).

126. WWF-Ecuador Agreement, \textit{supra} note 31, § 2(b).

127. \textit{See id.} Attachment.

128. Referring to Costa Rica's Fundacion de Parques Nacionales and to the Philippines' Haribon Foundation.

129. WWF-Costa Rica Agreement, \textit{supra} note 35, § 2(b); WWF-Philippine Agreement, \textit{supra} note 37, § 2(b).

130. WWF-Philippine Agreement, \textit{supra} note 37, § 2(b).
Like the CI agreement, however, each of the WWF agreements assures the swapping government a supervisory authority and veto power. Each of the WWF agreements requires that all projects be "compatible with . . . national policies." \(^{131}\) This compatibility requirement grants the respective governments the authority to determine whether any given project comports with its interests. Moreover, under these agreements, the governments have complete authority to establish the national priorities with which the projects must be compatible. Thus, the authority to proscribe projects can be used to prescribe other projects. This gives relevant government agencies the leverage to participate in management decisions and renders the WWF agreements functionally similar to the Bolivia-CI Agreement.

While the WWF agreements effectively give veto power to local governments, WWF has no affirmative duty to meet the local governments' demands. WWF retains the freedom not to spend money. If the money created by the WWF swaps is to be utilized effectively, WWF and the swapping governments must cooperate. The compatibility requirement, the swapping governments' veto power, and WWF's power to withhold funds require that the parties work together to implement the programs. Thus all the debt-for-nature agreements demand a level of cooperation that will probably deflect most criticism of the agreements as unjust intrusions into the autonomy of the swapping nations.

2. Unenforceability

The debt-for-nature agreements also protect the swapping states' sovereignty by using undefined management systems and by omitting enforcement mechanisms. If serious sovereignty issues arise, the developing countries may simply withdraw from the agreements. In this manner the agreements protect the governments' ultimate authority to make decisions about their resources.

The management standard imposed under the Bolivia-CI Agreement is unquestionably ambiguous. Under the agreement, CI and LIDEMA must create and administer programs that allow "sustained use of renewable natural resources."\(^{132}\) Similarly, the Bolivian government may not allow any development of the Beni Biosphere Reserve that is inconsistent with a sustained use development strategy.\(^{133}\) Broadly interpreted, this standard provides little protection for the Beni Biosphere. While the standard would clearly be breached by conversion of the Chimane Permanent Production Forest into grazing land by clearcut-

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131. WWF-Ecuador Agreement, supra note 31, § 2(c); WWF-Costa Rica Agreement, supra note 35, § 2(c); WWF-Philippine Agreement, supra note 37, § 2(c).
132. Bolivia-CI Agreement, supra note 28, 2nd clause.
133. See id., 4th, 9th, and 11th clauses.
ting, anything short of that arguably would satisfy the agreement’s management standard.

The sustained use concept will be clarified through the practice of the parties. However, the phrase’s lack of definition helps maintain the government’s ability to use the protected areas as it sees fit. The agreement should trouble patriotic Bolivians very little. Since the ambiguity makes breach difficult, Bolivian compliance is easy to achieve, and the specter of reduced territorial sovereignty is minimized.

The CI agreement’s termination procedure is similarly ambiguous. The agreement is valid for five years and can be “renewed upon evaluation,” presumably for another five years, “unless one of the parties notifies the other in writing 90 days in advance of its desire to rescind the Agreement.”

This termination clause could strip the agreement of any capacity to bind Bolivia or to provide long-term security against deforestation. In fact, it may not even provide short-term protection. At best, the agreement is automatically renewed every five years unless one party gives notice of rescission. However, an equally valid interpretation is that it may be rescinded at any time on ninety days notice, and renewal must be explicitly granted following evaluation by Bolivia. The ninety-day cancellation clause makes enforcement impossible. In the event of an obvious breach, Bolivia may simply terminate the agreement.

The WWF agreements are no more enforceable than the CI Agreement. While the management standards in the WWF agreements are less vague than “sustainable development,” the agreements do not include dispute resolution provisions. It is indeed questionable whether a dispute resolution mechanism would be effective considering the requirement of “compatibility” with the economic and political agendas of the swapping nations. WWF’s only option to oppose a strong-willed government is not to spend its money at all. Such a course of inaction cannot be considered a challenge to national autonomy.

The financing mechanism of the Costa Rican and Ecuadorean agreements provide another route of retreat for swapping nations: they may default on the bonds that are exchanged for the debt purchased by WWF. It might be argued that default is likely because of the desperate economic problems these nations are experiencing and because default on a local debt will not hurt their credit rating with international

134. Bolivia-CI Agreement, supra note 28, 16th clause.
135. Note that easy termination also moots CI/LIDEMA’s informal enforcement power. Even if international development banks were willing to exert pressure on Bolivia in the event of a breach, it must be presumed that they would not do so following that nation’s legal termination of the agreement.
136. See supra note 131 and accompanying text.
137. See supra notes 31-32 and accompanying text.
lenders. On the other hand, domestic bond substitution strengthens the government's ability, and perhaps its desire, to pay. The government's control over its currency makes payment easier. Additionally, the fact that money paid on the bonds will be recycled into projects consistent with national planning may make repayment more desirable.

Nonetheless, it is clear that the possibility of easy default blunts any criticism that Costa Rica and Ecuador have sacrificed their autonomy by agreeing to the debt-for-nature swaps. Interestingly, easy default actually poses a surprisingly low risk to WWF. Unless default occurs within a year or so of the issuance of the local bonds, the bonds will generate enough income to match WWF's investment in acquiring the foreign debt.\[138\]

The tensions created by prior and future U.S. involvement in the internal affairs of the swapping nations must be considered when evaluating the success of the debt-for-nature swaps. The CI and WWF agreements try to resolve this tension through provisions that allow the governments to retain final authority over both policy and specific programs. Although differently structured, all the agreements require cooperation between the environmental organizations and local governments in order to be effective. If despite shared authority and cooperation a sovereignty controversy arises, it can be resolved in favor of the developing nation's sovereignty because the agreements provide sufficient means of escape.

At first glance, this appears to be a tremendous sacrifice for the environmental groups. An unenforceable agreement is arguably not worth the hundreds of thousands of dollars that CI and WWF invested in the swapping process. A closer look, however, reveals that short-term enforceability is not such an important concern. The WWF agreements provide a return equal to their investment in a little more than one year. Moreover, the lack of short-term enforceability helps create a basis for long-term cooperation between the swapping nations and American environmental groups. This long-term cooperation may prove to be the greatest benefit of debt-for-nature swaps.

CONCLUSION

Nature swaps are a generally well-conceived approach to mitigating the destruction of environmentally sensitive areas in developing nations while remaining sensitive to the economic needs of developing countries. They allow developing countries to dedicate some of their debt repay-

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138. Telephone interview with Barbara Hoskinson, Director of Conservation Finance, World Wildlife Fund (Nov. 21 1989). The rapid recovery of the invested funds reflects the combined effects of steep discounts in the secondary market and interest rates than can approach 40%. Id.
ment to local projects, thus benefiting both their economies and the environment. Swaps also help them obtain assistance from environmental organizations in developed nations to manage their own natural resources.

Environmentalists, through the purchase of steeply discounted debt, maximize their investment in tropical forest preservation. In addition they can strengthen environmental organizations in developing nations by including local environmentalists in both policy decisionmaking and the implementation of conservation projects. Debt-for-nature swaps also keep the subject of tropical deforestation on the agenda of the international community and offer small international lending institutions a socially redeeming means of removing bad loans from their ledgers.

Although present prospects belie the grand goals that nature swappers once hoped to reach, nature swapping is nevertheless an appealing small-scale means for private organizations to protect environmental interests abroad. Their nominal impact on the debt problem is not an indication of failure. Indeed, it is not clear that large-scale swaps are economically or politically feasible or desirable at present. In fact, the agreements succeed, at least in part, because their size does not threaten the autonomy of the participating states or major financial stakeholders.

Finally, each government's authority to choose its own development objectives is only slightly encumbered by sharing decisionmaking authority with the environmentalists. Essentially, the swapping governments have agreed to cooperate. Consequently, tropical forests only have as much protection as the tropical states desire. This does not mean that swaps are of little moment. Hopefully, collaboration between conservationists in the developed world and leaders of the developing nations will contribute to a constructive framework for future efforts to preserve the earth's tropical forests.