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Policy Options

1. Build on sub-regional and national civil society openness mechanisms.
2. Build civil society capacity on trade and sustainable development.
3. Integrate sustainability elements into the FTAA.
4. Strengthen hemispheric environmental cooperation mechanisms.
5. Increase resources to improve coordination and exchanges of information.
6. Conduct a sustainability review of the FTAA.

Trade, Sustainable Development and Civil Society in the Free Trade Area of The Americas: How To Make The Link

A joint paper of the International Institute for Sustainable Development (IISD), Fundación Ecos (ECOS) and the Canadian Foundation for the Americas (FOCAL)

Summary

IISD, FOCAL and ECOS believe that the Free Trade Area of the Americas (FTAA) initiative provides the hemisphere with a unique opportunity to make the link between trade and sustainable development. Valuable lessons can be learned from key government initiatives in the Americas which already include civil society or directly address environmental concerns. These intergovernmental efforts can also help to instill greater confidence in the idea of openness, i.e. increased transparency and public participation in trade policy debates. Though efforts to include civil society perspectives at the trade and environment nexus have been challenging, it has been possible to gradually improve communication and develop understanding through dialogue and support. The so-called sustainability assessment processes are one concrete step forward — they can reveal key environmental issues to be addressed and potential solutions such as “flanking measures” and sequencing options. This paper includes a series of practical policy options which governments and civil societies of the Americas should consider as the FTAA negotiations proceed to the next stage. These policy options provide material to broaden the debates at the upcoming FTAA Civic Forum, the Americas Business Forum, and the Trade Ministerial Meetings of the FTAA (all of which will be held in Toronto, Canada in November 1999), as well as in the widening community concerned with trade and sustainable development in the Americas. In our view, the link between environment and trade is possible — the political will remains to be galvanized.

Background and Context

"The negotiation of the FTAA shall take into account the broad social and economic agenda contained in the Miami Declaration of Principles and Plan of Action with a view to contributing to raising living standards, to improving the working conditions of all people in the Americas and to better protecting the environment."

— *Fourth Western Hemisphere Trade Ministerial San Jose, Costa Rica, March 1998 Ministerial Declaration*

"Reinforce the mutually supportive relationship between trade and environment by acting to conserve the environment, while safeguarding an open, equitable, and nondiscriminatory multilateral trade system."

— *Declaration of Santa Cruz de la Sierra, December 7-8, 1996*

"Promote, with the participation of civil society, the development of principles and recommendations for institutional frameworks to stimulate the formation of responsible and transparent non-profit and other civil society organizations."

— *Plan of Action, Second Summit of the Americas, Santiago, April 18-19, 1998*

Increasingly, sustainable development issues are being raised in trade policy debates around the world. The Organisation for Economic Co-operation and Development (OECD) has worked on the subject for years and the World Trade Organization (WTO) has created a Committee on Trade and Environment, in addition to holding a series of increasingly high-level NGO dialogues on the issue in the last three years. In a forthcoming report, the WTO will recognize publicly, for the first time, that trade might have unintended consequences on the environment which should be considered seriously. The recent G-7 Ministers' meeting in Cologne issued a strong statement urging the integration of environmental concerns in the next round of multilateral trade negotiations. Currently, most governments and civil society groups see the need for mutually supportive international trade and environment policies in favour of sustainable development.

However, in the Free Trade Area of the Americas (FTAA) negotiations, environment and social issues are too often viewed through the prism of their potential disruptive effects on trade relations, and are not dealt with as fundamental to the negotiations. Up to this point there has not been sufficient scope for analyzing and discussing the fuller set of trade and sustainable development linkages in a FTAA, of which competitiveness issues are only a small part. This shortcoming is critical, not just from an environmental perspective, but for the trade community as well. To achieve broad-based support for any new trade agreement, it is clear that environmental concerns will have to be addressed.

A Committee of Government Representatives on the Participation of Civil Society (CGRPCS) was struck at the San Jose Trade Ministerial Meeting in March 1998 to receive and analyze civil society views on the trade agreement, and to present the range of views for the consideration of Trade Ministers. Submissions were made under what has become known as the "mailbox" process, whereby only written inputs were received, and no response was given. Unfortunately, the mailbox's operations have been characterized by limited participation, especially from Latin American and the Caribbean civil society groups, and weak support from some governments.

Many in civil society question the value of so limited a mechanism for participation, particularly when better models already exist in the hemisphere. The North American Free Trade Agreement (NAFTA), the Andean Community (CAN), the Central American Common Market (CACM), the Caribbean Common Market (CARICOM) and the Southern Cone Common Market (MERCOSUR) have all attempted to make the trade and environment linkage, and almost always recognize the need to consult with local civil society groups.

The Trade Rules and Sustainability in the Americas Project of the IISD, the International Center for Trade and Sustainable Development (ICTSD) and the United Nations Environment Programme (UNEP) was conceived in 1997. It sought to apply a set of principles known as the *Winnipeg Principles for Trade and Sustainable Development* to the process of western hemispheric integration, and specifically to the Free Trade Area of the Americas process. A recent IISD publication on Trade Rules and Sustainability outlines how these seven principles can be, and have been, applied to the Americas.¹

The FOCAL, ECOS and IISD Workshop

In October 1999, FOCAL, ECOS and IISD convened a workshop called *Openness, Sustainability and the FTAA* in Ottawa to discuss upon the most feasible policy options for governments of the region to include sustainable development considerations in trade policy making. They began by posing some key questions:

- Can a serious examination of successes in other integration processes contribute lessons for a stronger hemispheric process for civil society involvement, environment and trade policy coherence, and long term sustainable development?
- How can constructive civil society input and participation help to ensure that trade policies support, rather than frustrate, sustainable development objectives?

At the workshop, participants from civil society groups, governments and intergovernmental agencies across the hemisphere gathered to review:

1. Lessons learned in sub-regional governmental efforts to include civil society and environmental issues in economic integration processes.
2. Intergovernmental efforts for civil society participation.
3. Civil society initiatives for sustainable development and trade policy linkages.

The workshop developed recommendations focusing on the possible, the realistic, and the practical. For the purpose of this report, the definitions used are:

- **Openness:** public involvement through transparent and participatory processes.
- **Sustainable development:** a goal based upon meeting the needs of the present generation without compromising the ability of future generations to meet their needs. A sustainable development approach recognizes economic, social, and environmental priorities for development.
- **Sustainability:** a paradigm shift that suggests structural, economic and social changes. It suggests new way of conducting activities that are sustainable such as using materials in continuous cycles or using continuously reliable sources of energy.

¹ Marie-Claire Cordonier Segger, Mindahi Bastida Muños, Paulo Ribeiro Meireles, Jorge Zalles Taurel, Virginia St-Paul (1999), *Trade Rules and Sustainability in the Americas*, Winnipeg, International Institute for Sustainable Development.

A Framework for Policy Options

In order to overcome resistance to the inclusion of environment and sustainable development considerations in the economic integration process of the hemisphere, a framework underlying the policy recommendations will need to:

- Address fears amongst some regional actors of a loss of sovereignty and of the imposition of a Northern agenda, as well as new forms of protectionism and the unintended consequences of binding trade agreements on issues such as the environment.
- Adopt an incremental approach to the trade negotiations (as opposed to insisting on a single undertaking); this will allow for consensus-building on environmental issues.
- Build on existing national and sub-regional initiatives and mechanisms which already address sustainable development and environmental issues.
- Make links to multilateral environmental agreements already committed to by governments of the region.
- Address the region's inherent obstacles to sustainable development through improved allocation of resources, technology transfer and capacity building.
- Stimulate debates, discussions and analysis around trade and environment linkages to eliminate misperceptions and build consensus.

Policy Options for Trade, Environment, and Sustainable Development in the FTAA:

1. Build on sub-regional and national civil society openness mechanisms

According to recent studies, the general regional trend toward openness is quite positive, with all sub-regional integration arrangements incorporating mechanisms to include civil society sustainable development perspectives (including the North American Agreement on Environmental Cooperation (NAAEC)'s Joint Public Advisory Committee (JPAC), the Caribbean Community's Civil Society Charter, the MERCOSUR's technical group participation mechanisms, the Andean Community's Advisory Committee and the Central American Alliance for Sustainable Development's relationship to the National Councils on Sustainable Development). Although these types of civil society mechanisms can be chaotic and disorganized at first, they do have the potential to diffuse tensions, and if conducted effectively, will improve over time to build a significant body of support and accessible expertise.

- *Policy makers should build on positive national and sub-regional experiences with civil society inclusion, drawing upon lessons learned in other processes, to create the most effective and comprehensive mechanism on an hemispheric level.*
- *Canada should not abandon leadership of the FTAA Consultative Group of Government Representatives on Civil Society until a strong replacement chair and clear follow-up mechanisms are in place to ensure that momentum to date is not lost.*

2. Build civil society capacity on trade and sustainable development

Concerns exist that civil society voices are of uneven strength in the FTAA process, and that increased openness might lead to unbalanced participation from some countries. When the participation of civil society exclusively reflects social and ecological concerns of the more developed partners, civil society participation can simply be used as a tool to fight so-called ecological/social dumping by less developed partners, instead of promoting their sustainable development needs.

It is essential to build a strong hemispheric civil society voice with the capacity to participate effectively in shaping trade and integration policy. Support is needed to establish mechanisms driven by civil society to build bridges between the trade and sustainable development communities. In addition to the Civic Forum being held in parallel with the FTAA Trade Ministerial Meeting and other civil society processes, a centre or institution can be created with a mandate to undertake capacity building and provide technical support on sustainable development issues for the FTAA (similar to the International Centre for Trade and Sustainable Development in Geneva in the WTO context).

- *Policy makers should consider the creation of a non-advocacy mechanism that can facilitate comprehensive policy dialogues among the different interests, sub-regional perspectives and sectors.*

3. Integrate sustainability elements into the FTAA

A long-term goal of a trade agreement is sustainable development for the hemisphere's population. This should be recognized in the preamble to the final text of the agreement, as a way of diffusing opposition and ensuring policy coherence. In the majority of sub-regional agreements, the environment is not seen as a separate trade issue, but rather as an integrated element of the social aspects of trade issues.

- *Policy makers should support research on the specific environmental implications of each of the nine FTAA negotiating groups (agriculture, investment, market access, intellectual property and other issues) and integrate the results. The Tripartite Committee (the Inter-American Development Bank (IDB), the Organization of American States (OAS) and the UN Economic Commission for Latin America and the Caribbean (ECLAC)) and other competent research institutes can be tasked with conducting comparative research in measures developed at a sub-regional level to address these aspects of potential trade rules.*
- *To avoid future policy inconsistency, policy makers of the region should develop interpretative texts concerning potential relationships between trade and environment measures, or specific references in any new trade agreement which recognize a specific exemption for trade measures in existing or potential multilateral environmental agreements.*

4. Strengthen hemispheric environmental cooperation mechanisms

Many environmental issues with secondary effects on the trade agenda could be adequately addressed in forums specific to environmental cooperation across the Americas. International environmental regimes are presently being formed, and in the area

of environmental policy, there has recently been a proliferation of problem-based, resource-based, ad-hoc instruments and norms, including those listed in the 1996 Bolivia Summit for Sustainable Development. There is a diversity of approaches but common principles are emerging. Information on existing agreements, institutions and experiences, including gap analysis, is lacking, especially in the trade community.

- *Governments should launch a process of policy dialogues toward a mechanism for hemispheric environmental policy cooperation. This initiative could involve like-minded countries from all subregions and build upon diverse experiences with environmental policy cooperation, such as the MERCOSUR Protocol on the Environment, the North American Agreement on Environmental Cooperation and the Central American Alliance for Sustainable Development.*

5. Increase resources to improve coordination and exchanges of information

Too often there is a lack of communication between the trade and environment specialists in different intergovernmental organizations and government departments involved in negotiations at all levels (national, sub-regional, hemispheric). The result can be poor policy coherence and the potential for unintended gaps and misunderstandings.

- *Governments should invest in mechanisms for interministerial and interorganizational communication, including joint events and dialogues, to ensure better coordination of trade and sustainable development policies. Such mechanisms should include systematic support to address differences in levels of technical and administrative capacities in the countries of the region.*

6. Conduct a sustainability review of the FTAA

Sustainability reviews can be conducted *ex-ante* (prior to the conclusion of the FTAA agreement) through the use of scenarios analysis. While there is no clear relationship between rates of economic growth and rates of environmental degradation, the "environmental Kuznet's curve" hypothesis (where environmental protection improves as economies improve) has been discredited. Methodologies are becoming increasingly refined, including ways of studying effects by economic sector (agriculture, services), environmental media (air quality, water, biodiversity) or qualitative sustainability 'bench marking' (such as the *Winnipeg Principles on Trade and Sustainable Development*). Results can identify useful parallel measures for trade policy, help develop proposals for liberalization sequencing options which would mitigate or lower any negative environmental effects, and strengthen the sustainable development benefits of liberalization.

- *A process should be launched to conduct a comprehensive, participatory sustainability review of the proposed FTAA. The IDB, ECLAC and the OAS, (regional institutions which provided the in-depth analysis of the region's trade structures prior to the launch of the FTAA), can compile comparative data and develop a matrix which builds upon recent work at the OECD, various national governments, and the North American Commission for Environmental Cooperation. Civil society organizations should participate as partners in all aspects of the sustainability review.*

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About the Partner Organizations

Canadian Foundation for the Americas (FOCAL)

Founded in 1990, the Canadian Foundation for the Americas (FOCAL) is an independent, not-for-profit charitable organization that is guided by a Board of Directors. As a policy centre, FOCAL fosters informed and timely debate and dialogue on issues of importance to decision-makers and opinion leaders in Canada and throughout the Western Hemisphere. FOCAL's mission is to develop greater understanding of important hemispheric issues relating to inter-American relations, governance and human security, social policies, and economic integration. FOCAL monitors developments in the Americas, works with experts to analyse emerging issues, and publishes policy papers on a regular basis.

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Fundación Ecos (ECOS)

ECOS is a non-profit, private organization, established in April 1994. It is based in Punta del Este, Uruguay. Departing from the institutional premise that "we cannot solve the problems we have created with the same thoughts that created them," ECOS promotes an increasing capacity-building process in order to achieve the implementation of sustainable development and the preservation of the environment.

Through meetings and conferences, ECOS provides training for the leaders of the different social sectors of the MERCOSUR countries to foster the necessary changes for the transition towards a sustainable society.

Sustainability entails not only the preservation of the environment but is also linked to the concept of economic development as source of wealth and as a tool to fight poverty.

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International Institute for Sustainable Development (IISD)

IISD contributes to sustainable development by advancing policy recommendations on international trade, economic instruments, climate change and natural resource management. We use Internet communications, report on international negotiations and broker knowledge gained through collaborative projects with our global partners, resulting in more rigorous research, capacity building in developing countries and a better dialogue between North and South.

IISD's vision is better living for all-sustainably; our mission is to promote sustainable development in decision-making internationally and within Canada. IISD receives financial support from the governments of Canada and Manitoba, other governments, UN agencies, foundations and the private-sector. IISD is registered as a charitable organization in Canada and has 501 (c) (3) status in the U.S.

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