

TRADE RULES & SUSTAINABILITY IN THE AMERICAS

A research project linking trade measures in economic, environment
and social regimes toward sustainability in the Americas

Public

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March 28, 1999

Dear Kathryn McCallion
c/o Tripartite Committee (Ref. Civil Society)
United Nations Economic Commission for Latin America and the Caribbean
1825 K St. NW, Suite 1120
Washington, DC 20006

FTAA.soc/w/48/add.1
14 April 1999

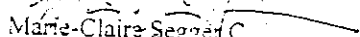
Thank you for the opportunity to present this research for consideration by the committee of government representatives for the participation of civil society. These documents are being submitted for your review by an interdisciplinary research team from seven countries of the Americas, the result of a co-operative effort between various civil society organisations with support from expert agencies. We hope to provide some useful input to the FTAA process from a sustainable development perspective.

This submission links trade measures and sustainable development regimes in the Americas, drawing on potential solutions from deliberations in the World Trade Organisation and other western hemispheric sub-regional trade integration processes. Though 'trade and environment' is an essential part of the debate, it is also useful to take a broader approach based on the 'Winnipeg Principles on Trade and Sustainable Development'¹ to address the question 'how could a trade agreement in the western hemisphere foster and not undermine sustainability objectives?' This is the first time that such a methodology had been tested on a *potential* rather than *negotiated* trade arrangement, opening unique opportunities for innovative solutions to recurring problems.

At this point in the FTAA agenda, it is difficult to suggest concrete policy items for each FTAA working group mentioned in the *San Jose Ministerial Declaration*. However, general and specific recommendations can be made in reference to the San Jose framework, calling attention to various key trade and related policy examples in the Americas which may support aspects of sustainable development. This early in the process, it is essential to broaden the debate, so that the regional integration scheme can live up to its potential and make a significant contribution to sustainable development. As the research project only began during the San Jose Ministerial in Costa Rica, 1998, we beg your indulgence for any inconsistencies.

The first draft research results are enclosed. It is hoped that some of the concepts presented in the very brief two-page executive summary of the research paper will inspire members of the Committee to review an eight-page summary of the research, or even the longer draft research results. Copies of the recommendations are provided in Spanish and Portuguese, French will be available soon. More information on the project or electronic copies of these documents will be available on the web at <http://iisd.ca/trade>.

Thank you for your kind attention,


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TRSA EXECUTIVE SUMMARY: SUSTAINABILITY... A TALL ORDER FOR A NEW HEMISPHERIC TRADE AGREEMENT? ... SURPRISINGLY NOT.

HOW COULD AN FTAA SUPPORT SUSTAINABILITY?

If the FTAA proceeds, is there potential for an agreement in the year 2005 which supports rather than frustrates sustainable development? Actually, elements of sustainable development priorities have been taken into account in trade arrangements in the Americas many times before. But the ideal FTAA process would have to be innovative. It would allow civil society a voice, working from a new way of thinking which recognises that trade measures are part of economic, social and environmental policies which can support sustainable development. And it would be willing to apply solutions which have worked in other processes to its new mandate. The TRSA project did an analysis through the lenses of the 'Winnipeg Principles on Trade and Sustainable Development', and came up with the following innovative recommendations which might broaden the debate:

GENERAL RECOMMENDATIONS

The economic aspects of this process, the Free Trade Area of the Americas, must take special care to ensure that new mechanisms are found to ensure the above challenges are met, not ignored. It is also essential to recognise that the hemispheric trade liberalisation project, while perhaps showing the most progress of the Miami Summit process goals, cannot proceed if the other three priorities do not advance as well, and it is essential that co-ordination exists among all four. Just as the trade agreement should support sustainable development, so should the environmental protection, social development and political democratisation projects take into account principles such as these to ensure that their work will support sustainable development objectives. Overall, four general conclusions can be drawn from the analysis:

1. **For hemispheric integration to succeed, structures must address sustainable development as the goal.** This holds social, environmental, cultural and political co-operation priorities on an equal level to commercial. An integrated hemispheric agenda proceeds, but institutions must be strengthened or established, with timetables, to support the complete Miami, Santa Cruz and Santiago Summit agendas.
2. **The trade and environment debate has to evolve.** Often, actors are working from distinct conceptual models when they attempt to engage in a constructive debate about the trade and sustainable development relationship. TRSA recommends a model which recognises that trade measures can have economic growth, social justice or and environmental protection goals- it is the regime which governs their interaction which must support sustainable development: the integration process as a whole (see table, Appendix 1).
3. **Civil society voices must be heard in the FTAA process.** A bridging mechanism must be institutionalised to promote dialogues between the trade and sustainable development communities, based in the FTAA secretariat city to ensure that civil society organisations, especially groups which represented marginalised voices in the north and south, gain the capacity to participate effectively in the debates. This mechanism could use as an example the successful Geneva-based International Centre for Trade and Sustainable Development. The Parallel Summit process which is already in place must be continued and strengthened, to provide a networking mechanism for organisations with a broad spectrum of views and priorities to further hemispheric civil society co-operation and joint campaigns on issues of importance such as investment.
4. **The political will must exist to innovate within the FTAA.** Linking trade with environment, equity, openness, international co-operation, cost internalisation and efficiency, subsidiarity and science and precaution is not a revolutionary idea. The Winnipeg Principles on Trade and Sustainable Development draw together elements of principles which guided the 1994 Miami Summit Declaration, the 1996 Bolivia Summit Declaration, the Southern Common Market (Mercosur), the North American Free Trade Agreement, and other sub-regional or bi-lateral trade arrangements in the Western Hemisphere. Not only is recognition of the relationship between these priorities essential for trade rules to support sustainability, but many examples exist of how to do it. These models can be drawn from the various sub-regional and other trade agreements which have experimented with institutions and mechanisms to ensure that their integration process supports sustainable development objectives. The architects of an Americas integration process, particularly those designing the FTAA wing, can learn from these attempts and innovate using the prior ideas as examples or inspiration. The present conditions, regimes and systems evolving for trade, and for sustainable development, are new, disorganised, exciting and uniquely 'Americas.' It is our challenge, as a new generation shaping the economic geography of our continent, to ensure that the opportunities presented by these processes are seized with thought, courage and wisdom in the realisation of a united Americas.

PRINCIPLES IN PRACTICE FOR A POTENTIAL FTAA- SPECIFIC TRSA RECOMMENDATIONS TO THE CGRPCS:

Efficiency / Cost Internalisation: How can we support a more efficient use of resources, and ensure that values are being reflected in costs in the Americas through a more developed trade regime?

- Develop appropriate measures to internalise environmental and social costs of economic growth.
- Assess hemispheric product chains to ensure that they contribute to sustainability.
- Uncover and discourage unsustainable subsidies in developed and later, developing, economies.
- Undertake national pollution audits with civil society and business partners.

Environmental Integrity: How can we identify and respect limits to the regenerative capacity of ecosystems, avoid irreversible harm to plant and animal populations and species, and ensure protection for valued and endangered areas through a more developed hemispheric trade regime?

- Develop a stand-alone hemispheric ecological co-operation agreement and institution.
- Investigate the environmental aspects of the FTAA working group agendas.
- Conduct an environmental assessment of the proposed trade agreement.
- Create a framework for international environmental laws across the Americas.
- Strengthen inclusive certification processes and eco-labelling for renewable resources.

Equity: How can developing trade regimes contribute to social justice? How can we support a just distribution of physical and natural capital, knowledge and technology in the Americas?

- Incorporate substantive core labour standards into the text of the FTAA.
- Establish transparent measures to identify and address trade-related equity issues.
- Address the concerns of labour constituencies in the FTAA debates.
- Strengthen mechanisms to ensure equity among economies in the trade negotiations.
- Establish an accountable, hemispheric investment code for sustainable foreign direct investment.

Science and Precaution: How can developing trade regimes respect the precautionary principle? How can objective criteria in science promote better long-term decisions and short-term needs be balanced against lack of scientific certainty?

- Set systems in place to strengthen and develop science, including traditional knowledge.
- Embrace the precautionary principle in trade treaties and related infrastructure projects.
- Ensure a precautionary approach to the development of trade in biological technology.

International Co-operation: How can developing trade regimes promote linkages across borders and identities, and enhance international systems of co-operation at all levels?

- Support the creation of a new sustainable development forum of the Americas.
- Invest in a hemispheric dispute settlement mechanism that is sustainable development friendly.
- Establish trade sector-specific international co-operation regimes to 'green' hemispheric technology.
- Develop mechanisms to speak with one voice in multilateral forums.

Subsidiarity: How can developing trade regimes contribute to decision-making on the best possible level? How can we ensure that the lowest jurisdictional and political level is assigned priority consistent with effectiveness?

- Develop trade capacity building programs for sub-national authorities.
- Develop hemispheric social and ecological standards systems in co-ordination with sub-national regimes.
- Develop consultative and capacity building measures to engage indigenous peoples.

Openness: How can developing trade regimes be negotiated in a transparent, open and participatory way? How can we strengthen civil society participation in the processes in the Americas?

- Strengthen hemispheric initiatives to facilitate civil society participation in trade agreements.
- Recognise country-level openness as a prerequisite.
- Hold a regional consultation process with civil society before adopting the FTAA.
- Create a civil-society initiated bridge between the trade & sustainable development communities.
- Continue the parallel summits process and other civil society-driven forums.