



PANEL OF EXPERTS ON THE EFFECTS OF TRADE ON SUSTAINABILITY IN THE AMERICAS

*Organization of American States
Padilha Vidal Room
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OVERVIEW OF PROGRAM ON NATIONAL ENVIRONMENTAL ASSESSMENTS OF FREE TRADE IN THE AMERICAS

Since the first Summit of the Americas in Miami, the Heads of State and Government have recognized that sustainability and economic prosperity are two key aspects of development. The Heads of State through the Summit of the Americas process have made a commitment to strengthen environmental protection, and to encourage the sustainable use of natural resources to ensure a balance between economic development, social development, and environmental protection. In response to this commitment, the General Secretariat of the OAS, through its Office for Sustainable Development and Environment (OSDE), is working to enhance sustainability and environmental management capacity in the context of trade liberalization in the Americas.

In 2001, a joint program with governmental and non-governmental partners in the Americas was launched with the support of the C.S. Mott Foundation and USAID to conduct national-level environmental assessments of free trade for OAS member States and assess the capacity building needs and the sustainable policy alternatives to address such impacts. The initial focus of this program was the effects of the proposed Free Trade Agreement of the Americas (FTAA) in MERCOSUR countries. Since, the OAS has expanded its focus to include Central America, the Caribbean and the Andean region. These assessments address the environmental and social effects of trade liberalization and economic integration on key country sectors and seek to identify capacity building needs related to domestic laws, regulations and standards affecting market access of goods and services.

The following is a brief summary of the environmental assessments conducted by the OAS for Argentina, Brazil, Paraguay, Uruguay, Costa Rica and Guatemala:

In the assessment conducted for **Costa Rica and Guatemala** sugar cane and melon were selected for the analysis, because of the importance of the agricultural sector for Central American economies. The assessment shows that during 2001, melon exports in both countries increased by \$118 million dollars, expanding the cultivated area in the region to almost twenty thousand hectares. In the particular case of sugar cane, the analysis shows how both countries already have preferences with the United States, one of the main destination markets, through the Caribbean Basin Initiative and how they could be consolidated with an annual 2% increase in the quota if the DR-CAFTA agreement is implemented. Some of the key environmental issues analyzed in the assessment include the intensive use of water and its contamination from agriculture, in addition to effects of plastic disposal practices and pesticide use in melon production. Pollution from “slash and burn” in sugar cane plantations and some externalities related to soil and water were also covered. This assessment includes policy recommendations that have already been discussed with different stakeholders in the region.

The assessment for **Argentina** was aimed to study the possible economic effects of the proposed Free Trade Area of the Americas (FTAA). This assessment looks at some of the key environmental issues in identified sensible sectors such as the meat industry, oil and its derivatives, sugar processing, soy



production, iron and steel making, and non-metallic mining the mentioned sectors. It also highlights the need for an in-depth life cycle analysis, in particular for the soy sector, given the high demand, growth of the activity and the nature of the social and environmental effects of its production. One of the conclusions of this assessment is the need for a formal communication mechanism between policy makers in different sectors, towards the integration of sustainability into trade and public policy overall.

In **Brazil**, the assessment focused on the industrial sector and indicated that the main environmental changes with the possible implementation of FTAA could include water contamination and detriment in air quality due to outdoor air pollution. However, the assessment highlights that those industries that could affect air quality in Brazil use environmentally friendly technologies in order to meet sustainability and market access requirements of the export markets. Additionally, this assessment examines the Brazilian legal-institutional frameworks and the internalization of environmental cost by industry, concluding that these costs do not affect competitiveness. Finally, this assessment includes some recommendations for regulating entities in terms of promoting efficiency and competitiveness of the Brazilian industrial sector.

The sectors analyzed in the assessment for **Paraguay**, were soy and cotton, the later being slightly replaced by soy production that has practically become a monoculture of in Paraguay. The economic impacts of the fast growth in soy production with free trade were analyzed in the assessment, as well as the environmental and social effects, including, soil erosion, loss of biodiversity and jobs, due to the mechanic nature of soy production and spread of some diseases that had been previously eradicated. This assessment includes key policy recommendations for agricultural diversification and integration of sustainability into public policy and decision making.

The outcomes of the assessment conducted in **Uruguay**, highlight that the meat and wool sectors could have economic opportunities with trade liberalization. Paper and rice show slightly negative economic impacts in the analysis. The environmental effects derived from changes in the sectors with economic opportunities were not considerable, because of existing controls applicable for example to the meat industry. However, the assessment indicates that in the forestry sector there are serious impacts due to the cultivation of non native species and soil erosion. Another issue considered, is a notable tendency of increasing production of soy to meet international demand. This is also causing expansion of the agricultural frontier and additional pressure on soil due to replacement of native forest for agricultural purposes. Coordination within MERCOSUR for sustainable development policies and a common agricultural policy, are some of the recommendations of this assessment.

The full text of the case studies referred to in this note is available online in the publication section of the OAS Office for Sustainable Development and Environment website: <http://www.oas.org/usde>.