

**Report of European Commission Regional Workshop on
Sustainable Development and Regional Trade Agreements**

Buenos Aires, Argentina
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OPENING SESSION: The workshop was opened by *Ambassador Raul Estrada Oyuela*, Special Delegate for International Environmental Affairs of the Ministry of Foreign Affairs, International Trade and Culture of Argentina, and *Ambassador Angelos Pagkratis*, Head of European Commission Delegation in Argentina. Ambassador Estrada Oyuela reflected on the need of looking not only at regional trade agreements (RTAs) and sustainable development, but overall at fundamental issues that need to be examined within the trade and environment nexus. He also expressed that there are challenges and opportunities from looking at these issues and that there is a need to follow up on what has already been examined, given that protecting the global environment has always been an issue in the context of international trade. As an example, he quoted some of the multilateral environmental agreements with trade obligations, the GATT article XX exceptions and SPS provisions. He also highlighted the debates between environmental and trade fundamentalists, the first who want to restrict all trade and the latter that deny the existence of a link between trade and environment. He emphasized that both groups should reflect on the need of intergenerational equity in order to achieve a balance between the environmental, social and economic pillars of sustainability. He also mentioned that with trade growth the issue of people below the poverty line, including extreme poverty has grown and that it is crucial to look into maximizing benefits of RTAs for Sustainable Development. The Ambassador also mentioned that it is taken as a given that free trade fosters economic growth, but while RTAs might support progress in a region they cannot solve global issues such as Common Agricultural Policy (CAP) and subsidies, because they are negotiated with trade purposes. However, he highlighted Argentina's experience with agreements that incorporate integrated resource management, such as the Plata Basin Agreement, and said that a starting point to maximize RTAs potential benefits for development could be using agreements such as this one as a basis for dealing with NAFTA or other trading partners, together with looking at internalization of environmental costs. Finally, the Ambassador concluded his remarks by indicating that social development is not resolved by protecting regimes that pay low wages, and the social aspects of sustainability must be considered as well.

On his part, *Ambassador Pagkratis*, welcomed participants and said he did not want to avoid discussing CAP, but that the objective of the workshop was to discuss positive relations between RTAs and Sustainable Development. He mentioned the European Union is involved in 7-8 official trade negotiations, but has the most interest in interaction with MERCOSUR. The Ambassador mentioned that in the context of trade negotiations it is important to look at concepts such as social cohesion, for example in the case of Argentina, considering high poverty levels, channels to alleviate poverty, capacity of the country to absorb free trade and effects on the middle class. He also mentioned that social indicators are important and recently there has been some evolution in poverty indicators. Regarding the environment, he

mentioned there is also a high level of sensitivity and of engagement. For example, the issue of soy and the traumatic implications of the impacts on native forests. The Ambassador highlighted the importance of the inter-relationship between trade, social and environmental indicators. He said that the EU's experience is somewhat broader than MERCOSUR's in looking at integration channels that are broader than trade. However, he noted that the challenge is to highlight the positive relationship between RTAs and Sustainable Development, even though there are some known benefits already such as differential treatment for developing countries, different treatment of products that in MERCOSUR, for example, help small-scale producers. Finally the Ambassador concluded his remarks by emphasizing that for the EU dealing with Sustainable Development is not an option; it is in a treaty and must be complied with.

SESSION ONE: SETTING THE CONTEXT IN INTEGRATING SUSTAINABLE DEVELOPMENT AND REGIONAL TRADE AGREEMENTS.

Marcos Orellana of the Center for International Environmental Law (CIEL) moderated this session and introduced it by indicating that trade issues are extremely complex, in particular when they interact with human rights, labor and environment. The debate becomes more complicated if the problems of market access are addressed and questions such as what happens with the promise of technology transfer: Does this really open new opportunities? What happens with environmental products? These are key questions in the context of how these issues are interacting with global-RTA regimes. He also expressed that consensus might be found in 2 areas: (a) trade is not simply a technical debate, it involves wide civil society; and (b) trade is not an end, but a means to help achieve goals.

Pierre Defraigne, former Deputy Director General DG Trade of the European Commission, explained the positive side of globalization, by highlighting that integration brings partners together. He also said that there are negative aspects such as the growing inequality and formidable pressure on the environment. In looking at the challenge of sustainable development, Mr. Defraigne noted that China and India in the context of globalization represent a new paradigm and radical change. In these countries, international mobility continues to accelerate and comparative advantage, particularly in manufacturing and services, is changing rapidly. For example, India is combining cheap labor and high-end technology, while China continues to experience high rates of economic growth, fueled by increasing purchases of oil and other resources, which are benefiting commodity producers, but placing new pressures on environmental balances. On the other hand, Mr. Defraigne, said that integration at the multilateral level helps bring about convergence of various norms, for example on labor and environment. He also expressed that the importance of regional integration is bringing middle size countries together. He highlighted that the nexus between trade and development, is very complex and noted that whether development drives trade, or trade drives development, depends on the size of the internal market among other factors. It is too simple to say that trade always fosters "win-win" scenarios, because sometimes there are losers and indicated that trade only delivers development if supported by the right domestic policies. Mr. Defraigne reflected that there's not a one size fits all formula for appropriate domestic policies, and that countries need to have respect for the rule of law and public good,

and solidarity policies that foment conditions of productivity. He also highlighted that there is a cost in such policies, called taxes. A modern country cannot gain without taxes, case in point the EU, and other developed countries have high taxes. He pointed that the EU strategy is to negotiate with regions, not individual countries because they believe that size does matter and that there are asymmetrical differences in terms of market access, productivity and competitiveness. He said a possible strategy for developing countries would be to start with neighbor and peer countries and negotiate at the multilateral level, but stronger by getting countries together; and finally, encourage the correct domestic policies. Regional integration can help in sharing/pooling of regional practices -including social safety nets- and by creating pressure in trading partners. Mr. Defraigne said that the EU supports RTAs, because of its own experience and because it recognizes the need to support sustainable development. Mr. Defraigne's final message was that the first priority should be the multilateral agenda, and then the regional and integration agenda.

Gilney Viana, Secretary of Policies for Sustainable Development of the Ministerio do Meio Ambiente (MMA) in Brazil, then talked about the opportunities and constraints in integration of policy in MERCOSUR. He said that in order for RTAs to help reduce the existing inequalities and current difficulties, they need to have the domestic policy support for integration. Mr. Viana highlighted the importance of MERCOSUR for countries of the region. For Brazil, he said MERCOSUR is the second export market and the current trend is to increase participation of Uruguay and Paraguay. He noted that the Inter- MERCOSUR trade is still small and the evolution of trade outside of MERCOSUR is growing, but it should grow from domestic to regional, and then to global trade. He expressed that MERCOSUR needs to first look within for solutions without forgetting that the US and the EU are important markets. He also noted that soy, beef, and higher-value-added products could provide a positive effect on the GDP, but that the trend of monopolies and oligopolies in production could result in a possible contradiction, together with the asymmetry of the global market, which represents a basic problem. Mr. Viana mentioned how transboundary integrated resource management projects such as for the Guarani Aquifer and Deltamericas in addition to the Plata Basin treaty present an opportunity to develop complimentary policies for sustainable development, that could translate interests in integrated management. This is extremely important for Brazil because of the potential to bring labor and environmental tourism. He pointed, that a potential problem could be incompatibilities with MERCOSUR. Therefore, he noted the importance to look at convergence of norms and standards, including sanitary and other barriers, focusing on MERCOSUR, WTO, and FTAA. He concluded his remarks by emphasizing that Brazil, and other MERCOSUR countries need funds, to help transition to sustainable development in a trade liberalization context. Mr. Viana also highlighted that MERCOSUR is not simply a tool to foster trade, but a tool of integration, that won't work without complementary sustainable development policies and funding to implement them.

Daniel Berrettoni, Executive Director Ad-Interim, of Centro de Economía Internacional (CEI) of the Ministry of Foreign Affairs, International Trade and Culture of Argentina, spoke about the economic and developmental impacts of RTAs but focused on the economic impacts. Mr. Berrettoni mentioned that integration can spur economic growth and help generate investment, but the coordination of macroeconomic policy is a more complex issue. He also

said that there is empirical evidence regarding the link between GDP and exports growth, but not within best performing countries. He emphasized the need to overlap economic indicators with human development indicators and at the same time align these with other policies in areas such as education, labor and social cohesion, given that in the region, there has not been a balance. He also expressed that the MERCOSUR region has a very slow growth rate and is very dependent on domestic savings, contrary to the case of Asia that has been fuelled by exports. He pointed that instead of convergence, there has been divergence with OECD countries. In this regard, Mr. Berrettoni mentioned that it is crucial to pay special attention to how MERCOSUR interacts with the global market and gets closer to greater diversification within the region. He also said that after the 2001 crisis in Argentina a greater number of companies became involved in the exporting process, because of some benefits including creation of employment and higher export profile. However he noted that there are still many constraints the country and the region faces, such as the difficulty in continuity of exports, the instability of the regional markets and the challenge of exporting to stable markets, like the EU and NAFTA. Mr. Berrettoni also said that MERCOSUR faces strong competition and challenges to export, but because of the situation of the FTAA, the focus should be on strengthening regional integration and fostering greater diversification of trade. Mr. Berrettoni finally said that there is no doubt regarding the connection between trade and development.

Edda Rossi, Trade Negotiator from Chile, thanked the organizers and recognized the importance of having discussions about these issues outside of trade negotiations. Following, she addressed emerging trends in integrating sustainable development within RTAs in the Americas and focused on the case of Chile. She expressed that Chile's position regarding the integration of environmental and labor issues is open, but proactive. She said the basis for the Chilean position is the Constitution, because it incorporates the right of citizens to a healthy environment. In addition, she noted that the level of development of the country provides a foundation to build forward. Ms. Rossi mentioned that it is important to adopt integrated policies that incorporate a sustainability vision. She cited the agricultural sector as an example, given that the Chilean model of exports is mainly built on resource-based commodities. Ms. Rossi highlighted the extreme importance of environmental and social protection and that it is key to understand that the link between trade and environment is a difficult issue given the concerns about protectionism, fear of competitiveness and risk of barriers to trade. She mentioned that Chile has negotiated several agreements with environmental provisions, including with the EU, Canada, and the US and also different modalities of agreements with countries such as New Zealand, Singapore, China and India, and a pre-feasibility agreement with Japan. Ms. Rossi expressed that Chile assumes that environment and labor aspects need to be introduced in negotiations, but the responses it has received from trading partners on the issue have been different and this has led to different texts and models, reflecting preferences of different countries. She gave as examples the cooperation modalities in the agreements negotiated with the US and Canada and a program developed within the framework of the EU-Chile agreement to identify environment, health and safety regulations of EU that need to be complied by exporters in Chile, as well as voluntary standards. Ms. Rossi also mentioned challenges, including that trade will not solve all problems and the importance of developing domestic policies, and build capacity with Small Medium Enterprises, for technology transfer, the need to invest in R&D to improve quality of products in order to meet for example, new EU packaging requirements, and

address the implications of standards for exporters from Chile, specially for small exporters. She also highlighted as a main challenge the need to address the production chain as whole and referred to the mining sector in Chile as an example. Ms. Rossi concluded by saying, that cooperation and capacity building for all sectors is the key to maximize benefits of RTAs and not sanctions, she also emphasized the need to have a flexible approach in RTAs to adapt to the needs of countries that don't have domestic frameworks that allow the insertion of environment or social provisions within these agreements. Finally she said that there is a big "to do" list in this area.

Discussion: *Marcos Orellana* of the Center for International Environmental Law (CIEL) moderated the discussion and highlighted the importance of domestic policies; the asymmetry of the global market; changes in export patterns and different integration models.

During the discussion, *Hernan Blanco* Executive Director of RIDES in Chile pointed that in the panel there was little mention of services; and expressed the possibility of a role for services as an engine for growth and sustainable development. He also inquired about the role of tourism and in particular sustainable tourism for Brazil. *Secretary Gilney Viana*, expressed that services are extremely and obviously important and that in Brazil there is no restriction for tourism; in fact he highlighted that sustainable tourism is very important as are priorities that include biodiversity and water. The discussions also included pending issues that need to be done at the regional level regarding the incorporation of sustainable development into RTAs, such as development of environmental goods and services and environmental assessments. *Edda Rossi*, mentioned that in the case of Chile in the FTA with the United States, there's a provision for voluntary environmental reviews. Nonetheless, she said that Chile is interested in training to conduct assessments that could feed into strategic policies as well as trade negotiations. She also mentioned that environmental goods and services were not included in the negotiations with the US and there are no commitments at this stage. Finally, she said that environmental goods and services are generally negotiated under general services in the WTO, but the problem is that there is not a clear process for reviewing harmonized system codes (HS codes).

SESSION TWO: TRADE-RELATED INVESTMENT AND SUSTAINABILITY.

This session was moderated by *Carlos Galperin* of the Centro de Economía Internacional (CEI) of the Ministry of Foreign Affairs, International Trade and Culture of Argentina, who introduced it by explaining that the speakers would examine both the interaction between investment rules set out in certain regional agreements, and their potential effects on sustainable development.

Julio A. Franco, Economic Advisor of the Chamber of Commerce and Exports of Agriproducts and Agro-industrial Products of Uruguay spoke about the significance of investment and sustainability in MERCOSUR. He mentioned the need to address environmental goods and services, for investment attraction and market expansion. Further he gave background information on existing literature on trade, investment and environment, expressing how these are key to sustainability. He mentioned that since the 90's the relation between trade and investment has proven that open economies provide more benefits,

MERCOSUR can be seen as an example because together with other agreements represents 50% of World trade. He also said that MERCOSUR has helped in the increase of regional trade but at the same time has sacrificed certain sectors and industries, becoming a “second best” option with positive results in terms of trade, but a slow impulse and insufficient turnout. He said that RTAs have been developed in response to needs that multilateral political agreements have not satisfied. The consensus built at the regional level includes acceptance of clauses and obligations that do not succeed at the multilateral level and that don’t necessarily promote productivity and efficiency. Finally he concluded by stating the free trade will translate into sustainable development only if it means an increase in investment rates, better incentives for growth, transfer of technology and more institutional capacity building.

Julie Raynal of DG Trade of the European Commission began her presentation by noting that the new generation of trade agreements includes investment, competition, services and other provisions, as recognition that tariff reduction alone is not enough to support market integration. She pointed to recent analysis by UNCTAD and the World Bank in stressing the importance of foreign direct investment in supporting development, including financing of infrastructure to facilitate development. At the same time, she noted little empirical evidence between bilateral investment treaties (BIT) and changes in FDI. Despite public concerns, she noted that trade-related investment provisions did not undermine the right of countries to regulate. She questioned the general perception of some groups that BITs are regarded as opening space for investment, while RTAs that contain trade-related investment provisions were seen to impede the right to regulate. Instead, she argued that RTAs in general adopt a positive approach to liberalization; that countries can use most favored nation (MFN) and national treatment exceptions, and hence, ensure high levels of flexibility. When a country wants to facilitate technology transfer, investment provisions can help such efforts, and more generally support environmental protection. She cautioned that increased market access is not linked to deregulation; they are two distinct and separate initiatives. Moreover, trade can increase the need for increased regulation, as has been seen in the liberalization of some service sectors. She noted that the private sector has an obligation in ensuring investment liberalization is supported by corporate social responsibility, and referred to the OECD guidelines for Transnational Corporations as being an example. The OECD guidelines have been signed by a number of non-OECD countries, including Brazil, Chile and others, noting that in the EU-Chile agreement, there is a reference to the OECD guidelines. These guidelines promote disclosure and transparency, ensure that technology supports the domestic science and technology agenda, and take into account domestic environmental laws. She noted that countries should not seek exceptions as a pre-condition of investment, and commitments need to be supported with monitoring. There are other examples of investment frameworks, including the Kyoto Protocol and its Clean Development Mechanism; the US-Cambodia textile agreement.

Discussion: *Carlos Galperin* moderated the discussion subsequent to the presentations.

The main points addressed included the need to explore “space” or environmental exceptions and how to establish links between different mechanisms created within different agreements. Negative investment experiences in Brazil were also mentioned and how to deal with the issue of sovereignty of nations with regards to the right to accept investment or not. *Julie Raynal*,

highlighted that the EU is a strong advocate of special and differentiated treatment, because of its relevance in the context of WTO. Further discussion covered how to maintain the WTO goal of level playing field with special treatment and how to address investment disputes in particular related to expropriation of investors rights. The importance of strong domestic frameworks vis a vis investment treaties was also highlighted, specially given the different size of trading partners.

SESSION THREE: REGIONAL TRADE AGREEMENTS AS AN ENGINE FOR THE SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES.

This session was moderated by *Maria Amparo Alban* of the Centro Ecuatoriano de Derecho Ambiental, Ecuador, who introduced the panellists.

Geoffrey Garver, Director, of the Submission on Enforcement Matters Unit, of the North American Commission for Environmental Cooperation (CEC), provided an overview of the background, mandate and functions of the CEC. He began by recalling the background of the NAFTA debates, including the fear that free trade would create pollution havens, have a chilling effect or backsliding of environmental regulations, and concern about the scale effects of trade. NAFTA was the first trade agreement to include environmental provisions within the legal agreement, as well as implementing parallel environmental and labor agreements. Among the higher-profile aspects of the North American Agreement on Environmental Cooperation are measures to ensure the effective enforcement of environmental programs, including a series of provisions regarding the access to remedies set out in Articles 14 and 15. This approach has been repeated in the DR-CAFTA and Canada-Chile, but not in the US-Chile. The CEC contains four main program areas: pollutants and health; environmental law and policy; the conservation of biological diversity, and trade and environment. In addition, the Secretariat of the CEC – located in Montreal – can initiate independent reports under its Article 13 provisions. After ten years, among the lessons of NAFTA forwarded by an independent panel include the following, the dire predictions of pollution havens or a race to the bottom have not occurred; environmental laws have not dampened the economic benefits of trade. NAFTA and the CEC have helped in capacity building and information sharing in promoting the right-to-know and access to information, and undertaken some harmonization efforts. He noted some of the specific program areas, including the phasing-out of DDT in Mexico and supporting the sound management of chemicals, children's health and the environment and supporting shade-grown coffee in Mexico. Turning to the Submissions on Enforcement Matters Unit, Mr. Garver noted that submissions are received from individuals regarding regulatory enforcement matters. The Secretariat determines if a threshold is met, and if so, recommends to Council if a factual record should be prepared. Council can either approve or reject the recommendation. To date, the CEC has 10 active submissions under determination, and four factual records are under preparation. In total it has received 50 submissions, of which roughly half are from Mexico. Mr. Garver noted the developments in the region around enforcement matters, and the cooperative agenda more generally, and offered the experience of the CEC as a useful reference in what worked and what did not.

Mirta Laciari, Director Unit for Trade, Investment and Environment of the Secretariat of Environment of Argentina, spoke about the experience of MERCOSUR regarding the articulation between trade and the domestic framework for sustainable development. She began her remarks by stating that MERCOSUR is more than a trade agreement, but a political accord towards regional integration that needs to overcome political paralysis. MERCOSUR has mainly achieved increased trade in intent to open markets. She highlighted that the Asuncion treaty also sets out objectives other than trade, in fact in its first section it makes reference to environmental policy and harmonization. Regarding legal interpretation, she mentioned that there are great implications, because, for example, a draft protocol was negotiated for 5 years and never adopted by a political forum. Ms. Laciari also underscored the complexity of including environmental provisions within the text of an agreement, given that in MERCOSUR the environmental parallel agreement did not become operational until a MERCOSUR Working Group was created long after the agreement was signed. However, she noted that the process of considering environment in the context of MERCOSUR is not linear, because it involves technical and political issues. She said that in fact a technical forum on environment was created in 1995 and an annual Environment Ministerial meeting was instituted in 2004. Finally, Ms. Laciari said that regional integration is not linear either. She stressed the need to allow flexibility and balance in building cooperation and allowing strategic progress towards more consistent environmental policy in the context of the regional integration process.

Giselle Beja Valent and Victor Canton, from the Foreign Affairs Advisory of the National Directorate of Environment of the Ministry of Housing, Land and Environment, in Uruguay, mentioned the experience of Uruguay and Ecuador in conducting environmental assessments of trade, and mentioned the difficulties faced to conducting sustainability assessments. They said the fragmentation in the different positions at the regional level with regards to environmental issues, makes it very difficult to meet compliance obligations, so countries need to think ahead about how to improve implementation, by addressing governance issues such as administration and financing. Mr. Canton and Ms. Beja, said that Uruguay has acquired different obligations in multilateral environmental agreements such as the CBD, the Kyoto Protocol and the UNCCD, among others and they need to align these with national priorities and identify capacity building needs and gaps to create a baseline. They expressed that it is also important to identify cross cutting issues in declarations such as Río, multilateral environmental agreements covering access to genetic resources, alien invasive species, sustainable use of biodiversity, climate change, all which are related to trade, as are the TRIPS agreement and bio-trade. Mr. Canton mentioned the importance of looking at trade and agrobiodiversity, developing indicators for biological diversity, bio-piracy and different impacts on soil, as well as the importance of protected areas. Finally they concluded their remarks by saying that the Plata Basin agreement is a start with regards to integrated resource management, but there's a proposal to include trade in its framework given regional transformation.

Ariel Carbajal, Director, of the Centro Tecnológico para la Sustentabilidad of the Universidad Tecnológica Nacional, spoke about cleaner production, transfer of technology and knowledge among regional partners. He began his remarks by mentioning the need to move from the concept of trade and environment to trade and sustainable development. He also highlighted

the importance of the sustainable production and consumption initiative and the link to clean production and satisfying the needs of the poor. He also referred to the discussions in the framework of the CSD regarding financial mechanisms for technology transfer, supported by Chapter 3 of the Johannesburg Declaration, which has a mandate to foster and promote a regional framework to support technical issues and also trade for the improvement of inter-generational equity. He concluded his remarks by stating that RTAs could support cleaner production and technology transfer and at the same time support socio-economic progress and poverty alleviation.

Discussion: *Maria Amparo Alban*, provided a short summary of each of the presentations, and reflected on the importance of discussing what is happening at the regional level and also on the difficulty of ensuring compatibility of policies in MERCOSUR, and building institutional and local capacity. She mentioned the different approach taken in the Hemisphere in the context of NAFTA with the establishment of the CEC, a model upon which the US has built in different agreements including CAFTA. She noted the possibility of replicating the CEC model and omitting the mistakes. Most of the discussion in this session was around the citizen submission process under the North America Environmental Cooperation agreement and the issues addressed, included the strike by the Council of two recommendations of the Secretariat for factual records, and it was noted that two of the three member countries need to vote in favor of a Factual Record or the recommendation is not accepted. The other issues that were addressed were why has the citizen submission process not been exactly replicated in more agreements and why the budget has been reduced. Finally the discussions centered on the contribution of the article 14 process to sustainable development in NAFTA countries.

SESSION FOUR: REGIONAL TRADE AGREEMENTS AS A CATALYST FOR SUSTAINABILITY IN BUSINESS.

This session was moderated and introduced by *Juan Rodrigo Walsh*, Expert of the World Wildlife Fund (WWF), who highlighted the importance of the role of the private sector prior to introducing the speakers.

Raimundo Florin Executive Director of the Argentinean Business Council for Sustainable Development, outlined the relationship between trade and sustainable development from the perspective of his involvement representing the private sector in the political dialogue. He expressed that the challenge for the private sector lies in the coordination of issues among different sectors and corporations to implement the sustainable development agenda. He also mentioned the interest of the private sector in the relationship between environmental standards and competitiveness, including eco-efficiency, sustainable technology and services. He said that the World Business Council has multiple initiatives in different countries, but there are bottlenecks in terms of compatibility of efforts, and how to measure results, though some progress has been made in developing indicators to measure countries performance in sustainable development and competitiveness. He also listed some concerns of the private sector including the fear of discriminatory measures, for example by creating technical barriers to trade. Mr. Florin highlighted the importance of GATT Article XX and the need to address discrimination. He also mentioned the importance of voluntary mechanisms,

including certification and labeling and expressed the need for companies to get involved in production process methods (PPM). He finalized his remarks by saying that there should be a balance between opening markets and protectionism, agreeing with the OECD position regarding the need for FDI and for definition of investors rights and in investor-state disputes. He also highlighted the lack of a concrete agenda in the context of FTAA.

Claudio Sabsay, Undersecretary of Agricultural Policy of Argentina spoke about the challenges for agricultural exports and sustainable development. The Undersecretary said that environmental issues, sustainable development and trade have become a topic of debate because of the inter-relation, but they don't always go in the same direction. Further he said that protection of the environment and trade in goods and services are not always complementary. Then Mr. Sabsay spoke about agro-ecosystems and the increase in yields, stress on land, and depletion of top-soil and soil nutrition. Further he explained how in the context of international farm trade, sustainable development issues are being addressed in trade policy, but there is still fear of abuse and technical barrier imposition. Mr. Sabsay, emphasized that Argentina needs to look at new ways of production considering consumer trends. He gave as an example the increase in organic producers from almost none in 1992 to over 3,000 producers in 2004. He said that "to date there are 3 million ha of organic produce, Argentina is the second largest producer in the world and 35 percent of total production is for exporting mainly to the United States and Europe". In addition the undersecretary mentioned the importance of the private sector and its role in an advisory committee to the Ministry of Agriculture, were issues such as capacity building for compliance with EUREGAP and taking advantage of new market opportunities such as the potential of exporting to Japan \$3-\$6 billion per year in organics are discussed. He mentioned some of the challenges include "co-existence" of trade and sustainability rules, private sector involvement, certification and mutual recognition problems and the impacts of allowing genetically modified crops. As an opportunity he mentioned the use of bio-diesel and modern biotechnology crops. Mr. Sabsay finalized his remarks by stating the need assure efforts towards sustainable production are sustained at the same time maintaining the awareness of the need strengthen negotiations, to ensure responsibly that standards are not used as obstacles to trade.

Mauricio Lopez Dardaine, Director, Chamber of Exports of Argentina, addressed environmental goods and services in the context of the EU-MERCOSUR negotiations and mentioned that the negotiations are slow but are expected to become more intensive. The hopes are to have an agreement in 12 months. Mr. Lopez Dardaine mentioned that MERCOSUR has tariff rates of between 12 and 20%, and the average is around 14%. Environmental goods are capital assets, but in Argentina they have a waiver and 0 tariffs which bring the MERCOSUR average of 14% to zero. The main challenge with negotiations, he said has been classification. There are still two lists the APEC and OECD lists and these include chemicals under the argument that could improve environmental conditions, which also poses a challenge in terms of tariffs for chemicals. Mr. Lopez Dardaine's recommendation was for MERCOSUR to set a core tariff position for environmental goods that would serve as the basis for EU-MERCOSUR negotiations to move forward with a negotiated agreement and also to set out modalities for negotiations and a practical position.

Maria Amparo Alban, of Centro Ecuatoriano de Derecho Ambiental in Ecuador, spoke about environmental services negotiations. She began her remarks by explaining that there are normative standards in Andean countries to support conservation of bio-diversity that creates a potential for services within the region. For example, she said UNDP has been strengthening capacity for trade in the Andean community. She also mentioned it is important to use the potential of mega-biodiversity, and look at services, specially because there are two visions of services the general position of the GATS, including environmental services such as wastewater services, and at the national level environmental services are closely linked with ecological services; protection of water basins and carbon sequestration. She also mentioned that the definitions of services in the EU context are more expensive and refer to eco-systems services. In addition to saying that there are no clear benefits of services liberalization and gave as example, health services and other services provided by the state, stating that there's an incompatibility between public ecological services and the WTO listing of services. Finally she expressed that the scope of the negotiations on environmental services in the Non Agricultural Market Access Group under the DOHA mandate is unclear and that countries should use the non discriminatory principle more to allow for flexibility in the negotiations and in national policies.

Discussion: *Juan Rodrigo Walsh*, introduced the discussion by highlighting the need to look at issue of common goods: what are services provided by nature, as opposed to other services. *Rene Vossenaar* expressed that Argentina should get the WTO list and set out a sub-group of products that have a clear set of environmental benefits for those products that would benefit the country. It was also mentioned that Argentina exports \$280 millions from the APEC list, but this includes chemicals. In Argentina given imports and exports from the APEC list entails multiple uses, it is important to find ways to balance loss of tax collection revenue from tariff reduction. The environmental benefits derived from using this list are still unclear. *Undersecretary Sabsay*, mentioned that Argentina does not have the production element for industrial products and event though there's been a lot of involvement in negotiations, there has been little market access progress, so industrialized countries are trying to gain access through the backdoor of the environmental goods and services mandate in Doha. He also mentioned that there should be protection based on science and not destabilized by hidden protectionism. The discussions also addressed the definition of environmental goods and the confusions with organics; the list should be broader and the CODEX list and scientific basis should be considered. It was mentioned that science should not be used to block market access. Mad -cow disease was mentioned as an example. Some of the comments reflected that the disease is a problem that has been created by rich countries, and Argentina's meat exports are still banned because the United States is unable to solve mad-cow disease and is distorting market access by for instance pressuring Japan to open their market, while they do not allow Argentina to export to the US market. Robin Ratchford of DG Trade of the European Commission expressed that mad cow is not an invention. In fact, he said in Europe it cost billions of pounds. For example all dairy products were withdrawn from the market in Belgium, because of trace elements of dioxins. The next point of discussion was the role of cleaner production, sustainable forestry and sustainable farming and if PPM issues should be considered and emissions trading be included in WTO list. It was mentioned that definitions in APEC imply open PPM issues. Finally the importance of synergies between WTO and MEA's were highlighted and the discussion concluded with the indication that it is necessary

to improve the implementation of bilateral trade agreements, by bringing in the private sector and making them complementary to the multilateral agenda.

FEEDBACK SESSION: SUMMARY OF FIRST DAY AND GENERAL COMMENTS

Robin Ratchford of the DG Trade European noted the points of general agreement from the previous sessions included institutional issues and examples, as well as ways in which sustainable development could be integrated into RTAs. Mr. Ratchford noted that discussion outside of a formal context was useful as well as including civil society. He also mentioned the main examples that were mentioned in the sessions on the day before, including: formal inclusion of sustainable development goals in legal regimes as in NAFTA and the official position of Chile; the MERCOSUR Framework Agreement on Environment and informal working group, and the regional instruments of the Plata Basin Treaty.

Most of the comments made by participants in this session focused on environmental issues; but also on social issues including poverty alleviation, domestic institutional reforms such as tax policy reform. The reflections between the non existence of a clear link between trade openness and GDP growth as indicated in the graph presented by Daniel Berrettoni from CEI with data on China and India was also recalled.

The asymmetrical relationship of large countries and large companies and challenges to sovereignty were discussed. As well as some of the issues related to negotiations of environmental goods and services and HS codes, including the need to identify priorities for RTAs in this area. However, the conclusion was that these issues are far too complicated to solve in one day of discussion. Organic agriculture and certification as well as mutual recognition were also discussed.

One of the main policy questions faced during the discussion was how to coordinate the increasingly complicated international environmental and trade agenda, and one of the suggestions was to take a phased-in programmatic approach, because we should think about economic development, poverty alleviation and the environment, especially air quality. One of the participants stressed that sustainable development is not an add-on luxury. It needs to be integrated, it makes sense and what does not make sense is why trade negotiators are so allergic to integrating it?

Pierre Defraigne former Deputy Director General of DG Trade of the European Commission said that development should be endogenous, meaning internal development. Further he said during the discussions of the day before there was almost no mention of workers rights, labor issues or human rights. The MERCOSUR region opted for import substitution, which has been successful in the US and Japan. Mr. Defraigne said you need to have a strong state to then change the focus from import substitution to export-led growth, it is important to emphasize on comparative advantages, which are natural resources. He stressed that due to inequity on ownership of land, the more you base exports on land, the wedge in inequality widens, dampening the rate of growth and the pattern of distribution. He also said that there is a problem of a viscous circle of debt servicing and the possible default on debt. But overall,

development is not a text-book pattern. Mr. Defraigne said it makes sense for MERCOSUR to think about diversification, expand domestic demand, and a fair division between capital and labor and to consider dialogue between EU and MERCOSUR not simply as trade agreement, but a broader issues of domestic economies, and possibilities in terms of improvement of the debt situation in MERCOSUR. *Giselle Beja* from Uruguay mentioned that it is hard to address sustainable development when the debt is so overwhelming, for instance in Uruguay, the debt burden occupies a very big percentage of the GDP. Therefore, she said Uruguay cannot only think of trade but of the financial commitments from Summits and making efforts to coordinate debt issues with financial institutions. She also mentioned that MERCOSUR needs to focus on domestic demand, because aside from Brazil, the domestic demand is very weak.

Hernan Blanco from RIDES in Chile mentioned that the topic of trade and sustainability is very complex but a monitoring system should be established in order to explore the results of specific commitments. He also asked if it was possible for the European Union to help establish a foundation. *Mariano Castro*, Executive Secretary of CONAM in Peru, said that most of the discussions during the first day of the workshop reflected a bias in favor of environment and there is problem of lack of analysis and a need to look at impact of domestic policies. He said that in Peru, 60- 70% of the economy is informal and social policies are responsible for lack of distribution, so we should ask in this case to what extent are environmental policies responsible for generating jobs? Implementation of policies needs to be monitored and there is a need for responsibility. On his part, *Geoff Garver* from the CEC, said that every time a new mechanism is discussed, the question to ask is what are the benefits? The effects trade agreements should be questioned; for example in NAFTA, the performance of Mexico has led to increased poverty; inequality; so one could also ask if the provisions of sustainable development have worked and if the projected benefits are actually being delivered.

Another reflection concerning the Andean Community negotiations of an FTA with the United States is the lack of convergence, if the group of countries is not well-integrated, negotiating as a block does not have internal coherence. In the Andean region there is a strong need for Political will. Non tariff barriers within the region need to be reduced; trucks still need to be changed at the border and SPS measures differ on a country by country basis. In order to really negotiate successfully as a block, domestic markets need to be truly integrated. The Andean Community has existed for 35 years and it has not been able to integrate very similar markets with similar products. There is internal competition, little diversification of markets, and also structural problems. Therefore in addition to political will, underlying structural problems need to be addressed.

The discussion then turned to what trade should do for sustainable development. It was mentioned that macro-economic policy and its performance should be analyzed as fiscal measures should move towards financing, stability, and budget allocation.

Pierre Defraigne then suggested that governments cannot drive integration, integration is driven by markets, and it must be seen as irreversible. However he also argued that governments need to look at their domestic policies, especially if they are a small partner in a

bloc, because that is the only way small partners can succeed. He noted that in the region the tendency has been of good will but lack of serious analysis on implications of integration.

Maria Amparo Alban from CEDA in Ecuador mentioned that lack of coordination at regional level has mirrored at global level, and quoted the lack of coordination between CBD and TRIPS agreements as an example. Also she mentioned that the lack of coordination of domestic policies at the national level is reflecting in the regional and multilateral agenda. The discussions concluded with a statement regarding the poor outcome of environment discussions in the context of MERCOSUR and the lack of political support for trade and sustainable development, and some even consider a myth that this is a priority.

SESSION FIVE: CORPORATE SOCIAL RESPONSIBILITY AND FAIR TRADE – MAROONED AT THE MARGINS OR MOVING TOWARDS THE MAINSTREAM?

This session was introduced and moderated by *Rene Vossenaar*, Former Head Trade, Environment and Development Branch, Division on International Trade in Goods and Services, and Commodities, UNCTAD, who highlighted that trade in goods and services is an area where south-south cooperation could take place.

The first speaker *Ing. Luis Trama*, Environment and Energy Manager of the Argentine Institute of Normalization and Certification (IRAM) gave an overview of the ISO process on Social Responsibility (SR) and noted that ISO has its own ethical code that aspires to develop norms in a transparent, receptive and efficient manner, including an element of development. He said that under the ISO process the idea of company value has been extended and noted that the way one thinks about value in a company has changed – in addition to the traditional ways of weighing value, it has been expanded to include other issues such as the environment and employee satisfaction. He then recalled that a number of new stakeholders have been identified, including governments, industrial sector, clients, shareholders, employees and NGOs among others. Luis Trama said that in the end, the ISO process will result in a guidance document on SR, but it is important to note that this guidance document is non-certifiable, because so many of the discussions on SR have been radicalized. He also mentioned that an MOU has been signed between ISO and ILO, but there is concern in the process about this agreement giving ILO power of veto in the process. Mr. Trama noted that the national system of norms and certification must be enhanced and that an expanded concept of corporate value must consider the entire value chain within a company. He reflected on some strategic considerations such as the importance of early integration, considering the life cycle of product, labeling and environmental standards. He said that considering all the labels there is much to be done in Latin-America and the calls on labels should be seen as both an opportunity and challenge, the latter especially with regards to PPMs and their relationship with life cycle analysis. Mr. Trama concluded his remarks by stressing that Latin-America does not have governmental programs on environmental labeling and the need to strengthen and enhance consumer organizations in the region, to train different players with respect to SR and finally the need for readiness and awareness on CSR and life-cycle analysis.

Daniele Giovannucci noted the growing importance of market mechanisms that include sustainability principles, including fair trade and ethical issues. He noted that the fair trade, organic and eco-friendly mechanisms differ somewhat in their definition, but they continue to grow on World markets. Viable strategies are needed to help poor countries cope and benefit from market based mechanisms. He noted a study by the World Bank and UNCTAD, suggesting that of 25 major commodity groups, only 10 groups have the potential to expand, and of those, most involve large-scale agricultural plantations. These developments appear to do little to help the poor. A key challenge for developing countries is to capitalize on the importance that branding plays in world markets: brands are associated with quality, and bring with them a price premium. He pointed that many large corporations are setting their own definition of sustainability, and appear to be mainstreaming those definitions within all product lines, creating a challenge for small-scale producers looking to carve out a market niche and premium. Indeed, he noted that almost all large companies are developing their own social standards, in order to differentiate their company from competition, as well as to hedge against the risk of bad press. Overall, companies are aware of need to manage risk social risk: examples include Chiquita, GAP, Nestle, Starbucks and other companies that are developing standards. Although companies are clearly interested in standards, they are also concerned about the predictability and quality of supply. This in turn suggests a potential paradigm shift, in which the increasing demand for standards places additional challenges on small-scale producers in developing countries. He suggested that countries needed to intensify their dialogue and partnership with the private sector, and identify specific roles in which governments can provide support, including in certification, overcoming market information barriers, supporting extension services; research and development, and other areas. Challenges remain, including confusion among different standards, limited markets, as weak domestic institutions, and the potential that standards can act as barriers to trade.

Patricia Barbuscia of the Instituto Ethos de Empresas e Responsabilidade Social provided an overview of general trends in corporate social responsibility, and recent partnerships in Brazil. She noted that general perception that trade and globalization are not meeting public preferences; she noted that while something is wrong with globalization, it is unclear how to improve it. She noted that the main force of fair trade originates with consumers. By contrast, CSR originates with companies, and involves companies looking at risks and how best to respond to those risks. She noted that in Latin America, poverty has a gender and a color: high rates of poverty affect women and black populations. The objective of CSR is to develop a business strategy that promotes ethical and other values. It shifts the focus of business orientation from shareholders to stakeholders, and looks at business performance beyond minimum compliance.

Discussion: The discussion after this session began by reflecting on the importance of highlighting the asymmetries that exist in different countries with respect to SR and that one of the primary challenges that remains consists in internalizing environmental and social costs, specially in short term, given that first companies must know what the costs are and this is very difficult. Also it is important to have credibility and for that social responsibility needs to be profitable for corporations. It was mentioned that some do not believe in voluntary systems such as SR and question the effectiveness of these programmes expressing that the role of developing public policy essentially belongs to the government. One of the difficulties

is with commodities that are difficult to differentiate. Though referring to making commodities sustainable, it was stressed that it is a role for government once we begin to understand the value and costs of environmental services. Many developments have been initiated in the private sector, but there's not a clear answer regarding commodities such as petroleum, which is difficult to distinguish on the basis of environmental preference. It was mentioned how in Brazil there's no proposal in terms of how to monitor companies and their adherence to CSR goals and it is difficult to suggest that companies should be audited based on SR. However, it was noted that sometimes their behavior is brought to the public light and that peer pressure can be useful. *Patricia Barbuscia*, from Instituto Ethos, mentioned that her organization is working closely with the media in Brazil who is now providing an award and also, beginning to work with academia, consumers and slowly with the governments. The importance of having a champion within a company for pursuing SR was noted (typically the CEO) and to do a mapping within the companies of the typical successful factors for business to measure the impacts of certain practices.

SESSION SIX: ASSESSING THE EFFECTS OF TRADE

This session was introduced and moderated by *Sheila Abed de Zavala Executive Director of Instituto de Derecho y Economia Ambiental (IDEA) of Paraguay.*

Eric Peters of DG Trade, European Commission, explained the approach of the European Commission to Sustainability Impact Assessments (SIA) an initiative launched in 1999 by Pascal Lamy in search for answers to questions about trade and to build a process of civil society participation. He pointed that while optimal trade outcomes assumes that liberalization is always conducive to development and equitable growth, in the real world, there are market distortions and failures, and winners and losers from trade. The SIA is intended to avoid simplistic answers to complex issues, and help obtain a fuller understanding of the complex effects of trade, including differentiating trade impacts at the global level, where they are diffused, as opposed to impacts at the local or sub-regional level. An important part of the EC SIA approach was to ensure a broad consultation process, based on the following themes: (a) examine trade and sustainable development, as opposed to a more narrow trade-environment nexus; (b) examine effects beyond the countries of the Commission, in order to seek global and region-specific views; and (c) ensure a legitimacy in the public consultation process. He noted the need to have RTAs with national and regional governance structures. Among the results of the work to date are a better understanding of general effects of trade; the view that trade exacerbates existing trends, rather than introduces new pressures. However, questions remain regarding the scope of analysis; the challenge in modeling different WTO disciplines outside of tariff reduction. Despite these and other challenges, it was felt that the consultation process has been wide; and the SIA has helped inform trade negotiators.

Enrique Leff of UNEP-ROLAC spoke about the mandate of his office from the Forum of Ministers of Environment of Latin America on Trade and Environment and discussed areas of cooperation between UNEP-UNCTAD and UNEP-CEC. He explained the background the approach of UNEP to Integrated Assessments, a process for assessing environmental social

and economic impacts; and mentioned that since 1997, UNEP is moving ahead with integral analysis based on idea that methodology not completed, but that the process is important. He noted that assessments increase information available to decision-makers, enhance policy coordination, help to build consensus; save time and money insofar as they entail up-front costs to run assessments, but recommendations from them can help avoid more costly negative impacts. He noted that the process of assessments is very important, in building local capacities in a transparent and inclusive manner. He mentioned that UNEP has conducted a number of assessments, including studies in Chile (mining), Ecuador (the banana sector), Colombia (the rice sector) and Argentina (the fisheries sector). In addition to listing some of the new initiatives including highway 163 a highway that will bring GMO soy; extremely controversial and high profile; also in Chile an assessment of the agricultural sector. He noted challenges in assessments, including the problem of valuation, selection of environmental indicators, and the need for better training of experts and stronger institutions. He finally concluded by mentioning that some of the successes to date include increased awareness, and joint efforts with CEPAL and OAS to look at the linkage between economic, social and environmental issues.

Maria Fabiana Oliver, Director Trade and Environment of Fundación Ambiente y Recursos Naturales, FARN of Argentina, spoke about the experience in Argentina conducting an Assessment of the Environmental Effects of Trade under FTAA as part of a program of the Organization of American States (OAS). She expressed how much of a priority the topics discussed in the workshop are and how important it would be to replicate the effort so the discussion can have continuance. Further Maria Fabiana, explained that prior to the work done under the OAS program Argentina has some experience in looking at trade impacts and economic impacts, but not looking at environment, social or legal institutional impacts in an integrated approach. In fact she mentioned that there is no domestic law to regulate EIA. Ms. Oliver explained that the approach of the assessment conducted by FARN included building economic scenarios, determining environmental impacts and conducting a legal-regulatory and institutional review to assess the national capacity to face the impacts of trade. Some of the issues identified in the assessment included conflicts of jurisdictions and an approximate dimension of the economic and environmental impacts and enforcement gaps as well, due to absence of formal channels to coordinate agency and regulatory responses. She expressed that the main challenges in conducting the assessment included availability, quality and reliability of the data as well as disaggregating the trade driven economic growth, from for example, growth due to the devaluation in Argentina. The recommendations of the assessment included the need for capacity building and monitoring towards enforcement and compliance of existing regulations and to look carefully at the complete chain of production of certain products with significant impact. Finally, Ms. Oliver said that it is crucial to define the expectations of public policy, because trade policy will not solve environmental problems, so it is key to use tools such as assessments that can help predict them.

Discussion: the discussion was moderated by *Sheila Abed*, from IDEA in Paraguay. The initial comment regarding assessments of the effects of trade was regarding the importance of developing indicators that are appropriate for the region.

One of the conclusions was that ex-ante assessments should be conducted as early as possible, in order to be able to react in case negative impacts are identified. On the effect of SIAs on

trade policy, *Eric Peters* from the European Commission confirmed that SIA are not a window dressing exercise and are meant to make a difference in trade policy.. The reflections also comprised the need to reinforce ex-ante and ex-post methodologies, because of the value added of doing both, e value in ex ante and ex post, in ex post you can see if the ex-ante results are accurate and measure if preventive measures are successful. *Hernan Blanco* referred to his experience working with Chile in the assessment of the environmental policy of the Ministry of Agriculture and the joint efforts between the public, private sector and non governmental organizations as well, highlighting that the process and involvement of different stakeholders is more valuable than the accuracy of the end product. One of the participants made reference to the Millennium Ecosystem Assessment initiative and its possible contributions to development of methodologies being applied in the region. *Geoff Garver* from the CEC also referred to the work in ex - poste analysis done by the CEC in the context of NAFTA and its possible contributions. In terms of MERCOSUR, the discussions emphasized that assessments could be a very important tool to support the integration process. *Eric Peters* from DG Trade of the European Commission expressed the importance of institutionalization of the assessment after an agreement. He also agreed with *Hernan Blanco* regarding the importance of the process, but said that the European Commission has also to demonstrate that SIA are making a difference and improving trade policy making.

SESSION SEVEN: LESSONS IN INTEGRATION.

This session was introduced and moderated by *Maria Leichner* from ECOS in Uruguay.

Minister *Daniel Raimondi*, Director of Economic and Trade Affairs for MERCOSUR of the Ministry of Foreign Affairs, International Trade and Culture of Argentina, began his remarks saying that MERCOSUR aims to meet sound and consistent positions, but there are clearly great challenges, especially in seeking greater integration of industrialized world. He mentioned MERCOSUR is one step closer to closing the gap between the rich and poor, given that even with political changes this remains a priority. Support for social justice, preservation of environment, promotion of industrial goods and scientific development for improving competitiveness. He said that lessons of 15 years of integration include support for democracy and economic growth and preservation of the environment as a constitutional manner in support of progress. Minister Raimondi, also stressed that the integration process in MERCOSUR shows that there's political will and recalled how in 1998 democratic principles were adopted indicating that any country that wishes to join, must have a commitment to institutions. The Minister also highlighted that while the main focus of the agreement has been on economic integration, political and social issues have gained prominence. These have been reflected in the OAS mandates on democracy, security and corruption prevention in the hemisphere. He also mentioned that it is important to look at convergence of the Andean and MERCOSUR integration. While well below the potential of the region in terms of partnerships and integration, exports are expanding, the extent of benefits of economic growth it is very necessary to strengthen institutional cooperation. The Minister also mentioned that in the

negotiations of the EU-MERCOSUR agreement the implementation of the interim agreement is an important step as is how to link sustainability objectives to the process, while at the same

time not letting this objectives become a trade barrier. To conclude, Mr. Raimondi said that MERCOSUR integration needs to affect concrete sectors and many other interests and it is important for the countries of the region to define and implement common objectives, to address and overcome asymmetries.

Marcelo Halperin, of the Institute for Latin-American Integration of the University of La Plata, and the MERCOSUR Department of the Argentinean Industrial Union, spoke about formal institutional arrangements, parallel cooperative agreements and other measures. Mr. Halperin began his remarks by explaining that he has researched technical cooperation over past 10 years in the context of a new generation of trade agreements that bear new directions in technical barriers to trade and sanitary and phytosanitary measures (SPS) and other areas. He mentioned that there is a basic problem when developed and developing countries, with different structural levels, deep asymmetries, disparity of income and cultural problems negotiate. Especially, he said because developed countries can legitimately adopt more stringent norms; allowed in WTO; but that increase the burden on developing countries in terms of market access, and social awareness. Mr. Halperin mentioned that this adds on to the structural problems faced by Latin-American countries that cannot be remedied with trade, or likely to be overcome with differentiated treatment and it is not a case of increasing the number of preferences. He said that in many cases, the preferences cannot be benefited from, since there is inability of the least developed countries to meet those benefits. For example, he mentioned special treatment of tariff rate quotas (TRQs). Mr. Halperin emphasized that structural inequalities cannot be solved by trade preferences and that developing countries rushed too quickly into side cooperative agreements, in fact he said that the NAFTA and CEC model has been repeated in Chile, CAFTA, and in the MERCOSUR-EU cooperation agreement. He said that his research has focused on reviewing the quality of cooperative agreements and that these agreements are not really aligned with the trade liberalization agreement, so the cooperation is not articulated consistently with the trade commitments. Mr. Halperin mentioned that there is a double standard problem: trade preferences and national treatment. All products to be exported to OECD need to conform to export country high standards, and nothing in cooperative agenda supports efforts in this area for developing countries. His conclusion is that cooperation is absolutely counter-productive because by looking at the list of priorities you can see that regulations and actual trade liberalization commitments are not taken into account. Mr. Halperin said that to guarantee impact, cooperation needs to help developing countries in gaining market access and introduce idea of conditionality, looking at trade deficits. The bottom line is, he said that the cooperation structure needs to be re-thought.

Discussion: The discussion was moderated by *Maria Leichner* from Ecos in Uruguay, in which the participation of civil society in consultations related to MERCOSUR in Argentina was highlighted, in fact it was mentioned that more or less 580 groups are involved in consultations in different themes of the agenda and there are plenary meetings every 2 months, including third parties. Also part of the discussions referred to the future of integration in South America and addressing issues such as Environment. In this regard *Minister Raimondi* mentioned that the general rules state the environment has to be addressed and a new summit of presidents will convene in September, to look at integration further. He also mentioned that MEROCUSUR is working towards building a common position regarding

tariffs and differences regarding the political process to take advantage of having a common and well coordinated position at the multilateral level in the WTO and as part of G20, especially on issues such as market access and agriculture. He also said MERCOSUR will begin negotiations with South Africa, India and others and they will explore cooperation opportunities at the economic and technical level.

The discussions then moved to the need of using infrastructure development to improve communications in South America and how to increase investments in infrastructure, a 12-country commission for the South American region was mentioned as well. *Pierre Defraigne* said that for the EU communication with the outside world is a very important aspect and as an example he mentioned communication with the US on tariff lines. He also highlighted that that the integration process of EU was quickened by common WTO position. Then the discussions addressed the role of sub-group 6 on sustainable development and *Minister Raimondi* said that the group has been slow, but motivated by actions of countries and there's still a need for compromise.

CONCLUSIONS AND NEXT STEPS

Pierre Defraigne, former Deputy Director General, DG Trade, European Commission said that it was important to discover awareness and sophistication of issues, share views of the importance of the environment and how to reconcile progress, competitiveness, cooperation. Then he mentioned some examples to reflect on, including that countries can combine local advantages for example cheap labor with new technologies in the case of China with the Nokia plant. He also said that China is moving India to change and this is something that not even the IMF has achieved. On the other hand he stressed that wider China is a major exporter of goods, and a huge consumer of natural resources, but aside from small group of experts, there's not too much attention being paid to the fact that all countries will be affected by China, that poses a twin challenge to environmental and labor standards. In addition Mr. Defraigne said that there is a risk of a race to the bottom, and civil strife and race for oil. Increase in the price of oil will mean increased civil strife and tension. He encouraged the group to reflect on the answers sustainability could provide to this issues. He said two things should be done : (1) in the multilateral agenda within WTO: finish the Doha agenda; but progress on trade must coincide with progress in finance and norm-setting pillars. Otherwise, possible severe instability; and (2) at the regional level question whether the EU-MERCOSUR agreement will be just another mercantilist effort or will it really grant preferences like it should, considering asymmetry in market access. Mr. Defraigne said that in the context of regional trade negotiations, preferences should be part of a broader sustainable development program of shared collective values. On the environment front he mentioned the importance of sustainability in agriculture and the need to reform the Common Agricultural Policy, beginning with the WTO sugar panel, by moving from intensive practices to other; and from bulk to niche and value. On the social front Mr. Defraigne highlighted the need for social safety nets better labor standards and social progress. He also said that the rich must pay taxes. Finally Mr. Defraigne spoke about the EU's interest in MERCOSUR and said the EU will not introduce sanctions and penalties.

Mariano Castro, Executive Secretary of Consejo Nacional del Ambiente (CONAM) in Perú, said that in the region we are still learning about integration and the new community of American nations, he said we can learn from the 10 years of NAFTA and these lessons are being absorbed in a fraction of a time. Mr. Castro highlighted the importance of the workshop in allowing the exchange of views in an informal, non-negotiating context and expressed the need to make efforts consistent with one another, and self-reinforcing; as well as the need to address the asymmetries, expressed in different ways: trade and financial structural problems. He mentioned that increasing the portion of global trade is a huge challenge, even with the growing number of sub-regional agreements, for example, MERCOSUR and the Andean Pact. He finally said that one cannot speak about political instruments of integration without mentioning that environmental and social standards, despite the skepticism, are necessary. He stressed the need for Assessments, as a tool that allows applying the precautionary principle and the need to pursue training, dialogue and also to evaluate cooperation mechanisms.

Sheila Abed de Zavala, Executive Director, of Instituto de Derecho y Economía Ambiental (IDEA) in Paraguay, stressed the importance of strong institutions to help guide negotiations and consulting with civil society. She mentioned the importance of learning by doing and creating synergies between MEA's and trade. For example, regarding bio-safety and risk assessment of SPS. Ms. Abed said that a model of strengthened RTAs that support sustainability would be more beneficial to developing countries.

The meeting was formally closed by *Robin Ratchford* of the DG Trade European Commission, who praised the opportunity of having the space for dialogue as in Costa Rica, given that most dialogue on these issues for the European Commission takes place in Brussels. He also highlighted the importance of involving civil society and encouraging participation. Finally he mentioned that the two days of broad range discussions show issues are difficult, but it is better to discuss them in an open framework and respond to the obligation of addressing the links and difficult issues.