

## ***SUSTAINABLE DEVELOPMENT***

### ***Economic integration: a process leading to sustainable development?***

***Summary of the conferences and discussions on Friday, September 19, 1997***

#### **Chair:**

**Mr. Tito Nilton Mendoza**

Deputy of the National Congress of Ecuador

#### **Vice-chair:**

**Mr. Jean-Guy Paré**

Member of the National Assembly of Québec

#### **Speakers:**

**Mr. Ricardo Melendez-Ortiz**

Executive Director of the International Centre for Trade and Sustainable Development

**Mr. David Runnalls**

Senior Fellow and Program Director of the International Institute for Sustainable Development (IISD)

**Mr. Victor Lichtinger**

Executive Director of the NAFTA Commission for Environmental Cooperation (CEC)

#### **Secretary:**

**Madam Suzanne Roy**

Secrétariat au développement des régions

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***Mr. Ricardo Meléndez-Ortiz*** is Executive Director of the International Centre for Trade and Sustainable Development, located in Geneva. A graduate of Harvard University, in administration and management, he was Director General of the "Fundación Futuro Latinoamericano" 1994 to 1996 after having held several positions, from 1992 to 1994, within the Colombian mission to the United Nations in Geneva. He has served as a consultant with several international environmental organizations and for the governments of Panama, Ecuador and Bolivia. He has given conferences and is the author of many publications on subjects that include sustainable development, international development and Latin America.

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The logic of the economic integration of Latin America with the United States is based on the recent proliferation of trade agreements at the hemispheric level. Mr. Melendez-Ortiz pointed out that these agreements have seemed to favour certain sub-regions. In this regard, he recalled that integration is a mechanism that should reach beyond the commercial aspects to the achievement of broader economic development.

He then underlined the fact that the international trade and environmental systems may sometimes appear very different, or even incompatible. As in the case of trade, the international environmental system fits within a series of agreements concluded at high-level summits. With respect to sustainable development, the three main summits have been the United Nations Conference on the Environment, held in Stockholm in 1972, the Earth Summit, held in Rio de Janeiro in 1992, and the Summit Conference on Sustainable Development in the Americas, held in Santa Cruz, Bolivia, in December 1996. He emphasized, however, that there is an increasing tendency to take into consideration the aspects of sustainable development in economic integration processes.

According to Mr. Melendez-Ortiz, the countries of the Americas face four options with respect to the definition of the link between the economic integration process and sustainable development. 1) To let the trade system develop independently and without taking into consideration the environmental system; 2) To include a principle of environmental cooperation in the economic integration agreement, thereby generating two commitments: full compliance with the internal environmental legislation in each of these countries and the establishment of discussion forums on environmental cooperation; 3) To adopt an agreement such as the NAFTA side agreement on environmental cooperation, which makes it possible to establish a link between trade development and the respect of environmental objectives. 4) To fully integrate the concept of sustainable development in the objectives of trade integration.

According to Mr. Melendez-Ortiz, the fourth option is the most interesting from the viewpoint of a hemispheric trade agreement. Indeed, this would make it possible to avoid the development of conflicts that might affect the economic and political stability of the region, since from their inception, the trade agreements would be compatible with the environmental agreements, and vice-versa. Taking into account the environmental dimension in the trade agreements would thus make it possible to reduce the potential for conflicts.

Mr. Melendez-Ortiz concluded by asking the following question: is the creation of a free-trade area and of economic integration an end in itself, or is it an instrument by which to achieve higher standards of living?

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*Mr. David Runnalls is Senior Fellow and Program Director of the International Institute for Sustainable Development in Winnipeg. He acts as a senior advisor to the Centre for Research on International Development (CRID) and to the United Nations Development Program (UNDP). He has acted as a consultant for organizations such as the World Bank, the Organization for Economic Cooperation and Development (OECD), the United States Agency*

*for International Development (USAID) and the Canadian International Development Agency (CIDA). A member of several Boards of Administration of organizations active in the field of sustainable development, he is also a member of the working group on trade and the environment of the Canadian Department of Foreign Affairs and International Trade, and a regular columnist for the weekly "Earth Times".*

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To begin with, Mr. Runnalls alluded to the complexity of the relationships between international trade and sustainable development. He underlined the fact that the heightened competition resulting from economic opening may favour sustainable development; he cited as an example the increasing importance of the "ecotechnologies" in trade fluxes.

He recalled the divergence in viewpoints between economists and environmentalists regarding the impact of the liberalization of trade on the environment. By certain economists, this impact is perceived as beneficial, since it leads to the cleaning up of production technologies. By certain environmentalists, the impact is seen as negative since it tends to result in a downward levelling of the enforcement of environmental standards in order to attract investors, and furthermore causes a shrinking of the funding and support available to environmental protection organizations.

Mr. Runnalls then recalled that the environment and the global economy are inextricably linked and that treating them otherwise could lead toward failure. He also illustrated this relationship by mentioning the examples of the collapse of the cod fishing industry in the Atlantic region, the salmon fishery, forestry overexploitation and the consequences of climate change. The fact of not taking into account the relationship between the environment and trade would not necessarily be manifested by an economic slowdown, but on the other hand, could cause a deterioration in the quality of life.

Finally, Mr. Runnalls voiced six proposals for parliamentarians, which could apply at the global, regional and national levels. These served to recall the importance of: realizing that the liberalization of markets is not an end in itself; being well informed of the calendar of events that effect the environment on the global level; continuing the process of putting into application effective and coherent policies between the countries of the hemisphere; strengthening multilateral environmental organizations; signing the already existing environmental agreements; and applying the ISO 14000 and ISO 5000 environmental standards.

In conclusion, Mr. Runnalls stated that economic integration and trade liberalization can favour sustainable development, but only if they are based on policies designed to ensure both commercial and environmental success. He raised the example of the Netherlands, where there exists a system of voluntary participation and cooperation through which government and industries can collaborate in developing and enforcing environmental standards.

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*Mr. Victor Lichtinger is Executive Director of the NAFTA Commission for Environmental Cooperation. A native of Mexico, he completed his university studies there and afterward completed a Master's in economics at Stanford University. After having worked within the private sector, as Director of a consulting firm specializing in environmental matters, he took on important duties within the public sector, including those of Coordinator General of Mexican delegations to international organizations, including the United Nations Conference on Environment and Development, held in Rio de Janeiro.*

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Mr. Lichtinger cited the North American experience of the relationship between trade and the environment, which he proposed not as a model, but rather as a source of reflection for the Southern Hemisphere. Thus, the Commission for Environmental Cooperation (CEC), which was created in parallel with the North American Free Trade Agreement (NAFTA), constitutes the sole example of an agreement dealing strictly with the environmental field which, since its origin, has been linked with a trade agreement. Another exceptional point regarding this Commission is that it binds two developed countries in the North and one developing country in the South.

He mentioned the four fundamental principles of the Commission for Environmental Cooperation, which could serve, moreover, within a perspective of economic integration of the entire hemisphere: the recognition of the sovereignty of each of the signatory countries of the NAFTA in establishing environmental standards, with no signatory having the possibility of imposing environmental standards on the others; the commitment, by the signatory countries, to comply with their environmental laws as well as with those of the other signatory countries of the NAFTA; the commitment to promote democratic participation in decision-making on the environment; and finally, the maintaining of high environmental standards.

The implementation of these four principles gives rise to the emergence of a "fifth" principle, namely cooperation between States through dialogue, debate and understanding of the shared environmental problems. In short, this cooperation makes it possible to prevent problems and to solve them jointly. The results obtained in the area of information, public participation, awareness-building and education are remarkable.

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### ***SUMMARY OF DISCUSSIONS***

Certain contradictions which prevail between the protection of the environment and economic growth were raised. There was also a discussion of the polluting technologies used by developing countries, which were transmitted to them by the developed countries. The prohibitive costs of less-polluting products and the absence of financial assistance through which to accelerate the respect of environmental standards were mentioned as obstacles to the achievement of sustainable development.

Furthermore, the citizens must benefit more from a process of education in the environmental field in order to increase their awareness of environmental issues and to have a better knowledge of the issues in this field.

In this regard, two proposals from the Worldwide Conservation Union were set out:

- 1) the need to develop a work plan ensuring the participation of the population;
- 2) the importance of establishing strategic alliances within the Americas.

One participant mentioned that the Central American Parliament has recently prepared a document setting the essential basic conditions for the achievement of sustainable development. These refer to the respect of the rules of the World Trade Organization (WTO), to the application of the exemption clause of the WTO to Central America, and to the adoption of regional action plans following the Rio de Janeiro and Santa Cruz accords.

Finally, members of a Mexican political party wished the government to publish the agreements that it has ratified in the newspapers.