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## Free Trade Area of the Americas (FTAA)

### Current FTAA Negotiations

#### A Concept Paper for Addressing Environmental Considerations in the FTAA Context

##### Submission by Canada

##### I. INTRODUCTION

1. At their Seventh Meeting in Quito, Ecuador, on November 1st, 2002, Ministers of Trade of the Hemisphere reiterated that one of their general objectives "is to strive to make trade liberalization and environmental policies in the Americas mutually supportive, taking into account work undertaken by the World Trade Organization and other international organizations, and to promote sustainable development in the Hemisphere"<sup>1</sup>.
2. They also recognized "the importance of strengthening throughout the Hemisphere, national actions and cooperation in order to ensure that the benefits of trade liberalization, the protection of the environment, and human health are mutually supportive."<sup>2</sup>
3. These statements were made in recognition of our commitment to take into account, in the FTAA context, "the broad social and economic agenda contained in the Miami, Santiago and Quebec City Declarations and Plans of Action with a view to contributing to raising living standards, increasing employment, improving the working conditions of all people in the Americas, improving the levels of health and education and better protecting the environment."<sup>3</sup> Furthermore, in Miami leaders acknowledged in their Declaration of Principles that "social progress and economic prosperity can be sustained only if our people live in a healthy environment and our ecosystems and natural resources are managed carefully and responsibly"<sup>4</sup>.
4. Canada fully subscribes to these principles and would like to explore ways to further advance the environmental objectives of the Quito Declaration and the Summit of the Americas process.
5. One of Canada's goals as the host of the 2001 Quebec City Summit of the Americas was to encourage more coherent

linkages between economic integration and environmental policies and to define our hemispheric environmental priorities. As a result, the Quebec City Plan of Action provides for significant and comprehensive environmental commitments in the hemispheric context building on the results of the Summit of the Americas on Sustainable Development held in Santa Cruz in 1996 and the Miami Summit in 1994. The Plan of Action includes numerous references to environmental initiatives and programs, which provide guidance in terms of the importance of mutually supportive environmental and trade policies, the importance of the linkages between environment, health and poverty alleviation, and the need for strong national environmental management systems.

6. These initiatives, including emerging processes such as the Health and Environment Ministers of the Americas, remain valuable endeavours to be pursued. However, they do not represent in themselves a comprehensive response to the environmental goals FTAA participants have set for themselves in the FTAA context. Canada firmly believes that other options will need to be explored in order for us to translate our commitment for mutually supportive trade and environment policies into reality.

## II. PURSUING MUTUALLY SUPPORTIVE TRADE AND ENVIRONMENT POLICIES

7. Canada is committed to addressing environmental considerations in the context of trade liberalization. We believe that economic integration, coupled with effective environmental policies and management systems, can have a positive impact on the environment and societies by improving the efficient allocation of resources, promoting economic growth, and increasing general standards of living and welfare. In short, we believe that trade liberalization and environmental protection can, and should be, mutually supportive.
8. The 2001 WTO Doha Declaration gave forceful expression to the importance of mutually supportive policies: "We are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive."<sup>5</sup> The UN Conference on Environment and Development in Rio de Janeiro in 1992 and the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg also highlighted this linkage. Specifically, in the WSSD Plan of Implementation, our Leaders have agreed to "continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development (...)"<sup>6</sup>. They also emphasized the need to facilitate the implementation of Agenda 21 and the outcome of the Summit "through the regional commissions and other regional and sub regional institutions and bodies"<sup>7</sup>.
9. By working to ensure that economic and environmental policies are mutually supportive and that sound environmental management systems are in place, we increase the probability

that good environmental decisions will be made with respect to new investments and expanded commerce, and that the increased economic activity will be environmentally sustainable over the longer term.

### III. ENVIRONMENTAL COOPERATION AS A CENTERPIECE OF CANADA'S HEMISPHERIC STRATEGY

10. Mutually supportive policies and rules do not happen automatically. In addition to being based on a solid understanding of the linkages between trade and environment, transparency, consultation, cooperation and coordination both domestically and regionally are required to seek creative solutions to emerging environmental issues resulting from increased trade liberalization.
11. Canada has followed a two-pronged approach in its bilateral and regional trade agreements in the Hemisphere: (1) including preambular language and environment-related provisions directly affecting trade in the trade agreement itself (e.g. relationship between MEAs and trade rules, general exceptions), and (2) pursuing broader environmental objectives, obligations and capacity-building elements in parallel environmental cooperation agreements. We have taken this approach in our FTA negotiations with the United States and Mexico (NAFTA), Chile, Costa Rica, and the Central American Four (El Salvador, Honduras, Guatemala, Nicaragua). In addition, we have developed a framework for assessing the likely and significant domestic environmental impacts of trade negotiations on both the natural environment and on policy-making as a result of changes in trade rules. These assessments are intended to improve overall coherence between trade and environment policies at the national level.
12. The design of parallel environmental cooperation agreements provides greater flexibility for Environment Ministers of the region to devise strategies directly focused on strengthening environmental protection measures and managements systems, while building essential bridges with the trade agreement in areas where trade and environment interface more directly.
13. While we recognize that it is inappropriate to relax environmental laws in order to encourage trade and investment, Canada does not support the suspension of trade benefits in response to disputes concerning enforcement of environmental provisions in FTAs, or in parallel environmental cooperation agreements.
14. Instead, the focus of our parallel environmental cooperation agreements has been the promotion of sound environmental management and mutually supportive environmental and economic policies through a balance of: 1) domestic environmental obligations aimed at protecting the environment and promoting sustainable development; 2) sound institutional mechanisms that facilitate and create incentives for the effective implementation of environmental laws and policies;

and 3) targeted technical cooperation to strengthen the capacity and integrity of national environmental management systems.

15. More specifically, the combination of obligations and cooperation provisions in these agreements have been aimed at fostering high levels of environmental protection and compliance; effective enforcement of environmental laws and regulations (while recognizing the right to discretion in enforcement activities); procedural guarantees, strengthened environmental cooperation, transparency, accountability and public participation in the development of environmental laws and policies.
16. It is important to emphasize that, in Canada's experience, parallel environmental cooperation agreements have not led to disputes between Parties with respect to enforcement of environmental laws and regulations, but rather have provided opportunities for cooperation to advance shared goals with respect to sound environmental management.
17. Cooperation remains the essential focus of these agreements and materializes in common approaches through government-to-government collaboration as well as technical assistance and capacity building initiatives involving non-governmental actors and relevant international institutions. The agreements cover a wide range of activities including the sharing of information and best practices as well as policy dialogue on key trade and environment issues.

#### **IV. BUILDING ON POSITIVE EXPERIENCES**

18. The approach taken by Canada has been flexible enough to adapt to the different realities of our trading partners. Our parallel environmental cooperation agreements vary in terms of required funding for implementation, institutional structures and mechanisms to foster citizen participation and involvement. Variations depend on the volume of trade between parties (and possible environmental impacts), the degree and nature of transboundary environmental issues, the Parties' levels of development, and existing mechanisms for civil society participation.
19. These agreements constitute positive experiences and important points of reference in our attempt to translate our commitment for mutually supportive trade and environment policies into meaningful hemispheric initiatives. They complement other regional and sub-regional experiences linking trade and environment policies. We believe this is a model that should be considered in the FTAA context. One option to move the discussion forward would be to create a negotiating group on environment, as no formal process yet exists within the FTAA negotiations to discuss these issues.
20. We will also remain open to explore mechanisms, including in the Summit of the Americas process, to foster a dialogue on ways to address environmental considerations in the context of the FTAA.

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<sup>1</sup> Paragraph 7, Ministerial Declaration of Quito, Seventh Meeting of Ministers of Trade of the Hemisphere, Quito, Ecuador, November 1, 2002.

<sup>2</sup> Ibid., paragraph 8.

<sup>3</sup> Ibid., paragraph 2.

<sup>4</sup> Paragraph 20, Declaration of Principles, First Summit of the Americas, Miami, Florida, December 9-11, 1994.


<sup>5</sup> Paragraph 6, Ministerial Declaration, WTO Fourth Ministerial Conference, Doha, Qatar, November 14, 2001.

<sup>6</sup> Paragraph 97, Plan of Implementation of the World Summit on Sustainable Development, World Summit on Sustainable Development, Johannesburg, South Africa, August 26-September 4, 2002.

<sup>7</sup> Ibid., paragraph 158.

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