

OUR AMERICAS

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WELCOME TO OUR AMERICAS,

a publication of the Hemispheric Network for Just and Sustainable Trade and Development. The Hemispheric Network is a grouping of environmental, labor, religious, family-farm, women's, consumers', development and public-policy organizations from around the Americas dedicated to countering current official free-trade proposals with alternatives designed to achieve just and sustainable hemispheric trade and development. It is comprised by members of the Action Canada Network (ACN), the Mexican Action Network on Free Trade (RMALC), the Chilean Action Network for a Peoples' Initiative (RECHIP), the Alliance for Responsible Trade (ART) and other U.S. citizens' groups, as well as organizations from Central and South America and the Caribbean.

OUR AMERICAS is intended to improve communications and mutual understanding among its members and the interested public, to help the Hemispheric Network in its efforts to develop joint strategies and to support grassroots efforts related to trade and economic integration. In the United States, it replaces *AftaThoughts*, a newsletter formerly produced by The Development GAP for ART. Responsibility for the production and translation of OUR AMERICAS will be rotated among Common Frontiers - ACN, The Development GAP (a member of ART), RMALC and RECHIP. We welcome your comments and contributions.

MEXICO

Liberty Referendum:

An Alternative Economic Development Strategy for Mexico

by Andrés Peñaloza Méndez, Mexican Action Network on Free Trade (RMALC)

As 1995 ends, the annual statistics show that the first year of the Mexican crisis has been disastrous:

a seven percent decrease in economic activity; the closure of more than 20,000 businesses; one-and-a-half million workers dismissed; a fall in the population's standard of living to levels of a decade ago and even, in some cases, to those of twenty-five years ago; and a geometric increase in crime -- forty percent this year, a percentage increase that was last achieved over four years and previous to that over a decade.¹ Furthermore, debtors', banking, student, workers', family-farmers' and indigenous peoples' movements have related a great increase in social problems.

In the midst of the crisis, considerable public resources were transferred to support private corporations to the detriment of social spending and economic growth. In 1996, bankers and national and foreign speculators and certain businesspeople -- especially those in construction and the automotive industries -- will receive various supports equivalent to ten percent of the country's gross domestic product.²

The Mexican government has pledged, with the support of the international financial institutions and the U.S. government, to maintain the neoliberal plan that provoked the crisis -- whatever its costs -- insisting that there is no other solution but to deepen the structural changes through the implementation of a severe adjustment program. In sharp contrast, in a Liberty Referendum held between 21 September and 22 November 1995, close to half a million citizens endorsed the alternative economic strategy submitted to Mexican society by eight groups: the Civic Alliance; the Mexican Action Network on Free Trade; the Forum for a Change in Business; the National Association of Transformation Industries; the Union of Regional Peasant Organizations; the El Barzón Union of Agricultural, Industrial Commercial and Service Providers; the National Confederation of Coffee-Producers' Organizations; and the Permanent Forum of Action and Resistance to the Crisis.

The alternative economic strategy establishes three objectives:

a) to emerge from the crisis through a process of economic growth with low inflation rates that preserves the productive structure and increases employment and income levels. Five measures are proposed in order to achieve this economic reactivation: a reorientation of public spending; fiscal reform; a review of the Bank of Mexico's operations and, along with it, of monetary and exchange policies; the implementation of a policy of lower interest rates; and development financing resulting from domestic savings.

b) to consolidate the domestic market, for which five measures are proposed: a program of gradual recuperation of the purchasing power of wages; resolution of the problem of overdue loan portfolios; the suspension of the privatization processes; development of the agricultural and forestry sectors; and the implementation of an industrial policy that supports the development and adoption of increased technological capacity.

c) to reorient Mexico's foreign relations, particularly those that relate to trade liberalization and NAFTA and the debt problem, in order to make the program of economic the growth and consolidation of the domestic market established in the new development strategy viable.

What lessons have emerged from this citizen initiative? The following stand out:

1) it demonstrated to the public that there really is another way to emerge from the crisis and that the alternative strategy is viable, effective and necessary;

2) a process of popular education and collective reflection on such an apparently complicated subject as economic policy is possible to develop;

3) a very effective campaign can be carried out with very scarce resources, supported by chains of promoters whose imaginations dictate the methods of promotion; and

4) the subject of economic and social policy can be introduced into the debate on the so-called reform of the state.

In 1996 the organizations that convened the Liberty Referendum should promote the will of the close to half a million Mexicans who declared themselves in favor of a change in the current neoliberal economic policy. Some of these opportunities are:

1) the dialogue and actions that are to take place within the framework of the peace talks in San Andrés de los Pobres, Chiapas, as well as the fora convened by the Zapatista National Liberation Army;

2) the fora and roundtables that are planned in Congress on reform of the state and in which a point on economic and social reform has been defined; and

3) the activities that the organizations convening the Liberty Referendum carry out themselves, as in the case of the conversations of debtors' organizations, led by El Barzón, with Interior Ministry officials and bankers, as well as actions to be taken to lay the groundwork for an audience with the leader of the Federal Executive branch himself.

Notes

1. Between 1980 and 1990 there was a 47.7 percent increase in criminal activity, rising from 1,190 crimes per 100,000 persons to 1,698 in 1990. Between 1990 and 1994 crime increased 40 percent, and in 1995 the increase oscillated between 40 and 45 percent, around 3,336 crimes per 100,000 inhabitants. See article by Rafael Ruiz Harrel "Seguridad ciudadana" in the book Seguridad publica: Combatir el crimen sin agredir a la sociedad, Grupo Parlamentario del Partido de la Revolucion Democrática, Chamber of Deputies, 56th Legislature, p. 39-45.

2. The fiscal cost of the restructuring programs for financial institutions and of the network of privately administered tollways will reach 5.1 percent of the GDP projected for 1996. The financial cost of the domestic and foreign debt will be equivalent to 4.8 percent of GDP, and the fiscal stimuli for certain sectors, such as the automotive sector, to 0.5 percent.

CANADA

Canadian Report Highlights Liberty Referendum

In a new report, the Ecumenical Coalition for Economic Justice documents the failure of Mexico's 12-year experiment with neo-liberal economic policies. The report describes the origins of Mexico's most recent financial crisis. It also outlines the alternative plan for economic recovery and sustainable development approved by half a million citizens in the Liberty Referendum. This alternative plan, which calls for the renegotiation of NAFTA and of Mexico's

foreign debt, is sponsored by a coalition of civic groups led by the Mexican Action Network on Free Trade.

Copies of "Mexican People Speak Out: Reject Government Policies" may be obtained for \$4.00 (postage included) from ECEJ, Suite 40277 Charles St. W., Toronto, Ontario, Canada, M5S 1K5

MEXICO

Chronicle of a Crisis Foretold

by Salvador Peniche, RMALC

The most pertinent sign of the socio-economic scheme left from over a decade of neoliberal policies in Mexico is vulnerability.

In economic matters, the so-called "modernization" policies worked with precision to dismantle the country's traditional productive base. Instead of the protectionist economic inefficiency of the "welfare state", a model was constructed that subjugates the economy to the world market.

In political matters, Salinismo closed our eyes to the demands of democratization and attempted to leave intact the authoritarian political apparatus of the "Mexican miracle". Today this system has collapsed of its own weight, bringing with it the risk of exacerbating the violence latent in the people's hunger and anger.

In social matters, the impact of the drop in the population's living standards in areas such as health, food, housing, education, etc. have brought the country to the worst socio-environmental crisis in its modern history, the consequences of which have yet to be seen.

The origin of the economic debacle is centered on the "industrial conversion" that the technocratic elite pushed in a new political pact with transnational interests. That strategy put the country in a virtual state of shock upon obliging the inefficient national productive apparatus to acquire the same productivity levels as those found in industrialized capitalist countries.

Upon abandoning the scheme of tariff protection -- which culminated in the creation of the North American free-trade zone -- without offering efficient support programs for restructuring (retooling, retraining of labor, emergency fiscal and financial policies, etc.), a process of destruction of the country's productive apparatus was put in motion.

Only those companies strategically linked to transnational capital could adapt themselves to the new conditions. The rest of the national economy, the country's backbone, the sectors generating more than 70 percent of employment, began to break down.

On the other hand, the dismantling of the system of state management and control, the sale of the national patrimony and the elimination, through the signing of the free-trade agreement, of constitutional protections against foreign investment in certain sectors, left the population defenseless against the powerful economic forces of globalization.

Following the neoliberal strategy, and as a response to the fall in domestic savings (to less than the 16 percent of GDP experienced during the Salinas period), the economy has become oriented to the only available source of funds for development: foreign investment. In view of the scarcity of international credit, global competition for capital, and the characteristics of the country's abandoned productive structure, access to funds became even further restricted to mainly portfolio investment.

In order to attract capital, the government reformed the national financial system. Liberalization of interest rates, the elimination of legal reserve requirements, and the legalization of open market operations were only a few of the measures intended to convert Mexico into a stockmarket paradise. At the peak of Salinismo, 70 percent of the US\$50 billion in foreign investment was speculative capital.

With the liberalization measures described above, the vulnerability of the national economy was completed. The crisis that erupted during the first days of President Zedillo's Administration had been incubated during the Salinas period.

While the so-called "reserve funds", which were obtained by a fiscal bloodletting, cuts in social programs, and the sale of state-owned companies, lasted, the stock market feast grew and the trade deficit could be financed. The true cause of the December 1994 crisis was the government's having ignored the magnitude and severity of the structural problems of the Mexican economy. The inefficient national economy came to import US\$30 billion more than it exported (close to 10 percent of GDP) and, because of that, national reserves vanished. Parallel to that, the government's desperation to capture fresh resources generated a dangerously exaggerated increase in the proportion of tesobonos (short-term bonds denominated in dollars) in the stock market structure. All of these factors put the country on the edge of a profound financial abyss.

The government reacted with the last remaining economic variable in the theorem, the variable that loaded the entire weight of the crisis on the backs of workers: the exchange rate. By lowering the value of Mexican labor through the devaluation of the peso (which has now exceeded 250 percent in relation to December 1994), the government has overseen the irrational delivery of the national economy to transnational interests.

In essence, the emergency strategies have produced the same disequilibria and structures that make the national economy so vulnerable: a) the contraction of the domestic market for the sake of "competitiveness" in international markets and the "health of government finances"; and b) the above-listed measures provided as a guarantee for the profitability of foreign portfolio investment. The model makes the country's future even more dependent on the behavior of the stock market.

The effects of the emergency National Development Plan (PND) have been:

a sharp decrease in imports due to the more expensive dollar; a decrease in the flow of foreign investment (just three billion dollars at ten months after the crisis erupted); productive stagnation (seven percent decrease in GDP); high open unemployment (6.8 percent) and inflation; high interest rates; and a fall in international reserves.

By late 1995, several months after the implementation of the PND and following the signing of a new and elite "Alliance for Economic Reconstruction," Finance Minister Guillermo Ortiz had conceded that Mexico was still far from a recovery (*La Jornada*, 5 December 1995, p. 47). According to Ortiz, the disequilibria that caused the onset of the December crisis have been "corrected" (i.e., the trade deficit and the exaggerated growth of the tesobonos have but there is still great uncertainty among many sectors of the country as to its economic future. This is because it is not clear how the structural disequilibria caused by neoliberalism can be corrected by more neoliberal policies.

The Zedillo solution does not explain how the national economy can be reactivated by the same measures that brought the country to debacle. Without an industrial policy, and with a decapitalizing tax regime, a serious problem of nonperforming loans in the banking system, a sharp lack of both domestic and foreign investments, and a depression of the domestic market due to wage contraction, the economy remains paralyzed.

It appears that Mexico's economic program, which is just barely hanging together, will, along with the government's compliance with its foreign obligations, continue to drain the country's resources. The neoliberal model has demonstrated de facto what the loss of national sovereignty means, when the Mexican people are put to work to satisfy corporate interests, just as in colonial times.

UNITED STATES

Fast Track Stalls, but U.S. Trade Debate Continues

by Karen Hansen-Kuhn, The Development GAP

As NAFTA's second year drew to a close, U.S. government plans to extend the agreement throughout the hemisphere ground to a halt. Fast track appears to be hibernating until at least early 1997 amidst rancorous debates on whether labor and environmental issues should be included at all in trade negotiations. A bill to extend NAFTA benefits for certain goods to countries in Central America and the Caribbean is on indefinite hold, and Members of Congress have introduced a bill to hold the Administration accountable for some of the promises it made during the NAFTA debate.

All of these developments stand in sharp contrast to the euphoric statements made by the Clinton Administration in December 1994 at the Summit of the Americas. At that meeting of the hemisphere's leaders, President Clinton was poised to fulfill President Bush's dream of a free-trade agreement stretching from Anchorage to Tierra del Fuego. Just days after Clinton's pronouncements, however, the Mexican peso experienced a massive devaluation. That, coupled with the austerity conditions attached to the bailout package financed by the U.S. Treasury and the International Monetary Fund (IMF), sent the Mexican economy into a deep depression and further lowered the prices of Mexican wages and export goods, contributing in turn to job losses in the United States.

In a report issued on the eve of the second anniversary of the U.S. House of Representative's 17 November 1993 approval of NAFTA, the Institute for Policy Studies (IPS) documented the impact of the Agreement on U.S. workers and the environment. The authors found that the number of U.S. workers certified under the NAFTA-related Transitional Adjustment Assistance program has doubled in just one year. That program provides retraining and other benefits to workers who lose their jobs because of increased imports or shifts in production resulting from NAFTA. Workers in the electronic and textile industries, which primarily employ women and people of color, have experienced the largest layoffs, though, overall, rural workers have been affected much more often than urban workers. IPS also found that, "a disproportionately large number of firms that are major contributors to toxic releases are moving facilities to Mexico, with all their attendant environmental problems."

There is evidence of growing public discontent in the United States with NAFTA and other trade agreements. A recent poll conducted by Times Mirror found that 55 percent of the population believes that trade agreements such as NAFTA hurt the U.S. job situation, while 36 percent feel that those agreements help U.S. employment. Those figures are the reverse of last year's, when just 32 percent of those polled believed trade agreements hurt the U.S. job situation and 52 percent believed they help.

That perception, along with the Republican takeover of Congress, has changed the legislative debate on trade issues. As *Inside NAFTA* recently reported, Senate Majority Leader and presidential contender Bob Dole (R-KS), historically a staunch free-trader, said in a 3 November speech on the Senate floor, "I believe it would be a mistake to extend new fast-track authority at this time... There are a number of good reasons, but first and foremost is President Clinton's complete failure to explain to the American people why we need another trade agreement at this time."

Republicans have flatly refused to grant fast-track authority for new trade agreements if it permits the inclusion of labor or environmental matters in trade negotiations. The Administration and congressional Democrats, on the other hand, have refused to exclude those matters from fast track. The resulting stalemate means that legislation granting fast-track authority will most likely not be considered until after the November 1996 elections.

Consideration of the Caribbean Basin Trade Security Act (CBTSA), which would grant NAFTA benefits to countries in Central America and the Caribbean, has also been delayed. House Republicans had attempted to include that legislative proposal in the Budget Reconciliation bill, but dropped it in September due to controversy over a proper funding mechanism and opposition from certain textile manufacturers. While it is still unclear whether the CBTSA will come up for a vote before the elections, Sen. Bob Graham (D-FL) plans to attach a provision to the bill authorizing a public petitioning process for labor-rights and intellectual-property-rights violations. This process would permit unions, NGOs and other outside parties to challenge the receipt of benefits under the program by countries violating those rights. A similar process applying to labor-rights violations is in effect under the U.S. Generalized System of Preferences program, and unions and trade activists in the United States and Central America had raised concerns that it would have been undermined by the previous version of the CBTSA.

The delay of fast-track authority and the CBTPA does not mean, however, that congressional debate on trade issues is on hold. On 16 November, Rep. Marcy Kaptur (D-OH) and Sen. Byron Dorgan (D-ND) introduced the NAFTA Accountability Act. If enacted, the bill would require a U.S. withdrawal from NAFTA unless the Administration could certify that, since NAFTA's implementation, there have been improvements in U.S. employment and living standards, increases in domestic manufacturing, improvements in the safety of food imports and in public health in the Mexico-U.S. border region, no increase in imports of illegal drugs from NAFTA parties, and improvements in electoral democracy, free speech and freedom of assembly in Mexico. The proposed legislation does not address the issue of labor rights. The expansion of NAFTA to other countries would also be prohibited until the certification conditions are met.

The bill would also direct the President to renegotiate certain sections of NAFTA. He would be instructed, for example, to renegotiate the agreement to stabilize a U.S. trade deficit with any NAFTA party when it exceeds ten percent of U.S. exports to that party or to "mitigate the adverse effects of rapid or substantial changes in exchange rates between the United States dollar and the currency of another NAFTA party." The President would also be directed to renegotiate the terms of the agreement to bring imports of wheat, durum wheat and barley from Canada to pre-NAFTA levels and to prevent imports of any agricultural good from a NAFTA party from unfairly displacing domestic production. If these terms were not met, U.S. withdrawal from NAFTA would be mandated.

It is difficult to predict whether a bill of this nature could win Congressional approval given the current political climate, but it should serve to stimulate a spirited debate on NAFTA's impact to date. Whether that debate will result in renewed nationalism and protectionism or in a push for just and sustainable trade relations will depend in large part on the efforts of U.S. activists in shaping the discourse.

UNITED STATES

EPI: Workers Lose, Businesses Win in U.S.

In the United States, as in many other countries in the Americas, the "trickle down" effect promised by neoliberal economists has not materialized. Instead, there has been a "trickle up" effect as income is diverted away from workers to business owners. A September 1995 report entitled, "Profits Up, Wages Down: Workers' Losses Yield Big Gains for Business," by Dean Baker and Lawrence Mishel of the Economic Policy Institute (EPI), demonstrates that, since 1989, U.S. real wages have been deteriorating at the same time that business profit levels have reached an all-time high.

The authors explain that wages have been falling and have become more unequal over the last few years. Inflation-adjusted hourly wages have been stagnant or declining for the vast majority of U.S. workers, particularly for the bottom 80 percent of men and the bottom 70 percent of women. The hourly wage of the median male worker fell 6.1 percent between 1989 and 1994.

At the same time, inequality among workers has increased. Men with less than a four-year college degree, who make up 75 percent of the male workforce, saw their earnings drop most

significantly: those with less than a high school degree received 11.2 percent less in 1994 than in 1989, while male workers with a high school degree and some college received 3.6 and 5 percent less, respectively. Even those men with college degrees experienced a 0.4 percent drop during the period.

Women fared relatively better, with median wages rising 0.8 percent between 1989 and 1994. Women, however, continue to earn considerably lower wages than men. According to EPI calculations, in 1995 median women's wages are just 78 percent of those received by men.

Falling wages might be expected during a recession, but during the 1990s the U.S. economy has grown at a healthy pace. Baker and Mishel found that after-tax profit rates in 1994 were the highest in the last 25 years, a trend that has accelerated in 1995. The after-tax return in the non-farm business sector was 7.5 percent in 1994, compared to an average of 3.8 percent between 1952 and 1979. This is due in part to tax cuts dating from the early 1980s, but pre-tax profits also increased significantly. The authors found that profits increased because firms were able to cut costs, particularly labor costs.

According to EPI, these higher profits have not led to increased rates of efficiency or productivity. Productivity growth has continued at about the same rate as in the 1980s and 1970s, and there has been no increase in the growth of investment. In fact, investment as a share of GDP has fallen to 1.5 percent, the lowest rate since World War II.

"The challenge facing policy-makers," concluded Baker and Mishel "is not only to maintain or improve current productivity growth but to ensure that future increases in efficiency translate into gains for the vast majority."

CHILE-CANADA

Citizen Networks Urge Democratization of Chile-Canada Talks

Editor's note: The following letter was delivered to Canada's Trade Minister at the start of the Chile - Canada negotiations. Similar letters were sent by unions and environmental groups in the two countries.

Common Frontiers

January 25, 1996

Minister MacLaren,

We are writing to you to express our concerns about the negotiation process currently underway for the Chile-Canada bilateral agreement.

We are aware that this bilateral agreement is only a bridge to bring Chile into NAFTA, due to the current delay of fast track in the U.S.

We find it unacceptable that discussions of labour and environment will be left out. These negotiations potentially allow us the opportunity to remedy the flaws of the side agreements. This means putting more teeth into the accord, by including the labour and environment side deals in the main agreement with a strengthened enforcement mechanism.

Officials have stated that the aim of the current negotiation process is to keep up the momentum on NAFTA efforts. In this context, we urge that before you subscribe to any potential treaty, changes to Chile's labour and environmental legislation be demanded and implemented. The minimum focus should be on including Canadian standards in the agreement and not NAFTA standards.

At the same time, we urge that you consider the environmental and labour clauses that are contained in the WTO treaty.

We should also strive for the defence of the Chilean investment law (D.L.600), which stipulates the retention, in Chile, of invested capital for a minimum period of one year.

Our Chilean partners are also advocating for the inclusion of food products into the discussions. They feel that Chilean food security and pricing could potentially be threatened.

Other elements that should be considered include: special protection for women (especially in the agro sector), the unstable and flexible nature of the labour force (especially in the case of domestic work, health and safety and the absence of employment stability), the use of pesticides, and the survival of local communities which have been severely affected by a crisis in water resources.

The downward spiral of the social systems in both countries should not only be prevented, but work should be done towards the improvement of these systems. As government representatives have indicated, Chile has one of the largest income gaps between the rich and the poor, a gap which rather than shrinking is widening with every year that passes.

We find it unacceptable to negotiate bilaterally to protect the interests of the principal mining investors and Canadian exporters in Chile, instead of focussing on the legitimate concerns that we have stipulated here.

We urge the following from the negotiating authorities of both countries:

- that concrete and clear information be made available to citizens about the implications of the bilateral treaty and the official positions in regards to the protection of natural resources and the welfare of workers in both countries.

- that the negotiation process be democratized and inclusive.

- that the progression of negotiations be subject to a comparative study of labour and environmental conditions in the mines, the agricultural regions, the forests and the waterways of both countries.

The undersigned represent social, labour, environmental, women, indigenous and ecumenical organizations from both countries that for years have been working together to promote a broad-based participation in the negotiation processes for the agreements and creation of trade blocks that our countries are facing.

Yours Sincerely,

Patricia C. Barrera

Coordinator

Common Frontiers

#305-15 Gervais Dr. Don Mills, Ont. M3C 1Y8 ph: 416-443-9244 fax: 416-441-4073

email: comfront@web.apc.org

Letter written in collaboration with: RECHIP, The Chilean Network for a Peoples' Initiative; The Labour Commission-National Coordinating Committee on NAFTA, Chile; CONACIN-National Coordinating Committee for Native Peoples, Chile

**Common Frontiers is a multi-sectoral working group engaged in research, analysis and action around the social and economic effects of economic integration in the Americas. We are made up of an active steering committee from the Canadian Environmental Law Association, Oxfam-Canada, CAW, Steelworkers, the Ecumenical Coalition for Economic Justice, the Canadian Labour Congress, and others. We are the Americas arm of the Action Canada Network.

cc. Hon. Art Eggleton, in-coming Minister of International Trade

Hon. Andre Oullett, Minister of Foreign Affairs

Hon. Lloyd Axworthy, in-coming Minister of Foreign Affairs

Sr. Eduardo Aninat, Ministro de Comercio Internacional de Chile

Mr. Keith Christie, Lead Negotiator NAFTA Accessions

Mr. Marc Lortie, Canadian Ambassador to Chile

Ms. Goldie Schermann, Second Secretary Commercial Affairs, Canadian Embassy, Chile

CHILE

Chilean Unions Confront and Counter NAFTA

by The Chilean Action Network for a Peoples' Initiative (RECHIP)

On 1-2 December 1995, after two months of preparation, a Union Meeting on NAFTA and other trade agreements was held in the Santiago office of the Goodyear Union, which called the first strike during the Pinochet dictatorship.

Over 50 national-level union leaders from a variety of sectors attended the meeting. These unions have been confronting the impact of the neoliberal economic policies implemented in Chile over the last two decades, both on their members and on their organizations. The participants also analyzed and discussed the relationship between these policies and the over-utilization of workers, the abuse of subcontracting, "flexibilization" of the work force, and the damage these policies have inflicted on Chilean workers, their families and the entire society. In-depth discussions were also held on the challenges that organized workers today confront -- especially those related to unionism itself.

The objectives of the meeting were:

- 1) to debate and reach consensus on a project to develop a Labor Rights Charter that would in turn be an important element of the Charter of Citizens Rights, which will soon be completed by Chilean citizens' groups;
- 2) to move forward toward the construction of a unified union commission for an initiative of the peoples (as opposed to the Initiative of the Americas), which would serve as a locus of linkage and common action on the part of workers confronting the process of globalization of the Chilean economy;
- 3) to advance in the preparation of an action plan and greater accumulation of forces in the labor sphere in order to promote effectively the Charter of Citizens' Rights and to influence the on-going negotiations with a clearly defined and unified position.

The Diagnosis

Conference participants concluded that:

- 1) Chilean workers have already suffered the effects of an economy having been open for 20 years to market forces and to transnational corporations;
- 2) society faces a business-oriented economic program that has nothing to do with the interests of workers, small businesses or the citizenry in general;

3) the Chilean people are confronted with a form of trade liberalization that is solely intended to facilitate the free circulation of goods and capital, without any consideration given to the needs of workers or the citizenry in general;

4) the incorporation of Chile into the various trade agreements, whether NAFTA, MERCOSUR, APEC, bilateral accords or economic complementarity agreements, will only serve to aggravate workers' precarious situation, favoring only large international investors, large economic groups and national big business;

5) as a product of the factors indicated above, the organization of workers has become greatly weakened, fragmented, atomized and diminished, leaving the number of unionized workers at almost ridiculous figures and the number of dormant unions at historically high levels.

Workers Say No to NAFTA

Discussions were held on the sectoral impacts of the neoliberal model and the possible repercussions of Chile's eventual incorporation into NAFTA and other trade agreements. In a Workers' Manifesto, the participants declared that "the brutal economic, social, political, environmental and cultural impacts of this process continue even now. The Chilean people lived through the last stages of the process of globalization like an earthquake in their living conditions, impossible to predict or to elude. The threat of a deepening and institutionalization of this economic model...hangs over us now, five years after recovering political democracy. This is what Chile's possible incorporation into NAFTA means for us."

"We conclude," they declared, "that this model and this process have been causing a social disintegration, the most profound consequences of which have not been nor are being reversed by those who govern: precarious and insecure employment that keeps broad sectors of the population in a state of anxiety, if not in misery and poverty; lack of legal protection in labor legislation, permitting greater flexibility in the management of wage costs, while at the same time guaranteeing that unions remain weak and without any real capacity for negotiation and pressure; the dehumanization and loss of all self-esteem and sense of social life to which workers are being driven."

"It is clear," they continued, "that without the reinforcement and promotion of a framework of citizens' economic, social and cultural rights, the signing of any free-trade agreement, far from being a tool for development, could lead to a worsening of the social disintegration that already divides the country into two polar human realities...The citizenry as a whole and workers in particular should develop a Charter of Economic, Social, Cultural and Environmental Rights, constituted as a framework of our economic and social development, the inclusion of which would be a condition for the country's entering into any international economic integration initiative."

Participants also considered the challenges confronting workers presented by trade agreements, proposed revisions of the Pinochet-era labor code, and current business conduct. In each case, they said, these challenges must be met by proposals coming from workers and their organizations. Participants produced a detailed agenda for reforms regarding the labor code,

including proposals on workers' rights to: form unions; collective bargaining; job security; social security; training; and the oversight of labor courts.

Fraternal greetings were sent to the meeting by the United Electrical, Radio and Machine Workers of America (U.S.), from Chilean Parliamentarian Jaime Naranjo and from the President of the College of Professors of Chile, Jorge Pavez. Also present were members of the Canadian Steelworkers Humanities Fund, and Fronteras Comunes from Mexico.

For a copy of the full report on the meeting, contact Coral Pey at RECHIP at tel/fax (56-2)341-6597 or by email at rechip@reuna.cl

CANADA

Free Trade's Environmental Fall-out

by Ken Traynor, Canadian Environmental Law Association

In Canada, the ascendance of a pervasive agenda of deregulation is the major environmental fall-out of the first two years of NAFTA. It is requiring a full-time fight on the part of environmentalists just to maintain as much as possible of the current framework of environmental regulation, even with all its shortcomings.

Most Canadian governments now echo the constant corporate mantra of deregulation, claiming it is needed to make Canada competitive in the emerging continental economic space ushered in by the signing of NAFTA. The tools needed to address the very real environmental problems that we face -- from global warming to hormone-mimicking toxic effects to clearcutting old-growth forests -- are being sacrificed on the altar of free trade/competitiveness dogma.

It is important to state clearly that this convergence of corporate and government views in support of "voluntary" non-binding standards does not have public support. In fact public opinion data and reputable corporate surveys support the call for more and better, not less, environmental regulation.

Twice each year the Council of Canadian Ministers of the Environment (CCME), made up of the federal environment minister and all provincial ministers of the environment, commission the country's most extensive sampling of public opinion on environmental issues. The September/95 report showed that:

50% of those surveyed believe their long-term health has already been affected by the deterioration of our environment; a majority believe Canada has only gone 30% of the way towards a safe environment; 78% think environmental regulations should be strictly enforced even in times of economic recession; 64% say we should assume the worst about global warming and take significant action now; and 56% disagree that chemical risks are properly regulated; 70% believe that tougher packaging regulation is needed; and 81% believe that sustainable development should be a "major priority." Canadians support strong enforcement and more spending on environmental protection, and Canadian governments know it but are not delivering

it. There is no demonstrable public demand or support for the move by government bureaucracies to rely on industry "voluntarism" as the preferred approach to regulating corporate activity. The evidence supports this view.

In its Summer 1994 Canadian Environmental Management Survey, the management consulting firm KPMG reported that, for 95% of corporate respondents, compliance with regulations is the most important motivating factor for the development of an environmental management system. Some 69% also cited the personal liability of directors and officers! The report concludes that, "only a small percentage of Canadian organizations are effectively managing environmental risks currently."

This lack of corporate capacity to manage environmental risks is of serious concern because the implementation of the Canada-U.S. Free Trade Agreement, NAFTA and the new GATT and World Trade Organization have unleashed a number of worrying trends.

The first is a shift in emphasis from the regional or country level to the continental and international level. This complicates standards setting, and puts a chill on new laws and, probably most importantly, restricts popular access to decision-making.

A second trend is a move from sustainability language to competitiveness language. A third trend is a move away from the rule of law to voluntary compliance, both nationally and internationally, which makes it much more difficult to ensure positive corporate environmental practice. A fourth important contributing factor has been the impact on the capacity to manage shrinking government budgets.

These government moves towards "voluntary" standards expose the rhetoric about NAFTA ("the greenest trade agreement ever") for the smokescreen it was. As bilateral discussions with Chile regarding NAFTA's extension proceed, the Canadian role as the stalking horse for the United States should also be seen as an attempt to entrench deregulation in Chile's future, as well.

In response, we are left with the need to link up across borders, developing joint strategies to confront corporate power in the forests and mines of Chile in order to address that power effectively here at home.

CANADA

A Choice for a Change

by Marcella Munro, Action Canada Network

Corporations and their friends in government have been telling us for years and years that there is no alternative to slashing spending for social programs. There are no choices; globalization is forcing us to down-size, cut back, and do with less.

Canadian media pundits like Andrew Coyne of the *Toronto Globe and Mail* say there are no new collectivist ideas. Social programs? Fair taxation? Corporate responsibility? These ideas are

extinct -- like dinosaurs and hippies. Canadian Finance Minister Paul Martin, Ontario Premier Mike Harris and Alberta Premier Ralph Klein agree: take the hardship, cutbacks and gloom you're given, and gladly accept it or it will be far worse.

For the second year in a row, a challenge to this dogma, in the form of the Alternative Federal Budget (AFB), accomplishes what folks in the Finance Department in Ottawa say is impossible: it offers Canadians a real choice in setting the priorities for the country.

It couldn't have come at a better time. Most of us are still reeling from massive job loss and last year's economic slump. With all indicators pointing towards another harsh slash-and-cut federal budget in 1996, a broad collection of organizations and individuals from across Canada have come up with solid proposals for how the budget could be shaped differently.

Groups as diverse as the Canadian Centre for Policy Alternatives (CCPA), a collection of researchers and academics, and Cho!ces, a local social justice coalition based in Winnipeg, Manitoba, have joined together and meshed the input of several hundred activists and academics across the country into a practical and comprehensive document. It is these two groups, in fact, that coordinate the work of the 30 participating networks.

The federal government is making choices that will not create jobs or reduce the debt, but only keep us on the path of economic decline. The Federal Liberal budgets have: created more unemployment and underemployment; cut our valued social programs, such as health care and education; and made the rich richer and the rest of us poorer.

The AFB contains an entirely different debt reduction strategy -- one based on the need to own and manage more of our own debt. Instead of attacking the poor through further cuts in social programs, the alternative budget attacks the debt and deficit through a reduction in interest rates. This will provide further job creation and lower the amount of tax revenue we have to spend each year in debt-servicing charges, money that would be better spent on social investment. Decent-paying jobs are the key to any economic recovery we can hope to see, and these budget proposals would make the creation of 800,000 new jobs possible over two years.

The alternative budget also suggests direct investment in the future of social programs by creating Social Investment Funds. In contrast to the current reversal of advances in the areas of health care, education and social services, these funds would expand the role of the federal government in setting priorities and paying for national social programs in these fields and others -- like child care -- where there is desperate need.

Other key measures in the alternative budget would help distribute wealth more fairly and increase our long-term financial strength. One entails buying our debt back from foreign money markets so that Canada is not so vulnerable to the whims of the fiscal neo-conservatives. Fixing the tax system is also a major priority, and the alternative budget suggests a package of tax reforms that start to tax wealth, take tax breaks away from the wealthy and profitable corporations, and give a break to those who can't afford to pay.

Give Yourself a Break

The AFB is a well-researched, fiscally responsible budget based not in some abstract, obtuse, and anachronistic economic theory, but in the needs and realities of Canadians. Recently, poll after poll has shown that Canadians are giving up their social vision grudgingly. People in this country are feeling defeated and insecure, but under the thin layer of anti-tax and hate-the-poor sentiment lies the sleeping giant of the Canadian conscience: still committed to social programs, still committed to fair taxation, and still wishing for a better way. The authors hope to use their Alternative Federal Budget to wake this sleeping giant by reminding the public of the multitude of choices governments have in budgeting and thereby in the setting of economic and social priorities.

For more information about the Alternative Federal Budget, or to receive copies of the Framework and popular documents, contact the ACN at (613) 233-1764.

UNITED STATES

Activists Pressure for BECC/NADBANK Openness

by Harry Browne, Inter-Hemispheric Resource Center

More than two years after the North American Free Trade Agreement took effect, the bank it created to help clean up the U.S.-Mexico border has yet to approve financing for a single project.

Six projects have been certified as eligible for financing from the San Antonio-based North American Development Bank (NADBank), which was authorized by a U.S.-Mexico side agreement to the free-trade pact. Four dozen other projects are undergoing review by the Border Environment Cooperation Commission (BECC) in Ciudad Juarez. The Commission must certify projects as eligible for financing or loan guarantees -- no grants -- from the NADBank.

The NADBank's first financing packages are expected in late winter or spring. They will mean lower interest rates for sponsors of the projects -- wastewater treatment plants in Brawley, California, and Ensenada, Baja California -- and presumably lower sewer bills for industrial and residential water users in those cities. The bank will add roughly US\$2 billion to the supply of capital available for border water and solid-waste projects when -- and if -- it is fully funded by the U.S. and Mexican governments.

In other areas, too, the new institutions are still coming up to speed. The BECC is either still drafting or only beginning to implement key procedures and criteria regarding project certification, public participation, and confidentiality of information. The commission's effort to provide technical assistance to communities too small or poor to evaluate whether they should apply for NADBank funding is in its infancy. The NADBank and the BECC have yet to sign a memorandum of understanding detailing how they will work together. And it will be several years before the real demand for NADBank capital -- which, after all, must be repaid through user fees -- is known, especially in low-income border communities.

Even farther behind are the national "community adjustment" branches of the NADBank, which may make up to \$22.5 million in grants and loans available to communities that are adversely

affected by NAFTA. The U.S. branch, which will be located in Los Angeles, California, has no office, no work plan, and only one staff member. Mexico's branch will be in Santillo, Coahuila, and is at a similar state of unreadiness.

Despite the delays, few border-based nongovernmental organizations (NGOs) are pushing the new institutions to approve projects more quickly. Ironic as it may seem -- given the role that NGOs played in publicizing environmental problems in the region -- most have been doing just the opposite. Equally surprising is the fact that interest among NGOs, especially in Mexico, appears to be increasing rather than flagging. A look at the history of the new border institutions helps explain these facts.

A Brief History

With the polluted border region standing as a monument to the environmental dangers of unplanned -- that is, free-market -- industrial growth, the NADBank and the BECC were key components of the Clinton Administration's efforts to portray NAFTA as "the greenest trade deal ever." Packaged with a new set of World Bank loans and existing federal commitments, they became part of an US\$8 billion border environmental initiative. This in turn was inflated in the press releases of NAFTA boosters, who projected additional funds that would be "leveraged", to an incredible US\$20 billion infusion of capital to the region. Pretty good for a net outlay from the U.S. Treasury of \$225 million.

But the NADBank and the BECC were primarily products of political horse-trading, rather than comprehensive environmental planning, and they are incapable of meeting the challenges posed by transboundary pollution and water depletion. In fact, the projects to which the bank's funding is limited will merely continue unsustainable patterns of development unless they are accompanied by strong local planning efforts.

The NADBank and the BECC are even farther from being the kind of well-designed, multilateral institutions needed to ensure that globalization does not come at the expense of people, communities and the environment. Neither body has the authority to begin harmonizing standards upwards or to encourage effective enforcement of domestic laws. And there is no transfer of funds from North to South, since both institutions are funded equally by the United States and Mexico.

In a sense, the NADBank actually represents a net resource transfer from Mexico to the United States, since it obligates Mexico to contribute to projects that, while worthwhile, reflect U.S. priorities rather than those of Mexico. Indeed, the willingness of Mexican President Carlos Salinas to co-fund the bank is testimony to the ability of the United States to extract concessions from smaller countries.

Working with What We've Got

With all its flaws, the NADBank/BECC system is still a breath of fresh air in a region whose residents have grown accustomed to being ignored by policymakers or, when not ignored, excluded from decisionmaking about border projects. It has therefore been easy for border

environmental NGOs to latch onto the positive features of the new system and to focus on strengthening them.

Two of the most prominent of these features are the BECC's commitment to public participation and its objective of advancing sustainable development. Both topics have generated heated discussions, and NGOs have won significant, if partial, victories.

Public Participation

Prior to NAFTA's approval by the U.S. Congress, Clinton administration officials repeatedly asserted that the BECC would be a "new kind" of institution, whose charter explicitly recognizes "the need to collaborate with states and localities, non-governmental organizations, and other members of the public."

Initial indications, however, were that such claims were nearly as exaggerated as those made for the NADBank's financial capacity. The Commission adopted rules of procedure that had been negotiated in secret by the U.S. State Department and Mexico's Secretaria de Relaciones Exteriores. These rules required merely that the Commission hold four public meetings per year. There is no restriction on decisionmaking in closed sessions, no agenda for closed sessions need be published, and there need be no record of how individual directors voted.

In its first two meetings, the Commission confirmed fears that the commitment to public participation was to be honored largely in the breach. The most telling sign among many was that the board of directors made all of its decisions in closed meetings held before the public session. It would begin the sessions by announcing the decisions and *then* accepting public comments.

The rules and their application drew a barrage of criticism from NGOs, border academics, and key Democrats in the U.S. Congress. This response and the persistent and principled stand for openness taken by board member Lynda Taylor, who had cast the lone vote against the Commission's rules of procedure, produced some significant changes. Public sessions have begun to incorporate interchanges between presenters and board members, dramatically enhancing the value of public input. The board committed itself to making all decisions regarding project certification in public session -- and indeed did so at two recent meetings in which the outcome clearly had not been scripted. And, most importantly, the BECC's board and staff invested considerable time in soliciting and incorporating public input into the development of the criteria by which the BECC would certify or disqualify project applications. In the last three months, BECC's staff has also engaged in widespread consultation on its procedures for public notification of proposed projects and public access to information. It is likely that the procedures will in both cases be stronger than required by the binational agreement.

Sustainable Development

The term "sustainable development", appropriated for use by the Bush and Clinton administrations, as well as by corporate PR offices and industry organizations, so it is hardly surprising that it is the first goal mentioned in the preface to the agreement forming the BECC

and the NADBank. In this context, as in others, environmental NGOs have struggled to move the term from the realm of rhetoric to that of policy design and implementation. In this effort, again, they have been aided greatly by Taylor.

Key issues related to incorporating sustainable development in the certification criteria included: what weight, if any, to give to community socioeconomic indicators; how to encourage the development of human and institutional capacities for long-term local management of projects; what kind of community participation to require in project planning; and what level of community support for a project to require -- and how to measure it.

But probably the most important issue before the board was whether projects would be rated on some scale of "sustainability." There are two reasons to establish such a ranking: to encourage project proponents to address environmental and social issues beyond those otherwise required; and to provide guidance in allocating scarce funds among projects.

This issue provided the most dramatic public discussion among board members thus far. At a closed meeting on 30 August, the board took a straw vote. With the U.S. Environmental Protection Agency's representative leading the way, the vote was 9-1 for criteria that did not include a sustainability rating. But at another closed meeting the next morning, the BECC's Public Advisory Council expressed its support for a rating system. And then at a public meeting that same day, Taylor forced a brief but illuminating discussion of the issue by stating the reason she planned to vote against the proposed criteria. As members of the audience lined up at the microphone to voice support for a sustainability ranking, board members hashed out a compromise that makes meeting "fundamental" sustainable development criteria a requirement of certification and that grants "special recognition" to projects that go significantly beyond those requirements.

Much remains to be seen about how this recognition will affect the NADBank's decisions to support projects and whether it will indeed encourage project proponents to include additional environmental or social features. It is clear, however, that by forcing the BECC's board and staff to think about sustainability and how to incorporate it, NGOs -- and board member Taylor -- set off a highly educational process.

Taken together, the concepts of sustainable development and public participation are proving to be crucial tools for activists attempting to shape the new border-related NAFTA institutions. Fair-trade organizations working on broader economic integration issues should continue to make the inclusion of these terms in the charters of future multilateral institutions a central goal of their campaigns. And they should be sure to give the same priority to following and pressuring these institutions after agreements are implemented as they do to improving the agreements before negotiations are concluded.