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# **AFTER the FTAA**

## ***Lessons from Europe for the Americas***

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This report is based on a research project conducted by the Institute for Policy Studies (IPS) and supported by the Rockefeller Foundation. Research involved a review of available literature and data on the EU experience, as well as interviews with a broad range of academics, government officials, business leaders, and civil society representatives in several EU member states.

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# I. Introduction

On April 20, 2005, Brazilian President Luiz Inacio “Lula” da Silva declared that the Free Trade Area of the Americas was “off the agenda” for his government. While other officials later tried to soften his words, the statement was the most direct confirmation from a government leader that 10 years of negotiations to create a hemisphere-wide trade agreement had failed.

President Lula explained that the priority for his government is to strengthen trade ties with Latin American countries and in particular with the Mercosur trade bloc made up of Brazil, Argentina, Paraguay and Uruguay. It is understandable that in the current political context, Latin American leaders might choose to focus their energies on their own neighbors, rather than attempting to build a broader multilateral framework for hemispheric relations that would include the United States. The current U.S. administration has demonstrated a pattern of flouting multilateral rules in favor of unilateral action. Thus, even if all 34 countries could reach an agreement, there would be reason for concern over whether the U.S. government would actually adhere to it unless it served narrow U.S. interests.

With regard to the Free Trade Area of the Americas, Bush officials have doggedly pursued a narrow trade and investment liberalization deal that many view as more in the interest of large U.S. corporations than the region as a whole. And when U.S. negotiators faced opposition from some of the larger countries in the hemisphere, they ignored these concerns and turned instead to a “coalition of the willing” strategy of negotiating bilateral deals with countries that were more enthusiastic—or perhaps more vulnerable to U.S. pressure.

Thus, it’s not surprising that new Latin American leaders who came to power long after the FTAA project was launched would be tempted to turn away from the superpower to the north and focus on building up economic relationships amongst themselves.

However, there is no denying that the United States will continue to have many levers of influence over the hemisphere. In the long run, Latin American countries would benefit from a rules-based multilateral framework that could help ensure that the United States plays a positive rather than a destructive role. But with the FTAA behind us—or at least dormant—it is a good time to look at long-term alternatives for hemispheric cooperation.

During the decade of deliberations over the FTAA, a number of civil society groups and governments put forward alternative proposals. Most were fairly narrow, such as the Caribbean countries’ demands for special and differential treatment. Others were more comprehensive. Two broad proposals worth revisiting are “Alternatives for the Americas” by the Hemispheric Social Alliance, a coalition of trade union federations and civil society networks, and the Bolivarian Alternative for Latin America and the Caribbean (known by its Spanish acronym, ALBA), proposed by the Venezuelan government.<sup>1</sup>

Both of these proposals offer roadmaps for the hemisphere that are dramatically different from the FTAA’s narrow rules on trade and investment liberalization. Each calls for countries to have the authority to channel trade and investment to support social and environmental goals. They also include some elements that are similar to the approach of the European Union, such as resource transfer to reduce disparities, an emphasis on lifting up social and environmental standards, and new rules on migration. The governments of the hemisphere should take a close look at these and other alternative proposals as part of a fresh dialogue on how to establish rules for the hemisphere that support just and sustainable development.

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This document aims to contribute to such a dialogue by highlighting some of the lessons from the European Union experience that are applicable to the Western Hemisphere. It is a follow-up to a more detailed report entitled “Lessons of European Integration for the Americas,” published by the Institute for Policy Studies.<sup>2</sup> This version, available in Spanish and English, incorporates new information and attempts to answer some frequently asked questions about the relevance of the EU to the Americas.

## Why Look to Europe for Lessons?

The European Union is a unique experiment in a broad approach to integration that has attempted to reduce economic and social disparities between rich and poor countries and within member nations. In many ways, it stands in stark contrast to the narrow approach advocated by the U.S. government through deals like the North American Free Trade Agreement.

The idea that the EU offers useful lessons for the Americas has gained support among leaders in the Americas. Mexico’s Vicente Fox has long promoted development funds similar to the EU’s structural funds as a way to level the economic playing field in the Americas. Similarly, Argentine President Nestor Kirchner has said that the EU could “find its future because it showed a lot of solidarity towards those who were weaker...Otherwise, you just deepen asymmetries.”<sup>3</sup>

Former U.S. President Jimmy Carter, at a January 2005 appearance at the Organization of the American States, was asked about the possibility of the Western Hemisphere countries forming a union similar to the European Union within the next 100 years. His response:

*The union in Europe... has evolved from repetitive crises, certainly the first and second world wars, and the initiation during the Cold War when Western and Eastern Europe were divided. There was a strong inclination to heal those wounds and to prevent further armed conflict.... Another very important factor was an acknowledgement of shared goals and political and moral principles and the benefits to be derived both politically and economically from cooperating together. The first element doesn't exist in our hemisphere. Thank god we haven't had the destructive wars that caused us to repair the damage. But all the other factors do apply. Increasingly in my opinion and during the last 30 years of my involvement, I have seen a congealing or recognition of the commonality that binds us together...In summary, I believe that within less than 100 years we will see a strong intercontinental form of government based particularly on the benefits of the EU...*

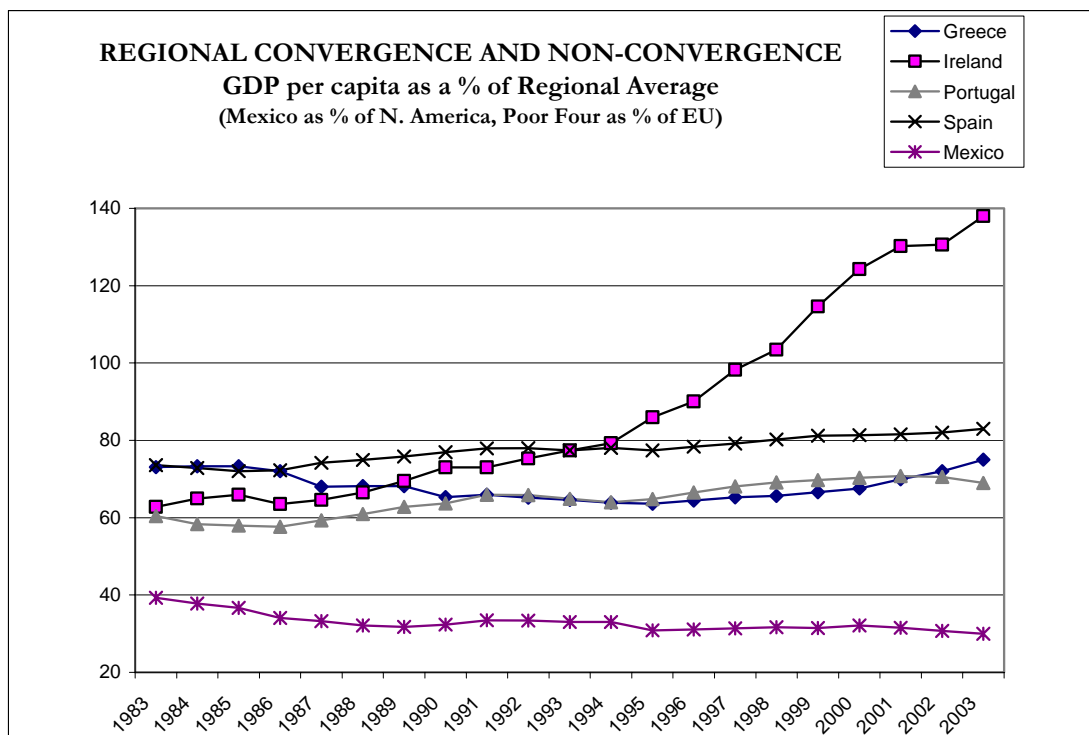
These and other expressions of support from leaders in the Americas have helped create an opportunity for a closer examination of EU policies and how they could apply to the Western Hemisphere. The following sections briefly summarize EU policies in five areas and relevant points for the Americas.

## II. Resource Transfer

### What the EU has done

The European Union treaty states that “the community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions and islands, including rural areas.” (Article 158) Since the early 1960s, the EU has pursued this goal by investing more than \$325 billion in grants to poorer countries and poorer regions within richer countries for infrastructure, training, and other development projects. This is roughly ten times the amount of U.S. economic assistance grants to all of Latin America during this time period. To qualify, national EU governments develop proposals for using the grants in consultation with the European Commission and commit to providing a certain level of co-financing.

Although the focus today is primarily on the 10 nations that joined the EU in May 2004, the largest recipients of these grants in the past were the former so-called “poor four” – Ireland, Greece, Spain and Portugal. To varying degrees, all have made progress in catching up with the other EU member states. Indeed, Ireland has become one of the wealthiest countries in the world. Between 1982 and 2003, Spain and Portugal increased their GDP per capita levels from 74 to 83 and 61 to 69 percent of the EU average, respectively. Greece did less well in the 1980s, but has caught up by 10 percentage points since an infusion of aid in the 1990s. Moreover, the European Commission claims that these Funds maintained or created 2.2 million jobs in these countries during this period.<sup>4</sup>



By contrast, the proposed FTAA contained no mechanisms to reduce inequalities. Based on the model of the North American Free Trade Agreement, the assumption was that trade and investment liberalization alone would be enough to raise standards in North America’s “poor

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one” – Mexico. The deal did result in large increases in exports and foreign investment, but this did not translate into increased prosperity. Mexico has fallen further behind in per capita income as a percentage of the North American average. This figure was 43 percent in 1982, 33 at the start of NAFTA, and 30 in 2003.

The EU’s development grants have also paid off for the richer countries that are the primary contributors. The European Commission estimates that about 25 percent of grants have returned to the higher-income countries in the EU in the form of increased imports, especially machinery and equipment.<sup>5</sup>

## **Implications for the Americas**

The general lesson from the EU experience is that trade and investment liberalization are no guarantee of better living standards. Resource transfer is necessary to allow cash-strapped governments to invest in the infrastructure and human resources that are crucial to long-term prosperity. Easing the financial strain in impoverished countries also benefits people in the richer nations. First, it would likely make developing countries stronger trading partners. Secondly, it would relieve some of the pressure that many developing country governments face to attract foreign investment by offering an exploited workforce and lax environmental enforcement, practices which undermine efforts to maintain high standards in the North.

Nevertheless, there are considerable doubts over whether EU-style development grants could ever be applied in the Western Hemisphere. While Canada gives a relatively large percent of its GDP toward development assistance, the United States does not; it routinely ranks last in this category among wealthy countries. Many have also pointed out that there are limits to the levels of support that the richer Western European countries are willing to commit. The 10 new EU member states are not receiving the same level of support enjoyed in the past by Ireland, Portugal, Greece, and Spain. How then could we ever imagine such large sums committed to the even poorer countries in the Western Hemisphere?

Rather than attempting to duplicate the European model, the challenge is to think creatively about the forms of resource transfer that would be feasible and appropriate for this region. A rich discussion around innovative methods of generating development funds is taking place in the context of the Millennium Development Goals (MDG) launched by the United Nations in 2000. Governments and international financial institutions have committed to trying to achieve these goals by 2015, including the objective of cutting world poverty in half. Many of the ideas being discussed for financing the MDGs could also be incorporated into a new type of hemispheric agreement in the Americas. At the top of the list for shifting resource flows toward the poor nations of the hemisphere are debt relief and new forms of taxation. Fines on corporate violators could be an additional source of revenue.

### **A. Debt relief**

In the MDG context, rich country governments are debating proposals to cancel the debts of heavily indebted countries that are mostly in Africa. This discussion is relevant to the Americas, where debt is a major factor in the economic divide. According to the World Bank, 28 countries in the region have significant levels of external debt, totaling \$776 billion in 2003. More than 70 percent of the debt burden is concentrated in three of the largest countries – Argentina (\$166 billion), Brazil (\$235 billion) and Mexico (\$140 billion). However, for many of the remaining 25 countries, foreign debt levels as a percentage of GDP are staggering. In 2003, five countries in

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the hemisphere had total external debt that exceeded the value of their GNP (Argentina, Belize, Nicaragua, St. Kitts and Nevis, and Uruguay).<sup>6</sup>

Thus, in this context, it would be appropriate to incorporate debt cancellation or reduction in any future hemispheric agreements. One model is the proposal of the Hemispheric Social Alliance, which is based on the position of Jubilee South. The main elements are the following:

- Full cancellation of the bilateral and multilateral debts of low-income countries.
- Audits into the origin and legitimacy of remaining external debts. (“Illegitimate” debts are defined as those that cannot be serviced without placing a burden on impoverished people, those contracted for fraudulent purposes or non-beneficial projects, and those which expanded after Northern countries unilaterally raised interest rates.)
- The establishment of a neutral international arbitration panel or bankruptcy court under the United Nations to work out arrangements for cancellation of illegitimate debts.

## **B. Alternative Financing through Taxation**

To achieve the Millennium Development Goals, a number of governments have promoted proposals for generating development funds through taxation, as a complement to official development aid and debt relief. The governments of France, Brazil, Chile, and Spain submitted a paper laying out some of these ideas at the UN General Assembly in September 2004. Since then, other governments have joined in supporting them.

The international working group that developed these taxation proposals states that the objective would be to get all countries in the world to participate, since otherwise countries that did participate might lose investment to nonparticipating countries. However, the working group also states that it might be useful to start a process at the regional level that could later lead to broader participation. They point out that “most of the major advances in international cooperation in recent decades have been made by a pioneer group of countries.”<sup>7</sup>

Thus, it is worthwhile to explore the possibility of implementing some of these proposals at the regional level in the Western Hemisphere.

**1. Taxation of the arms trade:** Arms expenditures divert substantial financial, material and human resources that could otherwise be invested in social programs. The specific proposal being discussed in the MDG context is to impose a tax on all new or used heavy conventional weapons transactions -- whether they are international or domestic. At the hemispheric level, requiring governments to pay a bit more to purchase weapons could generate an important source of funds to combat inequality.

According to the U.S. Department of State, the countries of the Americas imported \$44.8 billion worth of arms during the period 1989 to 1999 (the most recent data available).<sup>8</sup> Even a small tax on these purchases of .01% could have netted nearly a half billion dollars for development purposes.

### **Top 10 Arms Importers in the Hemisphere, 1989-1999**

	1999 constant \$US millions
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United States	18,414
Canada	5,367
Brazil	3,202
Venezuela	2,549
Mexico	2,143
Colombia	1,747
Peru	1,594
Chile	1,506
Ecuador	807
Argentina	785
Bolivia	164
hemisphere total	44,802

source: US State Department

**2. Taxation of financial transactions:** The joint report supports a long-standing proposal to place a low level of taxation on financial transactions. Again, while this would ideally be imposed at the global level, regional mechanisms should also be explored.

**3. Coordination to prevent tax evasion:** One benefit of economic globalization for corporations is that it creates greater opportunities for evading tax responsibilities. Through accounting tricks like transfer pricing, corporations maximize losses for subsidiaries in countries with high tax rates and maximize profits in tax havens. A new type of hemispheric agreement could require countries to work together to crack down on such practices. Proceeds from these efforts would go directly to national tax coffers.

### C. Fines on Corporate Violators

In the document “Alternatives for the Americas,” the Hemispheric Social Alliance lays out an innovative proposal for holding corporations accountable for violations of worker rights. Under their scheme, the International Labor Organization would monitor compliance with internationally recognized worker rights. Unions or other nongovernmental organizations could file complaints regarding violations. The ILO would investigate and if necessary provide assistance to help achieve compliance. Only if this stage is unsuccessful would an enforcement mechanism be applied. If the perpetrator is a specific company, it would face fines or sanctions. Although the Hemispheric Social Alliance does not specifically suggest this in the document, it seems that these fines could be used as one more source of alternative financing for development.

Many questions remain about how best to go about resource transfer to narrow the economic divide in the Americas. Who would ideally have decision-making authority over the resource transfer mechanism? How can a mechanism be designed to ensure that resources benefit the poor and support sustainable development? What would the criteria be for receiving the funds? Continued dialogue is needed to address these and other important questions, but the EU experience underscores the need for some type of resource transfer in our region.



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## III. Social and Environmental Standards

### What the EU has done

The EU requires member states to comply with high standards on labor rights, gender equity, racial discrimination, health and safety, environment and other issues. By setting a floor for the region's social and environmental policies, the EU has tried to encourage a high-road path to development, instead of competition based on exploitation in areas of weak standards.

The EU's social standards have evolved and expanded over the years. In 2000, they consolidated the whole range of civil, political, economic and social rights into one text, the European Union Charter of Fundamental Rights. While the Charter itself has not been legally binding, parts of it are the basis for EU directives, regulations, and decisions that must be transposed into national legislation. And soon the full charter may become legally binding, since it is included in a proposed EU Constitution now being considered in national referenda.

### Women

The EU has taken a particularly strong stance in defending women's rights. In the 1970s, regulations established requirements for equal treatment for men and women in employment and training.<sup>9</sup> Directives in the 1980s and early 1990s dealt with equal treatment in social security and protections for pregnant workers.<sup>10</sup> The Irish government tried to negotiate a waiver from the pay equity directive, but the request was refused.<sup>11</sup> Likewise in Austria, it was only when the EU issued a directive on parental leave that Austrian unions won a long-standing battle to obtain that right.<sup>12</sup>

### Race

In addition to the progress on women's issues, there is considerable optimism that two relatively new directives will have a positive impact in the broader area of discrimination. Adopted in 2000, these directives cover sex, disability, religion or belief, sexual orientation, age, and racial or ethnic origin. One is known as the Race Directive and provides protection in education, social security, access to goods and services, and cultural life. The other is the Employment Directive, which covers employment, self-employment, working conditions, membership in workers' organizations, and whistle-blowing. One way in which EU anti-discrimination standards are having an impact is in addressing long-standing problems of racism against the Roma (sometimes referred to as Gypsies), Europe's largest ethnic minority. In the new member state of Slovakia, for example, the EU has pressured the government to adopt anti-discrimination laws to protect the Roma from common abuses, such as the practice of wrongly placing Roma children in schools for the disabled.

### Labor Rights

The Charter on Fundamental Rights includes extensive protections for workers and trade unions. They encompass:

- The right to basic social security
- The right to vocational and further training
- The right to a written labor contract
- Protection against unjustified dismissal

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- The right to adequate working conditions
  - The right to health and safety protection in the workplace
  - The right to limited working hours
  - The right to paid vacation
  - The right to equality between on EU aliens and EU citizens
  - The right to information and consultation in the company
  - The right to free and independent trade unions
  - The right to collective bargaining

On some more controversial matters, the EU thus far has chosen not to take action, for example on minimum wage levels and the right to strike. These matters are left in the hands of national governments.<sup>13</sup>

## **Environment**

EU regulations also cover a wide range of environmental issues, including water quality standards, nature conservation, waste management, climate change, industrial accidents, nuclear safety and radiation protection, and protection of coastal and urban areas. Environmental impact assessments are also required on all relevant EU policies.

Critics charge that enforcement is constrained by the fact that the European Commission must rely on national-level environmental reporting systems, which are lacking in many countries.<sup>14</sup> Nevertheless, there are examples of EU environmental laws that have had significant impact. For example, a directive on large combustion plants sets emissions limits that are more easily attained with cleaner natural gas technologies.<sup>15</sup> This law is cited as at least partly responsible for a reduction of energy-related emissions in the energy supply and industry sectors of 43 and 23 percent, respectively, during the past decade.<sup>16</sup> The European Commission also points to a law on urban wastewater that has resulted in a significant decrease in the number of heavily polluted rivers. Organic matter discharges fell by 50 to 80 percent over the last 15 years.<sup>17</sup>

Environmentalists are particularly hopeful about two new regulations to reduce toxic hazards that will go into effect in 2006. One will require electronics manufacturers to take back and recycle their products and the other will require manufacturers to eliminate a number of highly toxic substances from all new equipment.<sup>18</sup>

## **Enforcement**

The EU experience with enforcing basic social and environmental standards offers a number of lessons for the Americas. Many developing country leaders and civil society representatives have justifiable concerns that any enforcement mechanism would be manipulated by the richer countries, especially the United States, for narrow protectionist purposes.

The EU has attempted to ameliorate such concerns in at least three ways. One is by emphasizing compliance, rather than punishment, and offering poorer countries considerable financial and technical support to help them achieve the required standards. The second is that the authorities responsible for monitoring and adjudication, the European Commission and the European Court of Justice, are supra-national, which helps to distance them from narrow national or political interests. And finally, governments accused of noncompliance are given generous (some say overly generous) amounts of time to correct problems. It is the rare case that reaches the point

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where the European Court of Justice imposes sanctions, which can range from fines to the ultimate punishment of EU expulsion.

## **Implications for the Americas**

Perhaps the most important general lesson from the EU experience with social and environmental standards is that these regulations are vital, but insufficient to significantly improve living and working conditions in poor countries. Strong regulations are most effective when they are complemented by financial support and other assistance necessary for compliance. This concept has been largely absent from the debate over integration in the Americas. In the United States, a growing number of elected leaders, including seven of the eight men who ran for the Democratic nomination for president in 2004, support the position that labor and environmental provisions should be included in trade agreements. While the recognition that trade has social and environmental impacts is important, a far broader response is necessary to address concerns about the U.S. government's approach to trade policy.

Another important lesson from Europe is that there are ways to design a process for enforcement that includes some positive incentives for compliance and is largely insulated from manipulation by the more powerful countries. While it may not make sense to duplicate the European approach in the Americas, it is an important example of national governments accepting some limitations on their sovereignty in certain areas for the purpose of promoting broader social and environmental goals. Government leaders and civil society representatives in the Americas should engage in a dialogue over how we could best design mechanisms for lifting up social and environmental standards in our region. As in Europe, an important part of the process would be identifying the specific social and environmental issues in our region that would benefit from being addressed at the supranational level.

## **IV. Migration**

### **What the EU has done**

One of the most obvious benefits of the EU's efforts to narrow disparities is that it makes possible an "open border" policy that grants EU citizens the right to live and work in any member state. These policies have not been entirely non-controversial. During the early negotiations over the enlargement to include the "poor four," there was much fear of a flood of brain-draining migration, especially from Spain and Portugal.

Hundreds of thousands of Spanish and Portuguese workers had already sought employment in the manufacturing-intensive regions of France, Germany, and Switzerland. Thus, while both Iberian nations became official members in 1986, the EU postponed their right to free labor mobility until 1991. During this transition phase, EU structural funds and other supports, combined with a surge in private foreign direct investment, helped improve economic opportunities and social standards to the point where emigration pressures subsided.

In stark contrast to the predictions prior to EU accession, Spain and Portugal not only did not flood the rest of the Union with migrants, they turned into labor-importing countries. Native Spaniards and Portuguese who once sought work in Northern Europe in droves found increased job opportunities at home. In Spain, net migration levels dropped 90 percent from the period

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1962-64 to the period 1990-1994.<sup>19</sup> Moreover, workers unable to find work in Spain were able to stay in their communities because of higher levels of social protection.<sup>20</sup>

Throughout the EU, migration levels are low. Eurostat reports that during the period 1990 to 2002, annual net migration in the EU ranged from 1.3 to 3.5 inhabitants per 1,000.<sup>21</sup>

It must be noted that the EU's openness to migrants does not extend to those from non-member states and in fact barriers to entry from outside the EU are high. The vast majority of asylum requests are rejected by EU member governments. As a result, thousands of immigrants are forced to live in Europe without documentation and are subject to widespread exploitation.

However, the EU will soon be allowing migrants from the 10 new member states in Eastern Europe free labor mobility. As in the 1980s, there are once again concerns about the potential impact of open borders with countries that have much lower average wage levels than current member states. In fact, the gaps in per capita income between current and new members are far greater than during expansion to the "poor four." As a consequence, the EU is allowing once again for a transition period of up to seven years (until 2011) during which the current EU member states may restrict migration from new member countries.

## **Implications for the Americas**

It would be foolish to argue that the countries in the Western Hemisphere could adopt an open border policy any time in the near future. But the general lesson from the EU experience is the importance of establishing a plan to move towards the possibility of open borders by lifting up living standards in the poorer countries. With the new EU member states from Eastern Europe, they have a seven-year transition plan. Perhaps in our region it would need to be a 20-year transition plan. But this would be far better than the current situation. Although some developing countries have attempted to raise the migration issue in the context of trade negotiations, the United States has rejected these proposals, except for granting some additional visas for professionals. Meanwhile, U.S. taxpayers spend billions of dollars every year on efforts to block people from Mexico and other poorer countries from seeking economic opportunities in the United States. And while the militarization of the border has made it more dangerous for people to cross illegally, immigration levels continue to climb.

## **V. Agriculture**

### **What the EU has done**

On this, perhaps the most controversial issue in the Free Trade Area of the Americas talks, the past experience of the EU offers few lessons. For the first two decades or so, the EU approach centered on boosting yields and production levels. This exacerbated a problem of massive surpluses that drove down world market prices for many commodities. It also encouraged intensive farming practices that had substantial negative environmental impacts. Over the years, the EU's agricultural policies have gone through numerous reforms, in part to encourage better environmental practices.

But despite many changes, there continue to be strong questions over whether the eye-popping sums spent on EU agriculture policy are worth the cost. Between 1963 and 2001, the EU spent \$870 billion on agriculture, mostly to cover price supports, the cost of buying up and storing surpluses, and direct payments to farmers. Smaller amounts are now available for measures

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linked to the environment and rural development. Agriculture makes up about half of the EU's annual budget, which is down from more than 70% in the past. But while spending levels have dropped, critics argue that farm subsidies are still too high, particularly because they make it difficult for developing country producers to compete with EU farmers.

Moreover, despite the massive spending, the EU also experienced a rapid decline in small farms, since subsidies disproportionately benefited large producers. Every EU member state has experienced a significant decline in agricultural employment, with small farms declining most rapidly. Because of the linkage between payments and production, the largest 20% of farms have received 70% of subsidies.

## Implications for the Americas

Even if the results had been more positive, it would be unrealistic to propose such an expensive approach to agricultural policy in the Americas. However, more recent attempts to reform the EU agricultural policy, while too early to judge, may prove more fruitful. These changes have focused on de-linking subsidies from production and conditioning them on respect for environmental and other standards. The EU is also planning to cut payments to large farmers. These reforms can inform the debate in the Americas region, where small-scale agriculture remains highly significant in terms of employment, as well as social, environmental, and cultural welfare. Like the EU, the Western Hemisphere should recognize that increased exports and other trade liberalization policies will not solve the serious problems facing rural residents.

## VI. Public Participation

### What the EU has done

The EU is more advanced than any other region in the world in offering official roles for civil society in policymaking. As American author Jeremy Rifkin describes it, whereas most nations' political systems are dominated by the two poles of government and the market, EU politics operates between three nodes: commerce, government, and civil society. While recognizing weaknesses in the system, he argues that "the shift from two-sector to three-sector politics represents a radical progression in the evolution of political life, with profound import for how we human beings organize our future."<sup>22</sup>

Three of the most significant avenues for civil society inputs are:

- **The European Economic and Social Committee**, which is made up of representatives of employers, workers, and other civil society sectors from each member state and provides input to the European Commission on economic and social issues.
- The **social partnership process**, in which trade unions and employer groups develop joint proposals for EU initiatives. Some of these agreements have led to EU regulations, such as those on parental leave and part-time work.
- **European Works Councils**, which represent EU employees of multinational companies in legally mandated consultations with the employers at the company level. At a minimum, employers must give the EWCs the right to meet with central management once a year to receive information regarding the firm's financial situation and plans for new technologies,

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production transfers, mergers, and layoffs. In some cases, the agreement gives expanded rights. For example, France-based Danone must consider union proposals to avoid layoffs and attempt to transfer workers to other positions before laying them off.<sup>23</sup> In all cases, the corporation must pay for the EWC's operating expenses.

Thus far, the EWCs have not met their full potential. Not all firms that are technically required to have EWCs actually have complied, and in most cases, the agreements offer the bare minimum. Nevertheless, EWCs offer some important opportunities for workers to gather information that may be useful in their national collective bargaining and to influence corporate restructurings. They also offer opportunities for workers employed by the same company in different countries to build solidarity and coordinated strategies.

## **Implications for the Americas**

One of the factors in the failure of the FTAA process was the lack of meaningful civil society consultation. The civil society committee set up as part of the FTAA negotiation process was widely criticized as nothing more than "mailbox," since it solicited public input but had no obligation to respond. And there was nothing in the draft FTAA text that would insure any continued role for civil society after the agreement went into effect. At the company level, the draft FTAA did not offer any consultation rights to workers.

While all of the EU mechanisms for public participation have their shortcomings, they have at least made some progress towards creating an institutional framework for ensuring that policies reflect a measure of public consensus. Any future efforts to develop hemispheric agreements should draw from these examples to build mechanisms for civil society input.

## **VII. Conclusion**

There are many justifiable reasons for being skeptical about the idea of applying lessons from the EU to the Americas. First, the EU is not perfect. While its institutions and treaties are designed to ensure a balance between economic and social/environmental interests, market forces often take precedence. In recent years there has been a particularly high level of public concern over strict EU budget rules that have forced many national governments to make spending cuts that have hurt the poor. Moreover, it is important to point out that the EU itself has not attempted to apply the innovative aspects of their approach to the internal integration to their trade negotiations with countries in Latin America, such as Mexico and the Mercosur bloc. In fact, EU trade policy toward poorer countries outside Europe is not that much different from what the U.S. government has been pursuing.

Secondly, there are understandable reasons for questioning whether lessons from Europe could be applied in a region that is different in so many ways. As former President Carter stated, the EU evolved out of the ashes of World War II, an experience that we thankfully have not had in our hemisphere. The gaps between rich and poor are also wider in our region. While Latvia, the poorest country in the expanded EU, is about on par with Mexico, Argentina, Chile, and Costa Rica, it is rich compared to Haiti, Nicaragua, and Bolivia. Inequalities are also deeper within the countries of the Western Hemisphere.

Nevertheless, the EU offers important guiding principles for combating many of the challenges of our region – particularly the inequalities that continue to grow between our nations and our peoples. The lessons of their nearly 50-year experiment can inform a

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reinvigorated discussion around a long-term cooperative strategy for just and sustainable development in the Western Hemisphere. And given the vacuum created by the failed FTAA, this is an opportune moment to learn from the European experience and begin setting a new, more equitable course for the future of the Americas.

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## NOTES

- <sup>1</sup> Hemispheric Social Alliance, "Alternatives for the Americas," December 2002 version in English and Spanish, see: <http://www.art-us.org/>. Venezuelan Government, "ALBA," in see: <http://www.alternativabolivariana.org/>.
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- <sup>3</sup> Transcript of a May 5, 2004 conversation between Kirchner and Paul Krugman published on the web site of the North American Congress on Latin America (NACLA). See: <http://www.nacla.org/bodies.body76.php>.
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- <sup>6</sup> Calculated by the authors based on data in World Bank, World Development Indicators online.
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