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## Policy brief on trade and environment



## **Paving the way for sustainability: a new post Covid-19 economy for Latin America and the Caribbean**

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## Acronyms

CCAD	Central American Commission for Environment and Development
CBD	Convention on Biological Diversity
CEPAL	Comisión Económica para América Latina
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COVID	SARS-CoV-2 virus
EPA	Environmental Protection Agency
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
SDGs	Sustainable Development Goals
GDP	Gross Domestic Product
UNEP	United Nations Environment Programme
REDD	Reducing Emissions from Deforestation
IUCN	International Union for Conservation of Nature
UNTAD	United Nations Conference on Trade and Development
WWF	World Wildlife Fund

## Introduction

The crisis generated by the new SARS-CoV-2 virus (causing COVID-19) pandemic has, ironically, triggered a global conversation where important leaders demand further strengthening sustainable development principles and action. The world needs to be stronger and more sustainable entering the post COVID-19 era. Many of these voices come from Latin America. Prominent personalities in the region, such as the former Minister of Environment of Peru, Manuel Pulgar Vidal, the Executive Secretary of the Economic Commission for Latin America and the Caribbean (CEPAL), Alicia Bárcena, among others, propose to take advantage of the pandemic and quasi pause in the life of citizens to become stronger and more resilient to future systemic crises, that are bound to come.

This necessarily requires an approach based on the respect and care for nature and the environment. Previous to the crisis, there was already a glimpse of an idea for a major pact or global agreement for nature to consolidate and re-route sustainable development.<sup>1</sup> This process would build upon a review and intensification of the Sustainable Development Goal (SDG) commitments.<sup>2</sup> More recently, the Principles for a Sustainable Future for Latin America in Times of Pandemic and Planetary Crisis were adopted as a result of a consensus of personalities linked to politics, science, economy and multiple disciplines.<sup>3</sup>

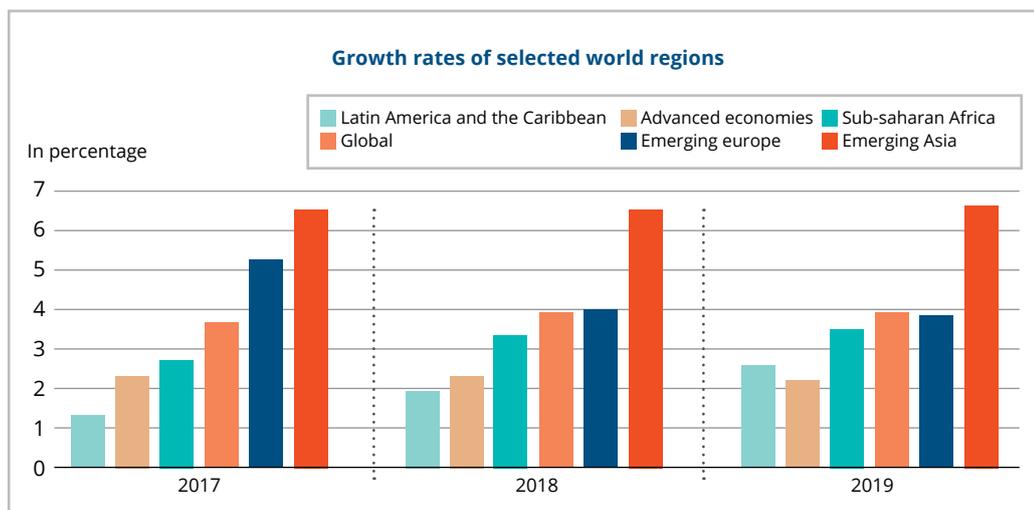
This essay provides a general overview of COVID-19 and its impacts, for the purpose of recognizing sustainable development possibilities and options, specifically through new ways of understanding and applying economic sciences, by integrating social and environmental factors in a robust way. A brief analysis of the Green, Circular and Blue Economies will be presented to showcase how their developments can contribute to social, environmental and economic reactivation post COVID-19.

## The social, economic and health crisis

The global crisis produced by the COVID-19 pandemic has served, all of a sudden, to dramatically evidence the real social, economic and health situation in Latin America and the Caribbean. In general terms, well known albeit often overlooked structural social and institutional problems, have been confirmed and made visible to all. Positive growth rates and macroeconomic stability in the region for two decades, camouflaged profound and structural poverty problems, extended corruption and inefficient public management, including for example, of national health systems. The positive “spin” given about Latin America during more than two decades has suddenly given way a new, devastating and heartbreaking reality.

As numbers and figures show, there has been considerable progress in the region, alas lower than in other regions. Positive growth (see Figure 1), poverty reduction and the emerging middle class have been an expression of the free market, liberal and export based economic model. But, as often is the case, numbers can be misleading and distorting. The region has felt this problem full on at the onset of the COVID-19 pandemic outbreak.

**Figure 1**  
**Comparative growth rates before the crisis**



Source: FMI (2018)

As a direct result of the health crisis, Latin America has more than 5 million infected by COVID-19 and over 200,000 deaths<sup>4</sup>. The region has become the world pandemic epicenter and its public health systems have collapsed, their populations are adrift without effective leadership and there is a troubling trend mortality. Suddenly (literally) the region went from a success tale for the records to a massive health and socio-economic catastrophe.

It is estimated that as a result of COVID-19 and the forced quarantines and closure of national and international economies, the regional gross domestic product will fall by 1.8% and at least 30 million people will be pushed into poverty (CEPAL, 2020). Informal economies that afflict many countries (i.e. Mexico, Ecuador, Peru) have made quarantines all but an impossibility. The formal economy began to collapse due to paralysis of national productive apparatus and trade. It is estimated that 17 million formal jobs could be lost in the region, increasing informality levels to 62% on average. It is expected that 350,000 formal jobs will be lost in Mexico.<sup>5</sup> In countries like Peru, where informality reaches nearly 75%, this could be even more extended.<sup>6</sup> The United Nation World Food Programme estimates that 14 million people in Latin America and the Caribbean will suffer from chronic hunger and be affected by severe food insecurity as a result of COVID-19.<sup>7</sup>

Recovering and reactivating national economies, as well as mitigating systemic risk,<sup>8</sup> will be extremely complex and poses the challenge of how to stimulate production, trade and overall employment in a safe and sensible way in the context of a pandemic caused by a relatively unknown virus for which there is no standard treatment or existing vaccines, at least until now.<sup>9</sup>

Adding to this panorama is an uncertain future in terms of the risks of a dismantlement of environmental safeguards in countries, in order to reach a faster economic recovery in the face of internal pressures and social demands. This is already happening in the United States of America as a notable example and in Brazil – maybe even before the crisis. The institutional weakening of the U.S.A. Environmental Protection Agency (EPA) and passiveness of the Brazilian Government when wildfires ravaged the Amazon at the end of 2019 and part of 2020, are two nefarious examples.

Environmental science is being dangerously eroded from the higher echelons of politics, although fortunately hotspots of strong resistance in the European Union, many countries on all continents and civil society in general. To turn ones back on science and cold data will simply exacerbate the problems and continue the vicious circle of degradation, biodiversity loss and climate change (IPBES, 2019). Returning to “business as usual”, where the GDP is the only or preferred indicator to measure advancement, progress and development, will exacerbate environmental degradation and increase systemic risk. The need for change is more than urgent and evident.

## **The opportunity for a restart: a new economy**

Despite the somewhat somber scenario for the region, there are also reasons for enthusiasm and hope. The new and unexpected forms of social isolation and virtual interaction have rapidly contributed to rethinking the world, understanding the natural environment and its weaknesses, reflecting on the human condition and opened a window for dialogue that seeks to rescue a positive approach to the future that will inevitably come. The European Union and some other countries are leading this vision of “coming back better than before” post COVID-19. For example, the “European Green Deal” (2020) is part of this forward-looking approach. This is inspired on Green Economy principles.<sup>10</sup>

Likewise, numerous institutions and initiatives are aimed towards preparing the foundations for “a new beginning” which, based on lessons learnt, would lead societies along the path of more fruitful sustainable development. The Declaration of Ministers of the Central American Commission for Environment and Development as a Result of the COVID-19 Pandemic (2020) or the United Nations Decade on Ecosystem Restoration (to be launched shortly), reflect a sensation of urgency in the international community and regional spaces to redirect sustainable development strategies towards protecting the environment and natural heritage.

Adding to these policy type declarations and commitments, Economics offers relatively new proposals and models which emerge and generate traction in the supportive narrative of these processes. The Green Economy, Circular Economy, Bioeconomy, BioTrade and the Blue Economy appear as viable alternatives to lead this new form of development, or at the very least, emphasize its environmental dimensions as essential for sustainability (See Box 1 for some characterizations and basic definitions).

The Blue Economy for example, even has Blue Economy Finance Principles (2018) that offer guidance to orient investments in the marine environment and ensure social resilience of coastal communities and environmental resilience of oceans and seas.<sup>11</sup> The oceans and seas have become particularly important on international agendas during recent decades due to the environmental services they provide and incommensurable contributions to the well-being of coastal communities and industries.<sup>12</sup>

Furthermore, an institutional and regulatory architecture that promotes businesses based on biodiversity and sustainable value chains has been constructed around BioTrade, supported by the Union for Ethical BioTrade<sup>13</sup> and guided by BioTrade Principles and Criteria (UNCTAD, 1996). Countries such as Peru, Ecuador, Colombia, Mexico, among others in the region, have developed specific plans and strategies to promote BioTrade and generate virtuous businesses mainly among rural communities. Sales from BioTrade products exceed U.S \$ 5 billion a year and particularly benefit small-scale producers, collectors, peasant communities and small biodiversity-based businesses which find a successful path in local and international markets.<sup>14</sup>

In the case of the Circular Economy and as a part of the “European Green Deal”, the European Union already has an Action Plan for the Circular Economy that describes in detail measures to be adopted by members in order integrate this economic development model.<sup>15</sup> The Circular Economy, for example, advocates for sustainable product development as a general rule in national and international policies; supports consumer empowerment; emphasizes certain sectors such as packing, textiles, plastics, construction, etc. where circularity can be enhanced; advocates for less waste production; etc.

**Box 1**  
**“New” economies**

Concept	Definition
<b>Green or Eco-Economy</b>	The green or eco-economy is the science of sustainable management or the study and valuation of sustainability. It is formed by a group of comprehensive and encompassing production models that take into consideration environmental and social variables. <sup>16</sup>
<b>Circular Economy</b>	The circular economy is a strategy aimed at valuing products, materials and resources in order to maintain them in the economic process as long as possible, generating the least amounts of waste. The idea is to close the “life cycle” of products, services, residue, materials, water and energy. <sup>17</sup>
<b>Bioeconomy</b>	Is referred to the efficient management and administration of biological resources in general.
<b>BioTrade or bio-business</b>	A group of activities related to the collection, production, transformation and commercialization of goods and services derived from native biodiversity (genetic resources, species and ecosystems), developed in accordance to environmental, social and economical sustainability. <sup>18</sup>
<b>Blue Economy</b>	The use of the ocean and its resources in a sustainable and profitable manner. <sup>19</sup>

In addition to these different ways of conceptualizing the economy, diverse instruments have been added to the “sustainability arsenal” to consolidate economic incentives to promote biodiversity conservation and mitigate the effects of climate change. For example, albeit still in limited scale, tools arising from the Climate Change Convention and Paris Climate Change Agreement such as carbon markets and REDD schemes, are an effort to apply standard economy to determined contexts and generate better outcomes in terms of reduction of greenhouse gas emissions.<sup>20</sup> Likewise, the notion of “Nature-based Solutions” (IUCN, 2016), incorporates a strong economic component to reevaluate and appreciate the natural capital of countries, as strategic assets in the national development processes.<sup>21</sup>

Fortunately, institutions such as the UNCTAD, the World Economic Forum, the United Nations Environment Programme (UNEP), ECLAC, multilateral banks and nearly all international technical cooperation organizations, philanthropic organizations and NGOs around the world coincide in the need to consolidate low-carbon emissions economies that include recycling and reusing; promoting alternative energy industries; developing fair and equitable value

chains; the appreciation of natural capital; incorporating distinctive marks, seals and labels to guarantee the sustainable origin of good and services; and incorporate the environmental (and social) variable in its implementation. The “European Green Deal” (2020)<sup>22</sup> and proposal of the “New Green Deal” in the United States of America (2018)<sup>23</sup> are probably the most notable examples of efforts geared towards measurable sustainable development, particularly with the focus on transitions toward low-carbon economies.

The Sustainable Development Goals (SDGs)<sup>24</sup> propose an integrative framework for the environment, biodiversity and climate change with social and health considerations, among others, where these economies can be applied to reach the goals.

## Some initiatives and forums of interest

Despite the disruption generated by COVID-19, the contradictory messages, the little we know of the virus and disease (Yong, 2020) and a certain retraction from some countries in recent times with regard to the environmental and international and regional development agenda, these remain, overall, firm but also require revisiting and decisive actions.

Fortunately, the vast majority of countries recognize the need to, in one way or another, resume this agenda and path, notwithstanding grave the crisis COVID-19 presents. For example, in the recent Declarations of the Forum of Ministers of Environment of Latin America and the Caribbean (Cartagena, 2016 and Buenos Aires, 2018), sustainable development as a model for progress is emphasized.<sup>25</sup>

In this context, a convergent regional approach that recognizes the specific features of each country, offers the opportunity to generate incidence in policy spaces and critical global and regional processes that include, for example:

- The negotiation of the Post 2020 Biodiversity Agenda under the framework of the CBD,
- The next Conference of the Parties to the Convention on Biological Diversity (CBD) (COP 15) and the Paris Climate Agreement (COP 26),
- The 30<sup>th</sup> Meeting of State Parties to the Convention on the Law of the Sea,
- The 15<sup>th</sup> Session of the United Nations Conference on Trade and Development (UNCTAD),
- The XXII Meeting of Ministers of Environment of Latin America and the Caribbean,
- The United Nations Decade on Ecosystem Restoration (soon to be launched),
- Others.

These will be spaces and opportunities where a sort of “new” globalization, more equitable, inclusive and aggressive will be outlined, in terms of biodiversity conservation climate agendas and the natural capital and sustainable development.<sup>26</sup> These processes shall define the contours and trends of economies in medium and long term.

A few begin to refer to “glocalization”, where as a result of technologies, new industrialization and digitizing, a horizontal integration between societies and economies is possible, with larger benefits for vulnerable and disaffected populations on the planet. “Glocalization” may bring greater equity and justice to human relations.<sup>27</sup>

Latin American countries need to actively engage and participate in discussions as coherent and unified blocks, given the numerous common elements (certainly with nuances) they have, which have been reflected as a result in the COVID-19 crisis. These include, for example, highly vulnerable human health systems, highly informal economies, extremely affected financial systems and over stressed populations anxious to find even a moderately promising future.

## Final reflections

The complete disruption in all aspects of life caused by COVID-19 is combined with disruptive processes that were already underway before the pandemic with regard to technology, sciences and communications.<sup>28</sup> Additionally, the fragmentation of the international order and absence of clear leadership to face the pandemic also places on the table challenges to generate shared visions over what to do, including on issues of development and environment, highly relevant and powerfully latent. To begin with, it is essential to prevent the relaxation of the environmental agenda and environmental safeguards in countries. One can begin by identifying the enabling conditions that will allow for these challenges to be met and finding ways to consolidate shared views.

In a context of growing political questioning of some of the effects of globalization, it is essential to accept that global problems, for example climate change or a pandemic, necessarily require global and coordinated answers. The interconnection and interdependence between nations makes it materially impossible to independently shelter from the effects of climate change, the pandemics or even a financial crisis. It is necessary to rescue the positive and rethink world development according to the undeniable accomplishments of globalization and modernity,<sup>29</sup> in light of the weaknesses and inequalities that also marked them, a contributing factor to the current fragile situation.

It is clearly evident that to circumscribe successes of development to GDP and continued growth is insufficient to project resilience, capacity for responses and alternatives for countries to face a systemic crisis (in this case a pandemic). This is a central lesson of the present situation Latin America is living, two months ago a model of success and hope in terms of macroeconomic management.

Although international cooperation will continue to play a critical role in recovering and promoting sustainable development, the notion of a "South-South cooperation" wedged in the United Nations since the end of the seventies and being continuously proclaimed but with different intensities in recent times, acquires a renovated significance even in the highly politicized contexts LAC countries live in.

The common basis to problems afflicting the region (i.e. poverty, corruption, inequality, environmental deterioration and now COVID-19) suddenly emerges as an opportunity to resume the path to cooperation based on a positive, minimum and common agenda that can be distinguished as a result of COVID-19, and could include preliminarily: the environment, climate change, fiscal crises and public health (CEPAL 2020).

The spaces for convergence, varied and of different nature, could include for example, the Andean Community, the Treaty for Amazonian Cooperation, the South American Common Market, the Latin American and the Caribbean Economic System, the Central American Integration System, the Pacific Alliance, the Forum of Ministers of the Environment of Latin America and the Caribbean, and others.

By thinking of a proactive agenda focused on economic, social and financial aspects for a transition post COVID-2019 some recommendations to consider may include:

- a) The Blue Economy, Green, Circular, etc. invites from the outset that all governments, financial institutions and the private sector have a positive and proactive attitude, without politically undermining efforts to protect nature and implement climate action,
- b) The goal for Latin America and the Caribbean should be an *accelerated* transition towards “zero” loss of nature and a neutral carbon future, taking advantage of technological and financial opportunities and existing tendencies (i.e. among young populations, “millennials”, etc.).
- c) “Nature-based Solutions” constitute a powerful alternative for countries in the region, to channel their own developments based on more ambitious programs for conservation, ecosystem restoration and sustainable management and governance.
- d) The “greening” of financial institutions and multilateral banks (“greening the financial system”) must be further developed in order for institutions to become active actors of a different economic recovery, with a positive impact on the maintenance of natural capital and well-being of populations.<sup>30</sup>
- e) The faculties of economics of universities have a key responsibility to integrate new multidisciplinary approaches and perspectives in traditional or classical Economy. Generating academic reflection spaces (i.e. seminars, courses or master degrees) and energizing students in their lines of study and career exploring to integrate elements of Green, Circular, Blue Economy is an efficient way to promote groups of people with an approach to change in the vision for development.

Finally, as a corollary to these reflections, one must return to the beginning. COVID-19 is specifically the result of interaction between a human being and nature, in this case specimen of wild fauna and their consumption.<sup>31</sup> It is essential to rethink this interaction as previous pandemics (i.e. HIV, Ebola, SARS, etc.) have had similar causes. The Convention on International Trade in Endangered Species of Wild Fauna and Flore (CITES, 1973) has a key role, restricting markets and the trade of wild species, encouraging changes in consumption habits of certain sectors of the population (i.e. raising awareness) and promoting systems to monitor and follow-up the traffic of species, coordinating and transmitting relevant information to the World Health Organization.

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1. This idea emerged in the document “An Ecoregion-Based Approach to Protecting Half the Terrestrial Realm” (2017) where a Global Agreement for Nature is called upon to promote habitat protection, the restoration of degraded habitat, conservation strategies and empowerment of communities to protect their territories.
2. In 2015, the 2030 Agenda for Sustainable Development was adopted by the Organization of the United Nations. It is a plan or road map for countries and their societies to embark along the path of sustainable development. For implementation purposes, and in order to remain simply as a declaratory type document, Agenda includes 17 Sustainable Development Goals with indicators that address a diversity of issues associated to development; eradication of poverty, reduction of biodiversity loss rates, mitigation of climate change effects, gender equality, respect to environmental rights, among others. See, <https://www.un.org/sustainabledevelopment/es/>
3. This recent and important document of May 2020 is available at: <https://wwf.panda.org/es/?363990/principiosfuturosostenible>
4. See updated statistical data at, <https://covid19.who.int/>
5. BID. Factor Trabajo. March 20<sup>th</sup> 2020. Available at, <https://blogs.iadb.org/trabajo/es/que-efectos-tendra-la-covid-19-sobre-el-empleo-de-america-latina-y-el-caribe/>
6. See, <https://rpp.pe/economia/economia/73-de-la-fuerza-laboral-en-el-peru-es-informal-noticia-1190176>
7. See, <https://edition.cnn.com/world/live-news/coronavirus-pandemic-05-28-20-intl/index.html>
8. Systemic risk has been related historically to financial systems and the probabilities of disasters associated to finances, banks, insurances, etc. (i.e. massive bankruptcies, flights of capital, drop in stock exchanges, bubbles that break, etc.) and the widespread spillover as a result of globalization and the interconnectivity of economies in the world. The concept is increasingly associated to a larger approach where not only the banking and finances are affected; the social, biological, transport, health, etc. systems are impacted by some sort of catastrophic event. COVID-19 puts this type of systemic risk in high relief. The risk of a nuclear war could be another example. See, Renn, O., *et al.*, Systemic Risks: A New Challenge for Risk Management. *EMBO Rep.* 2004 Oct; 5(Suppl 1): S41–S46. doi: 10.1038/sj.embor.7400227
9. In the midst of a true race to generate a vaccine against COVID-19, there is speculation that in the most optimistic scenario, this may come to fruition towards the end of 2020 or beginning 2021.
10. During the United Nations Conference on Sustainable Development (Rio+20), Green Economy was recognized as a tool to achieve sustainable social, economic and environmental development, mainly due to its inclusive character and commitment to low carbon production systems. UNEP has defined “Green Economy” as “*one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities*”.
11. See, Sustainable Blue Economy Finance Principles, available at: [https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/introducing-sustainable-blue-economy-finance-principles\\_en.pdf](https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/introducing-sustainable-blue-economy-finance-principles_en.pdf)
12. For an analysis on marine conservation and fisheries in Latin America, see Ruiz, M., Oyanedel, R., and Monteferrri, B. (2019), *Mar, Costas y Pesquerías: Una Mirada desde Chile, México y Perú*. Fundación Packard, SPDA. Lima, Perú. Available at, <https://www.mardelperu.pe/u/59d4aeadb53bd7b7190d0999fe6d136>
13. See, <https://www.ethicalbiotrade.org/>
14. UNCTAD. (2016), 2° Year of BioTrade. Connecting Peoples, the Planet and Markets. United Nations Publication. Available at, [https://unctad.org/en/PublicationsLibrary/ditcted2016d4\\_en.pdf](https://unctad.org/en/PublicationsLibrary/ditcted2016d4_en.pdf)
15. See the website of the European Commission at, <https://ec.europa.eu/environment/circular-economy/>
16. The Green Economy Coalition is characterized by the following principles: well-being (the right of all); justice and equity between generations; planetary boundaries; efficiency and sufficiency; and good governance. See, <https://www.greeneconomycoalition.org/news-analysis/the-5-principles-of-green-economy>
17. See, <https://www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy>
18. “Bio-businesses” are much more extensive and comprehensive. “BioTrade” sensu strictu is defined by a set of formal Principles and Criteria elaborated by UNCTAD and in place since the mid-1990s.
19. The Blue Economy Coalition is based on a series of principles such as: coverage of basic needs of all with the existing natural base; introducing innovations based on nature; generating multiple benefits, including employment and social capital; and, in general, offering more with less. See, <https://www.theblueeconomy.org/principles.html>
20. For more details, see, Trinidad, C. (2019), *Precio al Carbono en América Latina: Tendencias y Oportunidades*. SPDA, KAS. Lima, Peru.

21. Significantly less “mainstream” but equally striking and with more than a few proponents is the so called “Deep Economy” derived from Ecologic Economics that is characterized by two central elements: highlighting that “more” is not the synonymous of “better” and that well-being has to be found in the community and interchanges and local markets. However, criticism of globalization without equality captures a feeling increasingly disseminated on the value of community relations at different levels and its real effect on the psychological, economic and cultural well-being. See, McKibben, B. (2008), *Deep Economy: the Wealth of Communities and the Durable Future*. H.Holt & Co. New York.
22. See, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1588580774040&uri=CELEX:52019DC0640>
23. See, [https://www.gp.org/green\\_new\\_deal](https://www.gp.org/green_new_deal)
24. On September 25<sup>th</sup> 2015, world leaders adopted the SDGs to eradicate poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each objective has specific goals to be reached during the next 15 years, revising them regularly. See, <https://www.un.org/sustainabledevelopment/es/objetivos-de-desarrollo-sostenible/>
25. For example, the Buenos Aires Declaration recognizes “the achievements of the region in the development of strategies and national plans on sustainable consumption and production, and the implementation of public procurement policies” and requests “the support of other financing sources, to develop a Regional Program to boost the implementation of the Regional Sustainable Consumption and Production Strategy, in a way done by the European Union with the SWITCH Programme”. Additionally, it calls to “encourage the decision-making processes and the design of policies that favor the transition towards sustainable consumption and production patterns based on scientific knowledge and tools on the efficient use of natural resources; for this purpose, the support of International Resources Panel will be requested to support regional reports on the efficient use of resources, in order to increase the knowledge and capacities of countries”.
26. See, Stiglitz, J. (2006), *Making Globalization Work*. WW Norton & Company. New York, London.
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29. Pinker, W. (2018), *Enlightenment Now. The Case for reason, Science, Humanism and Progress*. Viking, NewYork.
30. A background of this can be found on the Network of Central Banks and Supervisors for Greening the Financial System, launched in Paris in 2017. It involves a voluntary network committed to efforts to integrate sustainable management and governance, and climate action in the global financial system. See the website at <https://www.ngfs.net/en>
31. Although it is not 100% approved, reasonable evidence points to the consumption of bats as food by populations in the Province of Wuhan, China (in the so-called “wet markets”) is what detonated the pandemic. See, <https://www.theguardian.com/world/2020/may/01/could-covid-19-be-manmade-what-we-know-about-origins-trump-chinese-lab-coronavirus>



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