



ASSESSING THE ENVIRONMENTAL IMPACT OF THE FTAA: THE CASE OF ARGENTINA

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FARN

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FRAMEWORK



ENVIRONMENTAL ASSESSMENT AND CAPACITY
BUILDING FOR THE FTAA WITHIN OAS PROGRAM

STUDY



POTENTIAL ENVIRONMENTAL IMPACTS OF THE FTAA
IN ARGENTINA

CASE STUDY: METHODOLOGY

- ❑ ECONOMIC ANALYSIS
- ❑ ENVIRONMENTAL IMPACT ASSESSMENT
- ❑ INSTITUTIONAL & LEGAL FRAMEWORK ANALYSIS

METHODOLOGY

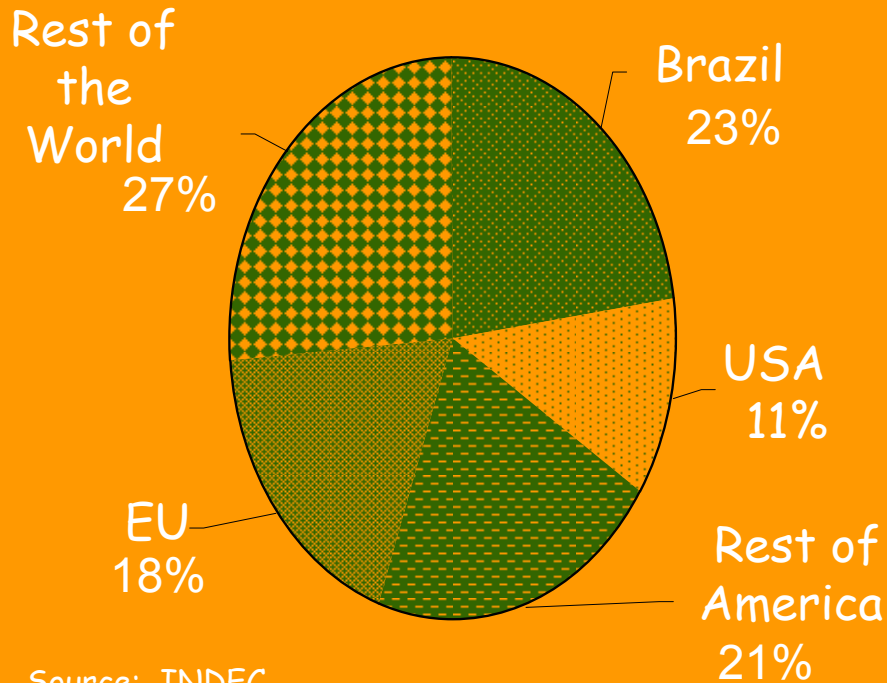


COMPUTABLE GENERAL EQUILIBRIUM

COMPARATIVE ADVANTAGES & TRADE BARRIERS

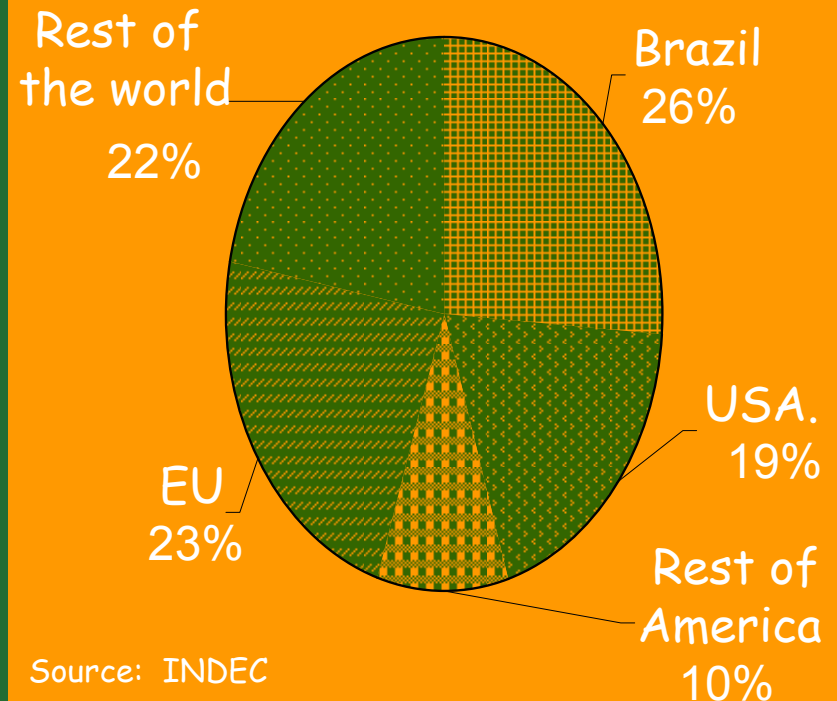
ARGENTINA TRADE STRUCTURE

DESTINATION OF ARGENTINE EXPORTS
Average 2000-2002



Source: INDEC

ORIGIN OF ARGENTINE IMPORTS
Average 2000-2002



Source: INDEC

RESULTS FROM CGE MODEL

Variation of Argentine Exports in FTAA scenario (%)

	UNITED STATES	BRAZIL	WORLD
Cereals	4	-5	4
Vegetables and fruits	17	-10	-2
Oil Seeds	131	-24	8
Other farm products	164	-7	25
Livestock	-1	-7	-3
Mining	7	-5	3
Metals	19	-12	15
Food industry	197	-17	24
Textiles	58	-17	11
Other light manufactured articles	46	-15	19
Petrochemical	101	-15	17
Metal products	46	-17	35
Vehicles and parts	44	-37	-29
Machinery and equipment	48	-27	-4
Total	59	-22	4

Source: CEI (2002)

RESULTS FROM COMPARATIVE ADVANTAGES & TRADE BARRIER

Sectors with greatest
potential for
increasing total exports
(1997/1999 average)

DESCRIPTION	Exports to USA / world
Sugar manufacturing	44.2 %
Clay and non refractory ceramic products	31.1 %
Crude oil and natural gas	23.3 %
Refined oil products	13.8 %
Wines	10.5 %

Source: Own Data

Sectors with greatest
potential for
reducing total exports
(1997/1999 average)

DESCRIPTION	Exp to Brazil world
Electrical conductors	29.53 %
Agricultural machinery	17.42 %
Other electrical equipment	15.55 %
Pumps and compressors	13.99 %
Other machinery for general use	13.92 %
Electrical control apparatus	12.10 %
Machine Tools	11.83 %

Source: own data

FTAA SCENARIO

**Increasing
production sector**

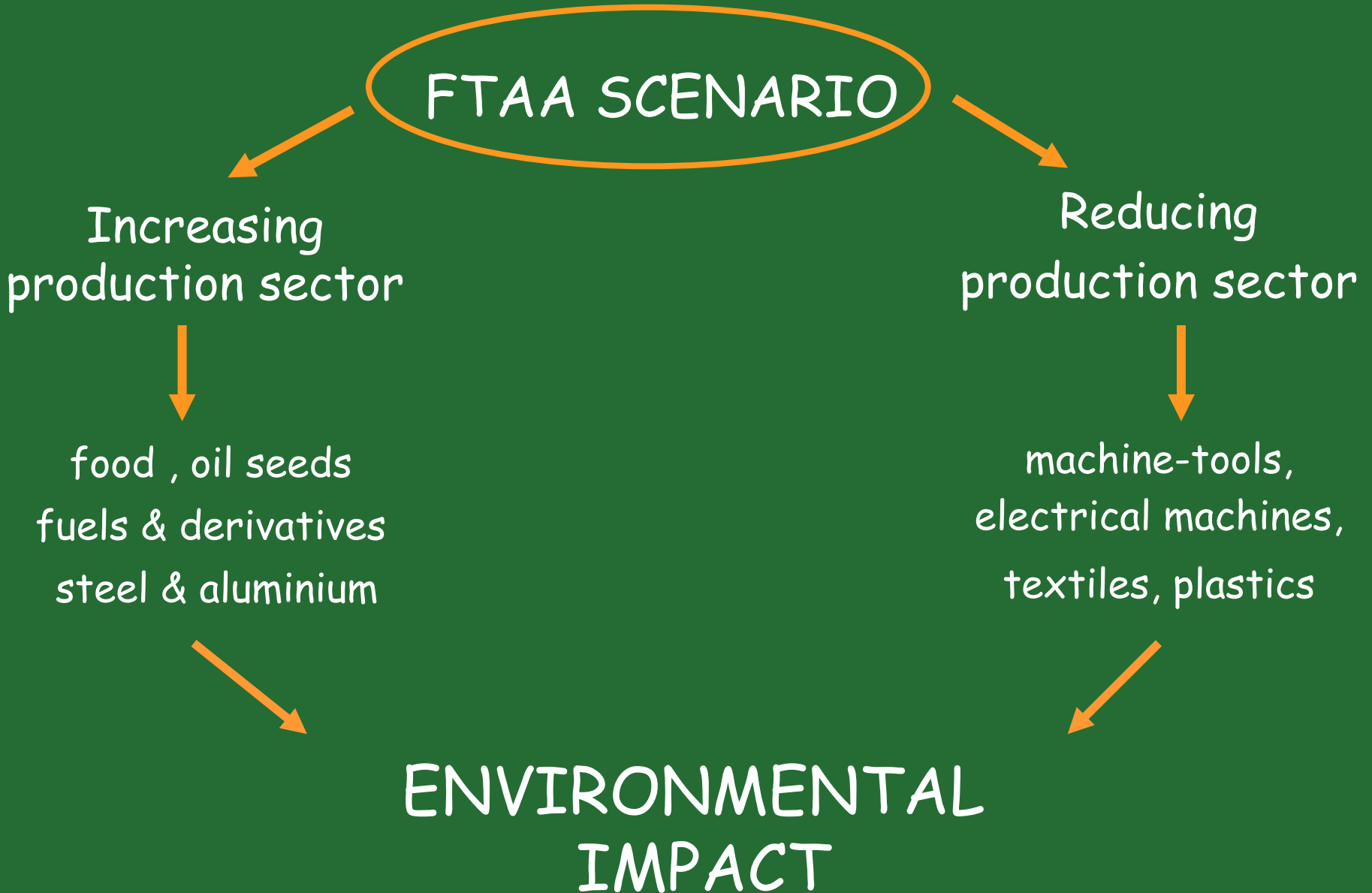
- food
- fuels and derivatives
- oil seeds
- ceramics
- steel and aluminium

**Reducing
production sector**

- machine-tools
- electrical machines
- textiles
- plastics
- other manufacturing industries

Reading the results the following should be considered:

- ❑ The simulation is based on historical data. It does not consider the possible exchange of goods that previously had no part in trade, as for example organic production.
- ❑ Sudden changes in economic policy and in Argentina's basic economic conditions since the early 2002 can only increase the uncertainty inherent in any simulation. E.g. Distortion as a result of exchange rate.
- ❑ The lack of consistent data.



METHODOLOGY



Indicators on
Environmental
Performance



Direct Indicators

Indirect Indicators

- several of the direct indicators have been adapted from similar studies undertaken in developed countries
- fail to reflect adequately variations in specific technological conditions within a particular type of economic activity
- lack of consistent data

FTAA SCENARIO

Increasing
production sector

food , oil seed
fuels & derivatives
steel & aluminium

represent a serious
risk for the
environment

Reducing
production sector

machine-tools,
electrical machines,
textiles, plastics

more acceptable
environmental practices
& greater technological
added value

METHODOLOGY



INSTITUTIONAL & LEGAL MAP

- environmental legislation
- application and effective enforcement of environmental regulations
- country's institutional capacity to confront the collective challenge of entering a free trade agreement.

FTAA SCENARIO



INSTITUTIONAL & LEGAL
FRAMEWORK ANALYSIS



- complex institutional & legal map
- weak enforcement
- lack of formal governmental coordination channels
- lack of formal public participation channels

The challenge ...



Capacity
building

- Build updated, reliable and systematized basic data.
- Improve the application and validity of environmental regulations
- Institutionalize formal channels of public participation and intergovernmental coordination

The opportunity ...



encourage SIA
as an effective
& worthy tool

- Promote debate between policy makers and different sectors about the necessity of SIA.
- Foster in-depth studies : "life cycle analysis" of specific sectors

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