



# Trade Sustainability Impact Assessments

*Sustainable Development and RTAs – Costa Rica 25-26 April 2005*

## **Sustainability Impact Assessment (SIA) of Trade Negotiations: the European Commission approach**

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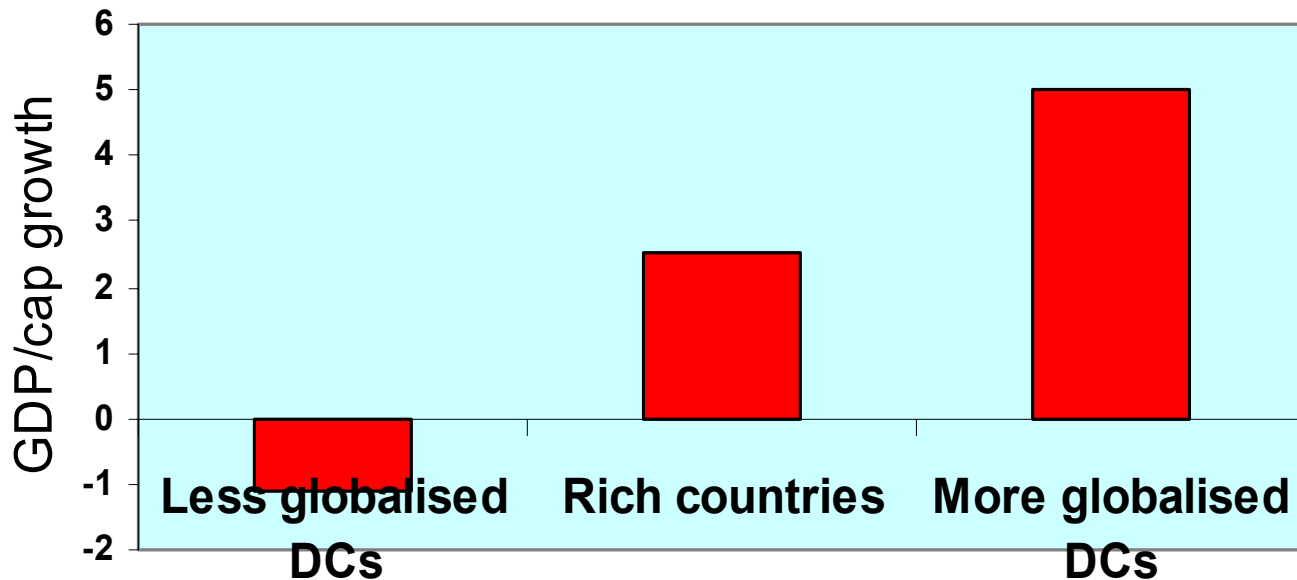


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***Openness => Growth***

**GDP growth higher in "globalised"  
economies in the 90s**

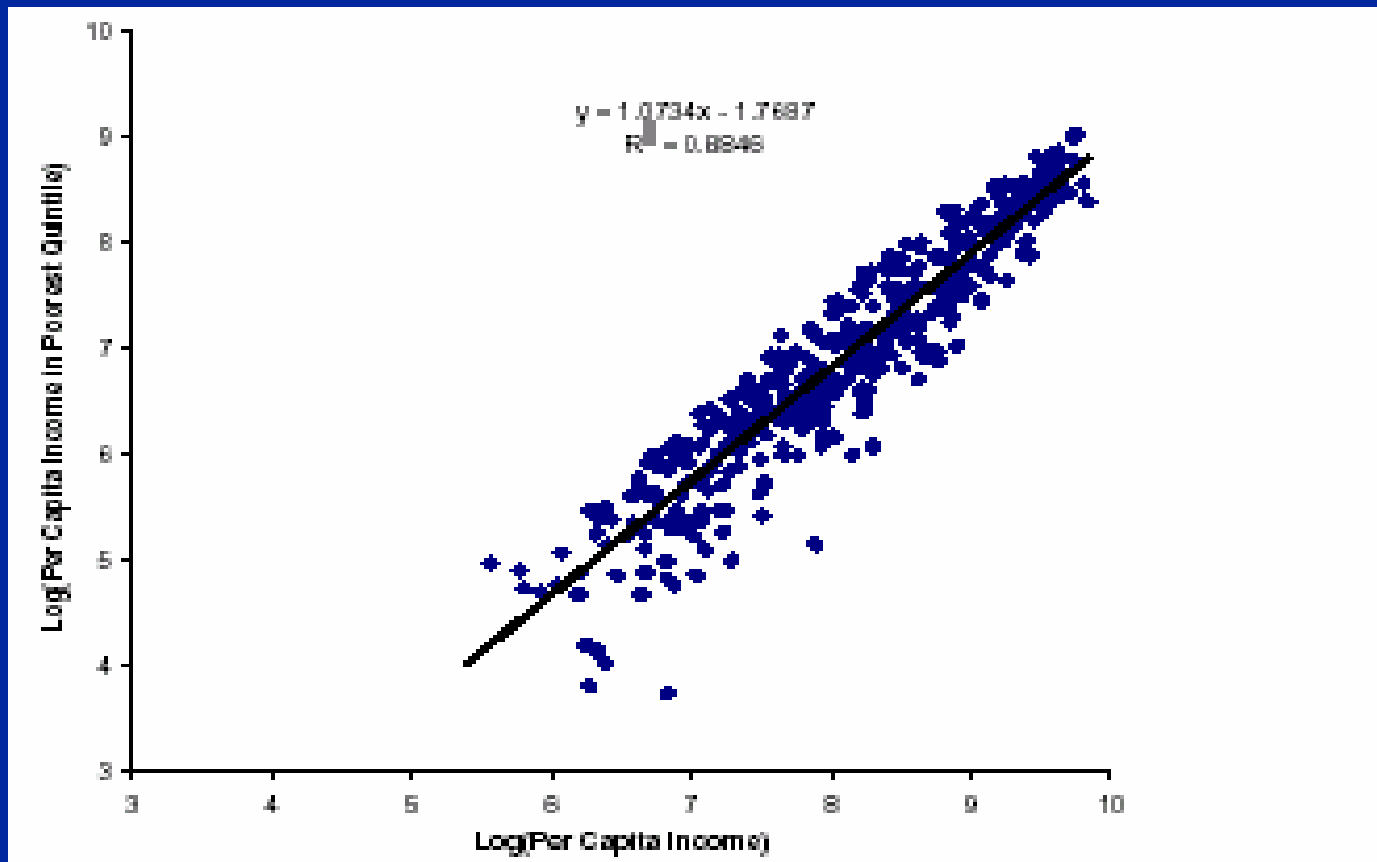




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***Growth => Poverty reduction***

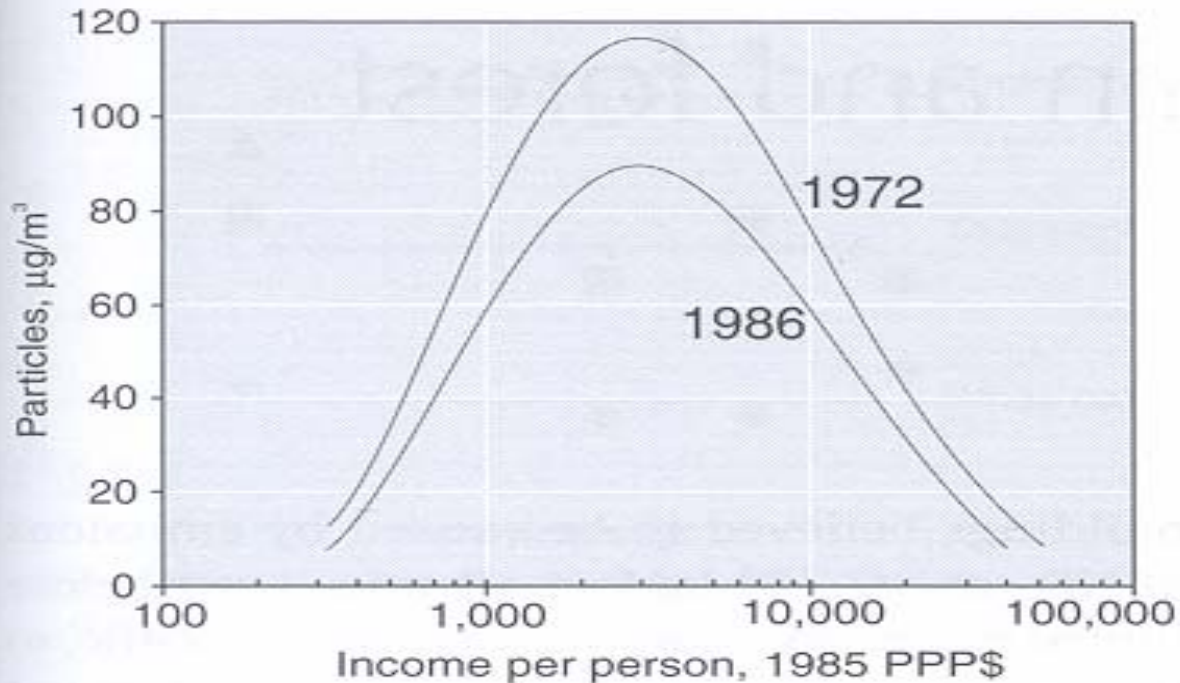




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***Growth => environment protection***



**Figure 96** The connection between GDP per capita and particle pollution in 48 cities in 31 countries, 1972 and 1986. Source: World Bank 1992:41, Shafik 1994:764.



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## ***BUT...***

- **Unrealistic assumptions** underpin models -  
Factor mobility (e.g. FDI), imperfect competition
- **Counter evidence** – D. Rodrick
- **Real world** (Korea)
- **Winners and losers, inequality is increasing**
- **Environment threats** (imperfect markets, scale effects)



## Policy context (1)

- Need to develop inclusive policy making process
  - ◆ Emergence of civil society as a stakeholder
  - ◆ Shift from an ideological approach to an analytical approach
- Need for an informed debate



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## Asymmetry of trade impacts

	<b>Impacts &gt; 0</b>	<b>Impacts &lt; 0</b>
<b>Scale</b>	Global	Local
<b>Magnitude</b>	+++	+
<b>Mechanism</b>	Better specialisation	Restructuration
<b>Timing</b>	Late	Early
<b>Social perception</b>	Low	High



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## **Policy context (2)**

- Need for a broader policy approach
- Need to improve EC's governance



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## **Main elements of the trade SIA:**

### Objectives

### Assessments

- ◆ economic, environmental and social impacts
- ◆ proposal for complementary policies

### Integration into policy making via identification of a policy package and fine tuning of negotiation positions

### Process



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## **More on the SIA approach**

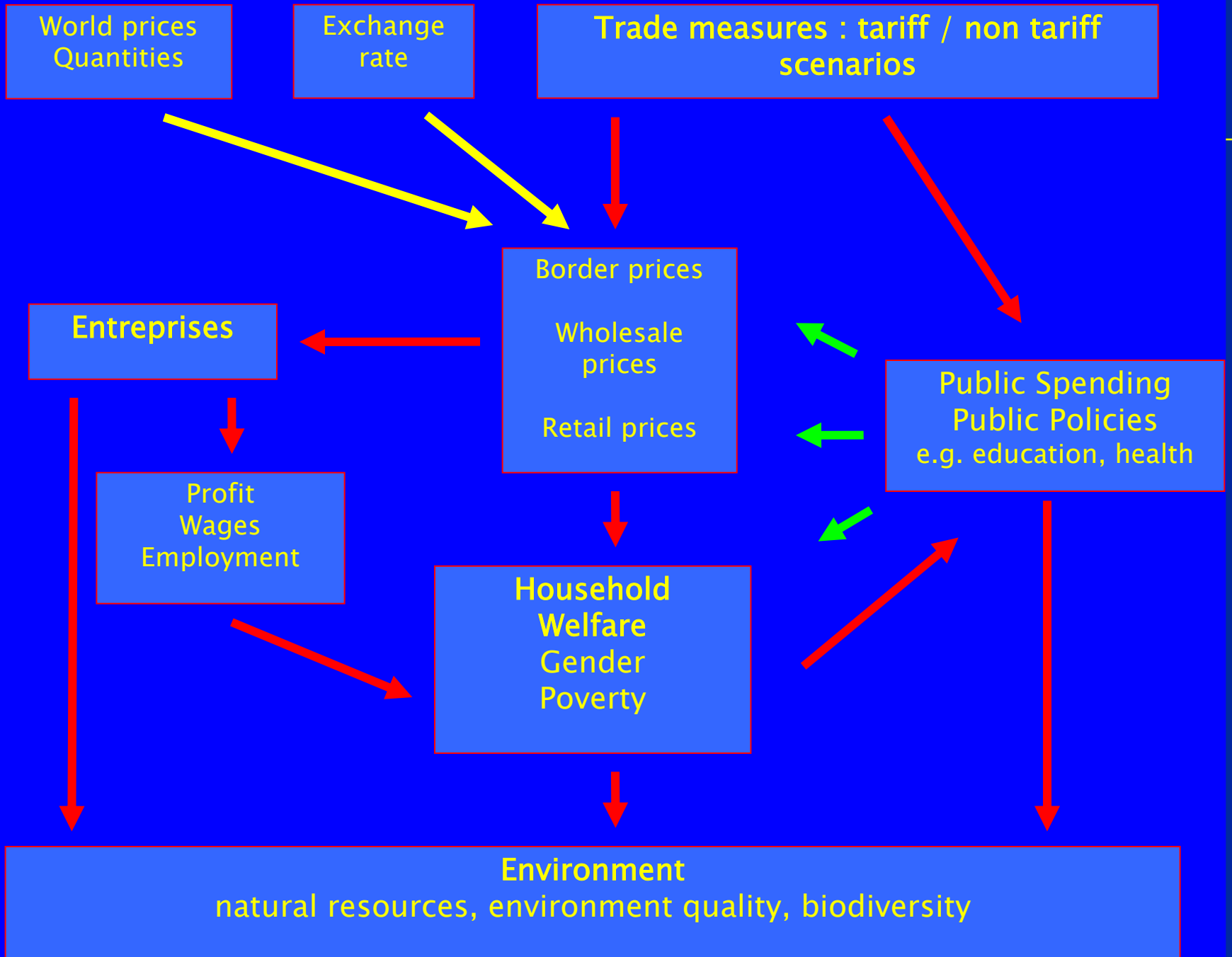
- Sustainable development
- No geographical limitation
- Legitimacy in the consultation process
- Learning by doing



## **SIA state of play**

### ○ Studies launched in 2001-2004 :

- WTO food crops 40.000 € SEI
- WTO (2001-2005) 1.000.000 € IDPM Manchester
- Chile (2003-2006) 70.000 € Planistat
- ACP (2002-2006) 1.000.000 € PriceWaterHouseCoopers
- GCC (2002-2004) 500.000 € PriceWaterHouseCoopers
- MEDA (2004-2007) 600.000 € IDPM Manchester
- Mercosur (call for tender)





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## The assessment process

<b>SIA checklist</b>	<b>Scenarios, group of countries, assessment tools</b>
<b>Preliminary Assessment</b>	<b>Identify key sectors</b>
<b>Sector studies</b>	<b>In depth assessment</b>
<b>Full SIA</b>	<b>Final overall assessment</b>
<b>Mitigation and enhancement</b>	<b>Flanking measures</b>



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## Summary of sustainability impacts for Chile

<i>SIA results EU Chile</i>	Dimensions / Significance Criteria				
	Overall Direction magnitude	Existing conditions	Equity	Reversibility	Capacity to change
Themes:	A	B	C	D	E
<b>I Economic</b>					
1. Real income	+	+	-		
2. Net fixed capital formation	+				
3. Employment	-		-		+
3.1 Self-employment, informal employment	+/-	-	-	-	+
4. Consumer effects	+	+			
<b>II Social</b>					
5. Poverty	+	+/-	-		+
6. Health and education	+/-	-			+
<b>III Environmental</b>					
7. Environmental quality	-	-			+
7.1 Air quality indicators	-	-			+
7.2 Water quality indicators	-	-			+
7.3 Land quality indicators	-	-			+
8. Biological diversity	0				
8.1 Designated eco-systems	0			-	
8.2 Endangered species	0				
9. Other natural resource stocks	-	--		?	+



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## ***SIAs for net-food exporting developing countries***

### **Impacts of Trade-Related Agriculture Measures in the WTO**

Impact on	Significant Impacts								
	Baseline Scenario			Intermediate Scenario			Liberalisation Scenario		
	Econ	Soc	Env	Econ	Soc	Env	Econ	Soc	Env
Indonesia	0	0	0	+1	± 1	-1	+2	± 2/1	-2
India	0	0	0	± 1	± 1	± 1	±1	± 1	± 1
Argentina	+1	0	0	+1	± 1	0/-1	+1/+2	±1	0/-1

- **Clear positive economic impacts for Argentina**
- **Ambiguous or varying social impacts, small scale farmer are likely to be impacted**
- **Potential negative environmental impacts**

#### **Complementary measures:**

- **Agricultural diversification and improvements to infrastructure in less commercial agricultural areas.**
- **Improvements in the management of irrigation and withdrawals from groundwater to avoid negative environmental impacts.**



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Impact on	Significant Impacts								
	Baseline Scenario			Intermediate Scenario			Liberalisation Scenario		
	Econ	Soc	Env	Econ	Soc	Env	Econ	Soc	Env
Australia	0/+1	0	0/-1	+1	+1/± 1	0/-1	+2	+1/± 1	-1
USA	0	0	0	+1	+1	0/-1	+1	± 1	-1
EU	-1	0	-1	± 1	+1	+1	± 2	± 1	± 1

### **EU:**

- **positive economic impacts welfare/budgetary but negative on producers**
- **social and environmental impacts more positive in the intermediate scenario due to better-established agenda to mitigate impacts.**
- **ambiguous environmental impacts in the liberalisation scenario. Environmental impacts associated with decreases in production require more regionally specific**



## General results of the SIA project (1)

### ○ Assessment

- In general better understanding of trade effects
- Difficulties linked to the scope of SIAs and assessment of trade rules
- Useful to carry out sector studies with sector experts
- Development of a SIA Handbook



## General results of the SIA project (2)

### ○ Consultation process

- Area where the SIA has been the most successful
- Informed discussion rather than ideological debate
- Difficulties for civil society to give regular inputs
- Local workshops add value
- Non EU civil society is offered the opportunity to participate in meetings organised in Brussels e.g. 19 May 2005



## General results of the SIA project (3)

### ○ Integration into policy making process

☐ Work in progress

☐ First position papers on WTO negotiations Difficulties

◆ Integration requires robust results

◆ Requires significant coordination efforts

◆ Reluctance of the EU to impose its agenda to third countries

◆ Report to negotiators not to those who define strategic objectives



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## **What SIAs can bring to RTAs ?**

- **Fine tune trade negotiations**
  - Timing of opening
  - Sensitive products
  - Develop new tools e.g. regulatory dialogue
- **Identify areas for cooperation**
- **Enhance dialogue on SD between partners**



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## Should we care?

- **Invitation to contribute the SIA process**
- **SIA is a public good that can be used by others**
- **Possibility of cooperation**
  - short term: implementation of SIAs
  - long term: joint research programmes



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## Conclusions

- Far from perfect ...
- Political benefits but still investment phase
- Include SIA in a more general framework for SD
- Organisation of a stock taking workshop in Brussels  
end of 2005



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**Thank you for your attention**

**Further information on SIA available on**

□ [http://europa.eu.int/comm/trade/index\\_en.htm](http://europa.eu.int/comm/trade/index_en.htm)