



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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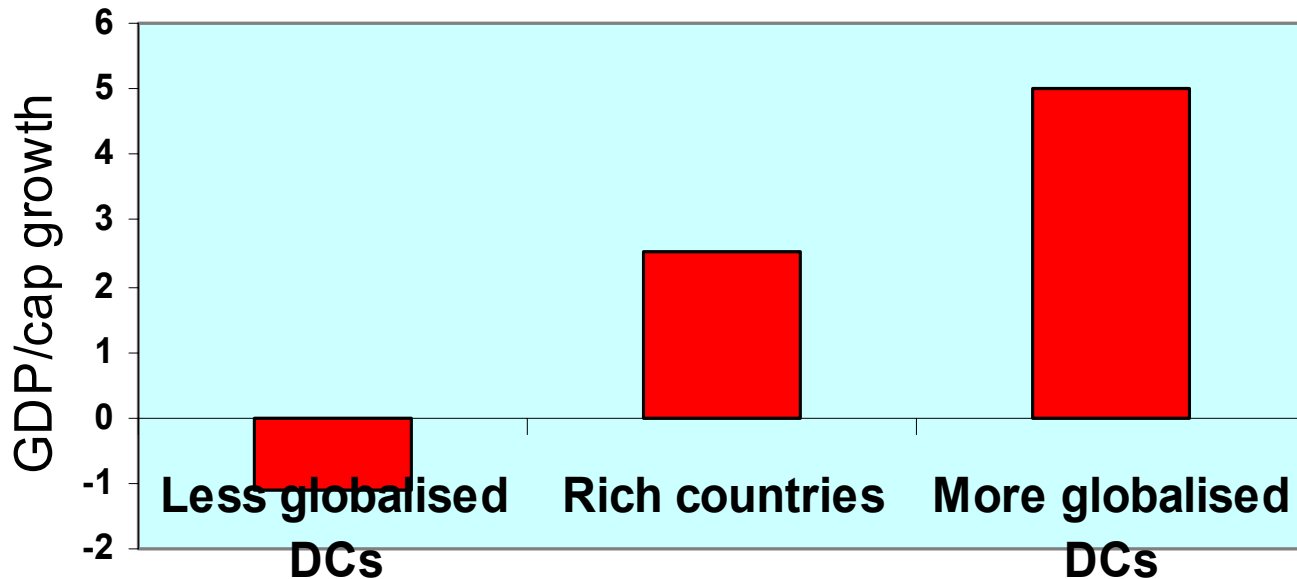


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Openness => Growth

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

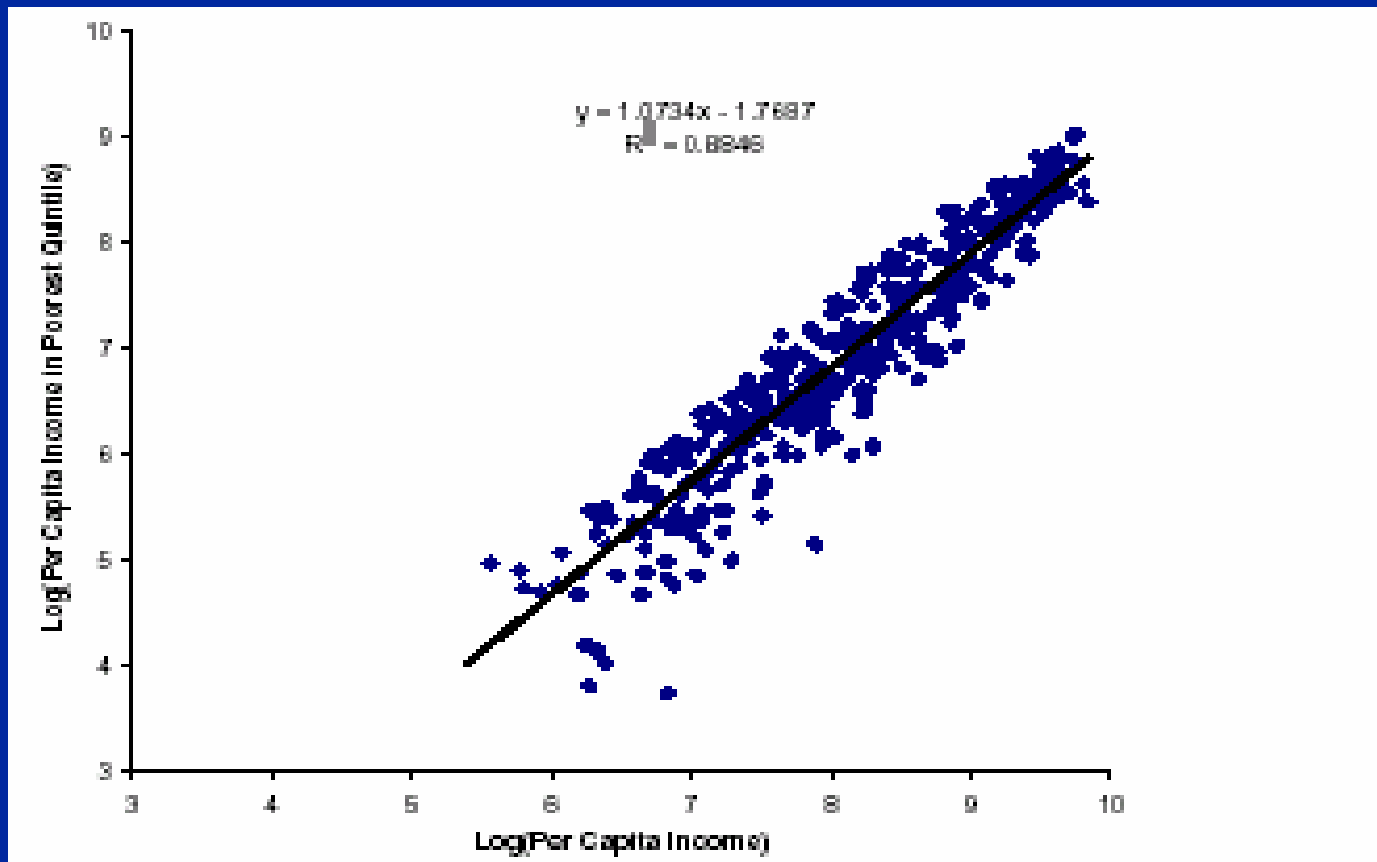




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Growth => Poverty reduction





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Growth => environment protection

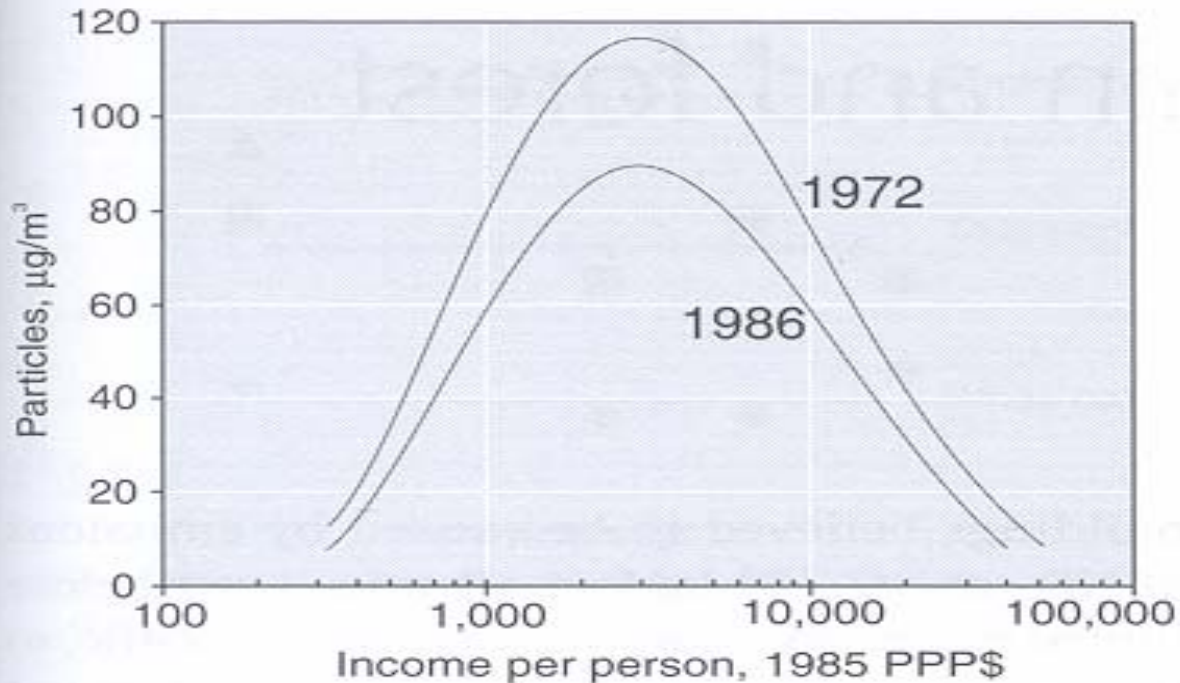


Figure 96 The connection between GDP per capita and particle pollution in 48 cities in 31 countries, 1972 and 1986. Source: World Bank 1992:41, Shafik 1994:764.



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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

	Impacts > 0	Impacts < 0
Scale	Global	Local
Magnitude	+++	+
Mechanism	Better specialisation	Restructuration
Timing	Late	Early
Social perception	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

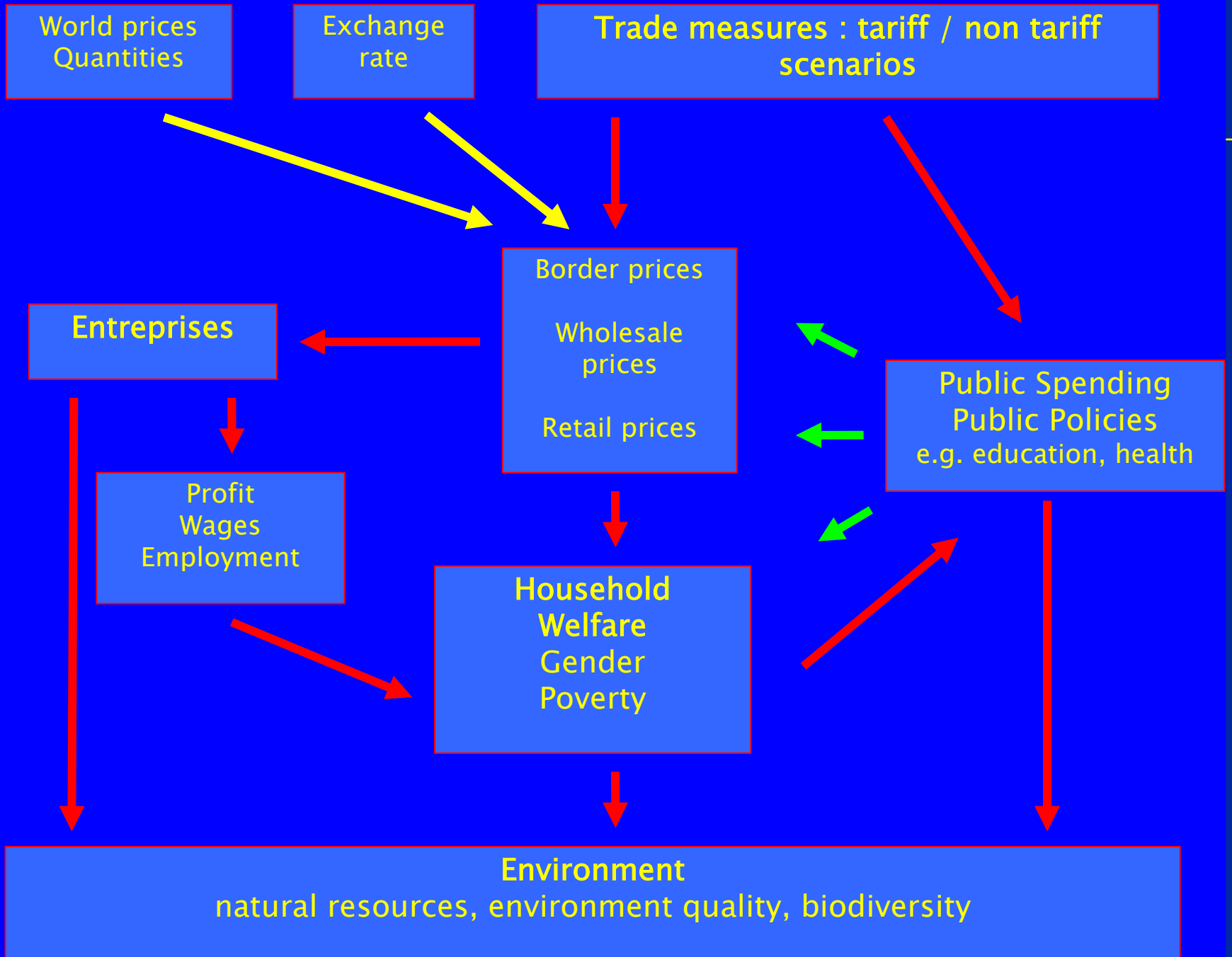
- Sustainable development
- No geographical limitation
- Legitimacy in the consultation process
- Learning by doing



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

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



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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
I Economic					
1. Real income	+	+	-		
2. Net fixed capital formation	+				
3. Employment	-		-		+
3.1 Self-employment, informal employment	+/-	-	-	-	+
4. Consumer effects	+	+			
II Social					
5. Poverty	+	+/-	-		+
6. Health and education	+/-	-			+
III Environmental					
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