



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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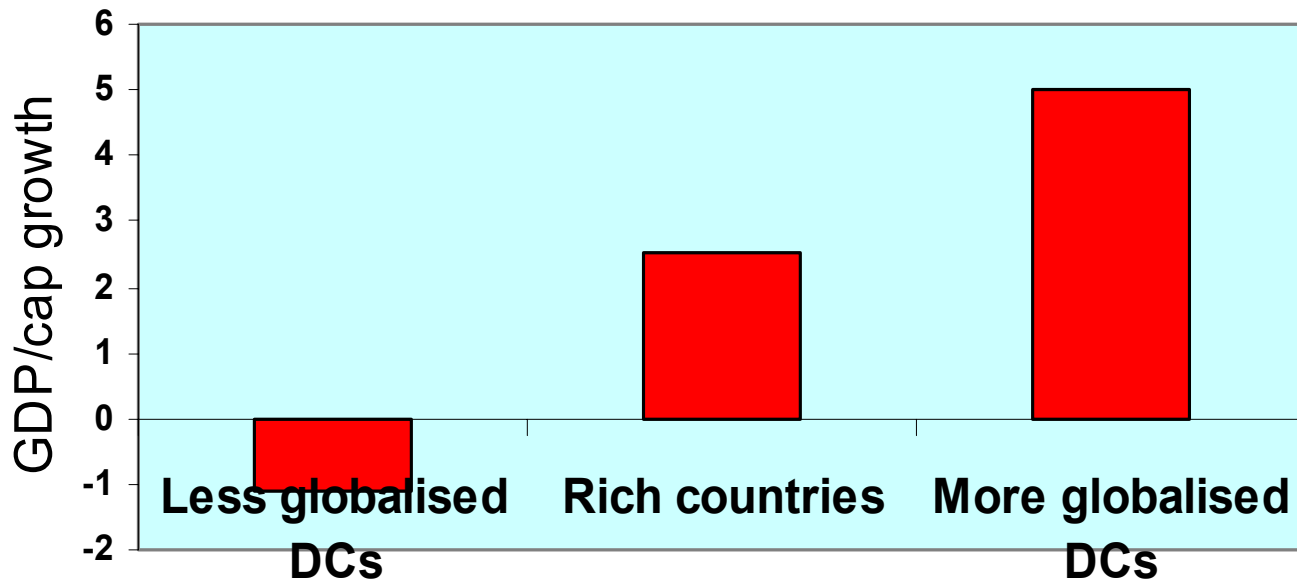


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Openness => Growth

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



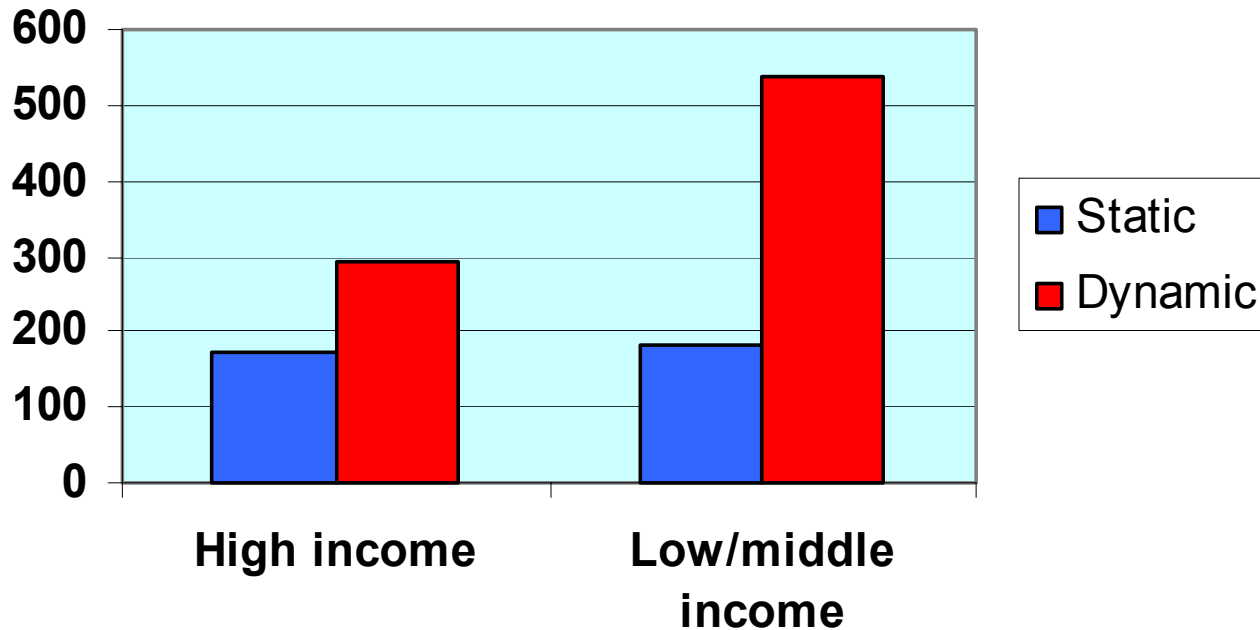


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Full liberalisation => large gains

Gains from full trade liberalisation (\$bns)



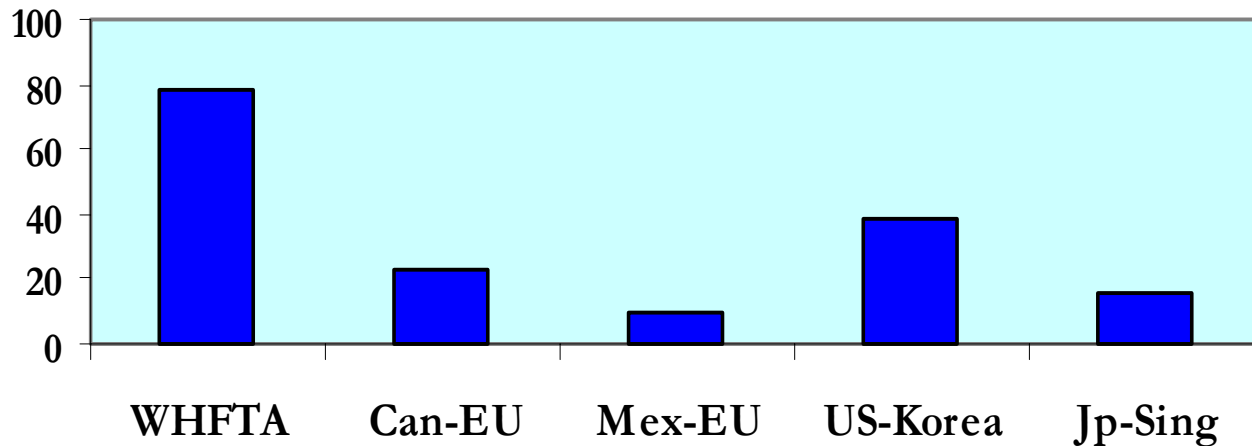


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RTAs generally positive

Welfare effects of various FTAs (\$ bn)*



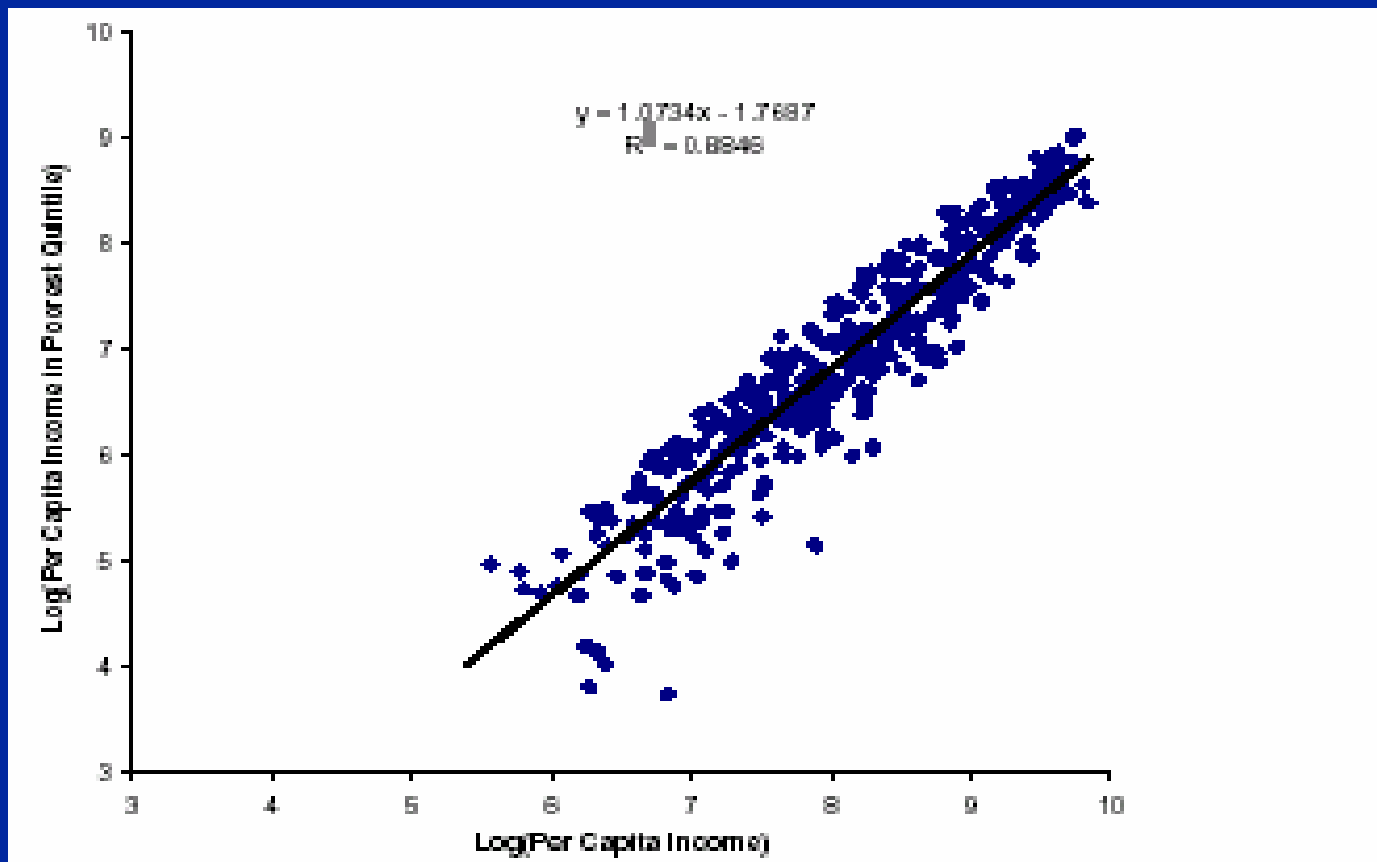
*Brown et al (2001)



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Growth => Poverty reduction





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Kuznets curve for particle pollution

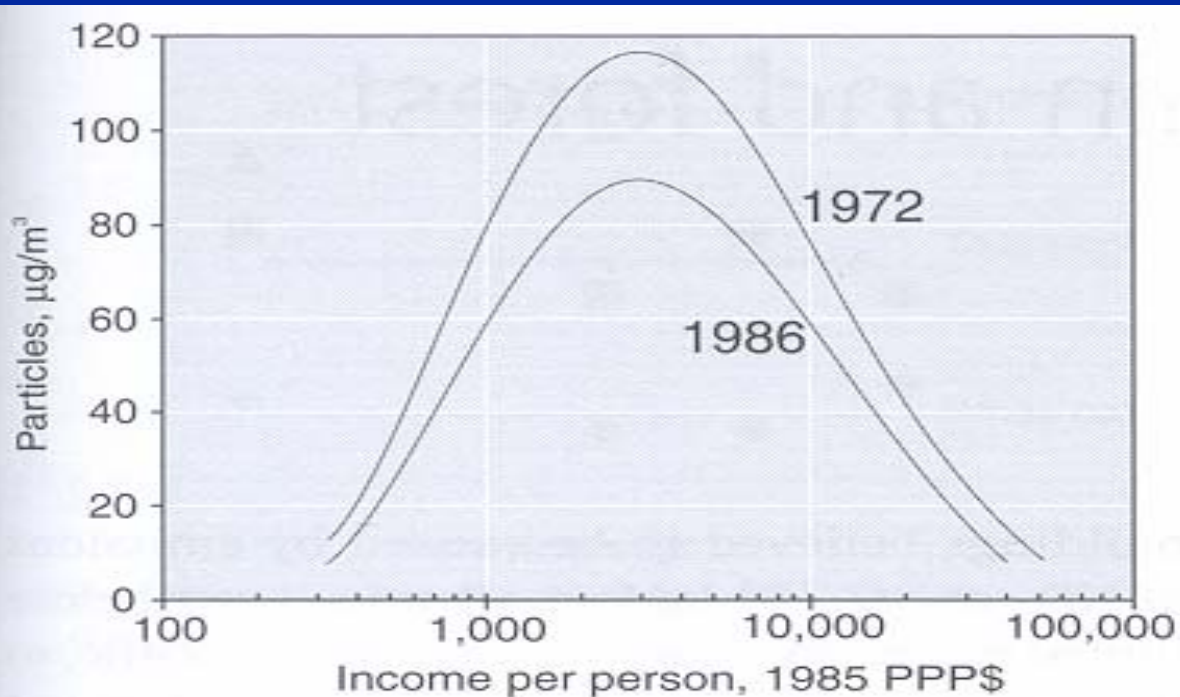


Figure 96 The connection between GDP per capita and particle pollution in 48 cities in 31 countries, 1972 and 1986. Source: World Bank 1992:41, Shafik 1994:764.



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BUT...

- **Unrealistic assumptions** underpin models - Factor mobility (e.g. FDI), competition
- **Counter evidence**
- **Real world** (Korea)
- **Winners and losers, inequality is increasing**
- **Environment risks**



Policy context

- Need for an informed debate
 - ◆ globalisation generate stress: counter evidences, local / global
 - ◆ emergence of civil society as a stakeholder
- Need for a broader policy approach
- Need to improve EC's governance



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: building a credible forum for analytical discussion during the whole process



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More on the SIA approach

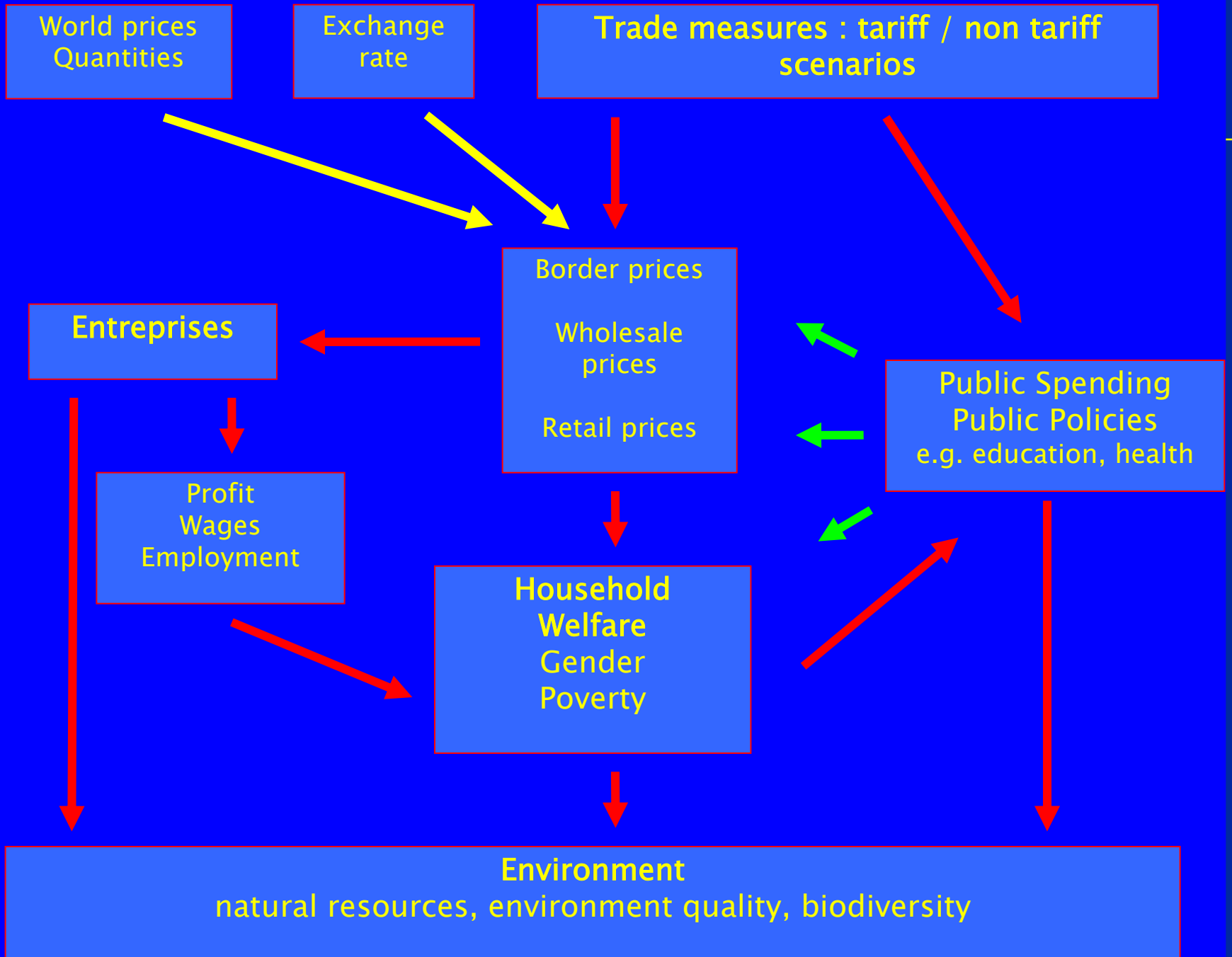
- Sustainable development
- No geographical limitation
- Legitimacy in the consultation process



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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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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Position paper on WTO / Textile

The SIA stressed that only the most advanced developing countries e.g. China, Brazil and India stand to gain a large share of textiles and clothing trade growth.

Ensure access for products from uncompetitive developing countries:

- **Special and Differential Treatment for less competitive developing countries (WTO, regional agreement)**
- **Preferences will be used in other ways to improve their access to EU markets while promoting diversification (GSP) to help the weakest economy in their transition**

Better linking improvements in social and environmental governance with trade agreements. For example, regional initiatives should promote labour standards and social dialogue, environmentally and socially-friendly goods

Supporting the diversification and restructuring of developing countries' economies towards alternative exports:

- **Actions to promote South-south integration (ASEAN, ACP)**
- **Technical assistance:** facilitating social adjustment in developing countries in cooperation with the International Labour Organisation. Support for international organisations' e.g. UNEP



General results of the SIA project (1)

○ **Assessment**

- ❑ In general better understanding of trade effects
- ❑ Difficulties linked to the scope of SIAs
- ❑ Difficulties linked to the assessment of trade rules
- ❑ Useful to carry out sector studies with sector experts



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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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