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

María Fabiana Oliver
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

- Rest of the World: 27%
- EU: 18%
- USA: 11%
- Brazil: 23%
- Rest of America: 21%

Source: INDEC

ORIGIN OF ARGENTINE IMPORTS
Average 2000-2002

- Rest of the world: 22%
- EU: 23%
- Brazil: 26%
- USA: 19%
- Rest of America: 10%

Source: INDEC
## RESULTS FROM CGE MODEL

### Variation of Argentine Exports in FTAA scenario (%)

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

*Source: CEI (2002)*
## RESULTS FROM COMPARATIVE ADVANTAGES & TRADE BARRIER

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

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Exports to USA / world</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar manufacturing</td>
<td>44.2 %</td>
</tr>
<tr>
<td>Clay and non refractory ceramic products</td>
<td>31.1 %</td>
</tr>
<tr>
<td>Crude oil and natural gas</td>
<td>23.3 %</td>
</tr>
<tr>
<td>Refined oil products</td>
<td>13.8 %</td>
</tr>
<tr>
<td>Wines</td>
<td>10.5 %</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Exp to Brazil world</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical conductors</td>
<td>29.53 %</td>
</tr>
<tr>
<td>Agricultural machinery</td>
<td>17.42 %</td>
</tr>
<tr>
<td>Other electrical equipment</td>
<td>15.55 %</td>
</tr>
<tr>
<td>Pumps and compressors</td>
<td>13.99 %</td>
</tr>
<tr>
<td>Other machinery for general use</td>
<td>13.92 %</td>
</tr>
<tr>
<td>Electrical control apparatus</td>
<td>12.10 %</td>
</tr>
<tr>
<td>Machine Tools</td>
<td>11.83 %</td>
</tr>
</tbody>
</table>

*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.
FTAA SCENARIO

Increasing production sector
- food, oil seeds
- fuels & derivatives
- steel & aluminium

Reducing production sector
- machine-tools, electrical machines
- textiles, plastics

ENVIRONMENTAL IMPACT
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.
ENGLISH IMPACT ASSESSMENT

FTAA SCENARIO

**Increasing production sector**
- food, oil seed fuels & derivatives
- steel & aluminium

**Reducing production sector**
- machine-tools, electrical machines, textiles, plastics

**Represent a serious risk for the environment**

**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.
ASSESSING
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THE CASE OF ARGENTINA

Disponible  www.oas.org/usde

www.farn.org.ar

Comentarios y/o preguntas
foliver@farn.org.ar