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Plenary session I: SIA – towards sustainable development?

Pascal Lamy, European Commissioner for Trade

Allow me to start by thanking all of you for taking part in this seminar and making a contribution to what I am sure will be a valuable event. I should also like to extend special thanks to the United Nations Environment Programme, under whose patronage we are meeting, and the International Labour Office, which has actively supported this initiative.

These gestures of support are doubly important to us. First, because it is important to have the support of key actors in global governance and sustainable development. Second, because this is a thorny subject that stirs up strong emotions and remains very controversial, as I myself have found out in discussions with the public.

So, before going any further, let me explain how innovatory and ambitious this seminar is. It offers us an opportunity to set up an effective international network of experts working in the field. And the number of countries represented here today show how international it is. We want to capitalise on your knowledge and experience and on the range of views on offer.

It enables us to bring together and consult a wide range of actors, from NGOs to multinationals, not to mention trade unions, consultants and experts from both the developed and developing worlds.

We hope to maximise the impact of this seminar by disseminating its conclusions widely and we shall also take account of them in our future work. The care we have taken over the reporting of the debate by bringing in independent professional rapporteurs is one gauge of this. The presence tomorrow of Pierre Defraigne, deputy Director-General, is a second.

The holding of this seminar was prompted by a deeply-felt need, namely to tackle the difficulties inherent in sustainability impact assessment. Indeed, it was awareness of these difficulties that led me to launch this programme just a few weeks before the setback in Seattle. There were three grounds for this decision:

• The EU was in the process of opening its markets, not as an end in itself, but as a way of stimulating global economic growth and underpinning global political stability.

• The EU had attached a sustainable development criterion to its policy objectives in an effort to ensure that economic development reduced inequality without damaging the environment.

• I felt the need for better governance in the area of trade policy and greater dialogue between policy-makers and civil society as a whole, from NGOs to private-interest lobbies.

These three strands need to be woven together: trade policy, the true engine of economic development, has to be made compatible with the management of
natural resources, the quality of the environment and social development, and how this is done must be discussed with civil society. SIA studies were conceived as a key component of the machinery that would enable us to do this.

I would like to end my outline of the general situation by making a few remarks on the double constraint on trade policy.

The double constraint on trade policy

I want to take the time to do this because some of our trade partners and members of civil society accuse us of using this double constraint as a pretext for protecting our market or camouflaging a secret agenda. So, in the interests of dispelling any ambiguity, allow me to explain our approach.

The Treaties require the EU to place sustainable development at the centre of its objectives and integrate it into the formulation of its policies. European citizens have asked us to do this because they are worried about the environmental and social impact of EU policies, globally as well as in Europe. European citizens want to be reassured that what we are doing will help to improve the state of the world sustainably. They are concerned about the impact of industrial and agricultural restructuring on vulnerable social groups, about equality between women and men, about the Amazonian and boreal forests, and about fish stocks off Mauritania.

These concerns reflect a collective preference that is rooted in our history, our culture and our environment, in all senses of the term.

That is one aspect. Another European collective preference is for good governance, governance that reflects multipolar balances and a decision-making process based on negotiation.

These collective preferences place restraints on our negotiating positions (seeing the environment as integral to trade issues, reducing inequalities) and on our objectives (the desire to find sustainable balances, the negotiation of win-win agreements). Let me give you an example. When we extend our SIA studies to all the countries where there is a potential impact, some of these countries see it as an "intrusion", whereas we are simply trying to ensure that our negotiators are as well-informed as possible so that they can take account of these collective preferences when adopting a position.

The SIA programme that brings us here today has been designed as a vehicle for these collective European preferences. Its objective is to improve governance and ensure that sustainable development is taken into account.

Having clarified what the general approach of sustainability impact assessment is, I should like to return to the background to the setting-up of this programme.

Setting up the SIA programme

A deliberate decision was taken in 1999 to set up the SIA programme in response to the enormous methodological problems at the time. Indeed, there
was no methodology: the most advanced attempts were confined to environmental impact studies that usually concerned a single geographical entity such as a country.

The Commission, starting off alone, found itself at the vanguard of European initiatives in this field. The use of SIA in all European policies is a very recent development (2002). It is not by chance that SIA was first applied in trade policy.

One, because, as I said earlier, trade policy is clearly linked to sustainable development. Two, because trade negotiations are increasingly a forum for the confrontation of national and regional collective preferences.

I see SIAs as a way of rationally analysing the impact of trade policy and catalysing the fruits of our exchanges with partners and civil society.

Once launched, the programme grew rapidly: it now accounts for 10% of DG Trade's annual budget, an average of €1,000,000 a year.

It covers all the major trade negotiations, whether they be bilateral (Chile, the MEDA countries), regional (Mercosur, the ACP Group, the Gulf Cooperation Council) or multilateral (WTO).

These studies are carried out by external consultants with the main aim of identifying the economic, environmental and social impact of the agreements under negotiation, regardless of geography. They should also propose flanking measures to mitigate the adverse effects and amplify the benefits of any agreement.

The only conditions we impose on our consultants is that they make a rigorous analysis, take a balanced approach to problems and work transparently.

In addition to impact studies as such, we have set up machinery for consultation and dialogue in order to enhance the credibility of the analysis, take on board a range of views and ensure a constant improvement in the quality of the methodology and the findings. I am sure that a number of you present today are regular collaborators and have done a great deal to improve SIAs through your comments and constructive criticism.

**Laying the foundations**

Now that we have a methodological framework that is the product of studies and of our exchanges with civil society, we should take stock of the programme and identify future tasks. I should like to start by outlining the progress made in integrating some of these principles and methodology into our work. We have already laid some of the foundations of SIA theory. These are:

- a transparent and open process conducted by consultants and involving members of European civil society and - what is more difficult - civil society outside Europe;
• a clear and rigorous methodology, which must be accessible to anyone wishing to use it and which stands out as a model among the methods available;

• the automatic application of SIAs to all significant future trade negotiations;

• the use of networking, whereby consortia of experts from different backgrounds (consultants, academics, NGOs) work and communicate with each other across the world.

Other, more recent givens result from the publication of the early results, in particular studies on agriculture and the EU-Chile Agreement. They include:

• a procedure whereby the findings of studies are incorporated into an official Commission position setting out both the official follow-up to an SIA's findings and their impact on the Commission's policy-making. The range of possible positions is obviously very broad: a finding might cause us to stiffen a position or shift the emphasis, a negative finding might give rise to aid and co-operation programmes, and an unclear finding might lead to further research.

• the principle of monitoring the implementation of agreements and flanking measures and tracking the impact on sustainable development by means of \textit{ex post} studies.

These givens must not, however, blind us to the practical problems and difficulties:

• There are methodological problems posed by the difficulties of modelling the sector under regulation (services, competition, investment), the lack of data or the inconsistency of data. These problems detract from the credibility of results and leave us in the dark until there has been significant progress in the matter of research and development.

• Consultations and networking can pose problems: wanting to consult is one thing; actually setting up operational systems to gather information quickly from the relevant experts is quite another matter. This seems to be a widespread problem, since even the most organised NGOs have difficulty following our work and delivering their observations on time.

• Credibility in the eyes of our trading partners is also a problem, since they do not always understand what we are doing and suspect us of protectionism.

• Lastly - and I hope it is no more than a teething problem - the decision-making tool has yet to be applied to the comprehensive analysis and monitoring of a real operation, since the first usable findings have only recently been published.

These difficulties bring me to the last point of my speech, which concerns this seminar's objectives and my hopes for the next two days' discussions. I must disappoint those of you who thought this workshop had been organised simply to enable the Commission to parade its experience in the assessment of its trade
policy. Rather than providing answers, I am going to formulate the many questions currently raised by the SIAs.

**Questions raised**

The first question I would like to pose concerns how the SIAs are to made truly operational. We have to avoid an excessively technocratic approach to method. We need to find ways of tackling some of the methodological difficulties (lack of data, modelling limitations) while effectively involving experts from our trading partners (especially the developing countries), from international institutions, from the private sector (especially in the domain of corporate social responsibility) and, of course, from NGOs.

My second question concerns how SIAs can be effectively fed into international negotiations. SIAs could usefully be connected to the sphere of trade negotiations and inform discussions outside the European Commission. In this way they could help countries reach positions at negotiations, clarify the issues and put these issues on the international agenda. We need to consider the limits of such an extension, just as we need to consider the benefits and the potential dangers.

The third question is how best to create synergies between institutional action and private-sector initiatives in the context of SIAs. What is important in the sphere of sustainable development is that institutional measures should be backed up and echoed by voluntary measures and private partnerships (between corporations or between corporations and NGOs) or public-private partnerships. The implementation of SIAs, the use of their findings and institutional support schemes must pursue such synergies. We need to consider how we are to identify such synergies and apply them effectively.

The fourth question is how best to disseminate the findings and maximise their use and incorporation into trade policy. We now have the experience of the EU-Chile report, which has been the subject of internal and external meetings, has been published on the web, is being translated and is the subject of a preliminary position paper. Whether that is enough remains to be seen. We need to find ways to make these final reports count, to get business to feed SIAs' findings into their corporate social responsibility measures.

I will wrap up with one last question, that of how we are to ensure effective implementation of practical measures to support developing countries identified by SIAs (the famous "flanking measures"). Involving developing countries in the studies is obviously a first step. But beyond that, we have to identify factors determining the success or failure of SIAs so that they can play a constructive part in identifying and implementing priority aid measures.

Well, I have done my bit. You know my fears, my ambitions, my questions. Now it is for you to suggest constructive and realistic answers that will take me forward. As I have told you, I will be following closely the results of these two days.

**Participants respond**
The Commissioner’s speech was followed by a question and answer session, during which participants raised a wide range of issues, from methodology, “greenwashing” and dissemination, to the use of external expertise in the SIA process.

Richard Howitt, European Member of Parliament, asked whether there had been impact studies done before the Everything But Arms (EBA) initiative was launched. He noted that the impact on sugar was particularly difficult. He also questioned Lamy about social impact assessments, particularly those related to women.

“In Zimbabwe, for example, an impact assessment on women was not particularly successful,” he said. “The assessments don’t pick up differential social impacts on societies in developing countries.”

The Commissioner responded that there have been several impact studies. In particular, the Oxfam study on sugar was “quite instrumental in making the EBA initiative palatable and acceptable” for some Member States. As for social impact assessments, notably gender mainstreaming or the impact on a particular group such as women, he agreed with that it is difficult and there is a need for better methodologies and quantifications.

“I’m a bit surprised about the scarcity of available methodologies given the number of NGOs and other groups that since the fifties have been involved in researching these areas,” he added.

The issue of stakeholder involvement and improved communications resonated throughout the two-day seminar. It was raised by Edward C. Sefuke, Embassy of the Republic of Zambia, who noted that there is a “slight dislocation” between high-level intentions and practical opportunities on the ground to take advantage of them. In fact, most stakeholders are not aware of SIA. He also queried whether there were policy linkages within the European Commission between aid delivery systems and trade policy.

Lamy said he is not surprised that some stakeholders are unfamiliar with SIAs as the Commission is familiarising itself with the methodologies and dialogue, as well as how to take the process forward operational. However, he pointed out, SIAs have become much more horizontal. For example, DG Agriculture is very much involved in the process and is thus building up a capital base in WTO negotiations.

In responding to whether SIA was a “Lamy baby” that could eventually disappear, the Commissioner replied that this initiative belongs primarily to the stakeholders: “It is up to you to work together with the Commission to improve the process. If you find SIA is a good tool, then it is up to you to ensure it does not disappear.”

Unless SIA methodologies are rooted in decision-making, the “smokescreen” of protectionism may persist, commented Ariel Carbajal, Secretaría de Ambiente y Desarrollo Sustenable, Argentina. For example, subsidies still exist, despite statements of intent to eliminate them. Commissioner Lamy replied that the impacts will be operational in that they are to be considered in delivering technical assistance and aid.
“The answer lies in improving the methodology and the tools, then using the results as an instrument in dialogue,” he added. “Nothing is decided and nothing is closed. There are no hidden messages in these studies; we can simply learn from experience. As far as agricultural issues are concerned, the way we are behaving is based on the same motives that have led us to carry out these impact studies in the first place.”

**Bruno Vever**, CEES, queried whether there is there a common methodology between impact studies carried out by the EC before a draft Regulation and SIAs, to which the Commissioner responded that the Commission is ahead in this area from the methodological point of view.

“The teams have been very innovative. What we have now could possibly be adapted to other types of EU action, however, studies used in context of trade negotiations have their own characteristics and are not necessarily applicable in other areas,” he said. “But part of the methodology can feed into other areas.”

In response to the question concerning the use of consultants to conduct SIAs, Lamy pointed out that the use of external expertise in this instance is a good and appropriate way to move forward.
Plenary Session II: Can SIA help make trade policy more sustainable?

Moderator: Laurence Tubiana, Institute of Sustainable Development

Speakers: European Parliament: Erika Mann, PSE  
NGO perspective: Mireille Perrin, WWF International  
Private sector perspective: Reinhard Quick, UNICE  
Developing country perspective: Everton Vieira Vargas, Ministry for Foreign Relations, Brazil  
World Bank experience: Kirk Hamilton, Policy & Economics Environment Department

Participants generally agreed that SIA have the potential to help make trade policy more sustainable, however, they were divided on how, where and when to make this happen. In some instances, they could not agree on the “why,” which led to a discussion about trade liberalisation and sustainable development in the context of the responsibilities of developed and developing nations.

SIAs should not be “academic studies gathering dust on bookshelves,” Mireille Perrin, WWF International, told participants. This should be a process for engaging stakeholders affected by trade and investment policies, from private business to NGOs, local organisations and various ministries. It should also be a vehicle for debating difficult policy choices based on case-study analysis and evidence.

“If this is true, then why are SIAs conducted at arms length from policy formulation?” she asked. “WWF is increasingly frustrated because the process is failing to deliver.”

If we take the notion of sustainable development as a leitmotif, then we must assess the non-trade impacts of trade liberalisation, putting the social, environmental and development aspects into context with a view to achieving a balanced result, said Reinhard Quick from UNICE. To this end, European business supports the Commission’s initiative to carry out SIAs.

However, to understand where trade enters into the sustainable development debate, it is important to understand the root causes of environmental degradation or social problems: “These can often be traced back to various market and policy failures. Conflicts arise as a result of the failure of political institutions to address environmental and social problems,” he said.

Everton Vieira Vargas, Ministry for Foreign Relations, Brazil, asked how developing countries could possibly take on the burden of SIAs when many are still grappling with the environmental dimensions of economic growth? “The use of EIA [Environmental Impact Assessment] is widely accepted as a tool at national level, but all developing countries face difficulties with implementation,” he said.
For this reason, some developing countries have rejected the EU’s proposal to broaden its scope beyond the environment through SIAs because “these new elements radically change the regional concept and introduce new issues . . . that would over burden them.”

However, he acknowledged that if we continue along the path of business as usual, we will all have to face the consequences of increased economic and social exclusion as well as environment degradation.

Kirk Hamilton from the Policy & Economic Environment Department of the World Bank pointed out that preliminary lessons learned from PSIA (Poverty and Social Impact Analysis) show, “there are always winners and losers in trade negotiations.” Governments will need a powerful dose of political will to placate the losers. To this end, it is critical to look at the effects of trade on poor people as well as on larger sectors of the economy such as energy and transport.

MEP Erika Mann acknowledged that because SIA is a complicated issue it is important to “do this the right way.” The European Parliament is a driving force behind the move to implement SIA, but it must be backed by a transparent, sustainable methodology lest developing countries view the process as protectionism. To avoid this, “we must pull our forces together, particularly in the NGO sector and do the groundwork.” She assured participants that the European Parliament is “fully behind you” in this endeavour.

**Overcoming mistrust and misunderstanding**

A resonating theme throughout the seminar and in the various working groups was the issue of trust. There exists a very real fear that the European Commission is “greenwashing” or extending a long arm of protectionism under the guise of sustainability. Why try to mitigate the effects of a prefixed agenda, some queried. Why not ensure that trading agreements are sustainable from the outset?

To better understand this dynamic, Vargas suggested participants consider the concept of sustainable development as adopted in 1992 at Rio, a concept that remains impossible to define in a universal manner. As outlined in the Agenda 21, the pursuit of sustainability is to be a common endeavour, however, Vargas reminded participants that this entails different responsibilities.

“We are still waiting for developed nations to live up to their Rio commitments and take the lead by changing consumption and production patterns,” he said.

Despite the often “predatory practices” adopted by developed countries towards their less developed trading partners, many have a positive view of EIAs and their impact on sustainable development. However, SIA as proposed by the EU “may seem adequate for its own internal agenda, but developing countries will face difficulty in implementation requirements.”

For this reason, among others, developing countries fear that SIA is a “rewrite of the same old story,” which is to prevent access of their products into markets. It is “inconceivable” that developing countries would negotiate SIAs if it means taking on more conditions while developed trading partners create
barriers through trade and production subsidies. Such market distortions keep developing countries mired in poverty and exclusion.

There is also the methodological issue of compatibility of criteria and indicators in the different political, economic and social contexts. National specificities make it difficult for developing countries to even begin to develop criteria to measure how sustainable they have become. How can they be expected, individually, to respond to SIA? This will entail capacity building and most importantly, trust.

“There is a serious lack of a common understanding,” Vargas told participants.

The issue of timing was discussed by several participants during the course of the two-day seminar and lies at the heart of the mistrust. If SIAs are conducted too late to provide meaningful input into trade negotiations it demonstrates a failure of political will to implement their recommendations, Perrin commented. The EU-Chile study, which came under fire several times because of timing, is an example. The negotiations began in April 2000; an SIA was conducted in March 2002 and released a month later.

For this reason, “it is doubtful whether there is true political will to change the way trade policy is made and ensure that it is more sustainable,” she added. “Unfortunately, experience so far shows that studies are conducted at arms’ length, far away from the decision-making process . . . we are sceptical about the impact of SIAs on EU decision-making and policy. It appears to be greenwashing or a way to support already-determined negotiating positions.”

Quick pointed out that the SIA framework was supposed to allow for a better understanding of the effects of trade liberalisation by assisting the negotiators throughout the process and to help arrive at solutions that deserve the label “sustainable.”

The argument that trade liberalisation is a universal good is based on the theory of Nobel prize winners Milton Friedman and Gary Becker, who claimed that economic freedom (trade liberalisation) should be established worldwide to create wealth and to prevent poverty and terrorism. The formula is quite simple: the more economic freedom, the more per capita income.

Undoubtedly, trade liberalisation is one of the cylinders that propel the engine of growth, as Quick observed, and that today the role of trade has changed in that it should be used as an essential tool for sustainable development. However, several participants argued that trade liberalisation should not be accepted as a universal good.

“There is a basic assumption that trade liberalisation is desirable and will result in economic growth,” argued Perrin. “But this has to occur within defined limits. We need slow liberalisation because there is limited scope for implementing policies to offset its effects.”

WWF has supported the notion of SIAs and participated in consultations for four years, but is disappointed at the results to date, she added.
For a link to the presentation:

**Moderator Laurence Tubiana**, Insititute of Sustainable Development, commented that under prevailing conditions market distortions are global, which raises the issue of multilateralism.

### The multilateral dimension

Undoubtedly the trade liberalisation exercise needs to be coupled with so-called flanking measures or side agreements to mitigate its effects, observed Quick. It would be a “relatively easy” to negotiate such side agreements in bilateral negotiations, however, at multilateral level, the issue becomes more difficult.

However, international institutions exist to deal with environmental, developmental and social questions and “the world is not ready for radical institutional changes at international level.”

Quick said European business favours a division of labour among institutions such as the WTO, ILO and UNEP and calls upon them to contribute to international rule making in their respective field of expertise. He acknowledged that countries reject ratifying international agreements, but proposed that they become “package deals” to be negotiated in a forum such as the WTO to avoid countries picking and choosing which agreements they will ratify.

“European business considers that the (existing) international institutional architecture can and should be used to combine trade liberalisation with positive rulemaking to arrive at sustainable solutions,” he said.

Quick emphasised that the WTO should be given more power as a forum where policy failures can be addressed, at least in those instances where trade liberalisation and policy failures are closely linked: “So why not negotiate a side agreement within the context of the WTO?”

Vargas pointed out that SIAs could be implemented by all developing countries if prevailing international conditions were changed. For example, production subsidies must be dealt with internationally. “Market distortions are imposed upon us. An SIA component in a trade agreement must go hand in hand with negotiations that will end the subsidies in trade that widen the gap between north and south,” he said.

OECD has estimated that trade barriers represent a loss of US$20 billion per year to developing countries. Existing asymmetries among countries with respect to international trade must be addressed.

Said Varga: “The Doha Development Round held promise for a strengthened system where trade initiatives would go hand in hand with development needs, however, since then a number of protectionist measures have cast a shadow over future prospects.”

### What needs to change?
Vargas contended that the entire premise of SIAs be changed to address how to bring economic, social and environmental benefits to all countries through multilateral trade agreements. Bilateral agreements within an SIA context could be negotiated to help remove barriers only when both sides agree.

The perversion of existing market distortions created by trade barriers is that often developing countries are forced to produce more commodities, which in turn has a negative effect on the environment.

“We live in an imperfect world dominated by imperfect countries exercising imperfect laws and regulations,” he said. “As a result our world is rife with inequalities brought about by these imperfect laws and regulations.”

The failures of political institutions to address environmental and social problems suggests that governments must do their part by regulating polluting and resource degrading activities as well as by addressing the social issues according to their stage of development, Quick suggested. This responsibility and initiative could shift from the national to bilateral or international level.

However, it is important that institutional and democratic reforms are integrated to allow citizens to articulate their preferences for environmental quality and influence the political decision-making process. To address the concern of policy failure, he suggested that trade liberalisation be accompanied by flanking measures or side agreements.

For SIAs to work will entail a “real buy-in” from the European Community as a whole, including engagement by Member States and Parliamentarians, Perrin suggested. “In addition, there must be concrete EU action on EU policy in an EU context, such as agricultural trade policy.” Finally, specific reporting and feedback mechanisms following SIA implementation should be established.

**The way forward**

An important area the European Commission should consider is to demonstrate how SIAs impact EU trade policy, Perrin recommended. For example, none of the SIAs conducted so far have resulted in concrete policy recommendations: “How can you expect to avert criticism that SIAs are open to protectionist abuse if they are focused solely on changes to made outside the EU?”

Voluntary initiatives should also be taken into consideration, according to Quick, who said that measures that go beyond what is legally required could only be successful if they remain voluntary.

“These issues can make a difference, but for them to work we need to establish an atmosphere of trust,” he said. “If our voluntary initiatives are immediately met with criticism we will never establish the necessary trust. Business will refrain from taking the initiative and wait for the regulator to legislate. This can take a long time in the area of international negotiations.”

MEP Mann reminded participants that a common understanding is paramount if SIAs are going to be sold to other trading nations and the international community: “This idea must also be sold to the WTO. It will never work if it is not on the international agenda.”
Several participants called for a deeper dialogue and a “two-way assessment,” however, Vargas pointed out that SIAs should be a “means to identify problems, not to marginalise developing countries.” To include SIAs in trade agreements now would not be constructive. In their present form, they would “become a bone of contention between developed and developing countries.”

To develop a “common understanding” Maria Amparo Alban Ricaurte, CEDA, Ecuador, said governments and NGOs in developing countries often do not have the capacity to keep up with the barrage of information and requirements that come with bilateral and multilateral trade. There is a “disconnect”, hence a lack of trust. “Any future SIA must be a two way assessment, otherwise it will unsustainably by definition,” she said.

She was joined by several other participants who called for more information to be communicated in national languages. Sayed Azamgir Farrouk Chowdhury, representing the Bangladesh Enterprise Institute suggested a “more structured” user-friendly consultation. This is important as many developing countries see trade liberalisation improving the welfare of a minority of citizens.

Ariel Carbajal, Secretaría de Ambiente y Desarrollo Sustentable, Argentina, suggested that perhaps the way forward is to overcome suspicion and misinterpretation and try to link SIAs to the objectives outlined at Rio and Johannesburg: “The challenge is to see if this can lead to a methodology that not necessarily leads towards sustainable development but towards a more fruitful relationship for all.”

Poverty and Social Impact Analysis at the World Bank

Many countries, including those preparing Poverty Reduction Strategy Papers are grappling with the need to evaluate the impact of key policy reforms on the poor. The PSIA approach intends to help policymakers and analysts in developing countries, representatives of donor agencies and civil society organizations in undertaking analyses of policy reforms.

(Poverty Reduction Strategy Papers describe a country’s macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs. They are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund.)

Kirk Hamilton described the World Bank’s one-year-old work programme and the set of tools used in PSIA analyses. Such analyses assess the distributional impact of policy reforms on various stakeholders, with particular focus on the poor and vulnerable, and help to identify risks to policy reform. PSIA is implemented as good practice and is not mandatory for World Bank lending

“If you have time, money and capacity, a lot can be done,” he said. This is a toolkit approach. Choosing the “right” tool depends on the type of reform, the
importance of feedback effects, data availability (which varies from country to country), the time frame and local capacity, which is often a constraint.

The Poverty Analysis Macroeconomic Simulator tool, for example, assesses the impact of macroeconomic policies on sectoral employment and income, the incidence of poverty and income distribution. The World Bank is piloting more than 35 PSIA-type analyses in several countries across various sectors. The potential benefits include:

- Country ownership of reforms.
- Sustainability of reforms.
- Increased attention to *ex ante* analysis.
- Monitoring to validate *ex ante* analysis.
- More transparency in links between policy and poverty.
- Explicit consideration of measures to enhance gains or minimise losses.
- Building national capacity.

Hamilton emphasised that PSIAs are a “work in progress.”

For a link to the presentation:

Plenary Session III: To what extent is SIA catching on outside the EU?

Moderator: Scott Vaughan, Carnegie Endowment

Speakers: Overview and state of play, Sara Richardson, Consultant
US experience: David Brooks, USTR
ILO experience: Eddy Lee, International Policy Group
UNEP experience: Charles Arden-Clarke, Economics & Trade Branch
Chinese experience: Ye Ruqiu, State Environmental Protection Administration

Significant leadership is being shown by the EU, the US and Canada with respect to reviewing trade policy. Other countries such as Norway are reviewing sustainability assessment. However, until recently the focus has been primarily on reviews to assess the impact of trade on the environment. In the past five Ruquars, initiatives by the EU, the World Wide Fund for Nature and UNEP have focused on sustainability in a broader sense to include social and economic impacts.

The challenge remains to sustain enough political will throughout the process, which is indeed a “work in progress.” Consultant Sarah Richardson, Maender Enterprises Ltd., Canada, told participants: “The challenge for the coming Ruquars is to ensure that these processes continue, with adequate resources and political will, so that sustainability assessment evolves into a useful tool for policymaking.”

A common theme is that because SIA assessments are not academic exercises, the challenge is to seek out areas, such as regulatory responses to environmental issues, where there have been practical policy responses, pointed out Moderator Scott Vaughan, Carnegie Endowment.

Richardson acknowledged that support for assessment is extremely weak. Neither the Doha Declaration nor the Report of the World Summit on Sustainable Development highlight the importance of sustainability assessment (SA) in the context of increasing initiatives to liberalise trade and investment or to support the adoption of comprehensive, policy-oriented SA.

Said Charles Arden-Clarke, UNEP, Economics & Trade Branch: “Our findings conclude that although trade liberalisation has increased trade and economic development, there were often serious negative environmental and social impacts. “Minimising environmental damage should be addressed from the outset when designing trade policies to avoid potentially high economic costs.”

Lessons learned from UNEP’s ongoing Integrated Assessment of Trade-Related Policies work provide invaluable insights into the myriad challenges inherent in SIA. UNEP’s 11 completed and seven ongoing Country Projects focus on conducting integrated assessments of environmental, social and economic impacts of trade policies in specific sectors, quantifying the costs and
benefits wherever possible. It also focused on developing policy response packages to integrate trade, environment and development objectives with a view to sustainable development.

Results include enhanced awareness about the linkages between trade, environment and development and the need for assessment; strengthened institutional and human resource capacity for assessment, design and implementation of policy responses; and, enhanced coordination between environment, trade and relevant sectoral ministries.

The International Policy Group of the International Labour Organization (ILO) views SIAS as being located within a larger family of other closely related efforts, Eddy Lee, International Labour Office, Switzerland, told participants. The inclusion of the social dimension of the evaluation process is key as is the participatory nature of the assessment, which involves stakeholders. The ILO has been advocating the importance of engaging in an *ex ante* analysis of trade agreements: “There have been instances over the 20 years where mistakes have been made due in large part to the fact that there has been no *ex ante* analyses of the social impact.”

The ILO supports the European Commission’s SIA initiative because in addition to the organisations’ long-standing commitment to social dialogue, “it leads to better information on the important part of the social dimension of globalisation and has made a significant contribution to improved methodologies in this area.”

The US experience has focused primarily on environmental reviews of major agreements, dating back to 1992 with the review of the North America Free Trade Agreement (NAFTA). As David Brooks, USTR, explained, the focus is on the possible effects on the domestic environment. However, the US also considers “as appropriate,” trans-boundary and international environmental concerns.

An environmental review of several subsequent free trade agreements has made important contributions both to the process of the negotiations and to the content of the final agreements, he said.

Countries such as China, which have recognised the importance of environmental and other issues related to sustainability, are at the beginning stages. Like many developing countries, China is grappling with environmental assessments. Ye Ruqiu from China’s State Environmental Protection Administration explained that the China Council for International Cooperation on Environment and Development (CCICED) was formed in 1992 to “further strengthen co-operation and exchange between China and the international community in the field of environment and development.”

China recognises that market liberalisation, together with changes in trade structure and volume, will cause dramatic changes in the country’s economic structure and environment. It also recognises that to meet the challenges and take advantage of opportunities, it is important to deal properly with the issues of trade and sustainable development. However, it is complicated to conduct an integrated assessment of the economic, social and environmental consequences
of China’s WTO accession. A fundamental reason is the lack of capacity to undertake an overall integrated assessment.

**Capacity building and stakeholder participation are key**

The need for capacity building was raised in all sessions throughout the two-day seminar. If local ownership is the foundation for success in any development programme, enabling participation through building local capacity is the cornerstone.

Assessments aimed at developing public policy that has a chance of being implemented and effective should be undertaken in an interdisciplinary way involving the views of a wide range of stakeholders, Richardson told participants. “This involves processes that are open, inclusive and transparent, and provide access to adequate information to facilitate meaningful participation.”

Transparency in trade-related issues and policies has been dramatically increased in the past decade, largely as a result of the continued demand of non-governmental actors for improved access to information and the ability to disseminate information at a low cost using the internet. Challenges in the coming years for improving participation should focus on continually improving the quality and timeliness of available information.

As participants recommended in other sessions, there is a need for a viable feedback mechanism. Richardson recommended that efforts be improved to consult with stakeholders beyond domestic borders where sustainability assessment includes impacts in the territory of trading partners, trans-border and international issues.

In practice, this means creating widespread networks and taking into account “capacity limitations and other impediments” to effective, meaningful consultation and participation. This involves, among other things, building trust and understanding. Public participation brings co-operation, expertise, ownership, capacity building and trust into the process.

The objectives of UNEP’s work on Integrated Assessment is to enhance the capacities of countries, particularly developing countries, to integrate environmental considerations into trade and other macroeconomic policies, as well as to assist them in the use and application of environmental assessment and incentive tools, including economic instruments.

“We have recognised that capacity building is a prerequisite for developing countries to design and implement mutually supportive trade and environment policies and engage effectively related trade negotiations,” said Arden-Clarke.

During the course of UNEP’s experience, participant countries showed a strong interest in conducting assessments and designing policy responses, but they have limited technical and financial resources to do it, he added. There is no substitute for “learning by doing” in capacity building and for ownership of results and policies. Other lessons learned include:
• An open, transparent and informed multistakeholder process is crucial to effective assessment and implementation of policies.
• Capacity building remains the key to enabling developing countries to undertake assessments and reducing concerns about their motivation.

It is equally important to work closely with national governments and to adopt a multistakeholder approach to address both environmental development priorities. Empowering local institutions and experts by involvement in formulation and implementation of projects is key as is linking work at national, regional and international levels to develop practical and timely policy solutions.

The ILO participated in placing ex ante assessment of the social impact of trade on the international agenda. It has promoted the use of SIAs in the Copenhagen+5 process and within the Development Committee of the Bretton Woods Institutions. The success of the process represents “an international consensus on this issue,” according to Lee.

The US does not require reviews by its partners as a condition of negotiating trade agreements. However, Brooks said, “we recognise the value of these efforts to us and our negotiating partners and we will continue to encourage and as possible support these efforts through trade capacity building activities.” The US recognises the importance of the interaction among trade, labour and environment concerns and encourages other countries, especially developing countries, to build the capacity to undertake their own reviews.”

It appears that trading nations have some considerable work yet to do in this area. Richardson said the SIA approach demands that policymakers consider the consequences of their actions in an integrated fashion over the long term, ensuring that current economic development does not come about at the expense of environmental and social capital that will be difficult or impossible to replace.

The EU approach to SIA identifies economic and social development together with environmental protection as interdependent and mutually reinforcing components of sustainable development. The WWF’s Sustainability Assessment Project considers social and developmental aspects along with environmental aspects.

UNEP has adopted an approach to integrated assessment that considers the economic, environmental and social effects of trade measures. In its Reference Manual, UNEP does not prescribe the use of a specific methodology for conducting integrated assessments, but suggests a range of options and approaches that can be adopted or adapted by a user depending on priorities, resources and other circumstances.

“Procedures for undertaking assessments by national governments do not yet reflect a process that is based on the principles of sustainable development – that is, equal weight accorded to the economy, the environment and social well-being,” she said.

The framework adopted by the Canadian government as well as the US Executive Order and Guidelines are limited to a consideration of environmental issues; they do not consider social components. Despite the difficulties involved,
a challenge in the coming years is to continue to adopt, develop and implement methodologies for undertaking sustainability assessment of trade which give equal weight to economic, environment and social/developmental issues to develop policies that support sustainable development.

Said Richardson: “Such an approach would most accurately reflect the commitment that a number of governments and organisations, including the WTO, have made to ensure that trade liberalisation occurs in a way that supports, and does not detract from, sustainable development.”

**Mind the gap – data, methodology and scope**

Moderator Vaughan pointed to gaps in quantitative analyses, gaps in the data and gaps in reliability of models. “If you can’t put a number to an impact, what would be the likelihood of a practical policy response from trade negotiators who want hard numbers?”

Arden-Clarke reminded participants that SIAs must be “rooted in substance that can only rise up from the ground.” Valuation and cost-benefit analysis are important elements in assessments. Moreover, assessment methodologies and policy response packages must be adapted to reflect local conditions, needs and priorities, as well as available data sets.

“Linking generic methodology development with assessment on the ground enhances both the design of the assessment tools and their application,” he said.

The ILO has been involved in work relevant to SIAs including studies on the social impact of globalisation, the impact of WTO accession in Russia, and World Bank’s PRSP (Poverty Reduction Strategy Papers). It has also launched a project to improve the range of indicators on social and labour variables, including at micro level, work place assessments of economic and social factors.

“We see there is plenty of scope for more collaboration with other agencies in this field, particularly in the area of developing indicators, data generation and refining methodology,” Lee suggested.

The US has completed a review of the US-Jordan Free Trade Agreement and is in the process of reviewing the US-Chile FTA and the US-Singapore FTA. The reviews consider environmental effects arising from changes in trade and possible effects on US environmental laws and regulations. In each of these cases, Brooks said, the process of conducting an environmental review made important contributions to the process of the negotiations and to the content of the final agreement.

The approach has been “methodologically varied” with no uniform approach. “We are learning and adapting as we go. We use any information we can find that’s relevant and use any analytical tools that will contribute to accomplishing our purpose,” he explained.

“In our experience, environmental quantitative tools are better at identifying problems than in helping us understand positive outcomes or how
small scale problems can be assessed in aggregate.” Brooks went on to caution 
that such tools are “good at finding hot spots, but not good at helping us strike a 
balance between the signals these hot spots send.”

Difficulties with assessment in general are always compounded when 
social issues are brought into the equation, Richardson observed. Data related to 
liberalisation agreements signed in the early 1990s, such as NAFTA and the 
Uruguay Round Agreements are now available. Increasingly, this will contribute 
to meaningful after the fact (ex ante) analysis from which important lessons can 
be drawn for future assessments.

However, SAs are still constrained by lack of data, particularly for ex ante 
assessments and particularly in developing countries. Experience shows that this 
is compounded in by the existence of significant informal economies for which no 
data exists. Nevertheless, economic and trade data are often more available 
than social and environmental data due to a relatively long history associated 
with collecting information to assess economic indicators. A paucity of reliable 
data on environmental and social issues will continue to hamper the full 
development and implementation of sustainability assessments.

Sustainability assessment based on imperfect data should not be 
dismissed as futile. Such efforts are useful analytical exercises for those 
interested in “learning by doing” and can uncover linkages between trade, the 
environment and development, as well as point to areas where important data 
gaps exist.

A challenge for sustainability assessment in the coming years will be to fill 
those data gaps by encouraging the further development of social indicators and 
the collecting and monitoring of data related to environmental and social issues. 
Limitations of data will continue to be a challenge for those seeking to quantify 
environmental and social impacts. With respect to the environment, experience 
shows that particular attention should be paid to improving the development of 
indicators related to biodiversity and land use.

In addition, as assessments increasingly address non-traditional trade 
matters such as investment, the availability of relevant data may well become an 
issue. Data at the company level can prove instrumental in assessing investment 
impacts, particularly in economies where economic activity is dominated by a 
relatively small proportion of players.

Ruqiu told participants that China’s Task Force on the WTO and 
Environment (TFWE) is facing many difficulties in undertaking an integrated 
assessment of the consequences of trade liberalisation following WTO 
accession. Because China is at the beginning of such a process, it is hoped 
lessons can be learned from the international community. However, mechanisms 
should be established to ensure the implementation of environmental impact 
assessment of trade policies and trade agreements in China.

Difficulties that developing countries might encounter include a weak 
capacity to undertake an integrated assessment. Appropriate models are needed 
for conducting such a quantitative integrated assessment. So far, the available 
data cannot support the necessary large-scale quantitative simulation. 
Considering the uncertainty and practicability of the simulation results, the data
needed cannot simply be replaced by data from other countries. Now is the time to begin a sample collection to obtain actual data, however doing so is very costly and TFWE cannot support it.

Instead, the integrated assessment of WTO accession start from sector or even product levels in selected key regions. This approach simplifies data collection; a quantitative analysis will be relatively simple and the process will nurture a team of experts who can engage in long-term research on trade policies and agreements.

For a link to the presentation:

**Future challenges**

The challenges ahead are manifold. Importantly, there has been an increase in understanding between the trade community and those in the environmental and social communities, within and outside government. Richardson maintained that this is not say there is necessarily agreement or complete trust, but the trade community is learning the language of and the concepts behind sustainable development and *vice versa*.

However, there is a need for a more balanced approach to developing environmental or sustainability assessment within government and a clearer mutual understanding of and respect for experience and expertise that resides in the non-governmental community.

“The challenge for practitioners in coming years is to convincingly demonstrate to countries and organisations the value of comprehensive sustainability assessments as key, policy-relevant, components of future efforts to pursue sustainable development at national, regional and global levels,” she concluded.

China’s Working Group on Trade and the Environment research projects show promise for sustainable trade, particularly in the areas of overcoming “green barriers” (eco-labelling, “green food” development and ISO 14000 standards that could lower trade barriers), clean technology transfer and increased transparency.

China’s accession to the WTO will bring both challenges and opportunities, however Ruqi is optimistic that the benefits far outweigh the potential disadvantages. For example, Chinese enterprises will be prompted to upgrade technology, improvement management and adopt modern business practices, which could “resolve long-time pollution problems created by irrational industrial structure.”

One of the challenges inherent in SIA is how the assessments will be used. Lee urged practitioners to ensure flanking measures do not weaken absolutes in the existing international policy matrix, particularly core labour standards: “It is important to ensure coherence between trade and other policies, for example, with FDI. From this perspective, it is important to involve labour and social ministries as well as a wide range of social partners in the SIA process.”
Perhaps the greatest challenge is, as Arden-Clarke observed, to move from assessment, to policy design through to implementation. To do this, “we need a commitment of more technical and financial resources; the engagement of more partners, including technical, consultative and political; and, maximisation of participation from the outset.”

Then SIA will catch on.
Plenary Session IV: How does SIA fit into the EU’s negotiations?

Moderator: Robert Teh, WTO Secretariat

Speakers: European Commission: Robert Madelin, DG Trade, Director
           SIA consultant: Clive George, IDPM Manchester

Roundtable: Robert Madelin, DG Trade, Director
            Jochen Krimphoff, consortium for SIA of EU-ACP negotiations
            Jacques Serrure, Consortium for SIA of EU-GCC negotiations
            Mehran Kafaï, Consortium for SIA of EU-Mercosur/EU-Chile
            negotiations
            Clive George, Consortium for SIA of WTO negotiations

In this session, consultants – introduced as “authors of the methodology” – reported how SIA could fit into the EU's trade negotiations, however, participants were reminded that this is still a “work in progress.” Indeed, as Robert Madelin, DG Trade Director, pointed out, “we are ignorant and now we know we are ignorant.” Speakers gave an overview of ongoing assessments and discussed the political issues at stake.

Moderator Robert Teh commented that given some of the concerns raised about the SIA methodology (“greenwashing”), the best way to mitigate them would be to ensure that the methodology developed was objective, rigorous and transparent. “The European Commission was the driver of this particular methodology, however, it can be applied by and used by any group.”

“A new democratisation of trade policy”

SIA is being carried out by external consultants for each major trade negotiation, for all aspects of each agreement and is a balanced approach based on the three sustainability pillars; there is no geographical limit imposed upon the assessment.

The “human experience” of fitting SIA into the Commission’s negotiating process has not been as easy and well planned as some may fear. Nonetheless, the process itself represents “a new democratisation of trade policy,” said Madelin. “We are not trying to impose a single view, but trying to provide the basis for an informed debate. This is a new way of making policy in Europe.”

For example, flanking measures, designed to mitigate the bad and enhance the good effects of trade policy, may in some prescriptions be more important than the trade changes being studied. For example, the food crop study indicated that social impacts would depend critically on much larger social policy choices at domestic level.

The Commission is moving forward with SIAs because the trade community has realised that globalisation needs to be analysed if liberalisation is to achieve the objectives the EU wants – that is, poverty alleviation, growth, jobs,
protection of the environment, and so on. This content “speaks to the issues EU citizens care about,” which goes beyond the econometric approach.

Scenarios are designed by external consultants with negotiators and the timing is linked to the negotiation process. The external consultation guarantees transparency. The end result is the integration of the results into trade policy. Despite the fact that SIA was not underway at the launch of the EU-Chile negotiations, the ex post evaluation proved valuable.

“We are getting up to cruising speed,” he said. “This includes inter-service coordination with other DGS as well as liaison with MEPs and Member States.”

The methodology is still being refined. Phase I of the methodological development (first steps) took place in 1999 as did Phase II, which involved a preliminary assessment of the Seattle Round. The methodology was refined in 2002. Studies launched during this period include: WTO (2001-2005), Mercosur and Chile (2002-2006), ACP (2002-2006) and GCC (2002-2004).

There has been an “extensive external consultation process” with civil society and DG Trade is convinced that if it can get this process right, the issues will be properly addressed. As for integrating results into trade policy, if one considers the Chile example, the ex post results will actually help shape “real time” development co-operation policies.

“There will be a formal Commission response to each finalised SIA,” Madelin told participants. “In addition, we will conduct an ex post assessment to see if the outcomes predicted matches reality. In the case of Chile, for example, a bigger impact was expected. This work will add challenges to the debate.”

The Commission is moving forward with “humility and modesty, yet we feel good about what we have done so far,” he added. Current assets include an operational and rigorous methodological framework, a recognised process and, importantly, the development of a network of expertise. Challenges to be taken up include:

- Effective internal and external consultation.
- Effective integration of SIA results into EC policies.
- Long-term research and development of new tools, including data banks.

For a link to the presentation:


The process – a highly multidisciplinary approach

SIA consultant Clive George, IDPM Manchester, noted that as an author of the methodology, all the consultants involved were working together to develop a range of approaches. “SIA is a highly multidisciplinary project,” he said. “There are many expertises brought into the process. The process also involves screening, which means picking out those aspects that will require the most effort and honing in on them to come up with a balanced judgement.”
The aims of the methodology are straightforward: to gather and evaluate different viewpoints and to provide an objective analysis of sustainability impacts in the EU and its trading partners with a view to informing negotiations as well as the design of national and international mitigation and enhancement measures. Assessment techniques include the following:

- Small country groupings and scenarios.
- Literature evaluation – case studies and theoretical analysis.
- Economic modelling – quantified results (economic) and equilibrium effects.
- Causal chain analysis – short term, long term (economic, social environmental), dynamic effects.
- Evaluation of significance – relative to base situation (geographical scale, number of people, stress, reversibility).
- Indicators – checklist of broad issues, summary results, monitoring.

“Where we worry is around balancing the dynamic adjustment effects,” said George. “The evaluation of significance is at the heart of the question about quantitative versus qualitative analysis. When judging significance, even if we haven’t got quantitative information, we are making a value judgement.”

Nor is the process indicator-driven, he added. It results in broad-brush indicators from which more detailed indicators can be derived.

**SIA of WTO negotiations**

The WTO study was launched with a global overview of the Doha agenda, which involved screening and scoping exercises before moving into sector studies and the final global overview.

Studies to date include the pre-Seattle global overview (complete), and ongoing post-Doha sector studies including agricultural products (wheat – complete), market access for pharmaceuticals, non-ferrous metals (especially aluminium), environmental services and competition policy. The final global overview will be post-Doha.

“At present, there is no chance of SIA keeping pace with negotiations, however, by the end of March 2003, we’ll be up to speed and running in parallel with negotiations as we go,” George explained.

He described a number of mitigation and enhancement measures, which could include:

- Trade-related measures that might be built into a WTO agreement itself.
- Side or parallel agreements between WTO member countries or in regional agreements.
- Collaborative agreements between international organisations and relating to the relationship between WTO agreements and other types of international agreements.
- International and regional initiatives to promote technical co-operation and capacity building in developing countries.
- Measures by national governments.
“We are trying to make the process transparent so you can challenge the conclusions as well as the way we reached,” he added. “We have been criticised for our technical jargon and we are trying to improve on this.”

For a link to the presentation:

More information:  [http://idpm.man.ac.uk/sia-trade](http://idpm.man.ac.uk/sia-trade)  
[http://planistat.com/SIA](http://planistat.com/SIA)

**EU-ACP SIA “different and still very young”**

Under the June 2000 Cotonou Agreement, non-reciprocal trade preferences will be replaced by WTO-compatible trading arrangements by 31 December 2007. Economic Partnership Agreements (EPAs) are based on trade liberalisation on both sides, whereby ACP partners will gradually open their markets to European products. EPAs have built in objectives such as integrating development assistance (including Trade Related Technical Assistance) and market access. In addition, they are structured to enhance ACP competitiveness in important global areas.

Because EPAs are much broader than traditional trade agreements, the EU-ACP SIA is quite different, explained **Jochen Krimphoff**, Consortium for SIA of EU-ACP negotiations. For example, EPAs take into consideration the development context. In factoring in the macro- and microeconomic context, the importance of the informal sector cannot be underestimated nor can data availability, which restricts modelling.

“The ability to use economic modelling is severely restricted,” he said. “It is also important to take into consideration the special treatment under Cotonou for Least Developed Countries. Capacity building is another challenge.”

EU domestic policy initiatives also impact upon the SIA process including enlargement and CAP reform between 2002 and 2006. ACP regional economic integration is another factor.

It is a new process in that negotiations have just started and the scenarios are unclear. In addition, the economic, social, environmental and cultural diversity of ACP countries makes it difficult to identify common themes applicable to all countries. Said Krimphoff: “There is no one-size-fits-all response, which is why we are looking to foster regional and sub-regional approaches, or clustering.”

The breadth of ACP regions makes it almost impossible to conduct fieldwork, which is why analysis needs to rely on existing work and stakeholder input. For this reason, he added, “the success of this project hinges upon active participation by stakeholders.”

An Inception report published on 3 February 2003 was circulated for comment for a 30-day period. Workshops with stakeholders in pilot regions will take place in spring and summer of this year. A mid-term report will then be produced including information on detailed screening, preliminary scoping, a finalised approach for pilot regions and a finalised approach to economic impact
assessment, including scenarios for modelling. The EU-ACP SIA terms of reference for one year aims to:

- Provide a qualified preliminary assessment of the ACP-EC EPAs, which should include an examination and overview of the potential major economic, environmental and social impacts of these negotiations.
- Provide an in-depth sustainability impact assessment of the EPA negotiations on two ACP regions – West Africa and the Caribbean.

For a link to the presentation:

For more information: [http://www.sia-acp.org](http://www.sia-acp.org)  

The GCC customs union – new organisation, new challenge

The GCC customs union was launched in January 2003. As a result, FTAs may only be entered by the GCC as a bloc. Existing bilateral agreements will have to be either converted into collective GCC-wide agreements or phased out in two years.

The SIA in the GCC region is in its very early stages, having begun in December 2002. An initial “inception report” has been drawn up, based on the approach recommended by IDPM, to screen, scope and assess the issues involved. The consultant is also assessing the impact of the nascent customs union, identifying stakeholders and disseminating information to encourage a productive dialogue.

Timing is a critical factor, as the pace of the GCC customs union negotiations should keep pace with SIA. A “sustained dialogue” with civil society, GCC and EU officials as well as the broad range of stakeholders has been launched. This challenge involves capacity building, assessing feedback and maintaining ongoing contact.

“The customs union will give us the opportunity to review all standards and border procedures,” said Jacques Serrure, Consortium for SIA of EU-GCC negotiations. “At the same time we are assessing the impact of the customs union and building our knowledge of both GCC and EU priorities.”

For more information:

EU-Chile and EU-Mercosur

The EU-Chile SIA has come under fire by NGOs and others because of the timing – it coincided with trade negotiations. This caused many to question the value and credibility of the process. Some called it “greenwashing” or flawed in that the assessment appeared to be an expensive exercise to justify the Commission’s pre-determined negotiating position. The timing was indeed unfortunate, however, as Madelin pointed out, the ex post results will inform development co-operation.

Mehran Kafaї, Consortium for SIA of EU-Mercosur/EU-Chile negotiations, told participants that the study involved expertise on the GTAP model and sector
studies covering economic, social and environmental aspects. Experts from Chilean universities were involved in most of the sector studies. It was done in two stages, a global preliminary SIA and the study of specific sectors.

The first stage involved an overview analysis of the potential impacts on sustainability of the trade-related measures in both the EU and Chile. Phase two involved sector studies carried out to assess the impact of the trade agreement on economic, social and environmental sustainability and in particular on growth, natural resources stocks, pollution, and on social issues, covering equity, gender and indigenous peoples issues.

“The work included quantitative and qualitative assessments of the impact of the trade measures on the sector concerned, as well as suggestions on what flanking measures might be introduced to best maximise the positive impact of further liberalisation and/or changes in rule-making,” he said.

The inception report was released April 2002 and the final report in mid-October. For EU-Mercosur, the Global Preliminary SIA inception report is expected to be released by March 2003.

Throughout the Chile study, communications were received from various parties including: Balanced Trade / WWF; CIPMA (Centro de Investigacion y Planificacion del Medio Ambiente); Commission (DG Trade, DG Dev, DG Fish); Grupo Zappalar; ICSF (International Collective in Support of Fishworkers); ICTSD (International Centre for Trade and Sustainable Development); IEP (Instituto de Ecologia Politica); Maeander Enterprises; RIDES (Research and Resources for Sustainable Development); and WIDE (Women in Development).

Said Kafai: “As much as time and resources could allow, the comments were taken into account, particularly almost all the comments made on the draft final report.”

In addition, particular attention was paid to the communication and accessibility aspects of the project to further understanding of the approach, analysis and results. However, a major linguistic concern was the availability of the reports in Spanish. Interest in the project website is growing regularly.

For a link to the presentation:

For more information: http://www.planistat.com/sia

NGOs call for coherence, not flanking measures alone

Mirielle Perrin, WWF International, asked for some specific examples of flanking measures: “What is the underlying message behind flanking measures? It sounds as though other policies must become subsidiary to trade policy. The challenge is policy coherence and to rethink in an integrated way.”

NGOs say “no” to flanking measures if they are the only solution to making trade more sustainable, she added.

George responded that in many areas, “environmental regulation is not going to be strong enough to cope with some of the effects we are predicting.
This means amending and strengthening existing measures at national level.” The second level comes from the international community in term of technical assistance and capacity building.

**Hugo Cameron**, ICTSD, Geneva, noted that discussion to date has been “slightly thin on the implementation side” and asked how flanking measures would be implemented.

**Miosotis Rivas Peña**, Centro de Investigación Económica para el Caraibe (CIECA), noted that SIA is an interesting tool in trade negotiations, but expressed concern that they are being used to mitigate the effects of bilateral agreements rather than changing the rules: “We would like to integrate SIA into trade negotiations, not the opposite. Trade negotiations should be based on sustainable development.”

Madelin responded that DG Trade launched the SIA process because it was felt that assumptions underpinning EU trade policy needed to be revisited and revised: “We do not assume that all is right with trade policy, nor are there ‘no go’ areas of flanking measures. European policy can change if a negative study is done. We are not going to initiate trade policy recommendations and then mitigate the results.”
Highlights – Plenary Sessions

Rapporteur Dianna Rienstra, Phoenix Ink Communications, summarised the issues raised during the four plenary sessions of the first day of the seminar. This summary was delivered at the end of day two.

SIA: a work in progress

You have had an interesting and controversial two days exploring the various issues surrounding the relatively nascent concept of SIAs and their implementation. As several participants have pointed out, the road to ensuring the long-term sustainability of trade agreements and the negotiating process that will lead to them is indeed a work in progress.

Yesterday, Commissioner Lamy posed five questions to this group. Your wide-ranging discussion touched upon all of them and revealed the many different, multi-faceted dimensions of SIAs.

I cannot possibly hope to synthesise and capture every stakeholders' point of view in the framework of these questions. But I'll try to highlight what I have captured as the main issues and concerns. I am sure there are issues that I have not touched upon in the broad spectrum of interests that are at stake here. I have a list of questions, which outnumber the answers, but hopefully they will provide an overview of your dialogue.

A matter of trust

After trying to absorb the volume of information and the questions raised, one thing is certain - the road ahead is challenging. First and foremost is the issue of trust. There is a fear that the EC is "greenwashing" or extending the long arm of protectionism under the guise of mitigating the negative effects of a "prefixed agenda." Before moving forward, there must be a solid foundation of trust. But how to build it?

The issue of flanking measures is one of the most controversial. Should they be conceived and implemented after the fact or should they be built in? Perhaps the concept of flanking measures should be replaced by the concept of policy coherence. Otherwise, the focus will be on mitigating and enhancing rather than improving trade policies themselves.

Many said "no" to flanking measures if they are going to be the only solution to making trade more sustainable.

A gap is perceived to exist between the well-intentioned SIA process and how stakeholders perceive it will be implemented. Where are the linkages between what has been identified as potential problem areas and policy initiatives? And what about delivery systems and capacity building to strengthen them?
How are stakeholders to be assured that in the light of subsidies and market access restrictions, SIAs aren't merely a smoke screen? How can the methodologies outlined be more deeply rooted in decision-making? How to allay the scepticism over SIAs becoming a way to support already existing negotiating positions – the "greenwashing" concern.

There is no doubt that the process is difficult, particularly in light of the international expectations it has provoked. Challenges include complex and challenging methodological issues and criticisms levelled at trade negotiations themselves. However, it was pointed out that SIAs could serve as possible tools for improving transparency and efficiency during such negotiations.

How to best move from assessment to policy design through to implementation?

Robert Madelin, Director, DG Trade, told us that this is a learning experience and that the operational proof will be in trade policies that will be implemented via, among other things, a quicker delivery of technical assistance, capacity building and a convergence with other initiatives such as DG Development projects. He spoke about SIAs informing trade negotiations as well as “real time” development initiatives.

Ownership

You asked whether this initiative is a Lamy baby and will it disappear if Commissioner Lamy disappears? To this, the Commissioner pointed out that this initiative belongs primarily to the stakeholders involved and it is up to them to work together with the Commission to improve it. In other words, if you find SIAs are a good tool, ensure it does not disappear.

I am sure stakeholders were appreciative of the support of the European Parliament, as extended by Erika Mann yesterday. But the question remains, how do we sell this to the international community? She predicted that the concept would never work unless it is part of the international agenda.

WWF pointed out the necessity to ensure that trade policies and agreements are shaped to be sustainable from the outset. How do we do this? WWF representatives said they are increasingly frustrated because in their view the process is failing to deliver. If it is too late to input findings into the decision making process, that represents a failure of political will to implement findings into bilateral and multilateral trade negotiations.

Perhaps the way forward is to look at what is creating unsustainability in a sector or region and if it is linked to trade, address the question of how can it be fixed?

Business-as-usual won’t work

The importance of launching a political discussion about how to use the findings of SIAs is critical, particularly to analyse the root causes of environmental degradation and social problems. To this end it is important that governments do their part to address policy failure issues through regulation.
It was pointed out that if we continue along the path of business-as-usual, we will all have to face the consequences of increased economic and social exclusion as well as environmental degradation . . . issues that affect everyone globally. Perhaps the way forward is to minimise the damage at the outset. Heading them off at the pass, so to speak.

Developing countries, asked to accept the burden of SIAs, are calling for developed countries to live up to the commitments made both at Rio and Doha before expecting the former to move forward. Developed countries must also meet the calls from their developing neighbours to address the issues of market access and subsidies, particularly in the agricultural sector. Is there political will to do this?

**How can developing countries best participate?**

Because SIAS are a complex, challenging and controversial task, their implementation should be rooted in substance that can only rise up from the ground. But how can developing countries be expected to participate in SIAs?. Most are still grappling with Environmental Impact Assessments.

Do the institutions exist to respond to the methodologies being suggested here? How do we ensure the SIA methodology will work on the ground if there is no infrastructure to capture the necessary data Flowing from this, how best assess the effect of potential trade agreements on poverty?

Participants called for a two-way assessment, lest SIAs turn out to be unsustainable agreements by definition. There must be more communication in more accessible language. This dialogue will require a more structured, "user friendly" consultation process. Before SIAs can move forward, there should be a common understanding . . . but with which stakeholders, and how?

**The road ahead**

The issue of trust is paramount in the ongoing discussion of voluntary initiatives, that is, the discussion of hard versus soft law. Business appears to be pushing for voluntary issues, but other stakeholders appear to have a soft level of trust in this area. How do we resolve this dilemma?

I was surprised that there was such little mention of that famous “p” word yesterday – partnership. In view of the trust issue, this could be cause for concern. However, I have the impression that this meeting has made significant inroads into identifying the fears, exposing the areas where the issue of trust is most vulnerable and where the daunting challenges lie.

Hopefully we have given the Commission some concrete suggestions as to the road ahead.
Moderator: David F. Luke, UNDP

Speakers: Consortium for EU-ACP SIA: Jochen Krimphoff, PricewaterhouseCoopers
Developing country perspective: Godfrey Bahiigaw, EPRC, Uganda
Caribbean perspective: Gillian Guthrie, Ministry of Land & Environment, Jamaica
ACP NGO point of view: Karim Dahou, ENDA, Senegal, Dominique Njinkeu, African Economic Research Consortium, Kenya

Moderator David F. Luke, UNDP, reminded participants that the goal of the working group session was to outline what they saw as the practical difficulties of conducting Sustainability Impact Assessments; how best to design an effective and operational consultation and transparency process; how can the EU help developing countries and their stakeholders participate in SIA processes; and what are the key requirements for adequate consultation.

He said a recurring theme that had emerged at the seminar was the need for policy integration at the regional, national and international levels. “This aspect should not be taken for granted,” he emphasised.

Jochen Krimphoff, PricewaterhouseCoopers and Head of the Consortium for the EU-ACP SIA, gave an overview of the four-year project on the prospective SIA of EU-ACP Economic Partnership Agreements (EPAs) being undertaken in conjunction with ECOMOD, SOLAGRAL and the IPA (African Prospective Institute).

For more information: www.sia-acp.org

Stakeholder consultation began in November 2002. In the first year of operation, two regions – West Africa and the Caribbean – have been selected as subjects for in-depth regional SIAs.

“In this first year, there is an explicit comprehensive consultation process which seeks to involve all stakeholders including regional organisations, ACP representatives, civil society and business representatives. The aim is to be as transparent as possible with a high level of participation and dissemination of results,” he said.

Krimphoff admitted, however, that this was a difficult task given that the ACP region encompasses more than 70 countries. Presentation of the mid-term report is scheduled for April 2003, with regional ACP workshops to be conducted (in the two selected regions) in spring/summer 2003. The final report for the first year is scheduled for summer 2003.
“This SIA is different from those in other parts of the world because of the much broader nature of the EPAs, which, in contrast to more traditional trade agreements, have a strong developmental context,” he said.

Godfrey Bahiigwa, Economic Policy Research Centre, Kampala, Uganda, gave details of a 1998 study conducted by the Centre with the support of UNEP that assessed the effect of trade liberalisation on the fisheries sector in Uganda.

“This study could provide lessons for the conduct of future SIAs,” he said, in that while it exposed the economic, environmental and social aspects of trade liberalisation, it also showed up the difficulties encountered in gaining reliable data and the lack of capacity of governments to carry out adequate monitoring and evaluation. “Measures were identified to address over-fishing, pollution and quality concerns, but implementation was slow and the study showed that institutions were weak and resources limited.”

Gillian Guthrie, Ministry of Land and Environment, Jamaica, appealed for Jamaica to be the subject of an in-depth SIA. She said there needed to be recognition of the economic and environmental vulnerabilities of small island developing states and called for consideration of the impact of agreements on the country’s trade agreements with third parties. She pointed out that conducting an SIA was an “overwhelming task” for small states.

“What is a small country with minute resources going to do to provide input and follow-up on an SIA compared to the resources available to trading partners like the EU?” she asked. Guthrie called on the Consortium to incorporate a substantial period of “sensitisation” of stakeholders in the Caribbean region, particularly local communities, to facilitate participation in the design and implementation of the SIA. She reiterated that financial constraints on the ability of small countries to undertake SIA would have a direct effect on the sustainability of the process.

Karim Dahou, ENDA Third World, Senegal, emphasised that “impact assessment had to be an ongoing process, and that the need for policy integration (in particular across ministries within a country) never ends.” It was important not to start an SIA process with the automatic assumption that there would be a benefit for everyone.

“All there is proper policy integration at all levels, there is always the potential for a lose-lose situation,” he said. A study of the effect of international agreements on Senegal’s fishing industry revealed such a lose-lose situation where initially, fish exports increased, but with less fish available for the domestic market (where fish represented 75% of the Senegalese diet), nutritional problems emerged. Eventually, even export revenues were threatened by over-fishing.

Dominique Njinkeu, African Economic Research Consortium (AERC), Kenya, outlined the AERC’s work in providing in-depth analysis of trade issues from an African perspective. The aim is to encourage and provide training in economic policy and trade negotiation to African professionals.
“The goal is to translate ‘impact assessment’ into policy, so we need to help African nations play a more effective role in international negotiations. It is vital that independent institutions and researchers from the South have access to the international trade process,” he said. Financial constraints are hampering southern institutions from carrying out comprehensive research.

Njinkeu also pointed to the need for sub-regional representation in the SIAs, and not simply concentration on individual countries. He gave details of a newly created organisation – International Lawyers and Economists Against Poverty – based in Toronto, Canada, which will concentrate on trade issues and helping developing countries to take a greater role in trade negotiations.

Consultation – problems, suggestions

Karen Ulmer, APRODEV, Belgium, pointed to the need for greater emphasis on gender issues and the link to poverty in SIAs. She said there could not be an “integrated” approach if those whose voices are already “weak” are not integrated. Otherwise, these “voices” will be further ignored and marginalised.

There should be an explicit reference in SIAs to consultation with women’s groups. It is also not appropriate to rely on the internet for consultation with grassroots organisations many of which do not have access to this technology. A lengthy process of explanation and consultation was required.

Renwick Rose, Windward Island Farmers Association (WINFA), called for concrete measures to develop the capacity of farmers, women, youth and civil society generally to participate and interact in the process. He pointed out that many people among these groups did not understand the impact that a trade agreement can have on their livelihoods.

How can farmers, fishermen and others be expected to understand all of this, he asked. Jean-Francois Bence of the European Economic and Social Committee urged the Consortium not to “reinvent the wheel” but to draw on existing consultative processes. The Committee, for example, already has an existing dialogue with ACP civil society.

Eva Kaluzynska, Coordinator for Civil Society Dialogue, DG Trade, said the directorate holds regular meetings in Brussels on trade topics. These focus mainly on the Doha Development Agenda at present, but include sessions on the EU-ACP negotiations, planned in co-operation with NGOs. All SIA studies are presented at such meetings. Organisations based in Europe are welcome to attend, and in some cases DG Trade is able to refund travelling expenses if requested in advance. She hopes to be able to invite participants from ACP countries over the coming year.

For more information: http://trade-info.cec.eu.int/civil_soc/intro1.php

Michael Gidney from Traidcraft, UK, pointed out that proper consultation with stakeholder groups means consulting widely in the informal sector where many craftsmen and women are employed. How committed is the Consortium, to ensuring that SME’s and the informal sector have effective input into the process? he asked.
Ghazi Hidouci, Programme de Development Municipal Africain, France, emphasised the need to avoid “experts consulting other experts” and that “having a website” is not consultation. The Consortium must stage seminars at the local level, not on trade as such, but on trade as an instrument of development, he said.

Consultation can lead to a wish list that creates expectations and all those involved in the process need to be aware of that, warned Oliver Morrisey, the International Economic Development Group (ODI), University of Nottingham, UK. Consultations on the poverty reduction strategy processes already going on should be integrated into the SIA consultation process which would avoid duplication and also bring trade into the poverty reduction strategy process, because until now it has not been adequately integrated.

Krimphoff responded to some of these suggestions by pointing out that the Consortium includes NGOs with already-established networks. However, given the resources allocated to the project, he said it is not going to be possible to talk to all groups, but the Consortium is committed to working with SMEs as far as practicable. He emphasised that a compromise would have to be found between the need for sensitisation and capacity building. As far as further in-depth studies are concerned, more pilots are planned, although they are yet to be selected.

A bias towards environment?

Edward C. Sefuke, Embassy of the Republic of Zambia, echoed the comments of a number of participants about a perceived bias towards the environment in SIAs. He said this is a major point of difference between African countries in particular and the EU. Many countries are suspicious of the environmental criteria, which they believe will work in favour of the EU side of the negotiations, but against the interests of developing countries.

Narainduth Boodhoo, Ministry of Industry and International Trade, Mauritius, also believes there is an environment bias in the SIAs and that the Consortium should concentrate more on economic and social aspects in their study. What ACP countries want to achieve as a result of the EPAs is development in general, he said, and this should be underlined.

Lingston Lloyd Cumberbatch, IBF International Consulting, Belgium, also warned the Consortium that they may encounter suspicion from many ACP countries on this issue and that they should be prepared for that.

Margund Belke, Federal Ministry for Economic Affairs and Labour, Austria, pointed out that all three pillars of SIA – environment, social and economic – are important, and that environment is a key element. She cited the result of the Senegal study (the lose-lose scenario), which she said underlined the importance of integrating policy across the board. Free trade, she said, is often seen as negative for the environment, but it can also have positive benefits. For example, sustainable tourism has helped preserve traditions and wildlife, while creating economic benefit for a country at the same time.

Keith Tyrell, WWF, EPO, Belgium, said SIAs are about sustainability and that earlier speakers had illustrated that if you do not consider environmental
issues, there will be economic problems. In the case of Argentina’s fisheries, for example, there was a net loss of US$500 million because the environmental and social impact of liberalising their fishing market was not considered.

Again, it is a matter of policy coherence, not just going for short-term economic benefits that might have long-term social and environmental impacts. It was also pointed out by other speakers that in other parts of the ACP – notably the Pacific countries – environmental concerns are given a high priority, in particular in regard to their fishing industries.

Who benefits from SIAs?

A number of participants expressed concern about how the findings of the SIAs would be used by both sides in the negotiating process. Boodhoo described the ACP negotiating guidelines and the EU negotiating directive as “different documents” that were “miles apart.” Would ACP countries have to change the direction of their negotiating position as a result of the SIA? Would the EU change its position as well? How would the negotiations proceed in relation to the SIA?

Kingsley Ofei-Nkansah of GAWU, (Ghana TUC), referred to the EU’s so-called “hidden agenda” in initiating the SIAs. He said the EU had no need for a hidden agenda, because it is already in a much better position to use the results of the SIA and review its negotiating approach, in comparison to the entire ACP group of countries. The gap between the two negotiating positions needed to be narrowed. He also asked how it could be assumed that a certain impact would occur as a result of the EPA, without taking into account the effect of the EU’s negotiations with other parts of the world, for example, in relation to concessions to East European countries.

Michel Takam, ADEID, Cameroon, said civil society wanted to know much more about the whole process of SIAs and how they fit with the trade negotiations. “What’s the point of all this,” he asked, “if we can’t influence trade negotiations? If it doesn’t influence policy?” These studies by themselves, he said, were not going to increase agricultural production in Africa.

Njinkeu claimed the SIA studies were designed to help the EU, not ACP countries. What ACP countries need are measures to reduce poverty, he said.

The challenges of data collection

Francois Pacquement, Agence Francaise de Developpement, outlined his agency’s funding of studies, such as the one carried out in Senegal in 2002, integrating environmental and social aspects. Everything, he said, depends on the reliability of the initial data. The agency re-visits projects 10 years after their inception to look at the impact of the money that has been spent.

Klaus Schilder, World Economy, Ecology & Development, Germany, suggested that assessment already carried out by UNEP and others should be integrated into SIAs; looking at sectoral studies may help to make up for the lack of data, especially in the informal sector of ACP countries.
Derrick Oderson, Ministry of Environment, Energy and Natural Resources, Barbados, pointed out how diverse the Caribbean region is, with the only common element being that all countries are small and very vulnerable. It is important for the Consortium to identify a national focal point that can coordinate the country’s input to the SIA. For this purpose, Barbados has the Trade and Environmental Working Group.

There needs to be national sensitisation - the Consortium should spend time sensitising the region so that people can be made aware of this new phenomenon. Key regional agencies should be consulted – this is important for the collection of data. Websites should only be employed as a consultative measure after the initial sensitisation period.

Country or regional focus?

A number of speakers including Sefuke questioned why the Southern African region had not been included in the in-depth regional SIAs even though this region already had a number of well established regional bodies and extensive existing data on economic modelling.

Theo Yasause, the Pacific Island Forum Secretariat, pointed out that given the lack of expertise at the national level in some countries, regional bodies should be consulted by the SIA experts. As far as involvement of stakeholders is concerned, there should be a wide spectrum including NGOs, government, the private sector, women’s organisations and youth groups. Fish is a key issue in the Pacific – in particular tuna – and the SIA should focus on that sector.

Morrisey pointed out that the choice of ECOWAS was an interesting one because ECOWAS was a regional integration in name only, and not an effective regional agreement. It will also force the whole issue of who is going to negotiate with the EU on behalf of ECOWAS, which contains diverse countries, both anglophone and francophone, some of which are completely disparate.

Ghana, for example, is not confident that ECOWAS can deliver on its regional agreement and is asking whether it will be forced to negotiate as part of the regional agreement, or is it going to be allowed to negotiate on its own? It is also important, he said, to look at the impact of a regional integration and then look at the impact of that regional agreement negotiating with the EU. There would be additional costs involved in this and he asked the Consortium if they had thought about how to go about this.
Working Group: EU-ACP - What is needed for effective SIA outcomes?

Moderator: Theo Yasause, Pacific Island Forum Secretariat

Speakers:
European Commission: Martin Dihm, DG Trade
Representative of developing countries: Edward C. Sefuke, Embassy of Zambia
NGO perspective: Guggi Laryea, Eurostep, Belgium
Gender dimension: Karin Ulmer, APRODEV, Belgium
Links with Fair Trade: Perry Gollo, Michael Gidney, Traidcraft, Malawi, the UK
Private sector perspective: Elena Bonfiglioli, Microsoft, EMEA

Moderator Theo Yasause of the Pacific Island Forum Secretariat opened the session by outlining the key questions that needed to be addressed in the discussion:

- What are the capacity building needs of developing countries for effective participation in the SIA process?
- How can the EU help developing countries to implement SIA recommendations?
- How can one ensure the mutual supportiveness of private and public activities related to SIAs during assessment and implementation of flanking measures?
- What role could the private sector play through Corporate Social Responsibility activities in the design and implementation of flanking measures proposed by SIAs?

Martin Dihm, DG Trade, pointed out that Economic Partnership Agreements (EPAs) assume a special place amongst the range of EU bilateral trade negotiations because they are designed to be an instrument of development, to foster and be based on regional integration, and to deal with many least developed, low income and small countries with little or insufficient negotiation and trade policy capacity.

They will cover 76 countries in the ACP featuring diverse characteristics in terms of size, development level and geographical location (some islands, some landlocked). Thus the SIA in the context of EPAs are of special importance and face special challenges. However, Dihm emphasised that SIA is not a “stand-alone” exercise.

“Both sides have to contribute to the results and they do not ‘exonerate’ ACP countries from taking up the task of development,” he said. The SIA will provide linkage in a number of areas; technical assistance for trade policy capacity, ongoing or planned impact assessments, flanking measures of development co-operation during and following the negotiation process, and private sector and corporate social responsibility.

“The SIA needs to be approached with pragmatism and realism. It is only one element in development, and while it has an important role, the SIA alone
cannot solve everything and needs to be integrated into the network of development initiatives," he added. It will also be a learning process in its own right.

Effective outcomes depend on how effective the input is. Said Edward C. Sefuke, Embassy of Zambia: “To achieve appropriate input, what is needed is good planning, good implementation and a clear review policy.” As far as planning is concerned, clear objectives have to be outlined but stakeholders had differing views of the process.

“For whom are we preparing these studies – are they just for the EU or for its partners? Perhaps the stakeholders should have been involved in drawing up the terms of reference,” he said, and asked whether, even at this stage, these terms of reference could be reviewed. The ideal would be to schedule the SIA before the start of the EPA negotiations.

There is a major question of ownership of the process. The EU is funding the SIA, it has devised the entire process, and so effectively “owns” it, he pointed out. But if the EU wants to achieve greater involvement of ACP countries, it needs to open up this process. As far as a review policy is concerned, Sefuke put forward a challenge: If the SIA demonstrated that what the EU is doing in other policy areas (for example in the Common Agricultural Policy) is contrary to its development goals vis-à-vis the ACP countries, there should be a requirement for the EU to demonstrate that it has implemented changes in those policies deemed harmful.

Guggi Laryea, Eurostep, Belgium, quoted the aim of the session, that is, drawing out the needs of developing countries to participate in SIA and implement its findings. “This seems to imply that the onus is on developing countries to implement the results of either bilateral or multilateral trade agreements to which the EU is party, or that the EU may have no problems in implementing the findings of the SIA. I think this starts the process off from the wrong premise.” The responsibility is with both parties to implement the results.

“The EPA negotiations themselves need to be far more transparent and accessible to stakeholders if the SIA process is going to effectively contribute to new ACP-EU trade arrangements. New efficient methods of capacity building are needed in support of developing countries and their citizens to participate in the SIA process, and implement the findings,” he said. Funds and mechanisms for disbursement have to be clearly identified and made more efficient to ensure that the measures are implemented in a manner and time that is needed to address the problem identified by the SIA.

A concerted effort is required to synchronise the SIA process to the negotiations as regards the timetable and the ability to input into the negotiations. The SIA process needs high-level political support, involving Member States, the European Parliament and the ACP-EU Joint Parliamentary Assembly. The findings of the SIA should be fully integrated in the outcome of the negotiations, that is, the new trade arrangements, be legally binding and be monitored with safeguards for implementation.

Karen Ulmer, APRODEV, Belgium, pointed out that the EU is a signatory to the Millennium Development Goals. Hence, effective outcomes of SIA will
have to be measured against the objective of making future trade regimes work for the poor.

“Women form a major group of the stakeholders as they present over 70% of the poor in ACP countries. Without their effective participation in impact assessments, without identifying the issues of importance to them, without building their capacity to effectively address these issues in the negotiations, SIA outcomes will not be effective nor relevant to poverty reduction,” she said.

Effective participation of women and other stakeholders can only be achieved if the SIA becomes a tool for advocacy and lobbying to achieve particular policy outcomes. For example, a gender based impact assessment study (EPAs – What's in it for Women?) commissioned by APRODEV, and based on existing materials and some initial research undertaken under the auspices of the Zimbabwe Non-State Actors Forum, identified a set of effective outcomes, such as addressing the physical and policy constraints that currently inhibit the ability of women to produce and trade competitively; protecting the expenditures of greatest importance to poor women from budget cuts; and building the capacity of women to exploit economic space and to protect products of importance.

As far as the implementation of SIA recommendations is concerned, the study identified the need to: design specific programmes to facilitate women’s participation in opportunities opened up in new trade arrangements; to take the external effects of a reformed CAP into account (developments in markets and production areas important to women) and to facilitate frameworks which promote ethical or fair trade (working conditions of female employees).

Perry Gollo and Michael Gidney of Traidcraft, in a joint presentation, outlined their experience of an SIA process in their country and made recommendations for the EU’s own SIA process. Traidcraft is the UK’s largest fair trade organisation with a mission of fighting poverty through trade.

Gollo, Programme Manager for the organisation’s TEEM (Training for Enterprise and Export Development) project in Malawi, outlined the principles employed by the organisation in its own impact assessment process. He said it is important to identify and involve all stakeholders, and to have an entirely open process. As far as Traidcraft is concerned, impact assessment is not simply carried out for the purposes of the organisation itself, but should be transparent to all. It is vital to have a long-term perspective to prepare for future challenges and that any findings be shared with all stakeholders.

“Findings were shared with all stakeholders and have altered the course of the project,” he said. Gidney, Traidcraft’s Director of Policy in the UK, said the need for “shared ownership” of the SIA process was a pivotal issue. He is concerned about short delivery times, it is unclear how accountable the process would be, and how it would inform the direction of the EPAs being negotiated.

“If the SIAs are to be effective, then they must absolutely and fundamentally inform the direction of the EPAs,” he said. SIAs are too technically orientated, too much concentrated on the “macro” view. “There is not enough engagement with producer groups, which I believe is a critical omission.”
Elena Bonfiglioli, Microsoft EMEA (Europe, Middle East and Africa), emphasised that the key to impact assessment is in the process. What is important is how the SIA process is made operational, how initiatives are aligned to both micro and macro perspectives and to what extent there is shared responsibility and partnership. Microsoft is interested in looking at how to put technology at the service of development.

“Companies could help to make the SIA process more effective by feeding in their experience of soft laws and self assessment tools; providing support to overcome the lack of data which may pose a methodological hurdle; streamlining the process of identification, testing validation and implementation of sustainability indicators; actively engaging in a participatory model with all stakeholders; and, facilitating ‘in the field’ testing phases over a set timeframe,” she said.

Training and capacity building

Gillian Guthrie, Ministry of Land and Environment, Jamaica, pointed to the efforts of Traidcraft and stressed how important training is to enable the sustainability of the process, and accountability to ensure ACP countries gain “ownership” of the SIA process. She agreed that a vital issue is the identification of indicators – which indicators would be selected and how the data would be collected.

In terms of how Microsoft can help to bridge the digital divide, Bonfiglioli said it is not just a problem of lack of infrastructure, or access to it, but also education, training and mobilisation. In terms of infrastructure and training, Microsoft provides access to the internet and the infrastructure (such as computers and software) to remote villages in Africa. If the Consortium wants to reach local groups of farmers or fishermen and give them an opportunity to contribute to the SIAs, Microsoft could definitely look at using their Digital Villages project.

A connection could be made with the project once actors to be consulted are identified. This cannot, however, solve the issues of mobilisation of links between the consortium, local actors and the public authorities. As far as indicators and what sort of data is available, companies too are looking at these issues and there is scope for more in-depth consultation on sustainability indicators between the Consortium and companies.

Gollo said training is part of Traidcraft’s agenda in that people are trained not only to “know” but also to “do”. On accountability, Traidcraft believes in total transparency. For example, whatever information is gathered on poverty is shared with donors and NGOs. In addition, outside organisations are invited to evaluate Traidcraft’s work.

How will SIAs relate to EPAs?

Klaus Schilder, World Economy, Ecology & Development, Germany, admitted he was still confused about how the SIA will relate to the trade negotiations. A suggestion was made during the seminar that there should be meetings between the SIA consultants and the trade negotiators. There was an additional
suggestion that the EU’s negotiating guidelines might be revised in the light of the findings of the SIA. He asked the Commission to comment.

Dihm said it was not foreseen that the SIA would play a participatory role in the EPA negotiations, although there should be a narrow inter-link. As to whether negotiating guidelines can be changed as a result of SIA findings, he said it is too early to say. The mandate is already quite widely framed so there is room for interpretation – with wording including phrases such as “special and differential consideration,” which means a lot could be done within the existing text.

CAP reform

Kingsley Ofei-Nkansah, GAWU, Ghana, pointed out that as far as EU development policy is concerned, “charity begins at home.” He echoed an earlier question about how the EU will use the findings of the SIA to address its own policies - in particular the critical issue of CAP reform.

Dihm responded that it is unrealistic to imagine that CAP reform can be tackled through a bilateral negotiation. He pointed out, however, that CAP reform is under consideration and that the Commission is at the forefront of the process. But reform of the CAP cannot be achieved in a “vacuum” – it depends on reforms elsewhere in the world.

Terms of reference

Dominique Njinkeu, African Economic Research Consortium, Kenya, asked how the SIA studies could be designed so that they can be “safely” taken to developing countries. He said the terms of reference were framed to respond to the needs of the EU and not the developing countries.

“If there is one set of studies bought to the developing countries and they do not have the capacity to participate fully, and the study is being presented by someone who is giving them aid, we know what will happen”, he said.

Dihm emphasised that EPA negotiations are a joint effort. The basic framework was drawn up as part of the Cotonou Agreement, which was agreed to by all parties. EPAs are special agreements in that the pure free trade interest of Europe is relatively lower in comparison to many other EU trade negotiations. He stressed that the EU and ACP countries are negotiating to achieve the same objective – development. SIAs are sponsored by the EU, but in no way are they intended to give “advice” to ACP countries.

Sefuke said ACP countries welcome the EU’s help in implementing SIA findings but conversely, ACP countries also have some suggestions as to how the EU can implement SIA negotiations. He hoped this would be a transparent process which would show who was best able to implement the suggestions given to them from independent consultants.

Lizzy Ikwue, Black Race Light Association, Nigeria, stressed that raising employment levels was the best way to enhance development. Before any trade agreement is finalised, employment projects need to be introduced. As far as the SIA is concerned, employment should be taken as the first consideration.
An EU-driven process

Gidney said the process is substantially EU-driven, but the EU is making encouraging noises that the Cotonou agenda is much more about sustainability than simple trade alone, so there is the chance to do something unique in the way consultations are organised. However, if the "shared ownership" model is not right, he said, the model will not be sustainable. There is a lot more that can be done in ACP countries by NGOs and others to sensitise people about Cotonou – many people do not even know it exists, let alone that there is an EPA attached to it.

This consultation process set up by the Commission is a good start but there should be more of it, and with more ACP involvement in deciding the agenda, he said. The Consortium too had more work to do in terms of consultation and for that to be done properly, it may be that some of the timetable might have to slip in terms of reporting for the first phase of the SIA.

Flanking measures

Laryea pointed out that if the SIA identifies the problems and then proposes a flanking measure that is agreed by both parties, it is not enough to say, “we have it covered.” ACP co-operation is littered with stories of delays in implementing and actually spending money – delays that have actually caused the problem – even when money was available.

It is a complex problem to do with both the Commission’s and the ACP’s own structures, he said. There are very short deadlines in the funding process. This issue needs to be addressed in the context of the flanking measures – speedy and efficient mechanisms of disbursement need to be developed.

Transparency

Friedrich Hamburger, DG Development, described SIAs as a key element for transparency – both sides will know what is going on in these negotiations and how they might eventually be affected. It is up to ACP governments to put into place dissemination and consultation mechanisms with business and other stakeholders and assistance should be given to aid this process.

“In some ACP countries there is limited consultation between governments and the business sector and that is where capacity building comes in,” he said. This is crucial for the informal sector. This is where the gender issue should be dealt with, because poor women work mainly in this sector either as agricultural labourers or as small or single entrepreneurs. Bringing the informal sector closer to the formal sector, without stifling it by too much regulation, would be a crucial effort accompanying any such negotiations.

As far as data collection is concerned, ACP countries will need major support because SIAs will be incomplete if they are not based on a critical mass of data. The Commission wants to give support through its regional and national strategies with ACP countries to aid capacity building.
Gidney pointed out that transparency and accountability worked both ways, and it should be the case for the EU as well as developing countries to put these principles into practice. He called on DG Development to play a more prominent role in the SIA process.

**Key issues raised**

Moderator Yasause, in drawing the working group to a close, highlighted the following issues for further consideration:

- Involvement of all stakeholders from both the EU and the ACP is crucial for them to have ownership over the SIA process.
- SIA in the EPA process should be a joint responsibility for the ACP and the EU at the formulation, implementation and assessment of its outcomes/results.
- Development of terms of reference for SIA should also be a joint responsibility if it is to be acceptable by both sides.
- Transparency, communication and two-way dialogue should be established to make the EPA SIA process meaningful.
- SIA assessments should take into account the development dimension of gender and poverty.
- Training and capacity building should be an ongoing process for SIA sustainability.
- The role of communication and information technology is important for effective SIA outcomes and should into account these issues.
Participants in both working groups saved their questions and comments until the end of the afternoon session, which culminated in a lively discussion covering a broad range of topics. Highlights of this question and answer session are presented at the end of the afternoon working group.

**Working Group: EU-GCC and EU-MEDA - SIA in practice**

**Moderator:** Andrea Amato, iMED

**Speakers:**
- Consortium for EU-GCC SIA: Sarah Richardson, Maender Enterprises Ltd., Canada
- Representative of a Gulf region: Abdel Aziz Aluwaisheg, Gulf Cooperation Council, Saudi Arabia
- Private sector point of view: Loutfi A. Mazhar, Federation of Egyptian Industries, Cairo
- NGO representatives: Hanan Awwad, Friends of the Earth Middle East, Israel, Carmen de la Cruz, Women in Development Europe (WIDE), Spain

In this working group, a range of participants from government, NGOs, the EU, consultants and industry presented their perspectives on the forthcoming SIA studies for the Gulf Cooperation Council (GCC) and MEDA regions. With the SIA studies only commencing when co-operation agreements are close to conclusion or already signed, many questioned how these would and could be integrated. Speakers discussed how they could be incorporated in annexes, mitigating (or flanking) measures and how they would shape the development of FTAs over the longer term.

Moderator Andrea Amato observed that the topic of this workshop is slightly more complex than some of the other regions under discussion at this seminar because the two zones are very different in character as are the two types of commercial agreements in view.

With regard to the Gulf Cooperation Council (GCC) negotiations are in process with an economic bloc and the SIA process has already been launched. MEDA concerns 12 individual countries with which bilateral agreements have, for the most part, already been concluded. The consultant has yet to be appointed to carry out the SIA.

**Core issues and components**

Public participation is important in the SIA process because it stimulates cooperation, brings together expertise, encourages the feeling of “ownership” of the recommendations, stimulates capacity building and, importantly, establishes trust, said Sarah Richardson (Maender Enterprises Ltd.) of the PriceWaterhouse-Coopers/Ecomod consortium.

“We feel it is vital to understand the full context of region which we have to study. This implies issues such as social, economic, political, geographic,
climatic, and so on,” she said. “Not a lot of work has been done to date in the GCC on environmental impacts.”

The SIA being conducted for the GCC region is in its early stages. It was begun in December 2002 and has reached the stage of the initial Inception Report, based on the approach recommended by Manchester University, to screen, scope and assess the issues.

The core components and issues already highlighted by the consultants include market access, trade and services, standardisation, and procurement, as well as potential environmental and social effects. Richardson said the immediate challenges in this process involve: identifying stakeholders; generating interest to get feedback; and disseminating information to stimulate good feedback from stakeholders.

The consultants are concerned about effective public participation in the SIA process and are focusing on a broad approach, extensive dissemination of information, capacity building, timing, feedback and ongoing contact. The biggest challenge in developing effective consultation, Richardson stressed, is identifying and compiling stakeholders.

“For these we need to tap into networks and seek advice from wherever possible. We need to are developing an effective information flow to bring dynamism to the whole process,” she said.

**How to implement an effective SIA for the GCC region**

There is concern that the SIA process may slow down the pace of negotiations between the EU and the GCC. This process is already slow and there is a need for speedy conclusion, advised *Abdel Aziz Aluwaisheg*, Economic Integration Department of the GCC, Saudi Arabia.

“When we heard about the SIA we were really hoping that the pace of negotiations would not be slowed down through the process. From the GCC perspective, this may create misunderstanding because it may be viewed, unfairly, as just one more obstacle found by the EU to delay the negotiations,” he said.

Because the EU enjoys a significant surplus in its trade relations with the GCC, any delay could be viewed as a desire to keep this favourable relationship. Despite this cautious view, there is interest in studying the SIA methodology as the EU-GCC agreement will require that the GCC’s existing bilateral agreements will either have to be converted into collective GCC-wide agreements or phased out within two years.

Aluwaisheg discussed the experience of his department in modelling and analysing potential free trade impacts in the region and offered advice on the approach and structuring of the SIA. Until now there has been no integrated approach to assessing the impact of free trade agreements in the GCC. However the GCC’s Economic Integration Department does have an econometric model which covers the economic effects on employment, which can be viewed as a social indicator. In addition it undertakes qualitative assessments of some social effects but doesn’t have a quantitative approach to this part yet.
Studies on environmental effects are carried out by Member States at project level only. There is a considerable body of environmental legislation within the GCC, but implementation is carried out by Member States directly. This is coordinated by the GCC and is not integrated into the assessment of FTAs.

The GCC macro model has been used since 1899 to assess optimal levels of external tariffs, effects of intra-GCC trade liberalisation, overall economic effects of the GCC customs union, and effects of workers’ remittances. The main method used is simulations – comparisons between base scenarios and policy scenarios – and has only limited capacity for straightforward forecasting.

A few ex ante studies have assessed the potential economic effects of the GCC customs union. The first (by a consultant in 1992) focused on government revenue effects of the customs union. The second (World Bank 1999) also dealt exclusively with revenue effects of the customs union. A third study used an econometric model. In its final form it contained 260 variables for each Member State or 1,560 variables in total, primarily economic. Thirty-three are taken as exogenous such as population variables and the price of oil. Eight main blocks include population, national accounts, oil sector, government sector, non-oil, non-gas, international trade, intra-GCC trade, money markets. Intra-GCC trade flows is the largest bloc.

"Unfortunately GCC has capacity limitations and there are currently no plans to expand the methodology used except perhaps to disaggregate the trade blocs to identify different regions or key trading partners," he cautioned. "Otherwise the rest of the world is lumped into one equation and that limits our ability to assess the effects of a particular region or country with perhaps the exception of the EU."

Getting the right stakeholders involved in the MEDA region

The private sector is very sceptical about free trade agreements but the participation of the business community is important, even if you are getting negative messages, Loutfi A. Mazhar, Federation of Egyptian Industries, Cairo, told participants.

“For successful consultation it is vital to involve all stakeholders in the process, including business associations, trade unions, NGOs, governments, and other related areas such as education and the environment,” he said. “Look into the whole spectrum which could have an influence on your work.”

Mazhar stressed the importance of finding the right framework for improving the quality of the studies through better interaction with the stakeholders: “Our experience over many years has raised serious questions about the general quality of studies made in different parts of MEDA.”

He highlighted the problem of trying to identify the gap between the macro policies reported and the real facts on the ground. Getting good information is not easy. In the Middle East, appropriate approvals from the authorities are needed, without which you cannot go into the country to collect data. Searching
for the right data source is vital, everybody's perspective is different and it has to be tested to ensure it is the right quality.

It is necessary to identify and select “serious representatives” from civil society and integrate the views of NGOs, trade unions and business associations, because they are looking at the same problem from different perspectives. Data alignment is also important. Countries have different measuring systems and data from the different regions must be re-checked.

Macro level and sectoral SIAs can be different in their approach. For this reason it is important to establish contact points with the responsible authorities and with all stakeholders. This involves hiring qualified local consultants, including lawyers. Identify all data sources and establish a common definition for each indicator. Possible mitigating and enhancement measures should be identified.

Successful consultation?

Although the private sector is still sceptical about the benefits of FTAs, the participation of the business community is important. Mazhar said that consultation should further education about SIAs either directly or through business associations. For successful consultation it is vital to involve all stakeholders.

“Look into the whole spectrum which could have an influence on your work. Keep them informed through meetings, and bulletins. Give them feedback. This would be greatly respected by them,” he said.

Never compromise conclusions or recommendations to please certain authorities or certain stakeholders and do not be shy about giving bad messages just to please special interests, he added. The consultant should set up a project management unit (PMU), a coordinating body between all parties involved in the process, to manage the programme budget, all administration and monitoring work, and issues progress reports to all stakeholders. Communication is important.

To maintain the commitment of stakeholders it is necessary to forge synergies and co-operation among business associations nationally and within MEDA. This is important because they are trying to set up the south-south agreement and there is much resistance.

Continuing the dialogue

It is necessary to set up a system to maintain the continuity of the dialogue among the stakeholders. This should occur through a continuous dialogue with government, business, trade unions and civil society that should be set up before the study is finished.

As to the EU’s future role, support is needed to set up an independent body on a regional level within MEDA to be responsible for assessing the impact of new trade agreements or amendments of the economy, social welfare and environment. This body would do the work related to sustainability.
Other challenges to social development in the region are flanking measures to address social sustainability. Examples of this are modernising education, eradicating corruption and social inequality, and providing access to low-cost health care. Such a regional organisation could also carry out these types of initiatives, which are really needed in the region.

Balancing environmental and economic factors

Sustainable trade liberalisation will balance the economic, social and environmental needs of the Euro-Med region. This is essential in guaranteeing positive economic growth while minimising the negative social and environmental implications for the region, commented Hanan Awwad, Friends of the Earth Middle East, Israel, Project Manager of the study of the environmental impact of the Mediterranean association agreements.

“We suffer from poor environmental and social status in the Mediterranean region. In agriculture in the Palestinian territories groundwater is being extracted in excess of the natural replenishment rate. The water is salinated and the soils are degraded through excessive use of agrochemicals combined with ambiguous laws and lack of enforcement,” Awwad pointed out. “There is a need for a proper SIA of the proposed EMFTA.”

This is critical given the large difference between the EU and its 12 Mediterranean partner countries in terms of development, infrastructure and environmental base. This is reflected in the lack of environmental regulations, poor infrastructure, poverty and the low GDP present in most south Mediterranean partner countries.

She cited Friends of the Earth’s textile industry study (Egypt versus the EU) as a good example of the regulatory disparity that exists between the two areas. For instance Germany has direct bans on certain textile dyes. This ban will be followed by other EU countries, which means 80% of these dyes will be banned by 2005. The traditional dyes used are brilliant and provide adequate fastness, while the more eco-friendly dyes are more expensive and not as satisfactory in terms of the final product.

The SIA should be carried out on a country-specific basis, including environmental impact assessment of major economic sectors. The results should be used to develop national sustainable action plans. An important step in the process will be identifying mitigating measures that would ensure a positive path towards a sustainable EMFTA. It is also necessary to develop recommendations that will be incorporated in all Euro-Med policies. An assessment of the EFMTA bilateral agreements, not only the regional FTA, is needed and the data shared among partner countries.

Specific targets for sustainable resource use should be adopted for both regional and national levels. These assessments should feed back into the system and adjust policy so that they are coherent with carrying capacity. A comprehensive multi-sector management programme should be included. SIAs should be used fully by policymakers and not be regarded as academic documents. SIAs must also be used for all Euro-Med funding – financial instruments such as MEDA and the EIB.
Integrating gender issues into FTAs

Carmen de la Cruz, Women in Development Europe (WIDE), Spain, told participants that an analysis of MEDA trade agreements shows that the gender issue has only been integrated in a marginal way.

“Many countries in the Mediterranean and Gulf region have not even ratified the convention of equal rights. So there are serious issues to be considered,” she said.

The WIDE network has undertaken an analysis of the impact of trade policy and practice since 1995. From the economic point of view, the interest in incorporating the gender perspective in trade agreements resides in the improvement it can bring to the efficiency of trade. De la Cruz stressed that it essential that SIAs include these gender elements in their policies. Gender issues must be analysed, which requires data analysis on gender relationships.

There are some specific direct measures that should be included in FTA agreements, particularly provisions to ensure that export credit is available to women in these territories, as well as indirect considerations such as labour standards, and levels of child care services. Expanding trade does not necessarily help reduce gender equalities. In some cases it can reinforce gender inequality, which must be avoided at all cost.

The SIA must achieve a relative consistency between gender policies and trade policies: “The question for us is to examine how the SIA will be structured to assess the effects of gender imbalance and how this will be integrated into the final negotiations.”
Working Group: EU GCC and EU MEDA – What is needed for effective SIA implementation?

**Moderator:** Carol Chouchani Cherfane, United Nations Economic and Social Commission for Western Asia (UNESCWA), Lebanon

**Speakers:**
- **European Commission:** Basile Papadopoulos, DG AIDCO
- **Representative of MEDA country:** Khadija Chahloul, Tunisia
- **NGO perspective:** Emad Adly, RAED, Egypt
- **Private sector perspective:** Alexandre Le Dantec, Group Accor, France

Moderator Carol Chouchani Cherfane, UNESCWA, said the working group’s objective was to draw up some concrete recommendations in answer to the following questions:
- What do we need for better participation in the SIA process?
- What do we need to help implement the SIA recommendations?
- How we can improve complementarity and partnerships of the various initiatives already launched in these areas?

For effective participation and capacity building key factors are:
- Partnership – all stakeholders should be involved and on an equal footing – government, NGOs, private sector, etc.
- At the end of the day ‘ownership’ of the programme is key to successful implementation
- There has to be adequate access to information to ensure understanding of the SIA process, understanding of its goals, its process and timetable of consultation
- Key work for the consultants is identifying the key stakeholders and independent experts can be found to help in this.

For effective implementation of the SIA recommendations:
- Institutions in the region must be involved in the SIA that can follow up on SIA implementation. Ownership of the project is important for sustainability.
- Should research access to other funds and financial resources to help finance implementation (eg EIB)
- There needs to be proper appreciation of the social and cultural framework of the region to ensure differences are incorporated in the SIA analysis.
- SIA should incorporate and understand national goals and development perceptions when formulating and implementing recommendations. It is important to ensure that the economies are compatible enough to fit into globalization.
- There is a need for harmonised standards, mutual recognition arrangements, and accreditation systems to ensure MEDA exports are not impeded.
Chouchani Cherfane also noted that there were several projects already underway in the region that could support the preparation of the MEDA and GCC SIAs, including programs supported by the EC via the Mediterranean Commission for Sustainable Development (MCSD), the Mediterranean Environmental Technical Assistance Program (METAP), and ESCWA.

SIAs - “work in progress”

The aim is to look at SIAs in a holistic manner to support movement towards greater regional sustainability, which is the long-term goal. There will be trade-offs that have to be decided by the MEDA partners, but these can be made on the basis of informed and well-documented data, as explained Basile Papadopoulos, DG AIDCO of the European Commission.

“We see SIA as an input to the process of dialogue which has already started with MEDA partners under various forms. We look upon it as work in progress,” stated Papadopoulous. “Even though the Association Agreements are signed in some cases, this does not mean that they cannot be revised at a later stage.”

Among the most important issue to study in the preparation of the SIA for the MEDA region is thus the process of arriving at jointly agreed results or ways of doing things. Although this is a very labour intensive process, it is anticipated that the quality of the output would subsequently be increased.

The SIA contract for MEDA should be signed in May 2003, with completion anticipated towards the end of next year. The specific objectives of the SIA study are to identify the opportunities, shortcomings as well as support measures needed to enhance the impact and long-term sustainability of the Euro-Mediterranean Free Trade Area (EMFTA).

“There are plenty of things happening under the MEDA programme that are all interconnected and aim towards the same sustainability goal,” which could contribute to successful outcomes and implementation of SIA recommendations explained Papadopolous. “There are bilateral and regional MEDA programmes that cover various topics.”

Practical examples of integrating environmental factors

Several participants expressed concerns regarding the development of the EMFTA. These include the concern that imbalanced FTAs could result in polluting industries being relocated to Southern Mediterranean countries, said Khadija Chahloul, the Tunisian Ministry of Tourism, Trade and Handicraft. This fundamental question must thus be addressed in the SIA. In the case of Tunisia, there is also the serious risk of “coastalisation,” namely the concentration of industry and populations along the coast resulting in serious pressures on coastal resources and the environment. The SIA must address this problem and ensure that the EMFTA does not exacerbate this phenomenon.

Chahloul also noted that Tunisia has very active environment and free trade policies. It was the first country to sign the agreement with the EU (1996) and there remain just three to four years until full application of the FTA terms
calling for zero tariffs between the trading partners. Tunisia has already made a series of bilateral agreements with other countries in the MEDA and Arab regions and is actively engaged in regional free trade efforts.

She also pointed out that in addition to maintaining a ministry for the environment, the government has established a series of institutions that deal with environmental issues. On the legal front, industrialists and organisations applying for state aid are obliged to undertake an environmental impact assessment for projects prior to approval. This illustrates the government’s commitment to ensuring that the environment is suitably protected and that the economy remains competitive in the face of globalisation.

The various agreements completed should help Tunisia improve its performance in the areas of exports and private investment, essentially foreign investment. All efforts in the area of planning are aimed at modernising the economy to achieve these aims. Environmental matters are excluded from free trade agreements, but are principally dealt with through accompanying measures, Chahloul explained.

These accompanying measures include harmonising legislation and technical standards with those of the EU, as well as the adoption of mutual recognition agreements. The aim is to ensure that the EMFTA has no negative effects on the environment, water quality, resource use, and sustainable development. The Association Agreement also addresses the issue of renewable energy sources and energy savings.

"According to our studies, the major questions for you concern harmonisation of legislation, and infrastructure necessary for conformity and mutual recognition," she said. "There is an imbalance in the levels of development. For trade to develop in an even way, exports must expand for both parties. Tariffs are not enough to assure this."

Furthermore, the problem is often one of technical barriers, some of which concern consumer protection. If the same levels of consumer protection are not in place, there will be a trade imbalance. Products can thus be sold to Tunisia, but Tunisia would be unable to export to the EU.

Accordingly, “to have the same levels of protection, we must have the same technical infrastructure,” Chahloul added.

**Proper participation a prerequisite for effective implementation**

A systematic process that identifies and reports on the likely environmental, economic and social impact of any activity is needed for effective SIA outcomes, explained Emad Adly of the Arab Network for Environment and Development (RAED) from Egypt.

“The objective is to reach a win-win-win situation,” he said. “The shape of winning is different from one country or region to another, so it is difficult to replicate the approach from one zone to another. The goal is sustainable livelihood for the different community. This is the main challenge."
Without a participatory process, poverty eradication, and good governance, sustainability will not happen. The study end up as a technical desk study with theoretical ideas but possibly negative results in practice. It should define all the problems both global and local, the impacts of a large range of short- and long-term options, and involve genuine participation by all stakeholders in determining the impacts and in the decision-making process.

“In our region the objective is to eradicate and prevent poverty. Some industry-creation or job-creation projects could, in the end, have negative effects if we don’t take everything into consideration at the outset,” he cautioned. “Another objective is a process to achieve good governance, not just at the government-to-government level, but among all the actors involved.”

To have genuine participation, the responsibility for choosing civil society representatives lies with them: “We don’t just choose whomever we want. We need full transparency at all levels of the process.”

The first prerequisite for an SIA is peace; one missile or rocket can destroy 10 years of work. This is unacceptable. Political will is not what appears in speeches but what happens in reality, through actions such as transparency and partnership. A legal framework is also need to support sustainability. In addition, any agreement must have social acceptance.

“Consultation with the stakeholders is not the aim in itself. We need them to practice the partnership and feel ownership,” Adly emphasised. “A list of participants does not mean they are partners. They have to agree on the decisions and feel the ownership, which will provide the sustainability of the project.”

Stakeholders must be involved from the very beginning, which entails building the capacity of the partners, increasing knowledge and increasing their ability to implement the project. Also, while investing in an SIA, “we should be prepared to refuse the project if the conclusions point that way.”

It is also important to adopt a set of national, regional and international frameworks for assessment. Indicators must be relevant to the circumstances and the same ones cannot be used for all countries or situations. Recommendations must also be updated over time and modify the process if need be.

“To achieve sustainability, we should not just depend on desk studies that do not involve stakeholders in the whole process. There is no blueprint for free trade that could be used in every region,” concluded Adly. “The possible negative aspects of the SIA should not stop the project but more effort could subsequently be given to avoid such negative aspects and convert them to positive ones.”

**Building eco-thinking into the tourism business**

The Accor Hotel Group has made an engagement to integrate best practice in its hotels, aiming for continuous environmental progress and full respect for the local environment, explained **Alexandre Le Dantec.**
“Our global company has felt the need to implement a comprehensive sustainable development programme for its international hotel chain with the objective of encouraging sustainable tourism,” he said.

The Accor Group is a major player in the hotel business and represents 3,883 hotels, 440,000 rooms, and 1,000 employees, in 90 countries, including the Mediterranean region. Accor has been actively pursuing this policy since 1997 when an environmental department was set up to implement a company-wide programme focusing on the impact on tourism and the local environment. This is reflected by concern for issues such as energy consumption, water consumption, wastewater treatment, waste reduction, traffic, local economic activity, and cultural pollution.

Each hotel has an environmental charter. Renewable energy sources for air conditioning, such as solar panels, have been integrated into construction design. The group also promotes the use of dedicated water treatment installations, while reducing consumption. Eco-label purchasing is also promoted, which aims at utilising green products and being aware of equipment life cycles.

“The aim is to ensure that the equipment we use has no long-term risks for the future and the end-life of our hotel,” he said.

For a new project being developed in Djerba, Tunisia, for example, Accor has involved the local authorities in the design and specifications of the proposed installation.

“We are training our staff in good environmental practices. We aim to encourage close collaboration with local authorities regarding the environment and also try to sensitise our clients to environmental issues. We also aim to train our suppliers in our own objectives and vision,” he explained. “With this we aim to encourage sustainable tourism and help sustain the future of our own industry.”
Question and answer session - highlights

Timing an important issue

Hassan Chami, CGEM, Morocco, raised the question that because most of the association agreements with the MEDA countries are already signed, what is the objective of the SIA study? Would this lead, he asked, to the renegotiation of the agreements signed, would it re-orientate Community aid in function of the results. These are important questions to answer because if the private sector is to be convinced to participate, it needs to be convinced of the usefulness of this study.

Khadija Chahloul intervened stating that in practice all is not finalised regarding the MEDA association agreements. Only the basic principles have been agreed upon, she stressed. Regarding the annexes and the financing, the SIA recommendations can certainly be considered. “If it turns out to be all bad, we can always consider the agreements in the future. It is certainly possible to modify policy at every level,” she added.

The SIA is focused on the multilateral arrangements after 2010 rather than the existing bilateral agreements, explained Athena Mourmouris, European Commission, DG Environment. Regarding timing, it is more useful to compare this SIA with the NAFTA SIA and with the Mercosur, rather than with the SIA for WTO or Chile. “This puts us in the position to take measures in advance because Mediterranean FTA does not exist yet,” she added.

The SIA should be viewed as a sort of “grapevine”, or a starting point from which other work emanates and becomes a body of knowledge to accompany the Barcelona process, commented Andrea Amato.

The role of local impact studies was discussed as a number of participants pointed to SIA-type work that has already been undertaken in MEDA region countries that could be incorporated in the new SIA. For example, Mourmouris added, the experience gained by the Mediterranean Commission for Sustainable Development (MSCD) and the Mediterranean Environmental Technical Assistance Program (METAP) could be utilised. The terms of reference provides for the SIA consultant to contact these players and use their findings.

Global or regional SIAs?

Paula Pinho, European Commission, DG Trade, pointed out that though the GCC is a regional bloc, reinforced by the customs union, there remain many differences between the member countries, as evidenced by the 1,560 variables used in the GCC econometric model (as noted in the previous working group session). She questioned to what extent it is realistic to undertake an SIA on the GCC on a macro or global basis. It could be more useful to look at the impact on individual states. But how could this be taken into consideration globally as we negotiate as a bloc?

Abdel Aziz Hamed Aluwaisheg of the GCC pointed that the issue of a global or regional SIA for the GCC depended on budget allocation. Doing it for every region would be ideal, but expensive. If that is impossible, he
recommended dividing the indicators into three types: the economic indicators, which are relatively homogeneous and have similar structures; and, the social indicators, which are more or less homogeneous at the national level. However, the environmental issues would vary from one country and one region to another and should be analysed separately.

Performing SIAs on a national level was supported by Hanan Awwad, who suggested that the 12 MEDA countries should conduct these SIAs themselves with financial support from the European Commission.

**Stakeholder participation a key to success**

The importance of stakeholder involvement was emphasised by a number of speakers. Sarah Richardson said that public participation for the GCC SIA is absolutely critical. The question is: “Who are the reliable stakeholders, how do we select them? How do we generate interest in this study so that stakeholders get involved?”

Participation is a condition of success, according to Jean-Francois Bence of the European Economic and Social Committee. “If the SIA remains just an expert study and the results are not tested and there is no input from civil society, it will remain just a study, which is not the objective.”

He listed several conditions for success. There is a contradiction between the technically complex nature of the study and the fact that its message must be made accessible to civil society. He recommended the consultants utilise existing networks of dialogue structures between civil society and the EU and between civil society and the countries involved. In the Euro-Mediterranean framework, he pointed out that the Committee has already has responsibility for organising a dialogue between the equivalent institutions in these partner countries, such as employers, trade unions, consumers, and farmers.

“It would be interesting for us to explore the possibility how the SIA consultants could ensure there is this permanent dialogue and input which ensure that all parties make their voices heard,” he said.

Aluwaisheg addressed the question of who is a reliable stakeholder from the GCC perspective. “With a bit of digging you can find representative groups, but whether they are reliable is another issue. But the principle should be to cast the net as wide as possible,” he concluded.

Carmen De la Cruz of WIDE said that the decision on who participates in the SIA should be decided locally.

Patrick de Schrijmakers of the European Aluminium Association stressed the importance of involving industry in the SIA process. “Our industry has been involved in the debate on sustainable development for a long time. There is growing sensitivity to this in industry because we are aware that our future depends on it and we have to find our role,” he said. “It is a very complex environment and it is vital to involve all the economic players – from the international, national, regional and sectoral levels. The process could lead to an
ideal alchemy between the consultants involved, the economic actors involved, industry and others.”

The question of how to best identify the serious and reliable local consultants was addressed by Loutfi A. Mazhar, who recommended using neutral bodies or international bodies present in the Middle East who have been using consultants in the area. Emad Adly emphasised that the people most affected by the SIA must be partners.
Working Group: EU-Mercosur and EU-Chile - SIA in practice

Moderator: Maria Onestini, CEDEA, Argentina

Speakers: Consortium for the EU-Chile and EU-Mercosur SIAs: Neil Dourmashkin, Planistat
Chilean perspective: Augusto Castillo, Minister-Counsellor, Chilean Mission to the EU
OAS Project: Eric Dannenmaier, Tulane Institute for Environmental Law and Policy, New Orleans
NGO perspectives: Irene van Staveren, Institute of Social Studies, The Hague; Nicola Borregaard, RIDES, Chile
Private sector point of view: Manuel Avendaño, EU Mercosur Business Forum, Belgium

Moderator Maria Onestini, Centro de Estudios Ambientales, Argentina, urged speakers to focus on the practical aspects of SIAs and set out the tasks for the working group before inviting them to make their individual presentations. These were:

- To analyse the impact of SIAs on both parties to a trade and/or association agreement.
- To identify the winners and losers in the process.
- To seriously examine criticisms directed at SIAs, particularly from NGOs and some governments.

The presentations helped to build a composite picture of the pros and cons of SIAs and of their strengths and weaknesses. The SIA covering the EU-Chile Association Agreement, the only geographic SIA completed so far, served as an invaluable reference point for the session’s work.

Neil Dourmashkin, Acacia Consulting, Luxemburg, responsible for the EU-Chile SIA as well as for the ongoing EU-Mercosur SIA, reported on the outcome of their activities, highlighting some of the difficulties encountered in the process. Augusto Castillo, Minister-Counsellor, Mission of Chile to the EU, responded.

One problem for the EU-Chile SIA is, without a doubt, its very existence. It is a pioneering document with little similar work to compare it against. SIAs are clearly seen as more difficult to carry out, being more complex in structure and methodology than Environment Impact Assessments (EIAs) to which several participants referred. Many of the problems highlighted during the presentations and ensuing debate were probably generic to SIAs rather than specific to the Chile example, and as such likely to be encountered by those carrying out future SIAs elsewhere.

Comments and criticisms were directed variously against the EU-Chile SIA, against SIAs in general and, in some instances, against the contents of the EU-Chile Association Agreement itself. However, criticism remained constructive throughout. Questions were also asked about the transferability of structures and methodology between the EU-Chile SIA and the current one on EU-Mercosur.
If a tentative conclusion can be drawn from the session, it is that the principle and the aims of SIAs enjoy wide acceptance. But the tasks involved are more difficult and complex and the tools less widely available than previously thought. Major unresolved issues concerned participation, timing, ownership of the SIA (should it be commissioned by one party, or both), confidence in the process and in the consultant involved, capacity building and post-implementation monitoring.

**Chile SIA “fulfilled its function”**

Dourmashkin stood by the SIA carried out by his group and its partners, saying it had fulfilled its function. “It is up to you to judge how well we have performed”, he told participants. The Chile SIA included a series of detailed studies as well as a global assessment. It has been a difficult process, he said. “If there are factual errors, we can correct them. If there are differences of philosophical approach, this is more difficult to handle.”

Various stakeholders have different interests and perceptions; they can query the consultant’s approach. The latter is free to accept their comments concerning possible modifications in the methodology or can justify its own actions. It is essential that stakeholders must have confidence in the SIA process. This requires a process of debate, discussion, and criticism, he said.

The consultants will draw on the lessons of the SIA on Chile for the ongoing work on the EU-Mercosur trade agreement. He outlined some of the difficulties in the performance of the SIA, which were also those previously identified in the preceding plenary sessions:

- Language and communications (both external with other stakeholders, and internal within the consultant’s group).
- A lack of information from stakeholders.
- Absence of participation by NGOs.
- Time constraints and the need to maintain focus on key issues.

Dourmashkin added that input from stakeholders had been a limiting factor in the Chile SIA, particularly because of the shortage of information affecting the social impact of the Association Agreement. Stakeholders needed to have confidence in the SIA process.

**Business forum identifies trade barriers**

**Manuel Avendaño**, Telefónica, Spain, described the activities of the Mercosur European Union Business Forum (MEBF), modelled on the successful Transatlantic Business Dialogue (TABD), involving corporate leaders from both sides. Its aim was to identify trade barriers and present a series of recommendations. MEBF had three working groups: on market access, services and business development, as well as investment/privatisation and financial services.

The main sectors of focus are information and communications technology (ICT), energy, transport and tourism. Sector-specific recommendations it produced in the context of sustainable development for the IT sector included: the promotion of the information society, the bridging of the digital divide, and the development of e-government and e-learning.
“One of the obstacles to the rapid development of the information society in Latin America is the relatively low penetration of personal computers (PCs) compared to North America or Europe,” he said.

The MEBF recommendations are in line with the purpose of facilitating the Mercosur trade negotiations under the principle of sustainable development. At the same time, MEBF would be ready to provide consultants charged with the EU-Mercosur SIA with a communications channel providing them with first-hand access to private sector input into the negotiations.

Telefónica and other companies in the sector had undertaken a series of initiatives to reduce the environmental impact of IT equipment and products under a charter signed three years ago, while his company supports the private sector initiative to develop corporate social responsibility (CSR).

The government perspective

In presenting the Chilean government’s perspective on the recently completed SIA, Castillo pointed out that the trade and social impacts of the EU-Chile Association Agreement were both positive (because they were linked by direct cause and effect), while the environmental impact was less so.

He noted that the SIA had been completed before the actual negotiations on the trade agreement were terminated, and suggested that the results of the assessment need to be qualified to a certain extent to take account of the final compromise reached by the trade negotiators.

Given that the implementation of the Association agreement had barely begun, it was too early to pass judgement on the SIA. The environmental problems linked to production and manufacture existed long before the agreement with the EU was signed and are therefore not a result of it. However, this is a need to examine some aspects. For example, the choice of sectors and the approach taken to them could have been different and better. Some are under-represented. Although this trade agreement, like any other, is a dynamic process, the SIA did not contain an adequate prospective analysis.

Castillo said he was aware that the problems of financial and human resources plus the availability and validity of information in developing countries made the consultant’s task more difficult. “But even without these difficulties, a study carried out by only one of the parties to an agreement would run the risk of being criticised as one-sided,” he added.

Was it right for the terms of reference for the SIA to be set by the European Commission with the assessment itself then being carried out by consultants acting on its behalf? queried Castillo. Would it be more appropriate for each party in a trade negotiation to be responsible for its own SIA? Or should the two sides agree on a trusted third party to do the SIA on both their behalves? If so, what would its terms of reference be? These issues were part of the lessons to be learned from an initial evaluation of the present SIA that could be of use for other countries in the future.
The region of the Americas

Eric Dannenmaier, Tulane Institute for Environmental Law and Policy, New Orleans, helped to put the EU-Chile and EU-Mercosur SIAs into a wider context by giving some insights into studies carried being out on by FIDA, the Inter-American Forum for Environmental Law, to which he is a senior project adviser, in the context of the Free Trade Area of the Americas (FTAA).

“FIDA studies are essentially environment-driven, since their aim is to assess the potential environmental impact of trade expansion in the region and to facilitate dialogue about responses that will promote environmental sustainability,” he said. However, they also look at capacity building in member countries and regional groupings, which was a concern raised by several other participants.

Unlike the European Commission’s SIAs, the FIDA studies present a series of options without making recommendations. The aim is to develop a methodology for use by the Member States. One task was to try to identify the different types of economic growth in a given country: to try to differentiate between “background” economic growth that would take place anyway, trade-related growth in general, and economic growth directly attributable to the trade agreement in particular. Although focused on environmental impact, FIDA is trying to broaden their scope. The expected outcomes of the studies include:

- Meaningful environmental assessments.
- A positive dialogue about options.
- Support for capacity building in member states in the form of
  - Technical experts engaged in the process
  - Empirical basis for considering alternatives, with further action a domestic prerogative
  - A methodology that can be adapted and replicated.

Dannenmaier said the country studies were divided into an analytical phase, with expert teams in the study countries, and a dialogue phase, during which peer reviews took place and policy options were assessed. Studies on Argentina and Brazil were the most advanced of those being undertaken by FIDA with both of them currently out for peer review. Final drafts are due June 2003.

Gender - an important social indicator

Irene van Staveren, Institute of Social Studies, The Hague, focused on SIAs and gender issues. One issue is how to include gender impacts as a social indicator in an SIA. She expressed disappointment that the background document on SIAs prepared by the European Commission for seminar participants did not include gender as an indicator. Van Staveren identified and described three types of indicators:

- Situational indicators showing gender inequality in the society and economy of trading partner.
- Indicators of political will, measuring the consistency between the gender and trade policies.
- Dynamic indicators linking situational indicators to trade variables over time and permitting an analysis of gender inequality on trade performance.
An analysis of indicators during the current EU-Mercosur relationship supports the idea that trade growth promotes women’s employment. “But jobs created were mainly in the manufacturing sector, which was most vulnerable to competition from the EU,” she argued. Trade between EU and Mercosur does not help to reduce gender inequality, with differences in wages apparently unaffected by trade growth.

Among the lessons to be learned for future trade agreements between the EU and its partners, van Staveren cited the need to review the consistency between EU trade policy on the one hand and its gender policy on the other. She also stressed the importance of incorporating direct and indirect gender policy measures in trade agreements, or in the flanking measures to support them.

SIA should be a national process

Nicola Borregaard, Research and Resources for Sustainable Development (RIDES), Chile, made three comments concerning both the EU-Chile and EU-Mercosur SIAs that the European Commission might wish to consider:

- SIAs should not contain policy recommendations addressed to the partner countries. The European Commission should shift the focus of the SIAs from the partner country to the EU and the EU constituency, especially if there is no clear co-operation or commitment on the part of the partner country. An SIA should be a national process.
- The participation process in the EU-Chile SIA has been far from perfect. The Commission needs to draw the appropriate lessons from this experience, pointing out what has gone wrong as well as what has gone right.
- The EU-Chile Agreement is a co-operation agreement, covering co-operation and other policies as well as trade. A trade-based SIA should not be the sole basis for analysis or the sole basis for defining co-operation.

She said that without a clear participatory structure and without commitment by the government concerned, an SIA would be, at best, a source of information to stakeholders and, at worst, a source of frustration. Chilean civil society has carried out a series of studies (all funded by outside sources) that show a number of positive and negative effects. But these studies have received no official feedback. Essential tasks in her view were:

- To convince governments of the usefulness of SIAs and secure their commitment and participation.
- To re-establish trust with funders who stopped financing studies for lack of feedback.
- To evaluate different experiences and models of participation.
- Strengthen civil society over the long term.

EU-Chile process raises questions

Several specific questions were put concerning the SIA on the EU-Chile Association Agreement: how were the consulted players selected? It seems to have been a haphazard process. What labour standards were used? Did the SIA take account of the informal economy), and if so, how? What direct lessons does this SIA contain for the EU-Mercosur relationship? Will the models chosen for SIAs move closer over time? Should SIAs be done separately by each party to a
negotiation? For joint studies, should the terms of reference be set jointly or left to the outside consultant?

Speaking from the floor, and commenting on these questions and on statements made earlier, Robert Madelin, Director, DG Trade, European Commission, made three points. The first is that the legitimacy of the SIA process is important. It is open to change and to refutation. The consultants charged with preparing an assessment can be as challenging as they wish in the formulation of the data. The question is, can they be challenging enough?

Secondly, SIAs cover a field where data is limited. “In some cases, causal links between SIA indicators and trade liberalisation may be weak. Capacity building is another problem. As we cannot change them, we must recognise these constraints and live with them,” he said.

His third point concerned the consultation process and the difficulties for the consultant to find the right staff and stakeholders, and to get action from them in a timely manner: “Do we give the process enough time?”

Many questions raised

Other participants broadened the debate to discuss the usefulness of SIAs. Questions about timing were raised. Even if SIAs can arrive on time, are we sure they will be acted upon by governments? What are the mechanics, if any, for ensuring that the application of the recommendations of the SIA are followed up and monitored?

Everton Vieira Vargas, Brazilian Ministry for Foreign Relations, commented that trade negotiations were political deals with concessions given and received on both sides, even in seemingly technical sectoral negotiations as in agriculture. The EU-Chile deal was asymmetrical and unbalanced, he said. “How do SIAs take account of this political dimension of trade agreements?”

Commenting on the ongoing EU-Mercosur SIA activities, Tomas Abadia Vicente, DG Relex, European Commission, pointed out that the trade deal being negotiated was the most ambitious of its kind. This was being reflected in the SIA whose golden rule was sustainable development.

The speaker commented on non-trade relations between the EU and other countries, asking: “How can the Commission develop appropriate policies in the context of the SIA? We have bilateral projects already underway with individual countries of the Mercosur group that cover social topics like gender inequality and other indicators. This is a transparent exercise in the form of civil society conferences that have been taking place since 2000.”

Borregaard returned to the question of the legitimacy of SIAs, saying it was clear that the issues of participation and legitimacy were closely linked. Participation by all stakeholders, particularly governments, is a pre-requisite for obtaining acceptable results. Civil society will not take part in such a process unless there are benefits for civil society in terms of being able to influence their government and its policies.
Dannenmaier took up two related questions. One was the difficult issue of capacity building to implement the conclusions contained in SIAs. Capacity building or institution building takes time, which you do not have: “In many instances, you will have to proceed without capacities or institutions being in place.”

The second was how to manage and monitor the SIAs in the follow-up phase once a trade agreement had become operational. Dannenmaier said that one way would be to continue the SIA work after a trade agreement is in place via the bodies or institutions created to oversee and manage the agreement. He gave the example of the North American Free Trade Agreement (NAFTA), where the follow-on work on the EIA that was linked to the agreement is now carried on in the NAFTA Environment Commission.

Dourmashkin said that in preparing an SIA, the consultant needed help in identifying interlocutors. It is not something the consultant can do alone. On the question of the independence and objectivity of the consultancy, he said that in the EU-Chile SIA it did not “pull its punches.” Recommendations were framed on the basis of discussions with the EU and Chile. “In such a context, we can express ourselves in a more affirmative way because we can be more confident about the conclusions of the study,” he said.

He said there will be differences between the EU-Chile SIA and the ongoing EU-Mercosur assessment. In the first place, the consultancy will draw on lessons learned during the first study to help overcome some of the procedural and operational problems. In addition, the geographic context of a group of neighbouring countries instead of a single trading partner will require a different overall approach.

In his concluding remarks, Castillo took up the question of the political nature of trade agreements. The EU-Chile agreement was indeed a political one, in which the pros and cons of different aspects were weighed up. The fisheries sector, alluded to by participants during the debate, was a difficult one; because of the international and regional context, flexibility was limited. He said that Chile had made more concessions in this sector than the EU, but felt that as a net exporter it was in a position to make more concessions.

Responding to requests for more information about the impact of trade agreements on gender issues, van Staveren said that more detailed research was needed sector-by-sector, with a finer degree of analysis of available data. The general conclusion from the work done by her organisation showed that a typical 25% wage gap between men and women at the start of a trade agreement did not change in the period that followed.
Moderator: Lawrence Pratt, INCAE, Costa Rica

Speakers: Representative of Mercosur country: Ariel Carbajal, Argentina
NGO representatives: Sheila Abed Zavala, IDEA, Paraguay, Miguel Pellerano, IUCN, Ecuador
Private sector point of view: Simon Worthington, BP Europe, Brussels

Moderator Lawrence Pratt, Associate Director, Latin America Center for Competitiveness and Sustainable Development, INCAE, Costa Rica, reminded participants that the underlying purpose of the seminar was to find ways to make trade agreements more effective. How can SIAs help? How can they be implemented?

Following on the work of the first session, he took up unanswered questions. These included capacity building in the EU’s partner country or partner region and the presence (or not) of structures that would help manage the SIA mechanisms once in place and once a trade agreement is operational.

The session focused in part on the SIA to be carried out on the EU-Mercosur trade agreement for which negotiations are still under way. Several panellists and participants queried the structure of the SIA, and whether the approach used for EU-Chile was suitable for a regional grouping such as Mercosur.

Others pointed to the problem of asymmetry in carrying out an SIA: asymmetry on the one hand between the EU and the Mercosur group, and among the Mercosur group with its large and small members, on the other hand. The broader question of ensuring a balanced outcome of the SIA reflecting the interests of the stakeholders on both sides, raised during the first session, was asked again.

Issues concerning the content and methodology of the SIA also came up. A number of participants queried the timing, with some in favour of carrying out the SIA in parallel with the trade negotiations in time for its conclusions to be incorporated in the final content of the trade agreement. Others felt the SIA should be carried out on the completed trade agreement. There was a general sentiment that the choice of content and methodology should be specific to each SIA. In the words of one panellist: “We don’t want a single model or a single menu.”

Recommendations for SAs

Miguel Pellerano, World Conservation Union (IUCN), focused on the sustainability assessments (SAs) being carried out on behalf of his organisation into relations between environmental impacts and the trade policies of South American countries. Similar to the presentation by Eric Dannenmaier of the
Tulane Institute for Environmental Law and Policy in the previous session, this helped put the EU’s SIAs into a wider context. The IUCN analysis concentrates on market access conditions, the environmental effects of trade (including non-tariff barriers), and the policies concerning sustainable development contained in regional trade agreements.

This work produced a series of recommendations on strategic guidelines for sustainability assessments. These concerned:

- Analysis of trade and environmental policies (within the region and with international partners).
- Research and dissemination of information.
- Internal and external capacity building.
- The promotion of dialogues between stakeholders.
- Participation and the promotion of strategic alliances.

Pellerano drew four main conclusions. The first was that trade liberalisation has had an increased effect on the environment and on social conditions. Foreign direct investment has allocated resources primarily to the services sector. His second conclusion was that “existing experience demonstrates that there is a trend and a potential political will to consider sustainability assessments as an important tool for trade negotiations.”

Third, he stressed that the key requirements for SAs were capacity building, participation, commitment and policy coherence. His fourth point was to draw attention to the need for technical and financial resources, inter alia, to create a regional network of experts and to link different regional and sub-regional initiatives.

**Linking trade liberalisation and sustainable development**

**Ariel Carbajal**, Secretaría de Ambiente y Desarrollo Sustentable, Argentina, asked how the requirements of trade liberalisation and sustainable development could be linked together. At one level, it depended on the local conditions that are different for each country. What are the conditions imposed on goods and services entering a country? What about the impact of subsidies on trade, which in the long term at least, created unsustainable activities? A meaningful assessment required a detailed sectoral analysis. The quality of life indicators, including the right to work and to a healthy environment, are also important.

Similar to previous speakers during the seminar, Carbajal highlighted the problem of data: its availability, its viability, its comparability on one side, and the ability to use it correctly and constructively without adequate institutional or organisational capacity, on the other side. “Information needs to be of a sufficient quality,” he said. “It also has to be validated if it is to be taken seriously by those for whom it is intended.”

Fair competition is one of the principles enshrined in Mercosur legislation. Said Carbajal: “The question is how to incorporate environmental costs in a way that makes our economies more competitive and more sustainable.” He cited the example of a Mercosur project linking the development of sound environmental management by small businesses with clean production techniques in a way that maintains and reinforces their competitiveness. “It is indispensable that trade
policy accompanies initiatives aimed at strengthening sustainability," he concluded.

Asked whether the Mercosur structure would be able to put in place a system for monitoring the application of the SIA, Carbajal said that Mercosur was paying the price for its weak structure and the absence of any common policy domains.

**A private sector point of view**

**Simon Worthington**, BP Europe, Brussels, referred to the commitment of business to support SIAs, asking whether they should be prescriptive or flexible and how a company could use its core competencies to make a difference. He said his company used benchmarks established by the World Business Council for Sustainable Development (WBCSD) and other bodies to focus its efforts on sustainability.

He presented a case study in providing sustainable energy solutions a project in northeastern Brazil where BP had installed solar power at 1,852 schools to run computers, television sets and refrigeration for food for the benefit of more than 60,000 children. The project also created 500 new jobs and involved a wide network of stakeholders including federal and local government, financial institutions, universities, NGOs as well as solar entrepreneurs and installers.

The success of such projects depends on creating a sustainable business model involving all players and stakeholders. “Sustainability needs to be economically advantageous, or at least economically neutral, for the end user. Otherwise it offers him no significant advantage,” he noted.

Worthington said that BP and local NGOs had lobbied the Brazilian government, without success, to cut its 20% import duty on solar panels to facilitate the schools project and others that are under way.

Two participants pointed out that it is difficult for governments in developing countries to respond to all requests from single interest groups for tariff reductions on their essential imports, however socially or environmentally positive the project.

**Coping with asymmetry**

**Sheila Abed Zavala**, IDEA, told participants how Paraguay had moved from a narrow national framework for its economic development to a more extensive one. During this process, the country changed from a rural to an urban society, with the problems this entails. At the same time, Paraguay is depleting its natural resources, with the result that 85% of its forests had disappeared. “For these reasons we began introducing the principle of sustainability so that we can better manage our resources,” she said.

One specific problem for small countries and economies like Paraguay is coping with the asymmetry between its priority policies and those of its big neighbours. Even in the context of an EU-Mercosur SIA, it would not be sensible to apply the same methods to Paraguay as to Argentina and Brazil. Assessments
need to be adapted to and reflect the conditions, needs and priorities of the countries concerned.

There are considerable problems with SIAs, she added. Can they provide a framework for economic development in a time frame of 20 years in the future? "While we are not against international co-operation, we need to work with local players. We need to define the variables to be measured, the methodology, and the rules for participation.

The dissemination of results is also important. How do we deal with these shortcomings? Abed Zavala listed a number of reasons for the difficulties encountered:

- Little knowledge of existing methodologies.
- Lack of experience of pilot projects.
- Absence of the necessary data, which block the application of methodologies or give incorrect results.
- The choice of participants. There is little tradition of civil society taking part in such projects and only rare co-operation between governments.

However, she maintained that SIAs are a valid tool to ensure governments are fully informed about the impact of the trade agreement under negotiation so that they take responsible and democratic decisions. They also provide opportunities to develop necessary standards and regulations at a national level, and to distinguish between trade protectionism and genuine social and environmental policies.

In addition, SIAs are an instrument to create a balance of interests within a government and among its departments. They also ensure the participation of representatives from civil society in the trade negotiation process. It is important that SIA studies do not take place after the completion of a trade negotiation. Their results should be integrated into the negotiating process so that the appropriate compensatory mechanisms can be included to ensure the trade agreement reflects the principles of equity, fair trade and sustainable development.

**Implications for EU-Mercosur**

Participants focused on the SIA underway of the EU-Mercosur trade agreement. **Tomas Abadia Vicente** from DG Relex said the European Commission is making an effort to provide support for sustainable development in the Mercosur countries. For example, the Commission has followed the priorities indicated by Paraguay.

“We have devoted €20 million to capacity building, which will help Paraguay’s negotiating position with the EU and will help keep its certification bodies up to speed as well," he said.

**Everton Vieira Vargas**, Ministry of Foreign Relations, Brazil, said that it appeared difficult to combine the technical SIA carried out by one party to a trade negotiation with the interest of the other party. This can create an unbalanced situation. “We can see that Paraguay is making an effort, but it is small compared to its neighbours. How to we take account of this in a regional SIA for Mercosur?”
Vicente responded that an SIA takes place in parallel to a trade negotiation. It is not an element in the negotiation itself. But the problems of small countries were a matter of concern for the Commission. There is particular difficulty with institution building, including the development of a regulatory framework. “We need to create a win-win situation; otherwise there will be unhappy losers,” he added.

Juan Rodrigo Walsh, the Environment and Natural Resources Foundation, (FARN), Argentina, asked whether standards should be harmonised in Mercosur in the environmental or other areas. It would be difficult to set standards that all countries could apply without resorting to the principle of the lowest common denominator.

Carbajal said that if we think win-win, then we must avoid taking up defensive attitudes that can slow down progress in the trade negotiations. We need to take action to abolish subsidies and to internalise costs. And we should bargain one trade concession against another from our partner.

Vicente said the Commission had three major projects currently underway with Mercosur.

- A project focusing on the social dimension (labour rights, gender issues). This will be followed up at a conference to be organised in Brussels in May 2003 with the participation of Commissioners Pascal Lamy and Chris Patten. The first political priority with Mercosur will be macro-economic coordination.
- Mutual recognition: this is a project to recognise each other’s technical norms and standards and to prevent such instruments being used as technical barriers to trade.
- A €6 million veterinary project for an early-warning system for outbreaks of animal disease, especially in the three-country border zone.

The EU has a commitment to help support social development and to give particular attention to sensitive geographic environmental areas so that natural resources can be exploited in a sustainable way, he added.

Mikel Insausti, WWF, Brazil, pointed out that trade negotiators on the EU-Mercosur agreement will enter into the phase of presenting their trade liberalisation offers to each other in the coming weeks. This process should be transparent and the respective offers published on the internet, he said.

The work process

Moderator Pratt said that the debate so far resulted in three tentative conclusions:

- SIAs have a use as an instrument to guide trade negotiators.
- They could also have a function to identify, and avoid, obstacles.
- They help to clarify the social/environmental rules linked to trade negotiations.

“But they need to move away from focusing only on trade-driven issues, to include indicators like employment or gender. To make them more effective, how should the work process within the SIA look?” he asked.
Pellerano said several factors were necessary to give SIAs their role in enabling countries to take informed decisions, including:

- The quality of the instrument is important. It has to be robust and vigorous.
- It is important to make sure that various players can participate and contribute to the SIA process so that it serve the interests of all of them.
- If the instrument comes from one side (as in EU-Mercosur), or does not take due regard of non-trade aspects (other policy areas), its work will not be incorporated into the trade agreement.

The need to develop common instruments

Gerardo Evia of the Latin American Centre for Social Ecology (CLAES), Uruguay, said the problem of asymmetry was a major one in the relationship between Mercosur and the European Union. If Mercosur and the EU cannot develop common instruments, then it will be hard to deal with the disadvantages that can arise. There is also a problem of internal asymmetry among the Mercosur states themselves that needs to be taken into account.

Walsh asked how the problem of asymmetry linked into the wider trade context. To handle such a situation, there is a need to create an institutional structure bilaterally with each member of a trade agreement, he said. Otherwise the EU will have a free hand in deciding how the SIAs will play into the negotiating process.

He also raised the issue of the data on variables being scant and unreliable. This is particularly important for the informal (black) sector of the economy which, in some cases, can account for 30-40 percent of national GDP.

Preparing a common position

Nicola Borregaard, RIDES, Chile, said the new trade agreement with Mercosur would require the SIA process to be modified and adapted. She also pointed out that Mercosur countries are far removed from adopting a common position on these issues. Such a task went far beyond the responsibilities of the consultant entrusted with the preparation of the EU-Mercosur SIA.

Maria Onestini, CEDEA, Argentina, took up the same theme when she asked what would happen to the SIA studies paid for by the European Commission. She expressed a preference for studies to be carried out ex post rather than ex ante.

She also highlighted the issue of methodology. Which was the most appropriate? EIAs already exist. Other countries besides the EU – the US, Canada and Australia – have also developed methodologies of their own. There cannot therefore be a single model or a single menu to choose from.

The moderator concluded that “there are several versions of what the final objectives of an SIA may be and that the session had given careful consideration to the different questions and issues raised by panellists and participants, and had spent time looking at the way SIAs would or could interface with other instruments operating in the same or related fields.”
Participants generally agreed that SIA is a process with great potential and a step in the right direction towards making trade more sustainable. However, they were divided over premise and process issues. For example, the trade union and NGO representatives questioned both the premise that trade liberalisation is an “unqualified good” and the intent as well as the timing of the SIA process. Lack of trust and a crisis of confidence appear to be overshadowing the process.

Representatives from the European private sector looked to SIA to restore balance to a global trading system that is failing their industries. They viewed SIA as a positive, as long as it is implemented, and thought it could play an important role in levelling the playing field vis-à-vis developing world competitors accused of “exporting harm.”

Colin Kirkpatrick, Institute for Development Policy and Management (IDPM), Manchester University, UK, representing the consortium for the WTO SIA, reminded participants that SIA as an “approach rather than a toolkit” is both a method and a process. The method identifies the potential or actual effects of a policy or planned intervention on sustainable development. The process contributes to transparency in “evidence-based decision-making.”

In the Philippines, where SAs (sustainability assessments) have been initiated and are gaining acceptance, SIA exercises are being done on a voluntary basis. Margarita Songco, National Economic and Development Authority, says her government wants to keep it that way. So far, the results have been positive.

"We have recognised that SIA is a possible tool to ensure that the Philippines benefits from its trade policies. It is a guide for policymakers and negotiators to make better informed decisions," she said. In fact, its institutionalisation in trade policy formulation is now being discussed as the Philippine Agenda 21 is being finalised.

Are SIAs making trade more sustainable? “Absolutely not,” said Collin Harker, International Confederation of Free Trade Unions (ICFTU), Belgium. Serious problems exist, for example, with timing and integration into policymaking and negotiations stances, among other issues. At the same time, is a “valuable process” that can only benefit from further elaboration and support from within policy making procedures from actors such as the EU.
“This is not to say this won’t change,” he said. “SIA is very much a step in the right direction. Even over its brief history in the EU, you can see very gradual improvements. However, the timeline and depth of the studies has been called into question, as well as the quality with which assessments are made and the level of detail they hope to attain.”

The issue is that the driver of the globalisation process is wrong, commented Giampiero Alhadef, Solidar. It is in the hands of trade when it is in effect, a political and social process. Today’s model of global trade is broken and needs fixing. It is not working. As a result, there is a growing global crisis of confidence.

“The driver must be in political hands. Thankfully, Commissioner Lamy has recognised this,” he said. “We need a political dimension to globalisation. Trade cannot be allowed to drive sustainable development; it will not happen. Until trade is brought into the political process, the SIA discussion, as welcome as it is, will only take us part of the way.”

William Lakin, Euratex, Belgium, views SIA as “an extremely valuable tool” in the preparation of WTO negotiations, providing it is carried out in advance and its conclusions are given an attentive ear. In fact, if an SIA had been conducted prior to the Agreement on Textiles and Clothing, set to expire on 31 December 2004, it would have “pointed up the paradox” that is now clearly evident to all parties.

Trade liberalisation benefits a small number of major exporters, does not benefit consumers and will seriously jeopardise social and economic development in many other developing world producers. “Why has the EU been stubbornly pursuing a policy in an industry vital to developing countries that we know to be dangerous to their existing levels of economic development?” he asked?

For a link to the presentation:

The current situation in the global non-ferrous metals sector brings no economic, environmental or social gain for anybody, commented Monique Jones, Eurometaux, Belgium. Trade liberalisation in respect of tariffs in India and non-tariff barriers in China could address and remedy market failures, but would leave untouched the policy failures that caused them.

“Hence the need for an SIA that will help to correct market failures and to restore fair access to raw materials,” she said. “But the SIA should make it clear that initiatives need to be taken beyond the trade context to address policy failures.”

For a link to the presentation:

Her Excellency Yolanda Biké, Ambassador of Gabon to the WTO, pointed out that working group participants called for another forum to be held that would offer stakeholders an opportunity to reflect on practical ways in which to build SIA results into both the WTO negotiations and the Cotonou Economic Partnership Agreement negotiations. This proposition is based on the fact that
many participants found the idea interesting but were not able at this stage to respond fully to the Commission.

**Can SIA help to achieve the Doha objectives?**

Commissioner Lamy’s position that trade liberalisation is a means to an end and not an end itself, says that SIA is the means to achieve the objectives of the Doha development agenda, Kirkpatrick observed. The SIA process involves increased recognition of consultation and participation, which achieves greater credibility with policymakers and stakeholders.

“This fits into the broader context of better regulation and good governance,” he said. “Similarly, the Doha Declaration makes a commitment to recognise sustainable development, the needs and concerns of developing countries and the role of capacity strengthening.”

SIA can contribute to achieving the objectives outlined in the Declaration through:

- Better informed negotiations and decision-making.
- Assessment of positive and negative economic, social and environmental impacts.
- Identifying potential trade-offs (no presumption of win-win-win outcomes).
- Assessment of mitigation and enhancement measures.
- Monitoring of implementation and evaluation of outcomes.
- Greater stakeholder involvement.
- Improved transparency and accountability in negotiations and decision-making.

One of the problems that resulted in the failure of Seattle was the question of developing countries expressing their disappointment at the outcomes of the Uruguay Round, he said. The SIA process engages stakeholders through consultation and dissemination.

“This is a process that is evolving and we are far from reaching a position of equilibrium, but this is a way of thinking about issues as well as an important and useful instrument for carrying out *ex ante* and *ex post* assessments,” Kirkpatrick said.

For a link to the presentation:

More information: [http://idpm.man.ac.uk/sia-trade](http://idpm.man.ac.uk/sia-trade)

**Sayed Azamgir Farrouk Chowdhury**, Bangladesh Enterprise Institute, pointed out that consultation should be deepened. Reports often reflect the concerns of Least Developed Countries, but “they would be more comfortable if they were involved in the process.” In addition to the environment and labour, issues such as market access and anti-dumping provisions should be studied on a priority basis.

**Patricia Munoz-Cabrera**, Women in Development Europe, the Netherlands, said her organisation is worried that trade policy is over running development policy. “This is also a question of ownership. It is critical that
whatever initiative or process is on the table should be owned by the people it is going to affect and reflect their priorities for development and trade relations.”

The world trading system today is more of a crisis than it was prior to Seattle, emphasised Alhadeff. As a result, the road to Cancun will be “long and difficult” if the current crisis of confidence in the system is not addressed. “No number of SIAs will change this. The mood in civil society is hardening to the benefits of world trade.”

The issue of mistrust was at the forefront at both Davos and the counter-meeting in Port Alegre, he said. This commonality between these two very different constituencies signals that all stakeholders are questioning whether trade will deliver the public good we are seeking.

This feeling of mistrust and lack of confidence was underscored by Lakin, who pointed out that the Doha Development Agenda (DDA) offers EU negotiators a “heaven sent opportunity” to make effective use of the SIA findings in the textile and clothing industry. However, such findings must be predicated upon achievable and logical objectives and that some of the “more naïve” conclusions are taken at their real as opposed to theoretical value.

The DDA “will in all probability exacerbate [the situation of trade liberalisation benefiting a small number of major exporters and jeopardising the developing world], eroding the preferences enjoyed by the least developed and the countries of the pan-euro Mediterranean area.” The EU has not yet taken this into account in its negotiating position.

This implies the need for the early introduction of appropriate flanking measures although there appear to be few real possibilities within the textile and clothing industry itself.

“Each time we in the industry suggest there is a community interest, we get the glib answer that the DDA is a round for development,” Lakin said. “But we are perfectly justified in asking whose development does this involve? The SIA analysis has pointed up a surprising paradox in this area.”

**Challenging the premise and the process**

A misconception around the sustainable development debate, in particular SIAs, worth exploring is that trade liberalisation is a “unqualified good.” In fact, the anti-globalisation debate was never between those who wanted globalisation and those who did not. “Civil society has a problem with corporate globalisation being rammed down our throats,” explained Alhadeff.

“The statement that trade liberalisation is an unqualified good is simply not true. Consider the level of 80% unemployment worldwide over the past 15 years; consider there are more workers in the informal sector; consider that in EPZs the rights of workers are being put aside for profit,” he said. “There is a race to bottom. This is why NGOs called for SIAs. We wanted to change the frame of the debate.”

For more information: [http://www.solidar.org](http://www.solidar.org)
Sadly, many NGOs and other members of civil society feel that the EU has embarked on the process so they could justify trade liberalisation. This is why there is so much mistrust of the flanking measures.

Harker highlighted the fact that the stated purpose of SIA is not to assess the desirability of further liberalisation, while part of the value of SIA should be precisely this: its capacity to assess the value of further liberalisation. “It is not acceptable as an *a priori* condition that further liberalisation is desirable,” he added.

An important issue is the positive or negative effects of trade on (ILO) core labour standards. ICFTU points to the “lack of linkage” between trade and labour standards. Said Harker: “When countries are competing on the diminishing ground of workers’ rights, standards and working conditions, the benefits accrued to that country are minimal. If the potential is there to attract investment by eroding labour standards this will be done, and it is very difficult for a poor country to stand up against this alone. This is why we need a multilateral approach.”

Another problem is the question of timing. One of the “Ten Commandments of the SIA process” is that they are not to disturb the negotiating process. This is another source of mistrust. “The results should be allowed to inform the negotiation process,” he said. “The fact that the results are construed as a disruption is in itself quite telling.” For example, should EU-ACP negotiations be deferred until the preliminary SIA results are in?

The baseline of the WTO SIA study is the full implementation of agreements to date, which is “almost too much already” and perhaps needs more elaboration. Developing countries already have problems implementing existing agreements. This too will affect future negotiating positions. Harker also questioned the “unwieldy scope” of the study, which if it is to provide useful policy suggestions, will be further exacerbated by the key issues of the “speed, gradualisation of liberalisation and sequencing” of trade measures.

Enhancement and mitigation measures are central to the success of the liberalisation package or process. Consider the issue of water services and regulatory incapacity or failure in countries where the EU is considering supporting liberalising water services. “This could mean the difference between lack of access and access for the majority,” he told participants.

An important economic criteria is employment, where the informal economy “wreaks havoc” with the figures. In addition, EPZs show up in employment quantity figures but pose very real problems in terms of employment quality.

For more information: [http://www2.icftu.org/focus.asp?Issue=trade&Language=EN](http://www2.icftu.org/focus.asp?Issue=trade&Language=EN)

**Carol Bergin**, Colibri, Germany, commented that the provision of “defending the global commons” should apply to water: “To make trade more sustainable, don’t we need to look at whether water is tradable? The UN has made access to water a fundamental human right. We do not need an SIA to see what happened in Bolivia when water service was privatised. Prices went up 100%.”
Kirkpatrick pointed out that a key issue, concerning water and other public services, is domestic regulatory capacity. Increased FDI in a country does not always produce a win-win situation. In fact, the World Bank confirms, "privatisation plus regulation improves service delivery in the service sector."

A work in progress in the Philippines

In April 2001, the Southeast Asia Policy Programme of the World Wide Fund For Nature (WWF) conducted a workshop that involved a wide range of stakeholders, during which a consensus was reached that SA is “a promising tool to improve trade and investment policies,” Songco reported.

Given the possibility of multilateral negotiations in the fisheries sector, an assessment looking into the economic, environmental and social implications of trade liberalisation was identified as a priority by workshop participants.

Following through on the recommendations, a project was funded by the Department of Agriculture and WWF, in December 2001 in coordination with the National Economic Development Authority. A Technical Working Group was launched composed of participants from governmental agencies, business and civil society. The Live Reef Fish for the Food Industry (LRFFI) SA project in Palawan addressed the challenges posed by the presence of cyanide detected in most live reef fish and continued over fishing, which have brought pressure on the coral reefs and fish stocks.

A 24-member SA Forum was established to communicate project progress and distribute literature on the subject as well as to consult with major stakeholders. The SA was timely as the various stakeholders were in the process of determining the appropriate interventions to address this declining vital industry.

“The SA approach, which provides an integrated analysis of the social, economic and environmental impacts of the LRFFI, brought to the fore substantive basis for addressing the problem at various geo-political levels,” she said. “The SA process provided a mechanism for involving all stakeholders, which enabled them to arrive at appropriate courses of action to address their situation.”

In terms of follow through activities, the consultation process already provides substantial input that would ensure co-operation among the stakeholders. Future activities include a study on the aquaculture sector. The LRFFI experience will serve as the basis for possible replication of SA studies in other sectors and its eventual institutionalisation in the decision making process for trade policy.

“We need to build capacity at national level and establish a process by which SIA can become institutionalised in the decision making process for trade policy,” Songco added. “There have been problems and constraints along the way, but we have learned that this is a very valuable tool.”

Private sector - SIA has the potential to make a positive contribution
SIA is an important tool in the increasingly complex world of international trade negotiations, but the question remains, will it be used and how? Both Lakin and Jones pointed to the potential for SIA to make a positive contribution, but both expressed reservations about the process.

In the textile sector, for example, the SIA has erred in that it exaggerates the benefits to EU consumers of lower prices, which will be marginal, and suggests economic benefits as workers take up more highly skilled employment. Lakin says there is little evidence to suggest that this is generally the case.

“It is a well known fact that many of the new jobs created in the US as textile and similar manufacturing employment fell, was in the chicken plucking jobs for MacDonald’s and KFC,” he said. “In Europe there are many cases of closed mills being transformed into warehouses, DIY stores or supermarkets, with a similar transfer of jobs.”

If EU consumers do not benefit substantially and a majority of current exporting countries lose out badly, then why is the EU pursuing a policy that exacerbates this situation? For example, the SIA textile study points to advantages accruing to consumers in the developed world and the developing world which simply cannot be justified in the harsh light of day to day trading.

“SIA should be at forefront of and not at the back of the minds of EU negotiators as they conduct WTO discussions,” he said. “SIA issues should be flagged in advance of major decisions being made. In other words, look before you leap.”

Rajarangamani Gopalan, Ministry of Commerce and Industry, India, pointed out that the “Chinese dragon and the Asian tiger” are important from the point of view of the millions of workers who depend on employment in the textile sector. In India, about 30% of jobs in the organised and unorganised sectors are in this industry. “We are worried that under the guise of SIA, market access will be denied and trade barriers set up against exports from countries such as India,” he added.

It is unlikely that reducing barriers to imports is only going to benefit retailers of those products unless it is in an oligarchic situation, commented Richard Steenblik, OECD. “As the market opens up in the US we are seeing sourcing of materials from other countries and consumer prices do drop.”

In the non-ferrous metals sector, market failures exacerbated by tariff barriers and other obstacles point to the vital need to address the environmental, social and economic dimensions of a trade issue. Jones asked participants to adopt the perspective of the importer/buyer, which is the opposite viewpoint from which trade liberalisation is usually examined.

“It is equally important to accept that sustainable development does not mean industrial development in the so-called ‘developing countries’ is to be achieved at any price,” she said. “Definitely not at the expense of destroying fundamental market mechanisms and the viability of industrial activity in the industrialised countries.”
Europe is currently the largest user market for non-ferrous metals in the world and is the hub of a commensurate metal production and processing capacity. Its raw material basis is fragile. As a result, Europe is a net buyer and a major importer on the international market for non-ferrous raw materials.

The EU copper industry is under threat as refiners cannot afford to purchase scrap, be it imported or of domestic origin, at the price offered by Chinese or Indian buyers who benefit from a purchasing edge resulting from import duty structures or special import provisions.

As a result, the international market for raw materials is totally disrupted. There is a scarcity of product and unsustainable, non-viable prices. Metal production develops into oversupply in an environment insensitive to environmental and social concerns. As a result, metal production plummets where market mechanisms are operational and where environmental and social concerns are a part of doing business.

“We are faced with a situation where metal production will develop in countries without market mechanisms to properly regulate economic activity and where social and environmental standards are definitely lower,” she said. “This means no economic, environmental or social gain for anybody.

An imbalance in the scrap recycling business, particularly e-scrap, is also causing concern. The EU is at the forefront with its Directive on Waste Electrical and Electronic Equipment that sets collection and recycling targets. The 30 metals and plastics in e-scrap may be extracted and processed in an environmentally sound manner, as it is in Belgium at the UMICORE precious metals plant.

However, on the other side of the Atlantic, the US annually exports millions of pounds of e-scrap in a totally irresponsible manger to China, India and Pakistan where it is dumped and eventually treated in backyards without any concern for people’s health and the environment. This practice of “exporting harm” feeds on cheaper labour, lack of environmental standards in Asia and because it is still legal to do so in the US. (China has recently banned the import of e-scrap.)

An SIA of the non-ferrous metals sector should report that the elimination and/or reduction of tariffs and non-tariff barriers would help to correct market failures and to restore fair access to raw materials. However, this action cannot stand alone because it does not address policy failures that are at the root of market failures. Such policy failures must be addressed through a number of means, including enforcement of the bankruptcy law, ESM to be established as the basic and sole criteria in respect of scrap movements and the US should ratify the Basel Convention.

“We should get rid of the idea that an industry has to die here in Europe before being born somewhere else. This has been quite an important lesson to us,” she said.

What role for the WTO?
Participants were divided on the role of the WTO in promoting sustainable
development. Kirkpatrick maintained that SIA could help achieve the objectives
of the Doha Development Agenda, while others disagreed for very different
reasons.

Lakin said SIA is an important tool in the international bargaining arena at
the WTO, and offers a way out of what is often a moral dilemma, but will it be
used? He also said that the DDA could exacerbate an already desperate
situation in the textiles sector.

Both Alhadeff and Harker disagreed that the WTO has a role to play in
sustainable development or in upholding core labour standards. Said Alhadeff:
“Developing and least developed countries believe that the driver of globalisation
should be the Millennium Goals, the elimination of poverty, access to water and
reduction of infant mortality. How do make trade goals serve this agenda? The
international structures to deliver these goals are not in place and the WTO
simply cannot do it.”

Harker said upholding core labour standards are and have been “an
expressed purpose” of the EU. However, as trade unionists, “we are always told
the WTO is not the appropriate venue for this to be pushed through.”

Adrien Vandenhover, UNICE, Belgium, pointed out that while working
conditions in EPZs are not ideal, they may be better than the alternative, which is
no jobs. Alhadeff responded that because EPZs represent a trade distortion
(labour standards are ignored and tax rules are suspended), their very existence
should be challenged at the WTO.
Working Group: WTO - What is needed for effective SIA outcomes?

Moderator: Hugo Cameron, ICTSD

Speakers: Capacity Building Task Force perspective: Rene Vossenaar, UNCTAD
Developing country representative: Miosotis Rivas Peña, Dominican Republic
NGO perspective: Chien Yen Goh, Third World Network
Economic and Social Committee perspective: Bruno Vever
Private sector perspective: Cameron Rennie, WBCSD
Links with CSR: Etienne Davignon, CSR Europe, President

Participants discussed a wide range of topics, including issues facing developing countries, capacity building, and new ways of doing business. Moderator Hugo Cameron, ICTSD, began the discussion by raising questions that had emerged earlier in the proceedings. Specifically, he asked what were the central capacity building needs of developing countries for participation in the SIA process and implementation of the findings, and how could the EU help developing countries implement SIA recommendations?

Regarding the role of the private sector, he asked how can we ensure the mutual supportiveness of private and public activities related to SIAs during assessment and implementation of flanking measures, and what measures could be considered to promote CSR and fair-trade activities in the process?

At national level, SIAs are a useful tool to clarify trade and development linkages and to identify the needs for flanking policies, commented Rene Vossenaar, UNCTAD. The important question is, what do trade negotiators do with the results?

UNCTAD, together with UNEP, launched the Capacity-Building Task Force for Trade, Environment and Development (CBTF) in 2000 to assist developing countries to enhance their understanding of trade and environmental linkages, address environment-related trade problems and participate effectively in international negotiations. Since then, the work has expanded with help of funding from the European Commission and donor countries to launch training activities focused on more integrated assessments that include economic and social impacts of trade policy and trade liberalisation.

"Countries are more familiar with environmental assessments, however, it is important to look into sustainable development distortions, particularly those caused by trade agreements," he said. “Stakeholders and officials of developing countries need to better understand the scope and methodologies of assessments.”

Comprehensive impact assessments have been “almost non-existent” in the Caribbean region despite its participation in many trade negotiations, said Miosotis Rivas Peña, Centro de Investigación Económica para el Caraíbe (CIECA), Dominican Republic. The Caribbean is active in the world economy; its
countries are WTO members, as well as participants in the Free Trade
Agreements of the Americas and Economic Partnership Agreements with the
EU. In addition, they are members of the Caribbean Basin Initiative with the
United States.

Existing studies have focused on the fiscal impact of various trade
agreements. Studies related to social or environmental impacts, social public
expenditure, women, small producers or micro entrepreneurs are made by civil
society organisations or academic institutions.

“In discussions about the impact of trade agreements, I notice there is an
assumption that there is a direct link between trade liberalisation and
development,” she said. “We have just one problem to solve: market access.
SIAs will be valuable, but we need capacity building before we can effectively
participate in the process.”

Chien Yen Goh, Third World Network, Malaysia, agreed that market
access and the so-called “Singapore Issues” represent huge obstacles for
developing countries. He questioned why the EC is taking positions in the WTO
to pressure developing countries to liberalise even more in the face of not
knowing the impact of such liberalisation. If the EC pushes them into the WTO, it
will limit their capacity for development.

“Inappropriate liberalisation has adverse consequences on these
countries,” he said. “In considering the Singapore Issues, the EC proposals seem
to have a dangerous common theme of attempting to maximise foreign countries’
access to developing country markets.”

Assessments are vital to the work of the Economic and Social Committee,
particularly when it is asked to make a “more reasoned judgement” on certain
questions, particularly on regulations it is consulted upon, Bruno Vever told
participants.

“Trade is not an end in itself and should promote development,” he said.
“This is why impact assessments are so important. It is in the EU’s interest to put
itself in the shoes of partner countries. Development must be sustainable and
can only be so if it includes aspects other than economic growth. To date, the
social and environmental aspects have not been automatically considered. We
will try to make sure this happens at Cancun.”

He praised the Commission’s use of external expertise (consultants) to
carry out impact assessments: “Usually it is the drafter of the Regulation who
carries out the assessment, which is not necessarily a good thing. Other DGs
should follow suit.”

The World Business Council for Sustainable Development is on a “journey
to try to do business in a different way,” explained Cameron Rennie. This new
way of doing business has evolved from corporations engaged in philanthropy in
the 19th century through to social investment and corporate social responsibility
into the mode of partnering with the developing world to do “smart business.”

“New business models show that corporate profitability will happen if it is
married up to national development. It is in business’ best interest to develop
capability for the markets and consumers of the future,” he said. “Business needs
to know the framework in which it can operate, then it can innovate to deliver.”

SIAs inform the framework in which business operates. Rennie said “we
haven’t got them right yet, but we are moving to a different place.” In this
“different place” business wants to foster SMEs by facilitating appropriate access
to finance for them and then entering into novel partnerships to move forward in
“an economic virtuous circle.”

Etienne Davignon, President of CSR Europe, Belgium, observed that
SIAs are necessary and there are many linkages to corporate social
responsibility. The very important difference is whether the assessments will be a
post mortem judgement or a before-decision contribution.

“This is a very important difference. I am fed up with analysis done after
decisions are made for this gets you nowhere,” he declared. Davignon praised
the Commission’s use of outside consultants and the fact that SIAs are based on
a participatory process.

“Will SIAs play a role in the forthcoming WTO negotiations?” he queried.
“The answer is obviously ‘yes’, particularly if the Commission wants to get rid of
the suspicions out there over what is motivating this process.”

Issues facing developing countries

Market access is a major issue facing developing countries, according to Rivas
Peña and Goh. If there are trade distortions, the solution is to improve trade
policy through multilateral negotiations. However, as Rivas Peña pointed out,
there is heavy pressure at the multilateral level for developing countries to give
in.

Goh addressed a number of concerns in detail, including the WTO
Agreement on Agriculture, which he called imbalanced in favour of developed
countries. Developed countries are allowed to continue with existing distortions,
whereas developing countries that had not been engaging in such distortions are
not allowed the use of subsidies and special safeguards. The current EC
proposal on agricultural modalities does not redress this imbalance.

The loss of revenue that would result from the EC’s proposal on industrial
tariffs would become a major problem for developing countries, he said. The EC
approach for a formulaic, across the board approach for reduction in tariffs
should not include developing countries. Rather the EC should extend a request
and offer approach to them. If not the adverse impact of further liberalisation will
be “another nail in the coffin” for industrialisation and development in developing
countries.

Liberalisation of the services sector brings negative effects. For example,
the liberalisation of the financial sector has led to financial crises in several
emerging economies, unravelling decades of economic and social development.

On the “Singapore Issues” of investment, competition policy and
transparency in government procurement, many developing countries have been
adamantly opposed to entering into negotiations towards new agreements. However, the EC has been pushing hard to have the WTO expand its negotiating and rule-making mandate to cover these issues.

There is an inconsistency in Goh’s approach, according to Ronald Steenblik, OECD. If developing countries are to continue the policy of maintaining subsidies for agriculture, they are like to end up in the same position as developed countries, that is, with damaging distortions.

It is important to consider the issue of timing and during what stages developing countries are using protective measures, Carol Bergin, Colibri, Germany, pointed out.

For developing countries to take advantage of trade opportunities, they must develop their supply capacities, Vossenaar told participants. Assessment is a voluntary measure; so a trade-off between environmental concerns and economic growth is a national decision and when necessary, national policies should be supported through financial assistance and support from the international community.

In the wake of Seattle, it is critical to highlight the interests of the EU’s trading partners, especially developing countries, Vever told participants. “If you are asked the right questions, you usually give the right answers. Impact assessment helps with the questions. There are many misunderstandings and apparent contradictions during the negotiation process. To this end, impact assessment can help negotiators sort out everybody’s interests.”

**Training for trade**

There is no uniform way to assess environmental impacts for countries at different levels of development, Vossenaar pointed out. A useful methodology to clarify linkages are sector specific studies in developing countries. UNIEP uses multistakeholder approaches and packages of measures to address issues.

Several CBTF projects are completed or are underway, including a regional conference in Mexico, training seminars in Vietnam and Cuba, projects on integrated assessments of trade policies in Lebanon and Indonesia and trade-related aspects of sub-regional recycling programmes in Central America.

Due to growing interest by beneficiary and donor countries, CBTF is initiating new and larger sets of projects, particularly at regional level. CBTF will also respond to new needs for capacity building in support of developing countries’ participation in the WTO Doha work programme. In addition, there is a special Programme for Least Developed Countries to help implement the Programme of Action for the LDCs for 2001-2010, adopted at the 3rd UN Conference for LDCs.

Thanks to funding from the European Commission, the Netherlands, UK, Sweden and the US, CBTF’s work continues with upcoming projects focused on assessing the social and economic impacts of trade policy. For example, a project is underway to help build capacity in the Caribbean, and a set of country projects on trade liberalisation in the agricultural sector will focus on rice.
For countries interested in conducting an integrated assessment of trade policies at the national level, CBTF can provide capacity-building activities to countries interested in applying assessment techniques. In addition, a training module on integrated assessment has been developed.

For more information: http://www.unep-unctad.org/cbtf

SIA is an important tool to evaluate the impacts of trade and to influence trade policy at national, regional and international level, Rivas Peña acknowledged. However, the Caribbean needs capacity-building to participate. A good first step would be to address the problem of data – either it doesn’t exist or is of poor quality. As the region works to prepare for the Economic Partnership Agreement with the EU, it needs reliable data broken down by sector and gender. In addition, indicator systems are needed.

“We need human resources to help us with SIA,” she added. “The Caribbean also needs financial and technical support to build databases and to hold seminars and workshops.”

Business is interested in participating in flanking activities both in human capital capacity building and infrastructure development, as long as a business case can be made, Rennie said. This can be a win-win situation for everyone involved, as several success stories have already proven.

**New ways of doing business**

The foundation for “smart business” is for partners to understand the alignment of objectives. The developing world partners must understand the motivation of the private sector and harness that energy. The business-as-usual dynamic is formulaic, as is the new: markets + business = trade. Today’s and tomorrow’s success stories read as follows: trade + new markets = wealth.

“Current business practices cannot meet the needs of 2 billion people outside of the global market economy,” Rennie told participants. “Companies that can innovate to serve this untapped market will create a win-win situation and spur development.”

The WBCD Sustainable Livelihoods Project aimed to understand the business motivations behind serving underprivileged communities, to gain a better insight in the management of such business ventures and to extract elements of business models that can be applied across multiple sectors and create new streams of growth. In this environment, business works towards creating sustainable economies through core business operations across the sectors of energy, water, nutrition, education, healthcare and mobility.

The development potential of trade-related business activities can be massively enhanced through a Sustainable Livelihoods-focused approach. To participate in “smart business”, start talking to companies and get specific about the regions and projects that are needed, Cameron advised.

For a link to the presentation:

For more information: http://www.wbcsd.org
The way forward

SIA is indeed a work in progress, as discussed throughout the two-day seminar. But they represent a brave step forward for the European Commission. Vever suggested that “analyses need to be done objectively and they need to be done well. There has been a lack of such analysis by Commission officials and assessments have in the past remained within the Commission.”

On the road to Cancun, the Economic and Social Committee will be closely examining SIAs and intends to consult with the International Economic and Social Committee to solicit opinions from third countries. Because there is no clear link between the ILO and the WTO on social issues, the Committee intends to take part in the follow-up of SIAs.

“We are a consultative body and can express ourselves freely, so there is nothing to fear and nothing to lose in scrutinising impact assessments and speaking out,” he concluded.

Rivas Peña urged participants to focus the Round on development, rather than new trade issues and suggested an SIA be carried out to assess the impact of the Uruguay Round to inform future negotiations.

Goh warned of the “disparity between what is preached and what is practiced” at the WTO in terms of SIA: “The spirit behind SIA is presumably to ensure that all countries and the public are reaping the benefits of trade. If this spirit is to be genuinely respected in operation, then the current SIA exercise by the EC must take into account the adverse effects on sustainability of its own proposals in current discussions in the WTO.”

Davignon advised against a “technocratic approach.” The way forward is to find a balance between defining objectives and defining the toolbox. Involving people in defining mitigation measure is innovative, however, avoid trying to create synergies: “I am fed up with synergies. Define the institutional action and operationalise it. Get something workable and do-able and then define where it is going to happen.”

Overall, there appeared to be general agreement at the session that SIAs could be a useful tool for helping to define sustainable development priorities for the EC in the WTO negotiations. The speakers demonstrated the complexities surrounding the issue, showing, for instance, that there is no single “best” way to assess environmental impacts for countries at different levels of development, and that a great deal of capacity building, including at the most basic level of data gathering, is required in poorer countries if they are to participate effectively in the SIA process.

Ambivalence remained, however, around the political motivations behind the EC’s SIA process, particularly while the EC was simultaneously pushing to widen the WTO negotiation agenda to include areas such as investment and competition policy that were contrary to many developing countries’ interests.
Final plenary: Trade and north-south convergence
Pierre Defraigne, Deputy Director-General, DG Trade

It would be cruel to inflict upon you another umpteenth speech about Sustainable Impact Assessment as you are about to close your proceedings and to go home for the weekend, in some cases very far away.

So let me first thank you for having taken part in this workshop and for having brought here your expertise, your experience and your commitment. Some of you have travelled a long journey to be with us and I want to thank them particularly.

From what I have understood, from Dianna Rienstra's final report, this was a worthwhile meeting, a rich and lively gathering the conclusions of which shall contribute to shape the implementation of SIAs and thereby to improve the contribution of trade and investment liberalisation to sustainable development. Robert Madelin and his team shall indeed ensure that your suggestions and recommendations are taken on board and gradually inserted in our policy making and negotiations procedures.

Let me focus my closing remarks on this complex and elusive relationship between trade and sustainable development by sharing with you five observations.

Political will is crucial

First, we all know here that free trade is not a panacea. We recognise the powerful dynamics of trade liberalisation as it stimulates competitiveness across more open markets as well as encouraging governments to upgrade economic governance through reforms and better domestic policies.

But we know that the key point from the sustainable development standpoint is precisely the interaction between globalising markets and domestic policies. Because of the crucial importance of flanking policies in framing the impact of trade reforms, political will on behalf of governments is crucial to ensure that markets deliver growth through increased efficiency and that the policy context enables growth to support sustainable development.

The right policies from the right governments

Second, poor countries left to themselves are facing a daunting task in carrying out reforms if they don't get appropriate and timely technical advice and financial assistance targeted at strengthening their institutions and their capacity to increase their competitiveness and redistribute liberalisation gains and adjustment costs across the social spectrum. ODA is not enough. What matters most is that donors support the right policies from the right governments.

By saying this I do not suggest that we in the north know better what should be done by the south to achieve success in ensuring development. We do not. But what we should know is to differentiate between effective and accountable leadership and corrupt inefficient and despotic governments. We
should support the former even when they implement policies that may be contrary to received wisdom in the West for we should judge the tree at its fruit and not according to our textbook knowledge.

Research indicates that what is important for development is the appropriateness of the policy mix and this is a choice that must be based on the specificities of the country concerned. We in Brussels are not best placed to assess this. What we should stop doing, however, is to provide political legitimacy, military assistance and financial aid to governments we know are pursuing the wrong policies just because they are receptive to special interests in our own countries, including first and foremost oil interests.

Establishing a level playing field

I would draw the line between environmental protection and development. I certainly agree that the two processes are strongly intertwined and that they reinforce each other in the long run. However, I think that coping with the environment constraints might prove eventually easier and less conflictual than promoting development and catching up in DCs.

Environmental protection is mainly about putting the right price on resources which appear to be free for the first user – clean water, clean air, fish – but which carry a hidden cost for the community at large and for the coming generations.

It is complex because it raises political awareness and scientific knowledge issues which are not easy to address, as well as causing conflicts of interest between market operators and citizens.

Yet at the end of the day, once externalities are identified and the right costs internalised in market prices through taxes, regulations or property rights, it mainly comes down to establishing a level playing field to prevent distortions in competition across global markets. Not an easy task as we see in the WTO Trade and Environment Committee in Geneva, but not an impossible one.

I would not be so optimistic about convergence in north-south GDP/head through trade liberalisation. This remains the true challenge, for development is not a natural by-product of market opening. Market capitalism tends to concentrate wealth and power in a few hands and in the same fashion to locate high added-value activities in certain regions through the well-known agglomeration process.

Development is not the rule. It is the exception, and in the few success stories over history, it is the result of rare combinations of imaginative and dynamic domestic strategies and very specific external factors. Among the latter, I would readily rank first, in the case of emerging East Asian economies, the role of Japanese MNEs and of US and EU markets. But I would immediately insist that competition among DCs to attract FDI and for access to IC's markets is tough, highly selective and is actually leaving most countries on the sidelines.

North-south FDI is indeed a scarce resource which concentrates at a maximum in two dozen countries, most of them in East Asia. And yet these few success stories have still to resist the drift towards the commodification of their
labour intensive manufacturing capacity, through upgrading their skills and product mix so as to shift gradually from cheap export driven growth towards more endogenous development processes.

Can international co-operation play the role of the critical positive "external factor?" Basically, it would come down to voluntary transfers of real resources, mainly finance and technology, from the north to the south through policy channels. For all the Monterrey commitments, I am not sure this will happen easily. I would already be happy if we were willing and able to co-operate with the south in limiting their capital outflows towards the north via tax havens.

In this respect, the political deal on EU savings tax harmonisation concluded here two weeks ago by the ECOFIN Council might pave the way towards a global tax deal that could provide well-run countries in the south with more domestic savings and tax revenues. Such a deal remains a remote prospect because the global tax harmonisation goes against the interests of financial savings holders across the world. Yet it is a just cause and it would prove an effective way for international co-operation to support and strengthen good domestic development strategies in the south.

Moving towards a better balance

Fourthly, SIA will contribute to change our mindset with regard to the critical link between trade and sustainable development. I have no doubt that it will encourage both governments and the international community to move from an over-burdened trade agenda towards a better balance between the three pillars of global economic governance, namely trade, finance and norm-setting in the area of sustainable development.

What we shall soon realise is that we do not need less trade, but rather more and better flanking policies. Yet it might also lead us to contemplate new trade policy approaches. I here mainly refer to the irresistible trend from generalised trade preferences, in particular in the case of the EU, towards north-south FTA's, preferably of the region-to-region type, such as those under way with Mercosur or the ACPs, through the EPAs.

How do we reconcile Article XXIV of the GATT with the obvious need to insert some degree of “asymmetrical reciprocity” in these agreements in recognition of the lower level of development of the southern partners in such north-south FTAs? How do we ensure that we do not undermine multilateralism in multiplying such deals across the planet? Could it be that in 20 years the EU will be the core of a constellation of RTAs that will cover Europe from Iceland to the Russian Pacific rim, from Cape North to South Africa? Not a minor challenge as you can imagine.

Global governance is still advancing

Finally, all journeys start with a first step and for us the next step is Cancun in mid-September where we make or break the DDA. We badly need the DDA both for substance reasons (its balanced package of market access and rules setting geared at DCs integration) and because we have to give a signal to the world against the backdrop of the current world economic slowdown that global
governance is still advancing and that we shall not slide back into protectionism and a beggar-thy-neighbour policy.

SIAs should help us to alleviate fears and suspicions about the legitimacy of our goals. In a way it will complicate trade negotiators tasks; in another, it will in the long run help the public at large to re-appropriate sustainable trade liberalisation as a global public good.

If we can achieve this, then you won't have wasted your valuable time in Brussels this week. Thank you for coming.