SUSTAINABILITY IMPACT ASSESSMENT OF TRADE AGREEMENTS

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Summer School on Methods and Tools for Impact Assessment, 16-20 June 2008, Berlin
Background

- civil society concerns over NAFTA early 1990s
  - Commission for Environmental Cooperation (US-Canada-Mexico)
- civil society concerns prior to WTO Seattle 1999
  - EC initial SIA of Seattle proposals
- NGO pressure for SIA of EMFTA
- trade IA procedures introduced in EU, US, Canada for all global, regional and bilateral trade agreements
- North American concerns – primarily environmental (SEA)
- European concerns – globally sustainable development (SIA)
Problem tree analysis

- Unsustainable development

  - Loss of biodiversity
  - Higher rate of climate change
  - Higher incidence of disease
  - Greater waste
  - Increased poverty
  - Decreased gender equity
  - Lower economic growth

  - Deforestation and coastal degradation
  - Reduced environmental quality
  - Changed consumption patterns
  - Differential gender effects
  - Lack of response to economic incentives

  - Increased pollution
  - Limited implementation of Climate Convention
  - Increased transport
  - Loss of employment
  - Decreased production
  - Weak socio-economic policy

  - Increased resource depletion
  - Limited production
  - Decreased production

  - Weak environmental regulation and management
  - Increased transport

  - Improved market access for exports
  - Improved market access for imports

  - Rigid markets, inadequate finance, cumbersome regulations, lack of institutional, technical, educational capacity

  - Incentive for more efficient production
There is no automatic rule that trade liberalisation will lead to greater economic growth, never mind long term sustainability. It can certainly lead to acute short term adjustment costs.

Whether the short term pain is balanced by a long term gain depends on many different factors, such as the capacity of existing businesses to move up market, or a region to integrate and establish new sources of comparative advantage. In ideal circumstances this leads to the creation of sustainable jobs which make use of more sustainable resources - but there is no economic law that guarantees this happy outcome.

It is perfectly legitimate to criticise free market capitalism for the damage it can cause to the environment. One has only to think of the destruction of rain forest in Indonesia or Brazil driven by powerful profit incentives, and the unquenchable appetites of consumers in richer parts of the world.

Very often it is the poorest and those with least social capital and support who are most affected.

By having this knowledge [from assessment of the potential impacts], public authorities are well placed to pursue policies which can help particular sectors and regions adapt to change and mitigate social and environmental costs.

Peter Mandelson
EU Commissioner for Trade
Stocktaking Conference on Sustainability Impact Assessment of Trade Brussels, 21 March 2006
Mitigation and enhancement

When the potential impacts of trade liberalisation have been identified, measures can be taken to enhance the beneficial effects, and reduce or avoid the adverse ones:

- negotiate variations in extent and timing of trade liberalisation
- develop national policy responses
- build institutional capacity
- negotiate appropriate technical assistance and development aid
### Example Impact Assessments

#### WTO

- US and Canadian IAs *(USTR/DFAIT)*
- EU SIA methodology/pre-Seattle SIA *(IARC consortium)*

**Doha Development Agenda**:-

- Agriculture – major food crops *(SEI)*

**PRELIMINARY OVERVIEW SIA** *(IARC consortium)*

- NAMA - textiles and clothing, non-ferrous metals, pharmaceuticals *(ODI/IARC)*
- Competition policy *(BIICL/WTI/IARC)*
- Environmental services *(Cordah/Westlake/IARC)*
- Distribution services *(ITSP/IARC)*
- Forests *(Savcor Indufor/IARC)*
- Agriculture – general *(ODI/IARC)*
- Fisheries *(NRI/IARC)*

**FINAL OVERVIEW SIA** *(IARC)*

#### Regional/bilateral

**North American Trade IAs**

- NAFTA *(CEC)*

**EU Trade SIAs**

- EU-Chile *(Planistat)*
- EU-GCC *(PWC)*
- EU-ACP *(PWC)*
- EuroMed *(SIA-EMFTA consortium/IARC)*
- EU-Korea, Ukraine, India, China, Andean, ASEAN etc. *(various)*

**Non-governmental Trade IAs**

- UNEP, WWF, FoE etc.
The WTO Doha agenda

- Market access for goods and services
  - Agricultural tariffs
  - Non-agricultural tariffs
  - Trade in services

- Rules-based measures
  - Trade Facilitation
  - Trade-Related Aspects of Intellectual Property Rights (TRIPS)
  - Technical Barriers to Trade (TBT)
  - Sanitary and Phytosanitary (SPS) measures
  - Rules of Origin
  - Subsidies, Anti-Dumping and Countervailing Measures
  - Trade and Environment
  - Dispute Settlement Mechanism
  - Government Procurement*
  - Trade and Investment*
  - Competition Policy*
  - Other measures (electronic commerce, small economies, debt and finance, technology transfer, technical cooperation and capacity building, Least-Developed Countries, Special and Differential Treatment)

*removed from the WTO Doha agenda at the Cancun Ministerial meeting in 2003, but may be retained in regional or bilateral negotiations
Causal chains

Trade Measure

Incentives and Opportunities

CCA

Production System

CCA

CCA

CCA

Economic Impacts

Social Impacts

Environmental Impacts

Process Impacts

Economic Models
Causal chains

- Trade Measure
- Incentives and Opportunities
- CCA
- Production System
  - CCA
    - Economic Impacts
  - CCA
    - Social Impacts
  - CCA
    - Environmental Impacts
  - CCA
    - Process Impacts

Economic Models
Dynamic effects
The SIA Process (EMFTA)

consultation ➔ METHODOLOGY ➔ Phase 1 report
➔ comments ➔ BASELINE STUDY ➔ baseline report
➔ comments ➔ SCENARIOS ➔ scenario proposals
➔ comments ➔ OVERVIEW SIA ➔ Phase 2 final report
➔ comments ➔ CASE STUDIES ➔ Barcelona+10, 2005
➔ comments ➔ M&E FOR KEY ISSUES
➔ comments ➔ CONCLUSIONS ➔ Phase 3 reports
➔ comments ➔ MONITORING PROPOSALS ➔ recommendations
➔ comments ➔ CONCLUSIONS ➔ Final report
➔ comments ➔ REVIEW
➔ REVIEW ➔ Ministerial meetings 2007

NEGOTIATIONS AND POLICY-MAKING
Four types of impact

- **static equilibrium effects**
  - increases/decreases in trade flows and sectoral production
  - net change in economic efficiency and welfare

- **adjustment effects**
  - economic, social and environmental impacts while adjusting to new equilibrium

- **dynamic development effects**
  - change in incentives and opportunities for structural change
  - increase/decrease in economic growth

- **social and environmental process effects**
  - acceleration/deceleration of existing processes of social transformation and environmental change
Key components of assessing impacts

- submissions from stakeholders, experts and other interested parties;
- analysis of results of economic modelling studies;
- empirical evidence from the literature;
- causal chain analysis;
- assessment of significance of potential impacts (e.g. in relation to Millennium Development Goals and national sustainable development goals).
Assessment methodology

- scenarios
  - baseline, postulated agreements
- literature evaluation and case studies
  - empirical evidence and theoretical analyses
- economic modelling
  - ‘equilibrium’ outcomes – static welfare gain
  - changes in production, employment, wage rates, government revenue, exchange rate etc.
- causal chain analysis
  - economic, social, environmental
  - adjustment effects
  - acceleration/deceleration of development processes
- evaluation of significance
  - relative to base situation (geographical scale, number of people, stress, reversibility)
- mitigation and enhancement
  - revisions to negotiating positions and agreements
  - national policy responses
  - development assistance programmes
- monitoring
  - linkage to existing monitoring programmes
  - attribution of effects
Indicators and monitoring

- core “indicators”
  - categorise the types of sustainability impact that need to be considered
  - provide framework for summarising results
- Millennium Development Goals and Targets
- detailed indicators for subsequent monitoring
  - use established indicator sets where relevant
  - define additional indicators for monitoring any significant impacts that are not represented in established indicator sets
- monitoring proposals highlight areas for attention in existing monitoring frameworks
Case Studies

- Euro-Mediterranean Free Trade Area (SIA-EMFTA)
- WTO Doha Negotiations
SIA-EMFTA consortium:

- Institute for Development Policy and Management, University of Manchester (IDPM)
- Bocconi University
- Centre International des Technologies de l’Environnement de Tunis (CITET)
- Deloitte & Touche, Sustainable Emerging Markets
- International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM)
- Overseas Development Institute (ODI)
- United Nations Economic and Social Commission for Western Asia (ESCWA)

SIA-WTO partners:

- Institute for Development Policy and Management, University of Manchester (IDPM)
- BMT Cordah
- British Institute of International and Comparative Law
- Indufor Oy
- ITSP
- Land Use Planning
- Natural Resources Institute
- Overseas Development Institute
- University of Nottingham
- Westlake Associates
- World Trade Institute
Euro-Mediterranean Free Trade Area: 550BC
Mediterranean trade and world trade

Mediterranean trade and world trade

Mediterranean trade and world trade

Euro-Mediterranean Free Trade Area: 2010AD
The Euro-Mediterranean Partnership

Political and security partnership
- Establish a common Euro-Mediterranean area of **peace and stability** based on fundamental principles including respect for human rights and democracy

Economic and financial partnership
- Create an area of **shared prosperity** through the progressive establishment of a **free-trade area** between the EU and its Partners and among the Mediterranean Partners themselves, accompanied by substantial EU financial support for economic transition in the Partners and for the social and economic consequences of this reform process

Social, cultural and human partnership
- Develop **human resources**, promote **understanding between cultures and rapprochement of the peoples** in the Euro-Mediterranean region as well as to develop **free and flourishing civil societies**

Environmental partnership
- **sustainable development** as a guiding objective
Mediterranean trade agreements

Euro-Mediterranean Free Trade Area (EMFTA)
- bilateral Association Agreements between the EU and 10 Partner Countries, plus south-south agreements:

**Agadir Agreement**
- Morocco, Tunisia, Egypt and Jordan

**Bilateral agreements**
- Egypt-Tunisia, Egypt-Morocco, Egypt-Lebanon, Egypt-Jordan, Morocco-Jordan, Morocco-Tunisia, Jordan-Lebanon, Syria-Lebanon, Turkey-Israel, Israel-Palestine

**Arab Maghreb Union**
- Algeria, Morocco, Tunisia – with Libya and Mauritania

**Greater Arab Free Trade Area (GAFTA)**
- Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia - with Libya, Iraq, the Gulf States and Saudi Arabia

**US bilateral agreements**
- Israel, Jordan, Morocco, Egypt
The SIA-EMFTA project

- **Phase 1**
  - refined the methodology for carrying out the SIA study in the subsequent phases.

- **Phase 2**
  - identifies the economic, social and environmental baseline;
  - identifies the scenarios;
  - broad assessment of sustainability impacts of the EMFTA at regional level;
  - review of strategic options on how to avoid or mitigate negative impacts and maximise positive ones;
  - recommendations for more detailed studies in Phase 3.

- **Phase 3**
  - detailed assessment of key impacts;
  - proposals for monitoring;
  - recommendations for negotiations, implementation of Association Agreements, and MEDA Programmes and other policies within the Euro-Mediterranean Partnership.
Scenarios

- baseline scenario – without EMFTA
- EMFTA scenario
  - industrial products
  - agriculture
  - services
  - south-south integration
Case Studies

Morocco study
- Rural development
- Regional targeting for agricultural policies
- Gender issues in rural development
- Optimizing water use and the choice of agricultural products
- Agricultural competitiveness and production factors
- Risks and opportunities of the agricultural free trade area
- Industrial policy choice: the McKinsey study
- The mise à niveau policy
- Compensation for lost tariff revenues

Study on relevance to the Eastern Mediterranean
- Reviewed the principal similarities and differences between Morocco and the Eastern Mediterranean Countries
- Made use of the Morocco study findings to identify lessons for the Eastern Mediterranean countries
## Typical impact summary table – environmental impacts, EMFTA agricultural liberalisation

<table>
<thead>
<tr>
<th>Impact</th>
<th>Countries / sectors affected</th>
<th>Causal factors</th>
<th>Factors affecting significance</th>
<th>Potential significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity</td>
<td>Positive and negative effects in locations where production falls and rises.</td>
<td>Production changes and pressures on resources</td>
<td>Existing levels of stress. Implementation of programmes to protect sensitive areas and promote sustainable use</td>
<td>↑↓</td>
</tr>
<tr>
<td>Environmental quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water quality</td>
<td>Positive and negative effects in locations where production falls and rises.</td>
<td>Production changes, greater intensification, greater resource efficiency</td>
<td>Stronger regulation, support for efficiency improvements</td>
<td>↑↓</td>
</tr>
<tr>
<td>Climate change</td>
<td>all</td>
<td>International transport</td>
<td>Transport modes</td>
<td>↓</td>
</tr>
<tr>
<td>Urban environment</td>
<td>all</td>
<td>Loss of rural jobs exacerbates trends for internal migration</td>
<td>Town planning systems and infrastructural investment</td>
<td>↓</td>
</tr>
<tr>
<td>Natural resources</td>
<td>all</td>
<td>Positive and negative effects on water abstraction and land conversion. Economic growth.</td>
<td>Existing levels of stress. Water management and land use policies and regulations</td>
<td>↑↓</td>
</tr>
</tbody>
</table>
EMFTA key impacts – economic

- static gain in economic welfare (small)
- potentially larger long term dynamic gain in both EU and Mediterranean Partner Countries (MPCs), but strongly dependent on parallel domestic and regional policy measures
- mixed effects on fixed capital in MPCs
  - short term decline
  - incentives for longer term rise
- loss of tax revenues in MPCs
EMFTA key impacts – social

EU

- local adverse social impacts in southern EU countries from agricultural liberalisation

Mediterranean Partner Countries (MPCs)

- urban poor benefit from lower food prices
- greater vulnerability of poor households to fluctuations in world market prices for basic foods
- mixed short term impacts on rural poverty, potential for long term adverse impact
- larger benefits depend on parallel policy measures for long term development
- significant adverse impact on unemployment, with associated pressures on wage rates (industrial short term, agricultural long term)
- significant adverse impact on government revenues (and hence on social, educational, health and environmental expenditure) – biggest effects in Lebanon and Palestinian Territories
- adverse effects on the status, living standards and health of rural women
EMFTA key impacts – environmental

EU
- minor impacts, both positive and negative

MPCs
- reduced industrial pollution
- potential for improved water resource management through environmental services liberalisation
- longer term benefits from more efficient production techniques
- local adverse impacts on water resources, soil fertility and biodiversity in areas of high existing stress
- higher environmental stress in cities, resulting from declining rural employment and accelerated rural-urban migration
- higher air pollution and coastal water pollution from greater international transport
- higher waste generation from greater use of packaging materials
- adverse impact on climate change and biodiversity, due mainly to scale effects of increased transport and increased production
EMFTA key impacts – global

- adverse impact on climate change and biodiversity
- can in principle be countered by technology or regulatory effects
- in itself, the EMFTA scenario that has been assessed does not include measures which will strengthen these positive effects sufficiently to counter the adverse ones
Main potential impacts – Millennium Development Goals

In the absence of appropriate mitigation and enhancement measures:

- small but significant adverse effect on Goals 1 (poverty), 2 (education) and 4 and 5 (health).
- both positive and negative effects for Goal 7 (environment)
- positive impact on Goal 8 (global partnership) – as an economic partnership
# Impacts on MSSD indicators (Mediterranean Strategy for Sustainable Development)

<table>
<thead>
<tr>
<th>Priority action</th>
<th>Indicators</th>
<th>Impact significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving integrated water resource and demand management</td>
<td>1 Water efficiency index (total and per sector with reference to efficiency objectives)</td>
<td>‍ ‍ ⬆ ⬇ ‍ ‍ - ‍ ‍</td>
</tr>
<tr>
<td></td>
<td>2 Water intensity index ratio compared to GDP and research of evaluation of Water intensity irrigated agriculture production added value compared with water demand for irrigation</td>
<td>- ⬆ ‍ ‍ - ⬆ ‍ ‍</td>
</tr>
<tr>
<td></td>
<td>3 Exploitation index of renewable water resources</td>
<td>⬆ ⬆ ‍ ‍ - ‍ ‍</td>
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<td></td>
<td>4 Proportion of the population with access to safe drinking-water (total, urban, rural) with reference to MDGs</td>
<td>⬆ ‍ - ⬆ ‍ ‍</td>
</tr>
<tr>
<td></td>
<td>5 Proportion of the population with access to sanitation (total, urban, rural) with reference to MDGs</td>
<td>- - ⬆ -</td>
</tr>
<tr>
<td>Managing energy demand and mitigating the effects of climate change</td>
<td>6 Energy intensity, total and per sector, with reference to efficiency objectives</td>
<td>⬆ ‍ - ⬆ ‍ ‍</td>
</tr>
<tr>
<td></td>
<td>7 Proportion of renewable energies in the energy balance sheet</td>
<td>- - - -</td>
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<tr>
<td></td>
<td>8 Green house gas emission</td>
<td>⬇ ⬇ ⬇ ⬇</td>
</tr>
<tr>
<td></td>
<td>9 Number of carbon emission reductions and amount financed in the framework of the Kyoto Protocol flexibility mechanisms by the annex 1 countries to the benefit of other Mediterranean countries</td>
<td>- - - -</td>
</tr>
<tr>
<td>Ensuring sustainable mobility through appropriate transport management</td>
<td>10 Motorized transport intensity in relation to the GDP</td>
<td>- - - -</td>
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<tr>
<td></td>
<td>11 The proportion of road transport in terms of freight transport</td>
<td>- - - -</td>
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<tr>
<td></td>
<td>12 Proportion of public surface transport (urban and interurban)</td>
<td>- - - -</td>
</tr>
</tbody>
</table>
### Impacts on MSSD indicators (cont.)

<table>
<thead>
<tr>
<th>Priority action</th>
<th>Indicators</th>
<th>Impact significance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promote sustainable tourism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Proportion of non-seaside beds in total number of holiday beds</td>
<td>- - - - -</td>
</tr>
<tr>
<td>14</td>
<td>International tourism receipts with assessment of effective benefits for destination countries and local populations</td>
<td>- - - - -</td>
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<tr>
<td><strong>Promoting sustainable agricultural and rural development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Agricultural population to rural population ratio, with identification of socio economic indicators (employment, businesses)</td>
<td>- ↓ - -</td>
</tr>
<tr>
<td>16</td>
<td>Loss of arable land by desertification, erosion, salinization, artificialization and agriculture abandonment</td>
<td>- ↑↓ - -</td>
</tr>
<tr>
<td>17</td>
<td>Sustainable rural development programmes for underprivileged rural areas, reconciling human development and environmental protection, including biosphere reserves and natural parks (proportion of relevant department budget)</td>
<td>- ↓ - -</td>
</tr>
<tr>
<td>18</td>
<td>Proportion of agriculture quality products (identification, labelling and geographical origin, homeland products, labels, organic farming)</td>
<td>- ↑ - -</td>
</tr>
<tr>
<td><strong>Promoting sustainable urban development</strong></td>
<td></td>
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<tr>
<td>19</td>
<td>Number of cities with over 10000 inhabitants engaged in a process Agenda 21 type or in urban renewal programmes</td>
<td>- - - - -</td>
</tr>
<tr>
<td>20</td>
<td>Proportion of urban population with access to a decent dwelling</td>
<td>- - - - -</td>
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<tr>
<td>21</td>
<td>Household waste generation per capita and the number of uncontrolled dumping sites</td>
<td>↓ - ↓ - -</td>
</tr>
<tr>
<td>22</td>
<td>Air quality in major Mediterranean urban areas, assessed via a composite index (indicator) to be defined (e.g. ATMO index)</td>
<td>↑ - ↑↓ - -</td>
</tr>
<tr>
<td>Priority action</td>
<td>Indicators</td>
<td>Impact significance</td>
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<tr>
<td>Promoting sustainable management of the sea and the coastal areas and take urgent action to put an end to the degradation of coastal zones</td>
<td>Artificialized coastline / Total coastline (0–1-km and 1–10-km strip)</td>
<td>-</td>
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<tr>
<td></td>
<td>Operational pollution from ships</td>
<td>†</td>
</tr>
<tr>
<td></td>
<td>Proportion of coastal urban inhabitants with no access to sanitation</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Surface of protected coastal and marine areas</td>
<td>-</td>
</tr>
<tr>
<td>Strengthen solidarity, commitment and financing for a sustainable development at regional, national and local levels</td>
<td>ODA allocated as % of OECD DAC countries donors’ GNP; proportion of the ODA allocated to Mediterranean countries and proportion contributing to the strategy objectives</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>EU net public financial flows to EU Mediterranean members, candidates, CARDS and MEDA countries (in absolute value and per capita) and proportion contributing to the objectives of the strategy</td>
<td>-</td>
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<tr>
<td></td>
<td>Proportion of bank credit allocated to the private sector – Existence of alternative financing systems to bank credit</td>
<td>-</td>
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<tr>
<td></td>
<td>Proportion of local government tax revenue as % of total tax revenues (government receipts). Proportion of government budget allocated to local authorities.</td>
<td>-</td>
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<tr>
<td></td>
<td>Public financial mechanisms to support the least favoured regions</td>
<td>-</td>
</tr>
<tr>
<td>Strengthen human capital and actors’ involvement: research, training, education, awareness-raising and participation</td>
<td>Literacy rate of young people between 15 and 25 years old</td>
<td>‡</td>
</tr>
<tr>
<td></td>
<td>The girl/boy ratio enrolment in primary education and high school</td>
<td>-</td>
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<tr>
<td></td>
<td>Public and private expenses for research and development in % of GDP</td>
<td>-</td>
</tr>
<tr>
<td>Core indicator</td>
<td>Detailed indicators</td>
<td>Impact significance</td>
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<td>I  A  S  SS</td>
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<tr>
<td><strong>Economic</strong></td>
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<tr>
<td>Real income</td>
<td>GDP growth rate</td>
<td>⬆️ ⬆️ ⬆️ ⬆️</td>
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<td></td>
<td>consumer prices</td>
<td>⬆️ ⬆️ ⬆️ ⬆️</td>
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<td></td>
<td>exchange rate</td>
<td>⬇️ - - -</td>
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<tr>
<td>Fixed capital formtn.</td>
<td>savings and investment</td>
<td>⬆️ ⬆️ - ⬆️ ⬆️</td>
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<tr>
<td></td>
<td>trade balance</td>
<td>⬇️ - - -</td>
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<tr>
<td></td>
<td>current account</td>
<td>⬇️ - - -</td>
</tr>
<tr>
<td>Employment</td>
<td>unemployment level</td>
<td>⬇️ ⬆️ ⬆️ - ⬇️</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty</td>
<td>Human Poverty Index (HPI – life expectancy, literacy rate, access to clean water,</td>
<td>⬇️ ⬆️ ⬆️ ⬆️ ⬆️</td>
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<tr>
<td></td>
<td>underweight children)</td>
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<tr>
<td>Health and education</td>
<td>Human Development Index (HDI – GDP/cap, life expectancy, literacy rate, school</td>
<td>⬇️ ⬆️ ⬆️ ⬆️</td>
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<tr>
<td></td>
<td>enrolment)</td>
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<tr>
<td>Equity</td>
<td>income distribution (Gini)</td>
<td>⬇️ ⬆️ - -</td>
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<tr>
<td></td>
<td>Gender Development Index (GDI – female/male life expectancy, female/male literacy</td>
<td>⬆️ ⬆️ - -</td>
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<td></td>
<td>rate, female/male school enrolment, female/male earned income)</td>
<td></td>
</tr>
</tbody>
</table>
## Additional indicators for monitoring predicted impacts (cont.)

<table>
<thead>
<tr>
<th>Core indicator</th>
<th>Detailed indicators</th>
<th>Impact significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>I  A  S  SS</td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
<td></td>
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<tr>
<td>Biodiversity</td>
<td>land use change</td>
<td>-  ↘  -  ⬆  ⬆  ⬆</td>
</tr>
<tr>
<td></td>
<td>desertification</td>
<td>-  ▼  -  ⬆  ⬆  ⬆</td>
</tr>
<tr>
<td></td>
<td>marine biodiversity</td>
<td>-  -  -  -</td>
</tr>
<tr>
<td>Environmental</td>
<td>water global quality index</td>
<td>⬆  ⬆  ⬆  ⬆</td>
</tr>
<tr>
<td>quality</td>
<td>air global quality index</td>
<td>⬆  ⬆  ⬆  ⬆</td>
</tr>
<tr>
<td></td>
<td>emissions of greenhouse gases</td>
<td>⬆  ⬆  ⬆  ⬆</td>
</tr>
<tr>
<td>Natural resources</td>
<td>non-sustainable water use</td>
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<td>polluter pays principle</td>
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<td>precautionary principle</td>
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<td>quality and enforcement of environmental legislation</td>
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<td>SD strategies</td>
<td>design and implementation of integrated development strategy</td>
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Recommendations for policy measures to avoid adverse impacts and enhance beneficial ones

- trade-related measures
- domestic policy in EU (and EU international policy)
- domestic policy in partner countries
- EU development assistance
Trade-related measures

- adjust phasing of industrial liberalisation
  - take account of actual level of unemployment and implementation of tax reforms
- flexibility in phasing for agriculture, services and south-south liberalisation
  - link to monitoring of actual conditions for key economic, social and environmental indicators
- special arrangements for sensitive agricultural products in EU or MPCs
  - optimise by evaluation of alternative options, e.g. collaborative research into the interacting impacts in both the EU and MPCs
- special arrangements for services needing strong regulation and/or government subsidies to avoid adverse impacts
  - e.g. distribution services, environmental services, financial services.
  - link timing of liberalisation to monitoring implementation of the necessary reforms
- incorporate similar arrangements into south-south agreements
EU domestic and international policy

- social policy and environmental policy for affected areas of southern EU countries
  - in line with the findings of detailed research on agricultural reform (e.g. as developed for CAP reforms, extended to cover the specific impacts of EU-MPC liberalisation).
- climate change and global biological diversity
  - reinforce efforts to strengthen **multilateral governance mechanisms** (both would otherwise deteriorate incrementally under the EMFTA scenario that has been assessed).
Domestic policy in MPCs

- assistance to industrial companies to increase competitiveness
  - mise à niveau programmes
  - assistance to both large scale producers and SMEs to access appropriate information and funding for modernisation
  - schemes to facilitate the development of internal supply chains
  - initiatives to strengthen the responsiveness of education and training systems to changing private sector needs.

- facilitate transition to commercial agriculture, combined with measures to support livelihoods of subsistence farmers
  - land reforms, skills training, micro-credit schemes
  - promote development of rural industries and alternative sources of income in rural areas.

- cooperative investment in regional transport and other infrastructure

- develop integrated regional industrial and agricultural policies
  - take greater advantage of economies of scale within the region, and achieve greater synergy of development strategies.

- regional institutions to undertake research into common development issues
  - economic, social, environmental
  - regional and national policy initiatives - e.g. common system of rules of origin, regional approaches to dismantling non-tariff barriers

- revised provisions for food subsidies

- strengthened environmental regulation
  - water resources, land use planning and controls, protection of biological diversity

- assistance to large and small companies in environmental management and cleaner production systems.

- promotion of environmentally sound farming practices.

- strengthening of environmental standards for marine transport and commercial vehicles.
**EU development assistance**

- promote collaborative research on industrial competitiveness among all MPCs
  - cost-effectiveness of past measures and potential future ones to enhance the competitiveness of MPC industrial companies
- detailed EU-MPC research into impacts of agricultural liberalisation
  - social and environmental
  - MPCs and southern EU countries.
- assistance with schemes to disseminate market information
  - EU product standards and other market access constraints and opportunities.
- targeted support for stronger environmental management
  - institutional capacity for integrated economic, social and environmental planning
  - integrated urban-rural and industrial-agricultural planning
- assistance with strengthening institutional capacity for the use of environmental economics techniques in development planning.
- coordination of EU support within the Barcelona process
  - inter-agency screening of programme proposals against MSSD priority actions
- further development of the MSSD
  - take account of continuing research into the economic, social and environmental impacts of greater regional integration.
**SIA-EMFTA overall conclusions**

1. In parallel with other strategic measures at the national and regional level the EMFTA is capable of making a major contribution to achieving the objectives of the EMP and hence to the sustainable development of the region.

2. Implementation of the EMFTA on its own will make only a small contribution to the economic objectives of the EMP, and needs to be accompanied by appropriate parallel measures if significant adverse social and environmental impacts are to be avoided at the local, regional and global level.

3. The parallel measures that are necessary to enhance the beneficial effects of the EMFTA and to avoid significant adverse impacts include actions both at the regional level and nationally in each of the partner countries.
4. In order for the EMFTA to make its full potential contribution to the sustainable development of the region, the EMP itself needs to be re-invigorated and re-directed towards clearly defined economic, social and environmental goals for each of the partner countries and for the region as a whole. This reinforces a similar regional need arising from the challenges of addressing climate change, economic globalisation, regional migration and the Millennium Development Goals.

5. The monitoring mechanism proposed for the EMFTA may be used as a framework for addressing all of these challenges.

6. Any such re-invigoration of the EMP should be based on a strategic review of its objectives and of the interactions between the EMFTA and the other components of the Barcelona Process in contributing to those objectives.
Proposed EMFTA monitoring mechanism

- The development of an EMFTA monitoring mechanism presents a significant opportunity for strengthening and re-invigorating the entire Barcelona process

- Proposals for:
  - indicators and data requirements
  - institutional responsibilities
  - dissemination and capacity building
  - integration with policy-making
WTO SIA studies

- Preliminary Overview SIA
- Sector studies
  - Agriculture – major food crops
  - Non-Agricultural Market Access - textiles and clothing, non-ferrous metals, pharmaceuticals
  - Competition policy
  - Environmental services
  - Distribution services
  - Forests
  - Agriculture
  - Fisheries
- Final Overview SIA
WTO key impacts 1

[Note: the impacts identified in the SIA studies are those which would occur in the absence of effective mitigation and enhancement measures]

- Local effects occur for water, air and soil quality, water quantity, soil erosion and biodiversity, and are particularly significant in areas of high existing stress.
- The impacts on climate change and global biodiversity are adverse overall, arising primarily through increased transport and pressures for increased agricultural production in biologically sensitive areas.
- Most countries experience beneficial impacts for some sections of society, but adverse short term impacts on others.
- The transition period may be associated with increased unemployment or underemployment as labour and capital move from less to more efficient uses.
- The impact on poverty reduction is expected to be favourable in some large developing countries, such as India and China.
In some of the poorest countries, in sub Saharan Africa for example, poverty may worsen as they stand to lose economically from trade liberalisation and face severe supply side constraints.

Most of the adverse effects are likely to be short to medium term, and may be highly significant if liberalisation is rapid or not accompanied by effective social policies.

These impacts may continue into the longer term in the absence of appropriate policies to support the creation of new employment opportunities.

Countries with high initial protection may also experience a significant loss of tariff revenues, with possible negative indirect social impacts if expenditure on health, education and social support programmes is reduced.

Women tend to be among the most vulnerable to adverse impacts, although opportunities also arise for higher skilled jobs and improved working conditions.
The impact of Impact Assessment - possible future directions

- Trade negotiators are not responsible for halting climate change, preventing global biodiversity loss or reducing world poverty.

- Trade agreements can readily comply with international environmental agreements or labour standards, but do not define them, and may interpret any lack of precision in a way that is favourable to trade.

- The principal difficulties of steering trade policy towards sustainable development goals lie in the lack of international agreements in non-trade areas that are sufficiently strong to restrain trade policy from having adverse impacts in those areas.

- The United Nations Environment Programme (UNEP) has led a programme to help build capacity in developing countries for undertaking integrated impact assessments. An expansion of such assistance may be particularly beneficial for smaller developing countries and least developed countries.

- Multi-country SIA studies might make a larger contribution if undertaken on behalf of the wider international community (e.g. commissioned jointly by UNEP, UNDP, ILO, WHO, UNIDO andUNCTAD).

- Stronger initiatives may be taken at the regional level.

George and Kirkpatrick (2008)
Journal of Environmental Assessment, Policy and Management
Further information

http://www.sia-trade.org/emfta

http://ec.europa.eu/trade/issues/global/sia/studies_geo.htm