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# LEARNING LESSONS FROM SUSTAINABILITY IMPACT ASSESSMENTS

## THE RESPONSIBILITY OF THE EUROPEAN UNION TO EXCLUDE NATURAL RESOURCES – FORESTRY, FISHERIES AND MINERALS – FROM THE WTO NAMA NEGOTIATIONS

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A STATEMENT BY  
CAMPAIGN TO REFORM THE WORLD BANK, FRIENDS OF THE EARTH EUROPE,  
GREENPEACE INTERNATIONAL AND WOMEN IN DEVELOPMENT EUROPE  
FOR THE TRADE SIA STOCKTAKING CONFERENCE,  
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### 1. SUMMARY AND RECOMMENDATIONS

In the past the European Commission has commissioned Sustainability Impact Assessments (SIAs) on forestry as well as non-ferrous metals that clearly show negative environmental, social, employment and gender impacts. A study on fisheries will be completed in the coming months. With pressing deadlines in the non-agricultural market access (NAMA) negotiations, it is urgent to ensure that the results of SIAs are integrated into policy making now.

Campaign to Reform the World Bank, Friends of the Earth Europe, Greenpeace International and Women in Development Europe call upon the European Commission to integrate the results of SIAs into EU trade policy and to

- **Publicly and actively oppose the sectoral negotiation proposal on forests**<sup>1</sup>. The EU SIA reveals that *“trade liberalisation can accentuate negative sustainability trends unless appropriate forest governance systems are in place and enforced”*<sup>2</sup>. Such systems are clearly not operating in many countries and further liberalisation should therefore not take place. NAMA could impede attempts to protect forests and will likely undermine biodiversity and increase global poverty and climate change<sup>3</sup>. Opposition by the EU could potentially tip the balance in terms of preventing a critical mass developing (if the suggested requirement that countries representing 80 to 90% of global trade should support a sectoral initiative for it to be able to proceed)<sup>4</sup>.

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<sup>1</sup> See TN/MA/W/64, 18 October 2005, Canada, Hong Kong China, New Zealand, Thailand and the United States and JOB(06)/30, 24 February 2006, Canada

<sup>2</sup> Katila, M. and Simula, M.: Sustainability Impact Assessment of Proposed WTO Negotiations: Final Report for the Forest Sector Study, Executive Summary, Helsinki, Savfor Indufor Oy in cooperation with the Impact Assessment Research Centre, the Institute for Development Policies and Management University of Manchester, UK, 2005

<sup>3</sup> See Friends of the Earth: Can't see the forest for the trees, How the WTO is gambling with our future, UK, 2005

<sup>4</sup> By 15 July WTO members will have to determine which sectoral negotiations have enough support to continue



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- **Publicly and actively oppose the sectoral negotiation proposal in fisheries<sup>5</sup>.** This is particularly important given the fact that the EU has not yet concluded its SIA on the impacts of trade liberalisation in this sector, and should therefore be operating on the basis of the precautionary principle as required in the EC Treaty and the Rio Declaration<sup>6</sup>. WTO proposals to fully eliminate tariffs in fisheries could have extremely serious economic consequences for women and men dependent upon fisheries and other natural resources for their livelihoods, including loss of access to and destruction of the natural resources upon which they traditionally depend. Japan, Korea and Taiwan are already explicitly opposing its inclusion. The EU is in a position to ensure that this proposal is removed altogether from the negotiating table.
- **Propose the removal of natural resources from liberalisation** through the application of any generic formula that might be agreed in the NAMA negotiations. If these do 'bite into applied tariffs' as the European Commission is hoping, there are also likely to be negative social, gender and environmental impacts although possibly on a lesser scale than sectoral initiatives. However, this is still a major issue, so should not be overlooked.
- **The EU should explicitly exclude forests, fisheries and other natural resources from its non-tariff measures proposal<sup>7</sup>** and should also apply pressure to other countries, such as Japan, to follow suit. The EU and Japan are calling for the removal of export tariffs and quantitative restrictions while explicitly including forests. For developing countries, export taxes are tried and tested tools that help protect social and environmental standards. The EU proposal could exacerbate these problems around the world.
- The EU should publicly guarantee that there is no question of **non-tariff measures (NTMs) designed to reduce consumption of natural resources and to protect the well-being or livelihoods of poor people being weakened or removed** either through the NAMA or any other aspects of the WTO negotiations, or through any other forum. Other WTO members have notified a range of various non-tariff measures which may impact on existing and proposed local development, environmental and health legislation. WTO members have agreed to conclude WTO NTM negotiations by July 2006. Since many of these NTMs are in fact critical for reducing impacts on natural resources, they also represent an attempt by the WTO to roll back vital environmental and social protections.

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<sup>5</sup> See TN/MA/W/63, 18 October 2005, from Canada, Iceland, New Zealand, Norway, Singapore and Thailand.

<sup>6</sup> Principle 15 of the Rio Declaration states "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation". See:

<http://www.unep.org/Documents/multilingual/Default.asp?DocumentID=78&ArticleID=1163>

<sup>7</sup> See TN/MA/W/11/Add.3, 1 April 2003, European Communities



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## 2. LINKING SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES WITH POVERTY ERADICATION

It is increasingly recognised, including at the intergovernmental level, that access to natural resources is a key aspect in both avoiding and escaping poverty.

The UN Millennium Ecosystem Assessment, for example, states that, *“the degradation of ecosystem services is harming many of the world's poorest people and is sometimes the principal factor causing poverty”* (emphasis added). It also argues that *“the world's poor depend disproportionately on ecosystem services to provide for their systems of small-scale agriculture, grazing, harvesting, hunting and fishing. Without access to infrastructure providing safe drinking water, electricity, fuel and transportation, poor people rely on natural sources of clean air and water, fertile soil, renewable energy and biodiversity to meet their needs”*<sup>8</sup>.

*“The Wealth of the Poor: Managing Ecosystems to Fight Poverty”*, a recent report from the World Resources Institute, the World Bank, the United Nations Environment Program and the United Nations Development Program, also argues that natural resources represent a route out of poverty for the impoverished: *“three-fourths of them live in rural areas; their environment is all they can depend on. Environmental resources are absolutely essential, rather than incidental, if we are to have any hope of meeting our goals of poverty reduction”*<sup>9</sup>.

Furthermore, the EU currently claims that trade liberalisation is positive and a win-win situation for developing as well as developed countries. More recent analysis, including from the World Bank, questions the possible gains from further trade liberalisation. The Tufts University has analysed that the new World Bank projections show:

- 70% of the gains would go to developed countries, up from 40% in 2003;
- A small number of the largest developing countries would capture most of the developing country benefits;
- In a "likely Doha scenario" of reforms, developing country gains amount to less than a penny-a-day per capita;
- Poverty impacts are very small, with projected reductions of less than one percent in the number of people living in poverty<sup>10</sup>.

This means that poor countries cannot and will not gain from further liberalisation, and will in fact get poorer if their natural resources are eroded when poor people so clearly depend on them.

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<sup>8</sup> Millennium Ecosystem Assessment. Ecosystems and human well-being: synthesis, Washington D.C., Island Press, 2005

<sup>9</sup> United Nations Development Programme, United Nations Environment Programme, The World Bank, World Resources Institute: Report Series: World Resources 2005 - The Wealth of the Poor: Managing ecosystems to fight poverty, New York, 2005

See <http://population.wri.org/worldresources2005-pub-4073.html>

<sup>10</sup> Global Development and Environment Institute, Tufts University: The Shrinking Gains from Trade. A critical assessment of Doha Round Projections, USA 2005.

See <http://ase.tufts.edu/gdae/pubs/wp/05-01ShrinkingGains.pdf>



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### 3. EVIDENCE FROM SIAS ON FORESTRY, FISHERIES AND NON FERROUS METALS

#### *i) Forests, livelihoods and the environment*

**There is clear evidence that forestry needs to be fully excluded from the NAMA negotiations.** The European Commission's sectoral SIA on forestry has shown negative impacts in the forestry sector. The study states that *"trade liberalisation can accentuate negative sustainability trends unless appropriate forest governance systems are in place and enforced"*. Such systems are clearly not operating in many countries and further liberalisation should therefore *not* take place.

In a letter to Greenpeace EU's Trade Commissioner Peter Mandelson confirms the findings of the study: *"The Trade SIA on Forestry concludes among other things, that tariff reductions in forest products are not the key driver of deforestation but that in some countries with unique biodiversity where forest governance is still weak further liberalisation of trade can accentuate existing negative sustainability trends."*<sup>11</sup>

The SIA also states that *"in principle small incremental changes can result in significant negative sustainability impacts in individual countries with sustainability and governance problems" (emphasis added)*, and that, *"in biodiversity hotspot countries, such as Brazil, Indonesia, Congo Basin countries, and Papua New Guinea, possible negative impacts on biodiversity can be irreversible"*<sup>12</sup>. The study confirmed that *"in all the case study countries trade liberalisation magnified existing problems (e.g., illegal logging in Indonesia and parts of Brazil and Mexico)"*.

Yet it is Brazil who the EU is pushing for maximum liberalisation under NAMA despite huge deforestation, illegal logging and other governance problems and despite the critical role the Amazon plays in regulating climate change.

NAMA supporters argue that since the average increase in global trade will be only be 2%, little damage will be done. However, the study indicates that impacts in some countries will be significant (e.g. in Indonesia) stating that *"trade liberalisation, or almost any measure that would increase forest production from the current levels would likely have primarily negative sustainability impacts amplifying the current negative trends"*.

Furthermore, using global figures fail to include the costs of forest damage, e.g. the loss of climate change protection and the increased expense of coping with the damage. They also fail to take into account the impact on poor communities who rely on their local forests, and who will shoulder the heaviest burden.

The most likely impacts are increased exploitation and consumption of forest products. Especially in countries with weak environmental or forest protection policies, it is likely that liberalisation will lead to intensified exploitation of forests. In addition, with declining world

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<sup>11</sup> Letter dated 13 February 2006.

<sup>12</sup> Katila, M. and Simula, M.: Sustainability Impact Assessment of Proposed WTO Negotiations: Final Report for the Forest Sector Study, Executive Summary, Helsinki, Savfor Indufor Oy in cooperation with the Impact Assessment Research Centre, the Institute for Development Policies and Management University of Manchester, UK, 2005

prices, logging and increased consumption is likely to increase<sup>13</sup>. Removing non-tariff barriers would add to this increase. NAMA proposals on forestry are clearly not the result of joined-up thinking on poverty, climate and sustainability.

Today, about ¼ of the land area of the world – or 3.7 billion hectares – is covered by natural forests and 57% of the world's forests, including most tropical forests, are located in developing countries<sup>14</sup>. But forests are in a state of crisis and liberalisation in trade of forestry products is likely to further increase this stress.

**In sum, forestry should be excluded from the sectoral, formula and NTM negotiations.**

### ***ii) Fisheries, livelihoods and the environment***

The final EU Trade SIA on fisheries will only be published in the summer by which time modalities for NAMA negotiations are also supposed to be finalised.

Preliminary NGO research shows that proposals to eliminate tariffs on fish and fish products could have serious negative impacts on fish stocks if accepted. Almost 70% of tradable fish is still obtained from wild harvest, which already places extreme pressure on the oceans' resources. The proposed tariff reductions in the NAMA negotiations will increase incentives to fish internationally, especially with large commercial trawlers, in turn fuelling further exploitation. Traditional fisheries are more efficient and equitable than industrial fishing fleets in their exploitation of fish resources. The cumulative loss of traditional ecological knowledge will seriously undermine the appropriate management of fish resources<sup>15</sup>.

Local fishermen and women and poor fishing communities would increasingly suffer the impact of dying seas, as large commercial fleets take many of the highest quality fish. If coastal nations with strong domestic markets such as Ghana and Cameroon are forced to lower tariffs under liberalisation, the likelihood exists that imports will be forced upon them, undermining local fishing industries and food security.

Food security is also likely to be affected as the decline of fisheries accelerates and as large commercial trawlers suck up all the high-quality fish for export. Only low-quality fish will be left for artisanal fishers to feed their communities.

The fishing industry provides livelihoods and essential nutrition for millions of people across the globe. Fish accounts for over 15% of animal protein intake globally, and is an important factor in national food security for many developing countries<sup>16</sup>. Furthermore, developing countries provide 70% of all of the fish consumed by people worldwide, although most of it is channelled to wealthy nations<sup>17</sup>. 90% of fishers worldwide – nearly 40 million – people are employed in small-scale artisanal fishing and are responsible for 45% of global fish production<sup>18</sup>. However, these small-scale fishermen and women are overwhelmingly poor.

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<sup>13</sup> See Greenpeace International: Trading Away our last forests. The threats to forests from trade liberalisation under the WTO, Report, Amsterdam 2005

<sup>14</sup> See <http://www.worldwildlife.org/forests/basic/facts.cfm>

<sup>15</sup> Source: Research from Friends of the Earth US due to be published shortly

<sup>16</sup> Food and Agriculture Organization Fisheries Department (2004), The State of World Fisheries and Aquaculture, Rome

<sup>17</sup> Ibid.

<sup>18</sup> Sebastian Mathew, Managing Artisanal Fisheries, International Collective in Support of Fishworkers.

Fishing stocks are being depleted globally due to increased fishing by fleets from industrialised countries, some of which have commercial agreements with developing countries to fish in their waters. Although fish capture from the wild has stagnated in the past 10 years, even decreasing in the last recorded years (2001-2002), the world's supply of fish is nearly exhausted with over 70% of wild fish stocks fully exploited, overexploited, or depleted. Any additional overfishing – which could be triggered through trade liberalisation agreements – will cause species to become commercially extinct and seriously hinder the process of their regeneration.

Furthermore, under the NTM negotiations, labelling restrictions and domestic regulations relating to tuna fishing and the protection of marina mammals have, for instance, been notified.

**In sum, fisheries should be excluded from the sectoral, formula and NTM negotiations.**

### ***iii) Non-ferrous metals, the environment and livelihoods***

The United Arab Emirates are pushing for sector negotiations on raw materials, including aluminium. It certainly makes the proposal on the basis that consumption can be increased through liberalisation<sup>19</sup>.

The EU sector study on non-ferrous metals<sup>20</sup> has stated that *“for all groups of countries the environmental adjustment costs are likely to be negative, either because emissions associated with increased production of processed metals and semi manufactures, or due to increased mining and refining activities. In the case of mining and refining, more effective regulation will be required to ensure environmentally sustainable impacts in developing and least developed countries”*.

The study also highlights negative social impacts. It states: *“in countries with protected industries that sustain relatively inefficient mining or refining, there will be sectors and regions that experience unemployment and a loss of income. In the absence of social safety nets or public spending policies to mitigate the effects, these regions will experience adverse social impacts”*.

Additionally, the study highlights the possibility of ‘loss of government revenue’ which may lead to a reduction in government expenditure which often leads to cuts in social spending such as education and health that impact women specifically.

The sector studies conclude in a section for policy makers stating that *“If trade policy is to contribute to the goal of sustainable development, negotiators and policy makers need to take this wider range of possible consequences into account”*.

In sum, non-ferrous metals/raw materials should be excluded from the sectoral, formula and NTM negotiations.

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See [www.icsf.net/jsp/english/presentations/presentationDocs/1117619186883](http://www.icsf.net/jsp/english/presentations/presentationDocs/1117619186883)

<sup>19</sup> United Arab Emirates: TN/MA/W/37/add.2 (Raw materials)

<sup>20</sup> The University of Manchester. Sustainability Impact Assessment of Proposed WTO Negotiations. Sectors Studies for Market Access (Pharmaceuticals, Non Ferrous Metals, and Textiles), Environmental Services (Water and Waste Management) and Competition, UK, 2003



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#### **4. STRATEGIC OPPORTUNITIES TO REMOVE NATURAL RESOURCES FROM WTO NEGOTIATIONS**

The links between increased trade in natural resources and potential impacts on poverty, employment and livelihoods have not figured in the WTO NAMA negotiations to date. They urgently need to be integrated, before it is too late.

In addition, developing countries are also objecting to the EU aggressive negotiating agenda on NAMA. They are generally opposed to the concept of sectoral negotiations as well.

By agreeing to remove forests, fisheries and other natural resources from the WTO negotiations, the EU could make a significant and important move towards

- Showing that results of SIAs are taken seriously and have an impact on EU trade policy making;
- Reducing the WTO interference with progress towards the Millennium Development Goals;
- Meeting some developing country negotiating objectives and
- Encouraging demonstrable interest in the WTO in the environmental and sustainability priorities of other countries.

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#### **ABOUT US**

**Campaign to Reform the World Bank (CRBM)** started its activities in 1996, working in solidarity with local communities affected by projects and investment worldwide for a democratic and radical reform of the international finance institutions. A special attention is given to the impacts of public and private investments from the North to the South of the world regarding environment, development and social and human rights.

**Friends of the Earth Europe** campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

**Greenpeace International** is a non-profit organisation, with a presence in 40 countries across Europe, the Americas, Asia and the Pacific. As a global organisation, Greenpeace focuses on the most crucial worldwide threats to our planet's biodiversity and environment.

**Women in Development Europe (WIDE)** is a European network of development NGOs, gender specialists and human rights activists. WIDE monitors and influences international economic and development policy and practice from a feminist perspective.