

EU TRADE SUSTAINABILITY IMPACT ASSESSMENTS: A CRITICAL VIEW

Statement of European Civil Society Organisations

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“There is no automatic rule that trade liberalisation will lead to greater economic growth, never mind long-term sustainability”

Peter Mandelson, 21 March 2006

Sustainability Impact Assessments (SIAs) are meant to be an important element of the European Commission’s strategy to integrate sustainable development concerns into EU trade policy. Correctly conducted and used, SIAs can help deliver more sustainable trade by highlighting the potential social, gender, environmental and developmental impacts of trade agreements, recommending changes to negotiating positions and identifying measures to mitigate negative impacts. At the same time, they can be an opportunity to improve the transparency and accountability of EU trade policy-making. Also, SIAs can be a valuable contribution to the Community’s growing consensus on “policy coherence for development”.

European Civil Society Organisations (CSOs) have engaged in the SIA programme by providing comments on the development of the methodology, offering suggestions for integrating SIA output into policy-making and contributing to specific SIAs. Despite this input and the existence of a formal dialogue process in which we have actively participated, the Commission has failed to adequately address the concerns that CSOs have repeatedly expressedⁱ.

At a time where the DG Trade SIA programme is at a turning pointⁱⁱ, the undersigned organisations would like to further draw attention to the following problems:

1. Disconnection from trade policy and decision-making

“Integrating the results of Trade SIAs into EU policy is the responsibility of the European Commission. A commitment to do so is at the core of the Trade SIA process”ⁱⁱⁱ

Currently, the SIA programme and the trade policy-making process seem completely independent from each other. SIAs are conducted during or after the negotiation of trade agreements, rendering their contents either superficial or simply inconsistent with real-trade-life stakes. Besides, EU negotiators have so far not managed to demonstrate how the SIA findings are consistently incorporated in the EU’s own position in international trade talks^{iv}.

Trade SIAs, which take up 10% of the total DG Trade budget^v, should not and cannot be reduced to purely academic exercises. Important political questions such as the purpose of SIA in the context of trade negotiations need to be addressed upfront in the actual design of this tool. SIAs are ultimately there to inform policy-makers about the impacts of various policy options to allow them to make well informed and balanced choices.

Therefore, we propose the following:

- **The timing of SIAs should be revised. The EU should carry out SIAs before it embarks in a trade negotiation or, at least, make sure the SIAs are completed before it agrees on its negotiating positions. Ex-post monitoring should also be**

carried out for all bilateral and multilateral agreements in which the EU is engaged in order to learn lessons from existing agreements.

- **EU trade negotiators need to establish a review and monitoring process in order to demonstrate how they take on board the SIA recommendations in the negotiating positions they adopt.**
- **The Commission should ensure that the results of the SIAs are known in the relevant ministries and institutions in the EU Members States dealing with trade and should promote their integration in domestic policy-making**

2. Weak and inadequate enhancement, prevention and mitigation measures

“Trade liberalisation can also lead to negative environmental or social impacts (...). The challenge is to maximise the positive and to minimise the negative”^{vi}

Enhancement, prevention and mitigation measures (EPMs) are designed as “flanking measures” used to mitigate the negative impacts of trade liberalisation in the EU and also in its partner countries. EPMs are of various kinds, but very often, they leave us with the bitter feeling to “miss the point”. For instance, in the final SIA on the DDA global overview, the only considered mitigation measure to possible negative outcomes of the Doha Round is the Hong Kong “Aid for Trade” package. Besides the inherent inconsistency of the Hong Kong deal with real sustainable development objectives – as criticised by many stakeholders^{vii} – the SIA proposes as *the* cure an approach which merely addresses the symptoms of ill-development but never its true roots. Besides, most of the mitigation measures proposed in the EU Trade SIAs are directed at EU partner countries, mostly developing countries whose capacity to “adapt” to world trade rules and carry the adjustment costs is limited. Alternative policy options for the EU, which should be a priority, are mostly ignored (see point 3).

Therefore, we propose the following:

- **The scope and terms of reference of SIAs should be expanded. SIAs must be allowed to question the adequacy of trade liberalisation itself and must provide recommendations for changes in EU policies themselves. Specifically, Trade SIAs should explore the possibility to enforce universal social and environmental rules as limits to trade liberalisation.**

3. Pro-liberalisation bias

“Trade SIAs do not produce a Yes/No answer to whether trade liberalisation is good or bad”^{viii}

Yes, no such blunt statement exists in the EU Trade SIAs. But this official neutrality masks the fact that the Commission’s approach to trade policy is still based on the primary assumption that trade liberalisation is desirable and will result in economic growth and development, at least on the long term. While the EU Trade SIAs have pointed out to numerous adverse impacts of trade liberalisation on the environment, jobs, women and livelihoods, and have stressed the importance of regulatory frameworks to avoid these

impacts, neither the SIAs nor the Commission have ever questioned this fundamental assumption, thereby indirectly nourishing the belief that trade liberalisation is natural and inevitable. We believe that this is a serious weakness of these studies. Alternative proposals such as no liberalisation or trade in a different form^{ix} are excluded from the analysis. This narrow scope closes off alternative policy options before they can even be assessed and undermines the purpose of the tool. SIAs are supposed to inform the development of policies, not simply to assess them. Without this freedom, the utility of SIAs will be limited to proposing “flanking” measures to mitigate the excesses of liberalisation and enhance what benefits there are. This will not allow SIAs or the Commission to develop truly sustainable policy options.

Therefore, we propose the following:

- **The Commission must abandon its pro-liberalisation bias and embark on a wide ranging SIA programme which has the freedom to examine all the potential policy options and put forward truly sustainable solutions – including alternatives to liberalisation.**

4. Pro-neutrality bias

“The Trade SIAs carried out so far have indicated both positive and negative potential effects. Forecast effects have not indicated major effects, either positive or negative”^x

SIA conclusions often refer to the impacts by presenting both positive and negative trends, in an over-nuanced and “checklist” fashion, creating the illusion of a neutral outcome and consequently underestimating the power of trade liberalisation to bring about significant political changes in society by favouring the interests of one group of actors to the disadvantage of others.

Therefore, we propose the following:

- **SIAs should not just “checklist” positive and negative impacts of trade liberalisation but clarify the trade-offs that can be made between beneficial and adverse impacts.**
- **SIAs should go beyond macro-economic research and provide an insight to the “reality of the market”. This would entail looking at (a) the dominant corporations in the analysed sector, (b) their market share and (c) the impacts these would have on the sector once liberalised (e.g.: their impact on newcomers and small companies in developing countries). Besides, SIAs should disaggregate the figures used in their analyses (notably the data on gender impacts). This would allow determining the effective “winners” and “losers” of trade liberalisation.**
- **For each SIA the viewpoints and arguments of the different stakeholders should be fairly presented and analysed. This would allow having a more diversified and politically nuanced assessment.**

5. Insufficient stakeholder consultation in third countries

“The widest possible range of stakeholders is consulted (...). Consultation is essential to ensure involvement and legitimacy in the use of Trade SIA results”^{xi}

Improved stakeholder consultation in third countries was one of the major conclusions of the SIA conference held in March 2006^{xii}. Building on the lessons of the SIAs on ACPs (2003-2005), forestry (June 2005) and fisheries (May 2006) we believe that this aspect of the SIA methodology should be strengthened and emphasized in future contracts between the European Commission and SIA researchers. SIAs should not become a business for consultants but should aim at being a really participatory process. CSOs should be supported to take part in the SIA process, from the definition of the scenarios to the monitoring of the studies' recommendations. This is particularly important for grassroots organisations and people who are likely to be directly affected by trade liberalisation, such as peasant organisations, cooperatives, women and small producers' organisations, as well as the social partners.

Therefore, we propose the following:

- **A meaningful part of the EC grant to SIA consultants should be allocated to stakeholder consultation in third countries – particularly developing countries –, such as to allow more proactive (1), balanced (2) and consistent (3) consultation with stakeholders in third countries.**
 - (1) ***Proactive*: many stakeholders are not aware of the EC SIA exercise and therefore do not react to the consultation drafts. This can be changed if researchers have the capacity to approach stakeholders themselves.**
 - (2) ***Balanced*: there should be a political balance amongst the group of consulted stakeholders (government, academia, NGOs, trade unions, industry...).**
 - (3) ***Consistent*: the methodology on stakeholder consultation should be developed and applied to every particular SIA in the same rigorous way.**
- **Civil society organisations should be supported in doing field research, in collecting local data and testimonies, in defining recommendations and policy measures and in participating in consultation sessions on the findings of the studies. Local consultations should be further supported.**

6. Economistic bias

“The Trade SIA consultant (is) expected to deliver an economic analysis of the projected results of the negotiations”^{xiii}

Trade SIAs limit themselves to an exercise led by economists, where econometric models are de facto considered as the best way to explain the impacts of trade, neglecting the ability of other disciplines to inform the analysis. This leads to an economistic bias of impact assessments and to overly abstract outcomes.

Therefore, we propose the following:

- **Trade SIAs should become a truly multi-disciplinary and holistic research process and involve not only economists but a pool of social scientists. Indicators, notably on the impact of trade measures on natural resources, poor people, decent work, small producers and women^{xiv}, should be revised accordingly.**
- **The scientists carrying out the SIAs should be specifically asked to describe the limitations of the methodologies and instruments they have used in the SIA.**

ⁱ See notably:

- *Joint NGO statement on Sustainability Impact Assessments of EU Trade Policy*, July 2002
 - *EC Sustainability impact assessments: greenwashing or real political will?*, Joint NGO statement, February 2003
 - *NGOs statement on the draft Handbook for Sustainability Impact Assessments*, April 2005
 - *European NGO demands: the future of the Sustainability Impact Assessment (SIA) process*, Open letter to Commissioner Peter Mandelson, 29 June 2005
 - *SIAs: The right instrument but the wrong way*, statement by ETUC, Global Progressive Forum, ICFTU, Solidar and WCL, March 2006
 - *Les études d'impact des accords commerciaux sur le développement durable: quelle prise en compte des enjeux de développement?*, Position paper of CONCORD, March 2006
 - *Learning lessons from Sustainability Impact Assessments*, Statement by CRBM, FoEE, Greenpeace International and WIDE, March 2006
- ⁱⁱ DG Trade is currently reviewing its SIA programme after the publication of its Handbook for Trade SIAs, the organisation of an important stocktaking conference in March 2006 and the completion of a set of studies on the DDA
- ⁱⁱⁱ *Handbook for Trade Sustainability Impact Assessment*, European Commission, External Trade, March 2006, p. 13
- ^{iv} DG Trade, though, has committed itself to publishing “position papers” after SIAs are completed but this is not done in a systematic way
- ^v The current trade SIA programme of the European Commission represents a budget of more than EUR 2.700.000 over four years
- ^{vi} *Handbook for Trade Sustainability Impact Assessment*, European Commission, External Trade, March 2006, p. 6
- ^{vii} See notably the following statement: *European NGOs Slam EU Development Package*, press release of the Seattle to Brussels Network, 15 December 2005
- ^{viii} *Handbook for Trade Sustainability Impact Assessment*, European Commission, External Trade, March 2006, p. 19
- ^{ix} Alternatives are for instance : Fair Trade, protection of infant industries, development of local and regional markets, internal integration
- ^x *Handbook for Trade Sustainability Impact Assessment*, European Commission, External Trade, March 2006, p. 19
- ^{xi} *Handbook for Trade Sustainability Impact Assessment*, European Commission, External Trade, March 2006, p. 9
- ^{xii} SIA Stocktaking Conference, 11-12 March 2006, Brussels, organised by DG Trade
- ^{xiii} *Handbook for Trade Sustainability Impact Assessment*, European Commission, External Trade, March 2006, p. 16
- ^{xiv} For instance:
- On gender: data over trade and women's economic, social and political position in comparison to men's, theoretical analyses over the causal relationships, costs and benefits as well as direct and indirect relations between gender and trade, extended understanding of the existing links between gender and other indicators (economic, social, etc.);
 - On decent work: indicators referring not only to the quantity but also to the quality of labour: job security, informal and unprotected work, gender gap in the labour market, child labour, youth employment, social protection, freedom of association, worker-employer relations, etc.
 - On small producers: indicators about level of income and income security, sustainability of production (including economic sustainability), market access, etc.
 - On natural resources: indicators on trade and the level of natural resources' exploitation, illegal logging, local vs. export-oriented fishing, food sovereignty (fish)

Signatories:



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WIDE

GREENPEACE

