

➤ PROCEEDINGS OF THE WORKSHOP ON 14 APRIL 2005

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# Studies on the Impact of Trade Agreements on Sustainable Development: Assessment and Prospects

**GRET**

Research and Technological Exchange Group

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## General Presentation of the Workshop

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Wishing to ensure the coherency of its trade, environmental, and social policies, and at the request of civil society, the European Commission has been conducting ambitious reflections since 1999 on assessing the impacts of bi- and multilateral trade agreements on sustainable development. In this field, this initiative is seen as pioneering. Sustainability Impact Assessments (SIAs) are based on an integrated approach that aims to identify the economic, environmental and social impacts of trade negotiations. They require considerable investigation and research. SIAs can be key decision-making tools for negotiators in charge of promoting “more sustainable” trade policies. In launching its SIA programme, the European Commission (EC) desired to rise to the challenge of improving world governance by placing the rules of trade at the service of sustainable development.

However, implementing the SIA programme is a complex undertaking, as regards both the process and the foundations. There are multiple technical and methodological difficulties involved. Nevertheless, more than five years after the first SIA was launched, some still question the governance of these assessments (how are the terms of reference defined? by whom? to what extent are the parties concerned implicated in Europe and the partner countries?) and their influence in the European Union’s negotiations with its partner countries and within the World Trade Organisation (how useful are SIAs for European negotiators? how fully have they appropriated these assessments? how can one ensure that SIA results are taken into consideration in negotiations?).

Given the complexity of the subject and the stakes of internal coherency of EC policies and of world governance, all these questions require open, transparent dialogue that takes into account the points of view of the various actors involved in this debate and an exchange of experiences with similar initiatives in other countries or other organisations. This workshop sought to contribute to this dialogue and examination of experiences.

Organised on 14 April 2005 by GRET in partnership with the Ministry of the Ecology and Sustainable Development (MESD), the workshop brought together 80 experts involved in impact assessment and sustainable development issues from Ministries of member-States and France, international organisations, research institutes, NGOs, and the private sector.

This publication, produced with the support of the MESD, is a summary of the workshop discussions. It summarises the main presentations, outlines the questions discussed, and presents the recommendations formulated in the presentations and discussions that aim to improve the integration of the results of SIAs in the content of trade agreements.

## The Questions Discussed

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The workshop made open exchange possible on the limits, successes and challenges of sustainability impact assessments. Generally speaking, all participants agreed that, since they were launched, SIAs had made it possible to build an arena for exchange between the various parties involved on the stakes of trade negotiations and sustainable development. During the workshop, the expectations partner countries have of SIAs were also clearly expressed, most of which diverging from the habitual discourse of certain countries that see SIAs as a new protectionist arm of the European Union. Finally, the participants were unanimous in saying that the influence of SIAs on negotiations is still minimal. This observation is, however, explained differently by different players.

### ●● SIAs, a Tool for Dialogue between the Parties Involved

The instigation of a dialogue between the parties involved in SIAs is the result of the different processes set up to facilitate public consultation, participation and awareness-raising. As Clive George reminded the participants, in the case of SIAs, the parties involved are those that will potentially be effected by the implementation of an agreement and/or those that are involved in formulating the policies or flanking measures associated with the agreement. According to the different presentations, this dialogue must bring together the following players in the European Union and partner countries: the negotiators in charge of trade issues, the representatives of national governments, members of parliament, consultants, and representatives of civil society (private sector, environmental NGOs, consumers groups, etc.).

#### — Consolidated Dialogue with Civil Society in Europe

Since the launch of SIAs, the European Commission has made consulting civil society one of its priorities. The result is deemed positive by the European Commission as well as by representatives of civil society. The consultation process makes informed discussion possible rather than ideological debate. In the context of the assessment of the environmental effects of the North America Free Trade Agreement (NAFTA), the consultation and participation of the parties involved in the assessments, which is also given priority, offers similar results, as Scott Vaughn showed.

#### — Increased Awareness of the Parties Involved in Partner Countries

Consulting players in partner countries is a more recent process. For financial, institutional and cultural reasons, the place given to exchange with the parties involved has changed considerably since SIAs were launched on bilateral and regional trade agreement negotiations. During a revision of the methodology, the need to grant greater place to local consultation in partner countries became apparent. Thus, for the assessment of Economic Partnership Agreements (EPAs) between the European Union and the Africa-Caribbean-Pacific (ACP) countries, consultations were held in every region (during the first or second phase), raising awareness of EPAs and initiating discussions on SIAs. In the context of the assessment of the Euro-Mediterranean Free Trade Area, targeted regional consultations (on economic, environmental or social issues) were organised. According to the consultants in charge of these assessments, local consultations generally provide non-negligible added value.

As Vera Weick also emphasised, the multi-player approach is also favoured in the integrated assessments coordinated by United Nations Environment Programme (UNEP). Consultations are organised during the data collection and results communication phases.

### — Limitations to Be Taken into Consideration

The question of public participatory in the decision-making processes is taking up more and more space. The priority given to consultation in SIAs bears witness to this. Nevertheless, the presentations showed that the various impact assessments initiated by the EC, UNEP, the Agence Française de Développement (AFD), and the Commission for Environmental Cooperation (CEC), which is in charge of assessing NAFTA’s environmental effects, all run up against certain limitations. The mobilisation and organisation capacities of all parties involved are sometimes insufficient to react to the assessments or give opinions on technical or methodological questions. This is also the analysis of Karima Broche in her presentation on participatory social impact assessment. In particular, civil society within the European Union, regularly solicited when the results of assessments are published, generally lacks the human and financial capacities to react in a precise and constructive fashion.

Among other things, public participation is not an end in and of itself. Its ultimate goal is to orient decision making. The contributions of the various parties involved must be included in the assessments. The Commission has made numerous efforts regarding the consultation process. However, according to Clive George, it would seem that the question of the operational integration of these contributions in the assessments was not fully anticipated by the Commission. Given the “success” of these consultations, this question does not seem fully resolved.

## ●● Partner Countries’ Expectations of SIAs

The SIAs initiated by the European Commission are often seen by the partner countries as a new protectionist tool. Hiding behind this argument, some refuse the very idea of using this tool multilaterally. The presentations of the ACP country representatives provided another point of view.

### — Showing the Viability of Trade Agreements: The ACP Countries

The economic partnership agreements instituted by the Cotonou Agreement (2000) define new trade relations between the European Union and ACP countries. According to the schedule defined in the Cotonou Agreement, the negotiations are supposed to take place from 2002 to 2007. Implementation is to take place between 2008 and 2020. As emphasised by Junior Lodge, the ACP countries, who face constraints from international financial institutions, are preoccupied by the potential impacts of the EPAs on their economies, given the necessary adjustment costs to develop new infrastructures and bring themselves in compliance with the standards. Alpha Yaya Sow insisted on the fact that SIAs should make it possible to prove the viability of these agreements in regard to sustainable development priorities (poverty alleviation, access to essential goods and services, etc.).

### — A Decision-Making Tool?

SIAs make it possible to highlight the fragility of regions and the specificity of sustainable development stakes. Through these assessments, benchmarks can be developed for a series of stakes. Among other things, SIAs make it possible to identify sensitive sectors that require spe-

cific flanking measures as well as commercial opportunities to be seized. SIAs can therefore be useful decision-making tools.

### — A Cooperation Tool?

For development players, SIAs bring a new dimension: they have the vocation of creating a political space between development strategies and trade. As emphasised by the development economist, Denis Requier-Desjardins, they provide an innovative framework for reflection on development policies. They make it possible to define preservation measures for certain sectors that require special, differentiated treatment.

In this respect, it seems crucial, to the ACP country negotiators who attended the workshop, that these measures fall within the countries' poverty alleviation strategies.

## ●● Weak Influence of SIAs on Negotiations: Whose Fault?

More than five years after they were launched, the SIAs are slow to enter their operational phase and most often remain an academic exercise. Several reasons were evoked during the various presentations to explain this slowness: weak results, constraints linked to the negotiation calendar or governance problems within European institutions.

### — Weak Results to Guide Decisions?

According to some, the results are relatively generic to be used by negotiators. They lack vigour, and notably quantitative analyses. This state of affairs is explained by both technical and methodological constraints linked to the scope of SIAs and the assessment of trade measures. Specifically, the lack of reliable numerical data over a long period makes modelling difficult. This is particularly problematic when it comes to assessing environmental impacts. In addition, econometric modelling is not always adapted to quantify the effects of trade measures other than tariff-related measures (technical standards, rules of origin, intellectual property rights, investment, etc.).

Among other things, the participants noted that the causality links between specific effects and the application of a trade measure were often difficult to establish as other trade agreements and/or domestic measures were also likely to have impacts.

Finally, the detail of the results also depends on the level of analysis chosen. SIAs aim to assess impacts for a region (the Caribbean, West Africa, the Pacific, the Gulf countries, the Mediterranean basin countries), or even a country (Chile). The macro-economic approach therefore favoured implies aggregating data. Consequently, the results obtained remain relatively general.

### — Negotiation Calendar Constraints?

One difficulty inherent to ex-ante impact assessments lies in the choice of hypotheses/scenarios. This is supposed to reflect the negotiation mandate. Yet, most of the time, these choices are made before the mandate is fully defined. Consequently, the reliability of the results will vary in function of changes made to the negotiation mandate. To overcome the degree of uncertainty linked to the negotiation agenda, the current stakes need to be clearly identified and understood.

### — Lack of Appropriation by Negotiators?

Finally, some feel that the conditions under which negotiators could appropriate them are not yet in place. The negotiators, the principal recipients of these assessments, often remain outside

the process. Greater involvement by them in the discussions on assessment methodologies and conclusions would be necessary, while preserving the consultants’ independence.

#### — A Lack of High-Level Political Commitment?

Within the European Union, the member-States and the European Parliament remain generally little involved in SIAs. The member-States, who entrust the European Commission with a negotiation mandate, do not always have the means to monitor and control SIAs. The member-States’ informal group of experts established on France’s initiative does not have a political mandate for the definition of terms of reference for and the use of the results from these assessments.

### ●● SIAs, Tools for Assessment and Risk Management?

The Agence Française de Développement’s experience with environmental assessments can provide lessons for SIAs conducted in the framework of trade negotiations. Within the AFD, environmental assessments are used primarily as a tool to manage natural, anthropic, and above all financial risks. By so doing, they make it possible to identify potential negative impacts and anticipate certain costs. Project effectiveness is thus improved. This reasoning can be applied to SIAs. Indeed, SIAs make it possible to identify risks linked to trade policy changes (risk for the environment, populations, etc.) and measures to overcome these risks, through flanking measures.

### ●● What International Acceptability?

Regarding the acceptability of SIAs in multilateral trade negotiations, the participants remained prudent. The legitimacy of SIAs within the WTO resides primarily in their acceptance by developing countries. In other words, this depends on the capacity of the European Union and other countries or organisations conducting ex-ante impact assessments to convince the developing countries of their use in negotiations.

## Recommendations

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During the workshop, several recommendations were formulated. These recommendations were methodological, institutional and political. They concerned how to improve assessment tools and the process for elaborating the terms of reference for assessments, how to foster and dialogue with all parties concerned and make this dialogue lasting, how to integrate SIAs in the decision-making process, and finally the means to make SIAs a tool for world governance.

### ●● Improving Assessment Tools

In order to give more vigour to the method and results, several paths were envisaged.

- ▶ Use of the sustainability impact assessment guide published by the European Commission (*Draft Handbook for Sustainability Impact Assessment*): This guide provides a general description of SIAs and their primary foundations and mechanisms, and identifies key questions that require particular attention from the consultants commissioned to perform SIAs as well as from the decision-makers involved in the process.
- ▶ Long-term development of better performing methodological tools: Methodological improvements are needed when it comes to collecting reliable data and accessing these data, environmental and social assessments, understanding the causality links between trade measures and impacts on the three pillars of sustainable development, the interaction between international and regional trade agreements, and the integration of SIA results in policy elaboration. This work could be done in link with the EC’s Directorate General for Research in the framework of the sixth, and the future seventh, framework programme for research, with research organisations such as CEPII<sup>1</sup> (adapting general equilibrium models to SIA issues), with Eurostat, the statistics offices of partner countries, and international organisations such as UNEP “World Conservation Monitoring Centre” database (data collection).
- ▶ Mobilisation of university academics and researchers, within a scientific committee. This committee could be created under the auspices of the Trade Commissioner.

### ●● Improving the Definition of the Assessment Terms of Reference

Several criticisms were formulated regarding the definition of terms of reference for assessments, including the choice of scenarios.

Improvements need to be made in both the process (who defines the terms of reference? what resources are allocated for a quality assessment?) and scope of assessments (what elements should be better taken into account?). Ultimately, it is a question of seeking both detailed analysis and the necessary degree of aggregation.

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<sup>1</sup> Centre d’études prospectives et d’informations internationales.



### — Who Defines the Terms of Reference?

It seems important to clarify the role of the players when it comes to defining the terms of reference. In particular, it is a matter of determining whether the EC's other Directorates General, the member-States, and the European Parliament should be involved alongside the Directorate General Trade in elaborating these terms of reference, and, if so, to what extent. Specifically regarding the choice of scenarios, it is a matter of retaining a precise and suitable definition of the scenarios, shared by the majority of players (negotiators, civil society, consultants, European institutions, etc.). This choice has a strong strategic dimension because an ensemble of impacts and flanking measures will depend on the scenarios chosen.

### — Scope of SIAs: What Elements to Be Taken into Account?

The propositions formulated concerned both the geographic scope of SIAs and the nature of impacts to assess.

Regarding geographic scope, it is crucial to think in terms of countries when they are party to multiple agreements and by zone or region if needed. Micro-economic analyses may be necessary in some cases.

Among the elements to consider in the terms of reference, one should:

- Ensure precise analysis of social impact indicators, in particular for the consequences of liberalisation of the modification of the active population structure.
- Integrate the external effects of trade agreements, such as effects on customs procedures or the domestic standardisation process.
- Take into account the impacts on the political and institutional capacities of a government to implement flanking measures: among the assessments conducted, some noted that in the absence of appropriate national legislation, the environmental, economic and social impacts of trade agreements could be negative. Consequently, it seems crucial to be able to assess, upstream, the institutional and political capacities of partner countries to apply this legislation. This is connected to the question of progressivity raised in the presentation of the AFD's representative. It is a matter of evaluating the countries' capacities to enforce this legislation through their economic players.

### — What Resources?

Producing a quality assessment depends in large part on the financial resources allocated for its production. The detailed accuracy of its results depends notably on access to reliable data. Field surveys are crucial in some cases to overcome this lack of data and additional resources are consequently required. As emphasised by the UNEP's representative, greater funding would be useful for monitoring and capacity-building activities in the field of policy formulation and implementation.

## ●● Favouring and Ensuring the Sustainability of Dialogue with All Parties Concerned

The formation of a dialogue with all parties concerned is considered to be an important accomplishment for SIAs.

Nevertheless, improvements remain to be made in relation to this dialogue:

- *With civil society*: a considerable and sustainable level of expertise should be supported.
- *With partner countries, in particular developing countries*: raising the awareness of these countries’ representatives and their involvement in the progression of the process should be strengthened, through notably the organisation of local workshops. This should be part of an upstream framework for reflection on their collective preferences.
- *With international organisations (UNEP, UNDP, etc.)*: collaboration on the assessment methodology and understanding of local mechanisms could be beneficial in this field.

## ●● Integrating SIAs in the Political Process

### — By Identifying the Conditions for Appropriation of SIAs by Negotiators

Today, SIAs are an interesting and even useful tool even if they could be improved when it comes to the vigour and quantification of results. The methodological improvements that can be made are not enough. Problems with calendar management and political will must also be resolved:

- SIAs are often done after the negotiations. For SIAs to be used during the negotiation of a trade agreement, it is important that they be available during the negotiations and that the hypotheses/scenarios match the terms of the negotiations. However, given the length of time needed to produce SIAs, and for them to be available during the negotiations, these assessments must begin much earlier—before the negotiation mandate for the agreement is defined. Yet, in so doing, one runs the risk that the SIAs will no longer match the terms of the negotiations. It would therefore be useful to have the methodology evolve towards a more flexible framework that allow for the modification of hypotheses and thereby the evolution of scenarios during negotiations so as to meet the negotiators’ needs as best as possible.
- Trade negotiators are trained in trade negotiations and orienting these negotiations in function of the economic interests of international trade. Better consideration of SIA results requires greater involvement of these negotiators so that they appreciate the interest in the method. This implies examining the political objective of SIAs, whether it be to help re-orient the negotiations themselves or help elaborate flanking policies. These two objectives are, of course, not mutually exclusive (see below).

### — By Determining the Ultimate Purpose of the Assessments

SIAs were conceived as a means to assist political decision-makers in conducting negotiations, so that the trade agreements contribute to sustainable development. More specifically, the question of the ultimate purpose of these assessments is now raised: do they aim to truly modify the terms of the negotiations and/or do they aim to incite countries to implement support policies, including preservation measures and technical assistance, while identifying adjustment costs?

The decision as to the ultimate purpose of SIAs has vast responsibility implications for the implementation of trade policies that respect the sustainable development priorities of partner countries. If SIAs in the end only aim to identify flanking measures, responsibility is transferred from European negotiators to cooperation policies and, above all, to the governments of partner countries that must support the cost of the adjustments so that the negative impacts on sustainable development are minimised and the positive effects are maximised.

### — By Elaborating, at All Stages, a Clear and Effective Institutional Process

Several criticisms were formulated regarding the EC’s governance of SIAs. The European Commission appears to be the main pilot and the other European institutions (Parliament, the European Council) appear under-involved in the definition of terms of reference and in the control and monitoring of the results of these assessments. Consequently, the institutional process within the European Union should be clarified and improved:

- Within the EC, more close-knit inter-Directorate teams (trade, development, environment, research) should be established.
- The consultation process should substantially shore up the role of the member-States in the framework of the trade-environment experts’ group and the role of the European Parliament (Committee on International Trade).
- Wide dissemination of results should be ensured, equally within the EC, the European Council (Council of General Affairs and Committee 133), the European Parliament, civil society, international organisations, and partner countries.

## ●● Making SIAs a Tool for World Governance?

Within the European Union, SIAs should be an element of consistency for EC policies and acknowledgement of the sustainable development policy. In its sustainable development strategy, the European Union gives itself the objectives of resolving problems such as climate change, pressure on natural resources, poverty and the fight against exclusion, etc. Some of the assessments conducted highlight, for example, negative impacts on the environment (aggravation of pollution, over-exploitation of natural resources). Consequently, SIAs should be used as a means to make the sustainable development commitments made by the European Union consistent within the EC and internationally.

Within international organisations, and the WTO in particular, SIAs should be promoted as a tool to assess and adjust policies, fostering openness towards sustainable development. Within the WTO, the mechanism to examine trade policies would be an appropriate forum to treat the assessment of sustainable development impacts resulting from multilateral trade agreements.

## Presentation Summaries

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### ●● The European Approach to Sustainability Impact Assessments

Eric Peters, European Commission

The first session was devoted to a general overview of the impact assessment issue. In his presentation, Eric Peters reviewed the foundations of Europe’s approach to SIAs, their emergence, and their methodology framework. He gave a general overview of the assessments conducted or underway, and their principal results. Finally, he identified several challenges that need to be met.

Eric Peters reminded the audience that SIAs have three important characteristics. First, SIAs are research tools that make it possible to assess ecological, economic and social impacts and identify complementary policies to implement. Second, they are an indispensable process in the creation of a credible forum for in-depth discussions. This forum must bring together all parties involved in the discussions: the European negotiators in charge of trade and the member-States, the consultants, the civil society organisations and the private sector, and the partner countries. Finally, SIAs have a vocation to orient policies by identifying an ensemble of measures and adjusting negotiating positions.

Regarding the general results of assessments, Eric Peters cited, among the positives, better understanding of the effects of trade and the establishment of in-depth, constructive discussions with civil society organisations even though these organisations do not always have the human and financial capacity to react to the assessments promptly. He cited the methodological and technical difficulties (scope of SIAs, identification of cause-and-effect links between the trade measures under negotiation and the impacts on sustainable development) while insisting on the need to conduct assessments that are both general and sectoral. Regarding the integration of SIA results in negotiations, the representative of the European Commission insisted on the fact that this depended in large part on the level of detail and robustness of the identified results and also on the efforts towards coordination made to achieve such integration. He emphasised that investments were nevertheless needed for there to be real political benefits.

Finally, three major stakes were identified for the continuation of the programme and negotiations: (i) improve tools and assessments; (ii) develop political dialogue with partner countries; and (iii) ensure that SIAs lead to real changes regarding the integration of results in the negotiation agenda, the implication of member-States and members of parliament, and the links with the international agenda.

### ●● The North American Approach: Presentation of Assessments Conducted in the Framework of NAFTA

Scott Vaughan, Organization of American States

The presentation on the NAFTA experience with impact assessments aimed to provide a different view of the methods used and how the results are taken into consideration when formulating policies.

Scott Vaughan presented the institutional and economic contexts in which ex-post environmental impact assessments emerged. These assessments were launched following the signa-

ture of the North American Free Trade Agreement (1992) and its framework agreements on the environment<sup>2</sup> and labour (1993). The Commission for Environmental Cooperation was created within NAAEC in order to assess the *ex-post* environmental effects of NAFTA. Noting an increase in trade and investment within the free trade area, it seemed important to determine how much NAFTA had contributed to these changes. Regarding the methodology used, he stated that these assessments aimed to test a certain number of hypotheses, including the link between NAFTA and amount of regulations (did the level of regulation increase or decrease?), the creation of “pollution havens”, and an increase in the use of environmentally friendly goods and services.

The CEC chose to favour a sectoral approach. Conducting impact assessments raises several stakes, some of which are shared by the SIAs launched by the European Commission: lack of available and reliable data, economic models poorly suited to include non-tariff measures and investment-related measures, and the importance of public participation. He also emphasised the constraints imposed by the *ex-post* approach (which implies specific research questions) and the *ex-ante* approach (which implies a vast initial subject that needs to be refined as one goes along).

More than thirty sectoral assessments (agriculture, industry, energy, waste, etc.) were conducted by non-governmental groups containing the research milieu and NGOs. Scott Vaughan emphasised the innovative nature of this approach that links research and NGOs, and the mutual benefits the approach produces in terms of experience sharing and expertise structuring.

These assessments revealed that, with the exception of Canada whose dangerous waste imports increased by 400%, no correlation between NAFTA and the creation of “pollution havens” could be proven. Scott Vaughan nevertheless insisted on the difficulty of assessing scale effects caused by NAFTA when it came to transport and agriculture. In conclusion, he reminded the audience of the usefulness of sectoral assessments and the strong participation of the public in the process (symposium, consultations, etc.), as well as the Manichaeian approach of decision-makers who often seek, in these assessments, relatively decisive positive or negative responses.

## ●● The Impact Assessment of the Euro-Mediterranean Free Trade Zone

Clive George, IDPM-University of Manchester

Clive George, from the University of Manchester IDPM, outlined the principal contextual and methodological elements as well as the expected results of the impact assessment of the Euro-Mediterranean Free Trade Area (EMFTA). This is the most recent SIA launched by the European Commission. It was initiated in 2004. Unlike the other assessments, it is financed by EuropAid. A direct link is thus in place with the European Union’s technical assistance programme.

The SIA process and the analytic tools remain the same (preliminary assessment, detailed assessment and final assessment, on the one hand and use of economic models, chain of causality, and assessment of importance on the other). However, the methodology employed differs from the other impact assessments on the WTO, also conducted by the University of Manchester. Among the adaptations made, Clive George emphasised the establishment of a consultative committee made up of regional experts from outside the EU and civil society representatives

<sup>2</sup> More specifically, NAAEC, the North American Agreement on Environmental Cooperation.

(Plan Bleu for the environment and development in the Mediterranean, the Economic Research Forum for Arab Countries and Turkey, Friends of the Earth, and the United Nations Environment Programme). Several regional consultations were also conducted with various players concerned, notably those directly effected by the establishment of the free trade area and involved in the elaboration of the policies or flanking measures associated with implementation (national governments, EU member-States, civil society, regional experts).

In conclusion, Clive George presented the hoped-for results of the assessment which should be complete in 2007. According to him, the results will have limited influence on the negotiations underway but the SIA should be beneficial for the definition of technical assistance programmes by the European Union. Finally, it should make it possible to identify priority domains requiring further research by, and in, the partner countries.

## ●● The Impact Assessment of the Economic Partnership Agreements between the European Union and Africa-Caribbean-Pacific Countries

— **Presentation of the Assessment:** Bénédicte Hermelin and Jochen Krimphoff, PricewaterhouseCoopers Consortium

The impact assessment of the Economic Partnership Agreements between the European Union and Africa-Caribbean-Pacific Countries was presented in two parts: Jochen Krimphoff gave a general presentation of phases 1 and 2, and Bénédicte Hermelin presented the sectoral assessment of agri-food in West Africa conducted during the second phase.

Jochen Krimphoff stated the key principles of EPA and the negotiation calendar up to the implementation of the agreements planned for 2008. After presenting the objectives of the impact assessment, he emphasised the major results of the first phase, specifically raising the awareness of the parties involved (notably through regional consultations), identifying SIA priorities within ACP countries, implementing two regional pilot studies (the Caribbean and West Africa), selecting priority sectors.

Regarding the sectoral assessment of agri-food, Bénédicte Hermelin began by emphasising the important role of agriculture in West African countries (contribution to the GDP and number of agriculture jobs). For this assessment, four sub-sectors were selected (fruits and vegetables, cereals, meat, and textiles). The stakes raised by the EPAs differ according to sector. In the case of textiles, the issue is access to the European market; the cereal and meat sectors are concerned by competition with European products on European markets. The fruit and vegetable sector is concerned by both stakes. For this study, two scenarios were selected: a reference scenario (current situation without an EPA), and EPA scenario (creation of a free trade area within ECOWAS<sup>3</sup>, establishment of an EU-ECOWAS free trade area). The SIA results highlight negative (economic, social and budgetary) impacts, except for regional integration which should receive EPAs. Environmental impacts are, according to Bénédicte Hermelin, difficult to assess precisely because they are depend heavily on the farming strategies that will be applied. Field surveys would be needed to understand how producers could react to the opening of African markets.

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<sup>3</sup> *The Economic Community of West African States.*

In conclusion, Bénédicte Hermelin emphasised the importance of SIAs as tools for awareness-raising and dialogue with the parties involved in all regions concerned and the need for precise scenarios shared by all players. On this last point, she feels that the issue of governance (who defines the reference scenarios? when? how?) remains unresolved.

— **Point of View of the DG Trade:** Paul Bonnefoy

Reacting to the previous presentation, Paul Bonnefoy answered the question on “how SIAs are used in negotiations”. Paul Bonnefoy shares the opinion that SIAs are a tool for dialogue with civil society, making it possible to improve the terms of the debate. This representative of the DG Trade was, however, more reticent as to the influence of SIAs on negotiations. According to him, the use of SIAs depends on the level of precision in results (existence of detailed and solid results) and the negotiation schedule (launch of sectoral negotiations). Yet, he feels that quantitative economic analyses are currently lacking. In addition, the sectoral negotiations on the issues have not yet begun because the preparatory discussions took longer than planned. Nevertheless, compared to other SIAs, the negotiation schedule coincides relatively well with the progress of the assessment.

— **Point of View of a Negotiator from the Economic Community of West African States:** Alpha Yaya Sow

In his intervention, Alpha Yaya Sow shared ECOWAS’ expectations of the SIAs.

For this ECOWAS representative, SIAs must make it possible to prove the viability of EPAs, in relation to the priorities of countries and sub-regions. These priorities are notably poverty alleviation, the Millennium Goals, political stability, and the reduction of adjustment costs. SIAs can also be very useful as decision-making tools to identify trade opportunities and sensitive products. They must also make it possible to define preservation measures for certain sectors requiring special, differentiated treatment. Accordingly, it is important to establish links with poverty alleviation strategies. Such measures can include, for example, financial assistance.

Finally, in reaction to the presentation of the sectoral study on agri-food, Alpha Yaya Sow noted that, while the impacts were a priori positive, the adjustment costs were no less considerable. Investments are effectively needed to bring countries’ economies up to speed and increase competitiveness (development of infrastructures, elaboration of shared regulations). The question of how these costs will be financed is therefore open.

## ●● Feedback on Extended Experiences with Impact Studies

— **Development Aid Sector:**

Jean-Yves Grosclaude, Agence Française de Développement

Jean-Yves Grosclaude presented the general approach taken by the Agence Française de Développement for environmental assessments.

Within the AFD, environmental assessment (EA) is guided by several objectives that are both general and specific to developing countries. Generally speaking, EA aims to choose, in an enlightened manner, project, location and technology options that are environmentally optimal. For developing countries, the objectives sought are notably to incorporate in the development actions the appropriate attenuation measures and also to identify the critical environmental

problems that require greater supervision. Among other things, assessments must make it possible to evaluate the capacity of local businesses to attain environmental standards (the notion of progressivity).

According to Jean-Yves Grosclaude, the AFD uses environmental assessments primarily as tools to manage natural, anthropic, and above all financial risks (linked to pollution, hygiene and safety, etc.). Among other things, they make it possible to internalise costs (avoid compensatory measures) and improve project effectiveness by anticipating certain costs (economy of raw materials, waste management, etc.). On the methodological level, the projects are assessed taking into account the following factors: type of project (inherent environmental risks), location (proximity to sensitive areas), sensitivity (notion of irreversibility), and scale (scope of environmental and social problems).

Jean-Yves Grosclaude concluded by emphasising that the AFD has switched from a “local project” approach to a strategic approach based on the consideration of sustainable development in its regional intervention policies. This is partially the result of the growing political importance of sustainable development as a criteria to verify the quality of both public and private strategies.

— **Business Governance Sector:**

Karima Broche, Consultant in Corporate Social Responsibility

The subject of Karima Broche’s presentation was businesses’ impact assessment practices. The speaker emphasised participatory social impact assessments.

Long seen as the poor cousin of impact assessments, social impact assessments emerged in reaction to new principles, business legislation, and practices of international organisations or rating agencies. Social impact assessment is defined as the study of social, economic and cultural consequences for populations generated by social change resulting from a project, programme or policy. Noting the importance of participation in social impact assessments, Karima Broche emphasised the need to be vigilant on several levels: during process construction (what level of inclusion and representativeness?), regarding how participation mechanisms function (what degree of equity and freedom?), and in considering the opinions expressed (what degree of influence over decision-making?). She also stated the primary limits of participation (absence of participation traditions, lack of trust in institutions, information imbalances, populations’ mobilisation and organisation capacities). In short, social impact assessment implies a social learning process.

— **International Institutions:** Vera Weick, UNEP

Vera Weick presented the UNEP’s experience in impact assessments, called “integrated assessments”.

Between 1997 and 2003, UNEP conducted several series of integrated assessments of trade-related policies in 18 countries. The first series assessed the environmental impacts of trade liberalisation, the second studied the integrated impacts of trade policies in various sectors, and finally the studies in the third series focused on the liberalisation of trade in the rice sector. Since 2004, UNEP has launched a new initiative regarding integrated assessment and planning for sustainable development. The approach, process and methodology adopted are the same in the various studies. The studies are country demand-driven in response to requests by national institutions (pertinent ministries and research) that also define the terms of reference. This approach is motivated by the desire to build the capacities of local players through a “learning by doing” approach. They are also based on wide consultation of the various parties involved.



Vera Weick presented the primary results of the rice sector assessments (economic, environmental and social impacts). Regarding the assessments done since 1997, UNEP shares the observations of the previous speakers: it is difficult to identify, specifically, the effects that can be attributed to trade liberalisation. The various assessments conducted showed that the internal reform measures taken within countries seem to have had more influence than the changes linked to foreign trade agreements.

In conclusion, Vera Weick shared the success of UNEP’s experience and the challenges that remain to be met. She emphasised the positive effects of the assessments in terms of capacity-building for research teams in the countries studied and in terms of appropriation of the assessments by the decision-makers that implemented the recommendations formulated. Nevertheless, additional financing is necessary to conduct vaster research on methods to integrate impacts in decision making, and to develop monitoring and capacity-building activities focusing on policy formulation and implementation.

## ●● Round Table “Lessons to Be Learnt from the Analysis of the Cases Presented”

— **Arlindo Cunha**, former member of the European parliament

Arlindo Cunha, a former member of the European parliament and responsible for a report on the WTO and agriculture, was optimistic as to the long-term usefulness of SIAs. In the shorter term, he felt that the conditions under which negotiators could appropriate them are not yet in place. In particular, the negotiators who are the primary recipients of these assessments are exogenous to the process. Greater involvement by them in the discussions on assessment methodologies and conclusions seems necessary. Similarly, the participation of the European Parliament in the SIA process should be increased. For WTO negotiations, the legitimacy of SIAs resides primarily in how they are accepted by developing countries.

— **Junior Lodge**, Representative of the Caribbean Regional Negotiation Machinery

In introducing his presentation, Junior Lodge reminded the audience of the importance of trade negotiations to favour access to markets for developing countries, in a context where international financial institutions impose numerous reforms on them. He also referred to a January 2005 presentation by Peter Mandelson, the European Commissioner for Foreign Trade, that evoked the creation of a monitoring mechanism in the framework of EPA negotiations. The objective of this mechanism would be to ensure that development questions are appropriately taken into consideration in negotiations. In institutional terms, it would aim to strengthen the ties between the Directorate General Trade and the Directorate General Development. Such a mechanism drawing the two Directorates General closer together would thus be able to improve the SIA process and the consideration of results in negotiations. Junior Lodge noted that it had not yet been created.

Regarding SIAs more specifically, the Caribbean countries show a decisive interest. Junior Lodge stated that SIAs could play a central role in the mid-term review provided for in the Cotonou Agreement that institutes the principle of EPAs. SIAs could be useful in creating benchmarks for a series of stakes such as access to essential goods and services. For this, it is crucial that SIAs be elaborated and implemented by the parties concerned.

— **Paul Bonnefoy**, European Negotiator

According to Paul Bonnefoy, SIAs have the vocation of creating political space between development policies and trade. Repeating elements of his previous intervention, he reminded the audience that the irreversibility of the negotiating schedule and their principles was decisive in the usefulness of SIAs in EPAs. He also specified that EPAs should provide commercial support for development but do not aim to finance development. In reaction to the presentation of his counterpart from the Caribbean region, Paul Bonnefoy confirmed that the monitoring mechanism should be set up soon. He nevertheless specified that the nature of the relations between the EC's Offices and Directorates General is not the only reason that the results are poorly taken into account. In conclusion, he stated that he felt that the coherency of EC policies is at the heart of the SIA debate.

— **Kim Bizzarri**, Representative of Friends of the Earth-Europe

More than five years after the launch of SIAs, Kim Bizzarri noted that they are still more of an academic exercise and that their mandate is unchanged. Representing the point of view of NGOs, who signed a joint position statement on the EC methodology guide<sup>4</sup>, he debated the political impact of SIAs and, on this point, emphasised the lack of high-level political commitment. The issue of SIAs' lack of influence is worrying, notably in the perspective of Hong Kong [the sixth WTO Ministerial Conference]. He stated that it was important to open the process to the European parliament and its relevant committees (regular Commission report), as well as to the member-States through the Council of General Affairs and the Committee 133. According to him, methodological questions cannot fully explain the lack of consideration of results in negotiations. It is therefore becoming necessary to clarify the mandate of SIAs. He added that SIAs must not be used only to soften the discourse of NGOs by inviting them to discuss analytical issues.

As concerns the influence of SIAs within the WTO, Kim Bizzarri felt that the trade policy review mechanism would be a credible forum to present the SIAs to other countries.

— **Denis Requier-Desjardins**, Economist (Centre for Economy and Ethics for the Environment and Development)

Denis Requier-Desjardins placed his presentation in the field of development. In particular, he questioned the extent to which SIAs offer an innovative framework for reflections on development policies. Denis Requier-Desjardins first sought to answer the questions: What does one ultimately assess? Since countries often sign multiple trade agreements, would it not be necessary to conduct country-level assessments? It would notably be a matter of assessing the external effects of each trade agreement (effects on procedures, on the legitimisation of domestic policies, and on the construction of domestic standards) but also measure the effects within countries on the different regions (cf. the marginalisation of certain areas of northern Mexico).

Methodologically speaking, the right balance must be found between aggregated data and the detailed results one hopes to obtain. Denis Requier-Desjardins also noted imperfections in the definition of indicators. Concerning social indicators in particular, he suggested adopting an approach that is not only macro-economic but also micro-economic. This would consist of assessing changes in populations' capacities, which would require more field surveys. Finally, SIA should also place greater emphasis on the impact of trade agreements on active population structures (fields, labour capacity, etc.). Thus, these agreements are liable to accentuate rural exodus or

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<sup>4</sup> “Draft Handbook for Sustainability Impact Assessment”, European Commission, 2005.

the destruction of the environment, phenomena that are in turn likely to weaken active population structures.

In conclusion, Denis Requier-Desjardins stated that it would be necessary to take into account the different geographic scales on which policies are defined. This would also suppose coordinating the various levels with the parties involved.

— **Clive George**, IDPM-University of Manchester

Clive George identified several key points in the discussion: How can one assess impacts? How will SIAs be used? How can one involve the SIA “users” (that is, the negotiators) in defining the terms of reference while preserving sufficient independence for consultants? Clive George agreed that the dialogue process launched by the EC is a success. However, the question of how the results of the dialogues will be used is open. Multilaterally, this speaker was more pessimistic regarding potential progress. More assessments per country, initiated at their request, would be needed to convince the international community that SIAs are useful and therefore contribute to improving world governance, one objective of SIAs.

## List of Acronyms Used

ACP	Afrique-Caraïbes-Pacifique	ACP	Africa-Caribbean-Pacific
AFD	Agence française de développement	AFD	Agence Française de Développement
ALÉNA	Accord de libre-échange nord-américain	NAFTA	North America Free Trade Agreement
ANACDE	Accord nord-américain de coopération dans le domaine de l’environnement	NAAEC	North American Agreement on Environmental Cooperation
CCE	Commission de coopération environnementale	CEC	Commission for Environmental Cooperation
CE	Commission européenne	EC	European Commission
EIDD	Étude d’impact sur le développement durable	SIA	sustainability impact assessment
EE	Évaluation environnementale	EA	environmental assessment
MEDD	Ministère de l’Écologie et du Développement durable	MESD	Ministry of the Ecology and Sustainable Development
OMC	Organisation mondiale du commerce	WTO	World Trade Organisation
ONG	Organisation non gouvernementale	NGO	non governmental organisation
PNUE	Programme des Nations Unies pour l’environnement	UNEP	United Nations Environment Programme
UE	Union européenne	EU	European Union
ZLEEM	Zone de libre-échange Euro-Méditerranée	EMFTA	Euro-Mediterranean Free Trade Area

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