



## **Sustainability Impact Assessment (SIA) of Trade Negotiations and conflict prevention**

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## **Plan**

- I. Presentation of the SIA tool**
- II. Potential role of SIAs to optimise the role of trade in conflict prevention**
- III. Suggestions for cooperation activities**



## I. Policy context 1999

- ❑ Need to adopt a broader policy approach
- ❑ Need to improve EC's governance
- ❑ Need to ensure that trade works for development
- ❑ Need to develop inclusive policy making process
  - ◆ Emergence of civil society as a stakeholder
  - ◆ Globalisation generates stress



## I. Main elements of the trade SIA:

### Assessments

- ◆ economic, environmental and social impacts
- ◆ proposal for complementary policies

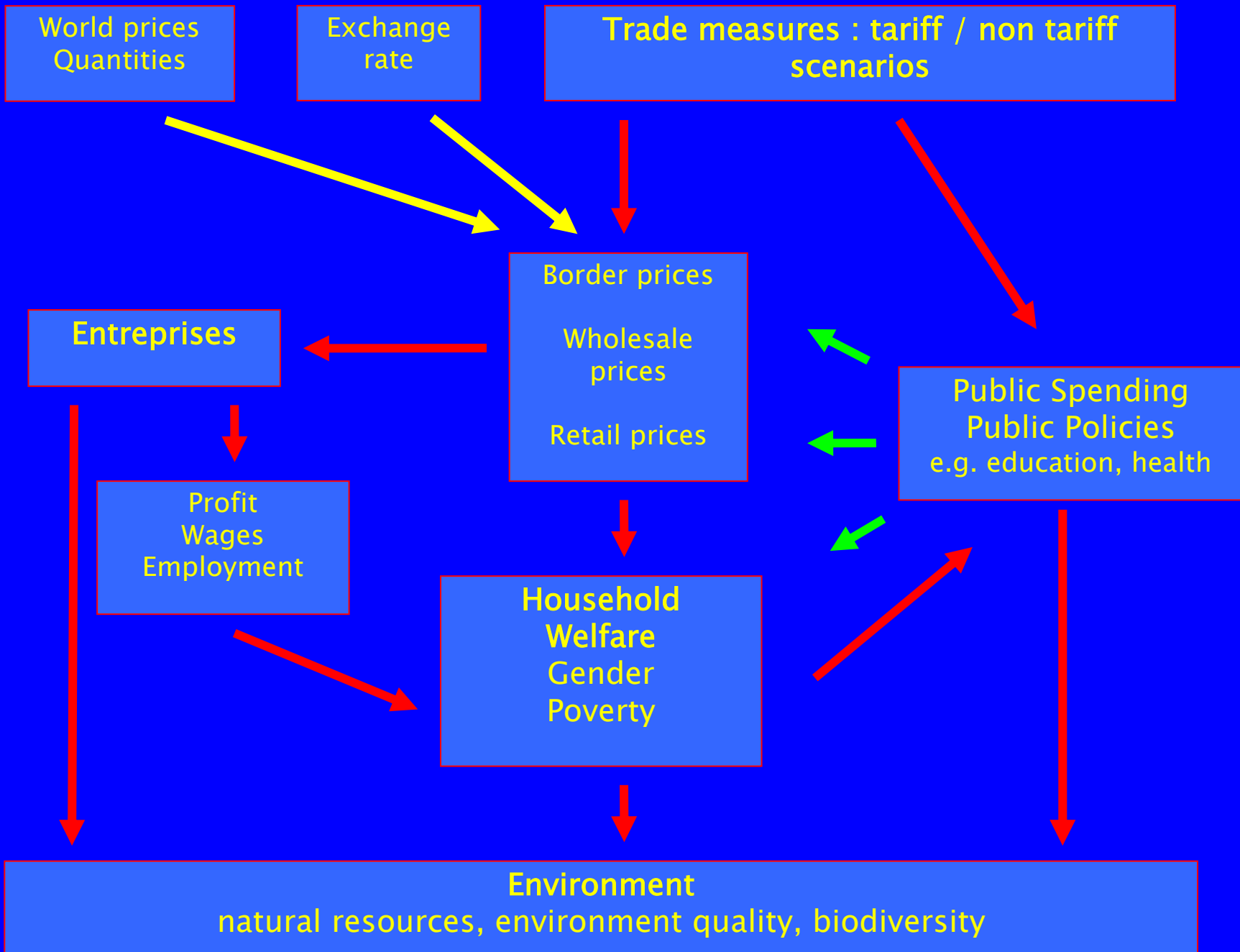
### Integration into policy making via identification of a policy package and fine tuning of negotiation positions

### Process



## I. More on the SIA approach

- Sustainable development
- No geographical limitation
- Learning by doing





## I. The assessment process

|                                   |  |
|-----------------------------------|--|
| <b>SIA checklist</b>              | <b>Scenarios, group of countries, assessment tools</b> |
| <b>Preliminary Assessment</b>     | <b>Identify key sectors</b>                            |
| <b>Sector studies</b>             | <b>In depth assessment</b>                             |
| <b>Full SIA</b>                   | <b>Final overall assessment</b>                        |
| <b>Mitigation and enhancement</b> | <b>Flanking measures</b>                               |



# Sustainability Impact Assessments and conflicts

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| Indicator          | Core  | Second tier  | Measures                                |
|--------------------|---|--|---|
| <b>Economic</b>    | Real income<br>Fixed capital formation                          |  |   |
| <b>Social</b>      | <b>Poverty</b>  | income, security, access to public services            | % under poverty line                    |
|                    | <b>Health and Education</b>                                     | life expectancy, nutritional level, level of education | life expectancy at birth, literacy rate |
|                    | <b>Equity</b>   | income distribution, gender, indigenous people         | Gini index                              |
| <b>Environment</b> | Biodiversity<br>Environment quality<br>Natural resources stocks |  |   |
| <b>Process</b>     | <b>SD principles</b>  | Polluter pays, precautionary                           |   |



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## Summary of sustainability impacts for Chile

|                                  | Dimensions / Significance Criteria |                     |        |               |                    |
|----------------------------------|------------------------------------|---------------------|--------|---------------|--------------------|
|                                  | Overall Direction magnitude        | Existing conditions | Equity | Reversibility | Capacity to change |
| Themes:                          | A                                  | B                   | C      | D             | E                  |
| <b>I Economic</b>                |                                    |                     |        |               |                    |
| 1. Real income                   | +                                  | +                   | -      |               |                    |
| 2. Net fixed capital formation   | +                                  |                     |        |               |                    |
| <b>II Social</b>                 |                                    |                     |        |               |                    |
| 3. Employment                    | +                                  |                     | -      |               | +                  |
| 4. Poverty                       | +                                  | +/-                 | -      |               | +                  |
| 5. Health and education          | +/-                                | -                   |        |               | +                  |
| <b>III Environmental</b>         |                                    |                     |        |               |                    |
| 6. Environmental quality         | -                                  | -                   |        |               | +                  |
| 7. Biological diversity          | 0                                  |                     |        |               |                    |
| 8. Other natural resource stocks | -                                  | --                  |        | ?             | +                  |



## I. SIA state of play

### ○ Studies launched in 2001-2004 :

- WTO food crops 40.000 € SEI
- WTO (2001-2005) 1.000.000 € IDPM Manchester
- Chile (2003-2006) 70.000 € Planistat
- ACP (2002-2006) 1.000.000 € PriceWaterHouseCoopers
- GCC (2002-2004) 500.000 € PriceWaterHouseCoopers
- MEDA (2004-2007) 600.000 € IDPM Manchester
- Mercosur (call for tender)



## I. General results of the SIA project (1)

### ○ **Assessment**

- In general better understanding of trade effects in particular social and environmental insights
- Difficulties linked to the scope of SIAs, lack of data and of assessment tools in particular for trade rules
- Need to improve our understanding of intra EU effects

○ => **SIA handbook, collaboration with DG RTD**



## I. General results of the SIA project (2)

### ○ Consultation process

- Positive, informed discussion rather than ideological debate, but difficulties for civil society, including trade unions and private sector, to give regular and timely inputs

- Lack of awareness outside the EU

○ => **better consultation, local workshops**



## II. Trade liberalisation and conflict

I. Global level: scarcity

II. Interface between nations: values

III. Inside nations: social acceptability of opening



## II. Asymmetry of trade impacts

|                          | <b>Impacts &gt; 0</b> | <b>Impacts &lt; 0</b> |
|--------------------------|-----------------------|-----------------------|
| <b>Scale</b>             | Global                | Local                 |
| <b>Magnitude</b>         | +++                   | +                     |
| <b>Mechanism</b>         | Better specialisation | Restructuration       |
| <b>Timing</b>            | Late                  | Early                 |
| <b>Social perception</b> | Low                   | High                  |



## II. Potential role of SIAs in conflict prevention

### ○ To figure out what is at stake: signal (CN4)

- globally: global public goods, tension on natural resources, impact of rules
- at national / regional level: distinguish collective preferences, domestic policies and protectionism
- inside nations: inequalities, social and political acceptability of opening,



## II. Potential role of SIAs to address tensions

- To maximise trade gains (CN1, CN3)
  - ◆ Evaluation of the impacts
  - ◆ Flanking measures to diminish inequalities and promote growth
- To set up a new discussion forum and a new process along negotiations (CN5)
  - ◆ Enabling to add new subjects to be negotiated in FTAs
  - ◆ Contributing to good governance (transparency, consultation)



## **III. Suggestions for cooperation activities**

- Conceptual work on “collective preferences”**
- Work on the linkages between inequalities and tensions (“low density” conflicts, terrorism)**
- Undertake assessments at national level and better articulate trade policy with cooperation activities => reduce inequalities**



## Conclusions

- SIAs bring political benefits but far from perfect (integration) and are still in an investment phase
- SIAs offer concrete opportunities for cooperation-related activities connected to conflict prevention
- Organisation of a stock taking workshop in Brussel end of 2005



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**Thank you for your attention**

**Further information on SIA available on**

□ *[http://europa.eu.int/comm/trade/index\\_en.htm](http://europa.eu.int/comm/trade/index_en.htm)*