

WHAT DOES CIVIL SOCIETY EXPECT FROM TSIA?

Plenary I:

The economic effects of new generation FTAs:
alternative approaches to impact assessment,
Wien, 5.2.2016

Dr. Sabine Stephan
Macroeconomic Policy Institute

Outline

- Background information:
 - Why EU COM started Sustainability Impact Assessments (SIA)
 - Role of SIA as part of the evaluation process of EU trade initiatives
 - “how it should work (at least in theory)”
- Empirical evidence: TTIP negotiations
- Comments and suggestions from policy makers/activists from trade unions and civil society in Germany on SIA

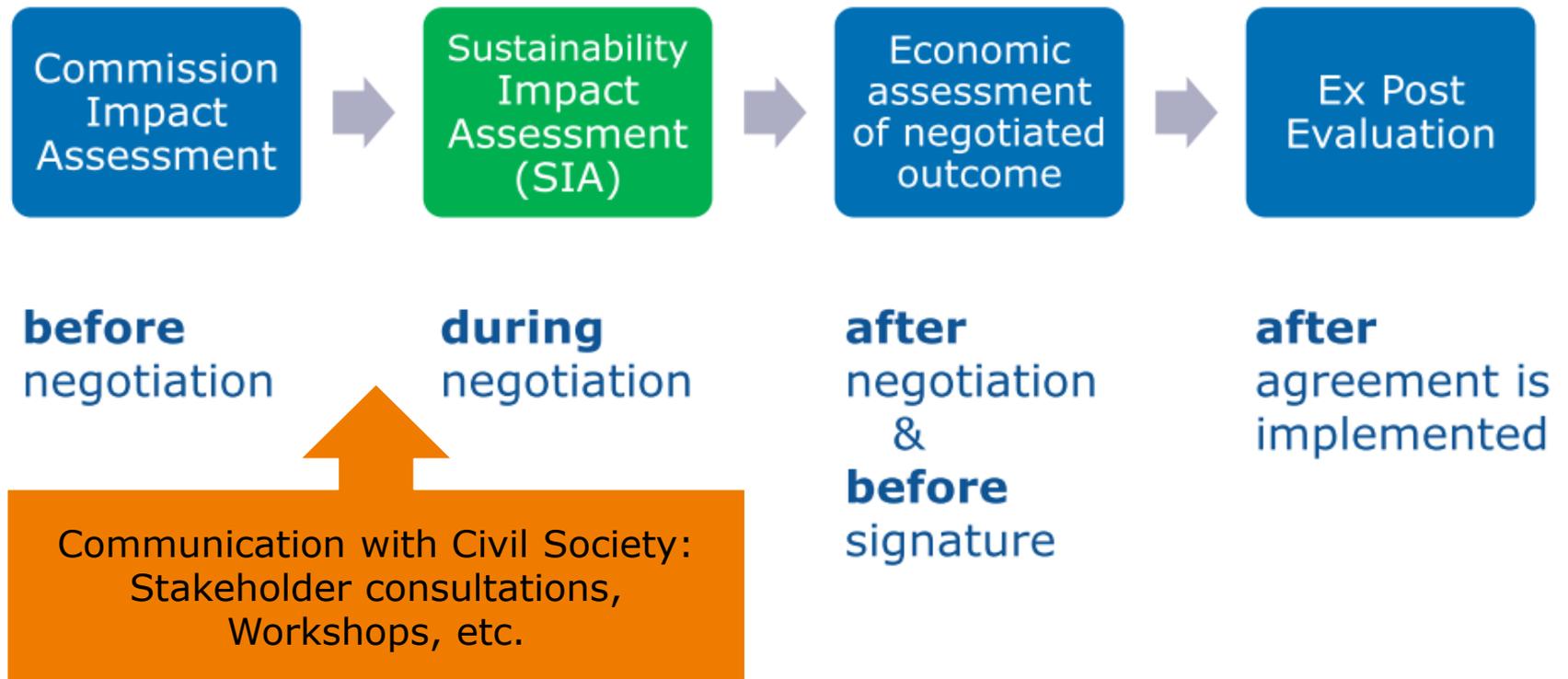
EU Commission's SIA – since when and why?

- developed in 1999 in the preparations for the WTO conference in Seattle.
- Before the conference, many concerns have been expressed by civil society about the worldwide social and environmental impacts of trade liberalisation and globalisation, which EU COM's first overview SIA aimed to address.
- Very cursory impact assessment confirming that some of the issues were genuine cause for concern and would need fuller investigation.

EU Commission's SIA – since when and why?

- In the following years, EU COM commissioned more comprehensive Sustainability Impact Assessments.
- As a general rule:
Impact assessments are prepared for Commission initiatives expected to have significant **economic**, **social** or **environmental** impacts (such as free trade agreements).
- SIA process had been initiated parallel to Civil Society Dialogue (CSD). They were meant to complement each other: SIAs pick up on issues and concerns raised by CSD and explore them further.

Four stages in the life of a trade policy initiative



Source: EU Commission: An updated Handbook for Sustainability Impact Assessment of EU trade negotiations. Presentation held at the Meeting with civil society, Brussels, 8 July 2015

1. EU Commission Impact Assessment

- Before negotiations: EU COM assesses potential economic, social and environmental impacts of alternative policy options drawing on both own and external expertise.
- The IA focusses mainly on **economic** aspects touching environmental and social impacts only superficially.
- “Analysis” of environmental and social impacts is rather meant as a screening exercise to identify topics that should be considered in greater depth in the Trade Sustainability Impact Assessment.

2. Sustainability Impact Assessment

- During negotiation: A Sustainability Impact Assessment is undertaken by external experts which are selected through a competitive tendering procedure.
- Aim of SIA: Provide negotiators with an in-depth analysis of the potential economic, social, human rights, and environmental consequences of trade negotiations and give stakeholders the opportunity to express their views and to give feedback.
- Based on an assessment of the economic impacts, the resulting social and environmental consequences are considered in more detail.
- EU COM claims that insights from SIA feed directly into the negotiations.

3. Economic assessment of negotiated outcome

- Economic assessment of the negotiated outcome takes place after the negotiations are closed but before the treaty is signed.
- As long as the negotiations are not closed, different scenarios are considered in the economic analysis to account for different possible outcomes of the negotiation process.
- At stage three the economic effects of the negotiated outcome is analysed.

4. Ex post evaluation

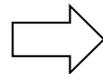
- Once implemented for a sufficient period of time, the trade initiative is evaluated.

TTIP negotiations

12.3.2013

Final report of EU COM Impact Assessment:

- All regions of the world will see welfare gains in terms of increased national income;
- These global welfare gains should easily allow for the compensation of limited negative effects on the environment;
- EU and its Member States have the necessary means (European Social Fund, European Globalisation Fund) to mitigate negative consequences on employment in some sectors



Final report recommends that EU enters into negotiations for a comprehensive and ambitious FTA

TTIP negotiations

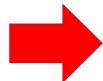
June 2013	start of TTIP negotiations
7/2013 – 3/2014	1 st to 4 th round of negotiations
April 2014	<u>Final Inception Report (Ecorys):</u> 131 pages outlining the scope and methodology of the SIA
5/2014 - 10/2015	5 th to 11 th round of negotiations

Final Report initially announced for December 2014 is still pending!

Ecorys: Timeline of SIA

“In order to provide sufficient time for stakeholders to comment and provide feedback on both the interim technical report and the final report, the timeline has been extended.(...)”

1. Publication of the draft interim technical report: early January 2016 (still pending)
2. Final interim technical report: late February 2016 (with ample time in between for feedback and consultations)
3. Publication of the draft final report: first half June 2016
4. Final report: early September 2016 (again allowing ample time for feedback and consultations)

 Much too late to have any impact on the negotiations.

Source: <http://www.trade-sia.com/ttip/update-on-the-timeline-of-the-study-2/>

„too late“

- SIA process runs parallel to the trade negotiation process and is often delayed. Thus, it is unlikely that SIA recommendations feed on time into the negotiation process.

Claim:

- comprehensive SIA should be carried out at an early stage, long before the mandate is agreed;
- early enough to allow stakeholders to process the information and to give feedback;
- early enough to raise funds to compensate possible negative effects on employment and environment;
- “living impact assessment” giving advice and support during negotiations accounting for progress in the negotiation process.

“Scope of FTA changed considerably”

SIA does not take into account that the scope of FTAs changed considerably:

- New generation of FTAs: its nature is more like a wide-ranging regulatory compact, with some elements of classical trade agreements as well.

Claim:

- potential economic, social, human rights, and environmental consequences of investor protection and regulatory cooperation has to be taken into account.

“Economic analysis relies on questionable methods and flawed assumptions”

- The regulatory core of TTIP makes it extremely difficult for economists to gauge the economic meaning of the negotiation outcomes.
- NTBs and mere regulatory heterogeneity create ‘trade costs’ for market access, but it is hard to assess what the trade costs are, and what consequences they have. Without good proxies of those costs and the scope for their reduction, an empirical economic analysis with proper modelling is basically impossible.
- Critique on model type and “philosophy” (R. von Arnim)

“Economic analysis relies on questionable methods and flawed assumptions”

- Logical inconsistencies:

CEPR study claims that TTIP will boost exports of cars on both sides of the Atlantic. Are the resulting CO₂ emissions from shipping taken into account?

“The E.U.'s TTIP assessment says that increases in CO₂ emissions in its best case will be a "negligible" 11,000 tonnes. If the two-way trade in cars is going to add another 900,000 tonnes to that figure, it follows that other provisions in the proposed arrangements must bring about reductions in CO₂ emissions on a similar scale.”

Source: Martin Whitlock: Car Wars: The Environmental Cost of TTIP

http://www.huffingtonpost.co.uk/martin-whitlock/ttip-environmental-cost_b_5992732.html

„They don't ask the right questions“

Essential aspects of the FTA are not addressed in the SIA

- SIA EU-India: FTA aims i.a. at opening the market for large EU supermarket chains. Enormous consequences for the informal economy in India, since 95 % of retail sale is done by small traders (expected job losses: 6 Mio.). Although the informal economy is affected most badly, it is not analysed in the SIA.
- SIA EU-Japan: low bilateral trade volumes in both sectors (timber trade, fisheries trade) chosen for the case studies of the environmental analysis. In contrast, motor vehicles which are much more relevant are not considered.
- SIA Environmental goods agreement (EGA): list of goods, which are considered as “green” goods, is not finalised, i.e. SIA has to analyse a moving target.

„no impact on decision-making”

- Neither consultations with civil society nor recommendations based on the SIA ever changed EU COM’s position or the scope of the negotiations.
- There is no point in having consultations and impact assessments once the policy line has already been decided.

(utopian) Claim:

- Serious consultation with civil society at an early stage of the policy drafting, when CS could shape the direction the policy should take;
- open and unbiased discussion, including the option NOT to start negotiations.

Conclusions

Otherwise, SIA is just a cosmetic exercise to defend EU trade policies rather than a real attempt to formulate sustainable trade policies.

Thank you!