



The Rt Hon Peter Mandelson PC
 European Commissioner for External Trade
 European Commission
 Rue de la Loi 200
 B-1049 Brussels

Cc: Commissioners: Dimas, Fischer Boel, Michel, Borg and Piebalgs;
 Cc: Cabinet of Commissioner Mandelson: Mr. Fraser, Mr. Redonnet, Ms. Nikolay, Mr. Power, Mr Liddle;
 Cc: DG Trade: Mr. Carl, Mr. Aguiar Machado, Mr. Petriccione, Mr. Clarke, Mr Schlegelmilch, Mr. Ratchford, Ms. Kaluzynska;
 Cc: Luxembourg and upcoming UK Presidency, C 133 members, MEPs of the INTA Committee.

29 June 2005

Dear Commissioner Mandelson,

Re: European NGO demands: the future of the Sustainability Impacts Assessment (SIA) process

With this letter the undersigned NGOs wish to express their views on the future of the Sustainability Impact Assessment (SIA) process initiated in 1999, and carried out by the University of Manchester, on the impacts of the trade negotiations underway within the World Trade Organisation (WTO).

We are concerned that the current negotiations on services (the General Agreement on Trade in Services - GATS) and on Non-Agricultural Market Access (NAMA) constitute a serious threat in terms of their environmental, developmental, gender, social and economic implications.

SIAs have proven so far useful in illustrating several of the implications associated with WTO negotiations. Given that several concerns remain on the sustainability of the current WTO negotiations, and in view of the Commission's review of the WTO-SIA process, we wish to make the following recommendations:

1. To carry out additional sector studies on the impacts brought by the liberalisation of the energy and fisheries sectors; these two sectors have been identified as priority sectors for further SIAs due to their potentially significant impacts on people's lives and the environment;
2. To ensure that a final overall report will take place prior to the expiry of the present contract with the Manchester team. The final overall report should present, in an unbiased fashion, an overview of the key implications and recommendations described in the studies;
3. To ensure that the impacts of trade-measures on domestic regulatory frameworks (eg.: Non Tariff Barriers) are also adequately assessed both within the additional sector studies and within the overall final SIA report here recommended;

4. To ensure that the studies assess the coherence of WTO negotiations – and in particular the coherence of the EU’s negotiating position at the WTO – with other EU objectives, such as the commitment of the EU to sustainable development;
5. To ensure that the studies include an assessment of the combined effect of the impacts, as well as an assessment of disaggregated impacts (specifically on gender impact);
6. To ensure that the results of the studies become an integral part of the EU negotiating positions at the WTO and of the EU’s decision-making process;
7. To ensure the continuation of the SIA process on WTO negotiations after Hong Kong with a view to assess all areas of negotiations prior to the negotiations coming to completion.

We hope that you will be able to consider these recommendations prior to taking a decision on the future of the WTO-SIA process. We would also be very happy to discuss in person, either with yourself, or a member of your cabinet, our recommendations (the annex attached elucidates each recommendation in more detail).

We look forward to your response.

The undersigned NGOs:

1. Attac Denmark
2. Attac Hungary
3. Birdlife International
4. Both ENDS, the Netherlands
5. Campaign for the Reform of the World Bank – CBRM, Italy
6. CUTS International
7. FERN
8. Friends of the Earth Europe – FoEE
9. Greenpeace
10. International Coalition for Development Action – ICDA
11. International Federation of Organic Agriculture Movement – IFOAM EU Group
12. Initiative Colibri, Germany
13. Quaker Council for European Affairs
14. Protect the Future, Hungary
15. Roba dell’Altro Mondo Fair Trade, Italy
16. Solidar
17. SOMO, the Netherlands
18. Wemos Campaign, the Netherlands
19. Women In Development Europe – WIDE
20. Women and Development – KULU, Denmark
21. World Economy, Ecology & Development – WEED, Germany
22. World Wildlife Fund – WWF

Incl.:

- Annex, where each recommendation is elucidated further;
- The April 2005 NGO Statement on the SIA Handbook;
- The July 2003 NGO letter to Robert Madelin.

Annex

A further elaboration of the NGOs letter's recommendations

1. The need to assess the potential impacts resulting from the liberalisation of the energy and fisheries sectors

The 1999 Phase Two Main Report concluded that all areas that had undergone preliminary analysis required further assessment. In July 2003 a number of NGOs addressed Robert Madelin, at the time Director of the DG Trade's Directorate F, with a request to ensure that all such areas are assessed prior to being negotiated. Recalling the July 2003 NGO letter, with a view to seeing all such areas assessed in the future following the continuation of the SIA process on the WTO negotiations (recommendation 7), the undersigned NGOs request the assessment of two particular sectors prior to the expiry of the present contract between DG Trade and the Manchester SIA team:

Energy Sector – Within the General Agreement for the Trade in Services (GATS) negotiations the EU and the United States (US) originally requested the liberalisation of the energy sector, including the full range of energy and fossil fuel operations, such as exploration, development, extraction, production, generation, transportation, transmission, distribution, etc. Many NGOs are concerned that the liberalisation of the energy sector will simply exacerbate current negative environmental and social trends, such as deforestation and increases green-house gas emissions, land erosion, local community displacement, and ultimately climate change. Assessing the implications of the liberalisation of the energy sector is essential in determining the desirability of its future potential liberalisation.

Fisheries – The Non-Agricultural Market Access negotiations (NAMA) include, amongst many other sectors, the liberalisation of fisheries and fish products. Many NGOs believe that a zero-for-zero approach in the fishery sector would be damaging. It would abolish all tariffs regardless of the level of fishery resources, the management status and the importance of fisheries and fishing communities, whilst increasing pressure on already fragile fish stock by inducing catches beyond the renewable capacity of the resources, thereby impeding the sustainable development of fisheries, with damaging consequences both to the environment and to the food security of the fishing communities. A sector study on the liberalisation of fisheries would be vitally important in assessing the desirability of the current NAMA negotiations on fisheries from a sustainable development perspective.

2. The need for a final overall SIA report

The assessment of two additional sectors (recommendation 1) should not prevent the publishing of an overall final SIA report, as originally foreseen by the present contract between DG Trade and the Manchester SIA Team. An overall SIA report would offer the advantage of taking stock of the lessons learned from previous studies and provide clear policy guidance as to what the overall implications of the current WTO negotiation are by collecting and presenting the key findings of the WTO-SIA 6-year experience. The overall final report would therefore need to be written in a clear, un-ambiguous and policy-oriented fashion which neither up-sized, nor down-sized previous reports' findings. NGOs regret that previous final overall reports have tended to downplay major negative environmental and social impacts whilst emphasising positive findings. Further recommendations on the methodology and analytical framework of SIAs are provided in recommendations 3, 4 and 5.

3. Ensure that trade-measures of negotiated agreements are also adequately assessed

Currently, the SIA methodology has consistently neglected the extent to which the agreements' trade measures may impact on the political and institutional ability of governments to successfully implement flanking measures (eg: the impacts of non-tariff measures foreseen within NAMA on governments' political freedom). As a result of this methodological failure, the environmental, social and economic impacts of the negotiations may have been underestimated considerably. The recently released "Draft Overall Project Final Report for Sector Studies" has highlighted how, in the absence of adequate national legislation, the liberalisation of sectors such as agriculture, distribution services and forest will impact negatively on the environment *in primis*, as well as socially and economically, in Europe but even more so in developing countries. Only if liberalisation is complemented by strong regulatory control will the negative impacts be contained and the positive effects ensured. It therefore appears necessary to assess now the impacts of WTO negotiations on the political freedom of governments to regulate. There is a fear amongst many NGOs that the current negotiations, through their aim to deregulate regardless of the need for sustainable resource management, will jeopardise governments' ability to enforce necessary environmental and social measures to guarantee a sustainable development. There is hence a need to ensure that the impact of WTO negotiations on governments' ability to regulate is also fully assessed in parallel to their environmental, developmental, social, gender and economic implications.

4. The need to assess the consistency of WTO negotiations with EU policy objectives: Sustainable Development

Recent SIAs have looked at the correlation between WTO negotiations and the Millennium Development Goals (MDGs). This is a welcome development, however, there are concerns over the coherence of WTO negotiations with other objectives set and committed to by the EU, such as the obligation enshrined in article 6 of the EC Treaty that "environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities [...], in particular with a view to promoting sustainable development." In its Sustainable Development Strategy (SDS) the EU sets itself the task to meet many challenges, including climate change, pressure on natural resources from unsustainable consumption, poverty and social exclusion, congestion pollution, etc.¹ In the current review of the SDS, the Commission has committed to integrate both the internal and the external impact of EU policies, and taking account of the findings of the SIAs therefore become particularly relevant. However, as the most recent SIAs have shown, climate change will be exacerbated by increased international transport, greenhouse gas emissions and deforestation; small distribution outlets will be unable to compete with large foreign investors, leading to job losses, poverty and social deterioration; food prices will increase, impacting on food security and local farming patterns.²

It is therefore necessary to assess the coherence between the EU approach to WTO negotiations and the objectives it has committed to within different fora, with a view to ensure an equal and mutual strengthening of the three pillars of sustainable development: environmental, social and economic. This could be carried out both in the context of the sector studies (recommendation 1) as well as being a main feature of the final overall SIA report (recommendation 2).

¹ Sustainable Development Task Force, 2001, Consultation paper for the preparation of a European Union Strategy for Sustainable Development, European Commission, http://europa.eu.int/comm/environment/eussd/consultation_paper_xsum_en.pdf

² IARC, 2005, Overall Project Final Report for Sector Studies: agriculture, distribution services, forests, <http://www.sia-trade.org/wto/FinalOverallApr05.pdf>

- 5. Ensure a comprehensive assessment of the combined impacts of the negotiations**
Recalling the April 2005 NGO statement on the SIA Handbook³, there is a need to (a) ensure that SIAs also provide an evaluation of the combined impacts (environmental, social, and economic, as well as from a gender perspective) of the negotiations in all areas and sectors combined, as opposed to their treatment in isolation from another; (b) ensure that the SIA include a disaggregated impact assessment of the negotiations especially from a gender perspective: trade policies have different consequences on women and men given their differing economic and social status. Status and control over resources are intricately woven into the sexual division of labour, the assignment of productive and reproductive roles; and (c) go beyond macro-economic research and provide an insight to the “reality of the market”, entailing looking at (i) the dominant corporations in the sector, (ii) their market share and (iii) the impacts these would have on the sector once liberalised (eg.: their impact on newcomers, the public sector, and small companies and service providers in developing countries). This would allow to determine the effective “winners” and “losers” of trade liberalisation. Regrettably, SIA conclusions often refer to the impacts as presenting both positive and negative trends, 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.
- 6. Ensure that the results of the studies are fully integrated in EU policy making**
Recalling again the April 2005 NGO statement on the SIA Handbook, there is a need to ensure that SIA findings are fully integrated into policy-making, as well as into trade negotiations, in order to guarantee the objective of reaching a sustainable and equitable multilateral trading system. This would include, for instance, expanding the exposure and the input to the SIA process of other EU institutions, such as the European Parliament (eg: Committee on International Trade), the Council of the EU (The General Affairs Council, article 133 Committee and Trade Ministers) and Member States. The lack of policy integration of SIA results testifies to the need to strengthen the involvement of other EU institutions in the SIA process.
- 7. Ensuring the continuation of the WTO-SIA progress**
SIAs can play a major role in EU decision making by conferring legitimacy to it where their findings are integrated in the policy-making process. SIAs can provide useful insight into the direct and indirect environmental, developmental, social, gender and economic implications of trade policy and negotiations. As such, SIAs can offer a valuable contribution towards building a sustainable and equitable multilateral trading system. For these reasons the current SIA process on the WTO negotiations ought not to be brought to an end with the expiry of the present contract with the University of Manchester, but rather a new process should be initiated soon after in order to continue the assessment of the WTO negotiations in the wake of the ministerial meeting in Hong Kong in December 2005. Such SIAs would have to be carried out on those areas identified by the SIA team in the Phase Two Final Report and recommended by the NGOs in the July 2003 letter to Robert Madelin with a view of ensuring that all areas under negotiation are fully assessed prior to concluding the current round of negotiations.

³ NGOs statement on the draft Handbook for Sustainability Impact Assessments, 7 April 2005, available at http://www.foeeurope.org/trade/NGO_statement_on_SIA_Handbook.pdf