



EU Trade Sustainability Impact Assessments: Revisiting the Consultation Process

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Background

- Trade sustainability impact assessments (SIAs) are used by the European Commission to inform policymakers and engage with stakeholders on the potential effects of trade and investment agreements
- Trade SIAs have two main components:
 - A quantitative analysis of potential impacts, mainly focused on economic effects
 - A complementary consultation process with stakeholders
- Both components cover the direct trade (economic) effects, but also a broad set of non-trade policy objectives (NTPOs), which include sustainable development, the environment, labor and human rights, among others
- SIAs supposed to be an input into the preparation of negotiations
 - In practice tends to be an ongoing exercise that overlaps and may extend beyond the negotiations – e.g., TTIP

Characteristics of a SIA

- Use quantitative analysis (GCE model; empirical techniques) to assess potential impacts of an agreement
- Use consultation process to communicate findings and obtain stakeholder feedback and views that are fed into (back) to negotiators
- Thematic coverage has steadily increased over time, in particular labour-related and human rights topics
- Methodology to be applied defined by EC SIA handbooks
- Most topics addressed via indirect qualitative analysis and sometimes speculative (ad-hoc) methods (Rojas-Romagosa 2020 – RESPECT paper: only 13% of topics are analyzed directly)
- The quantitative framework has been criticized for a "tick-the-box" approach that covers a broad set of economic and non-economic topics without in-depth analysis

Figure 1: Total number of NTPO issues covered in each SIA report

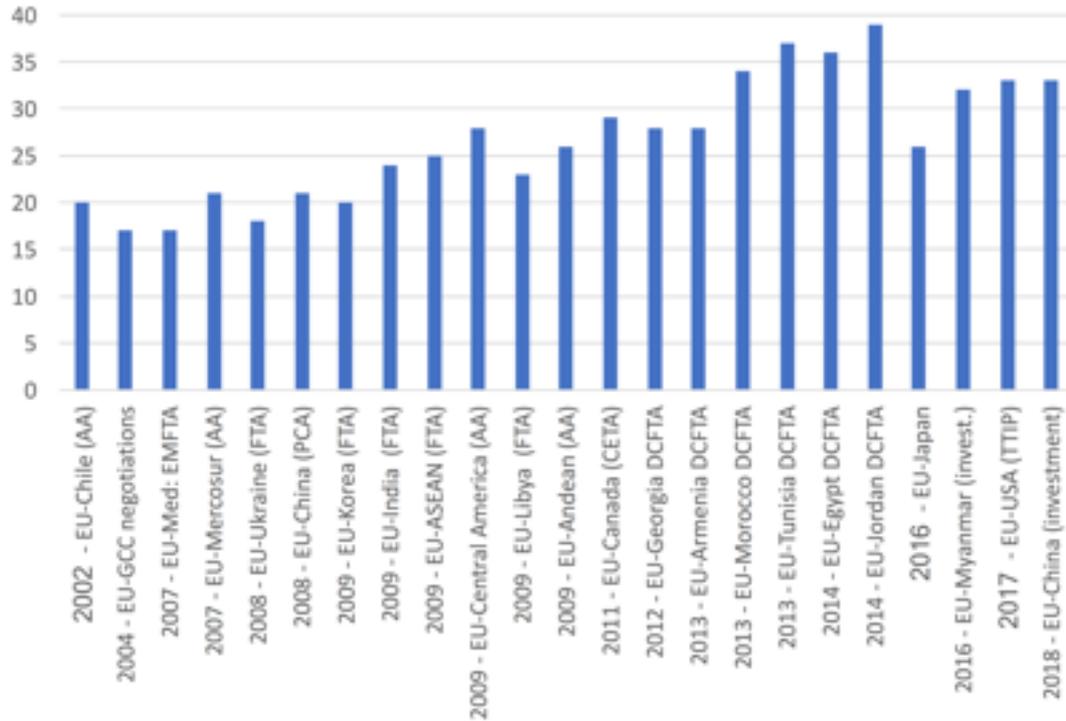
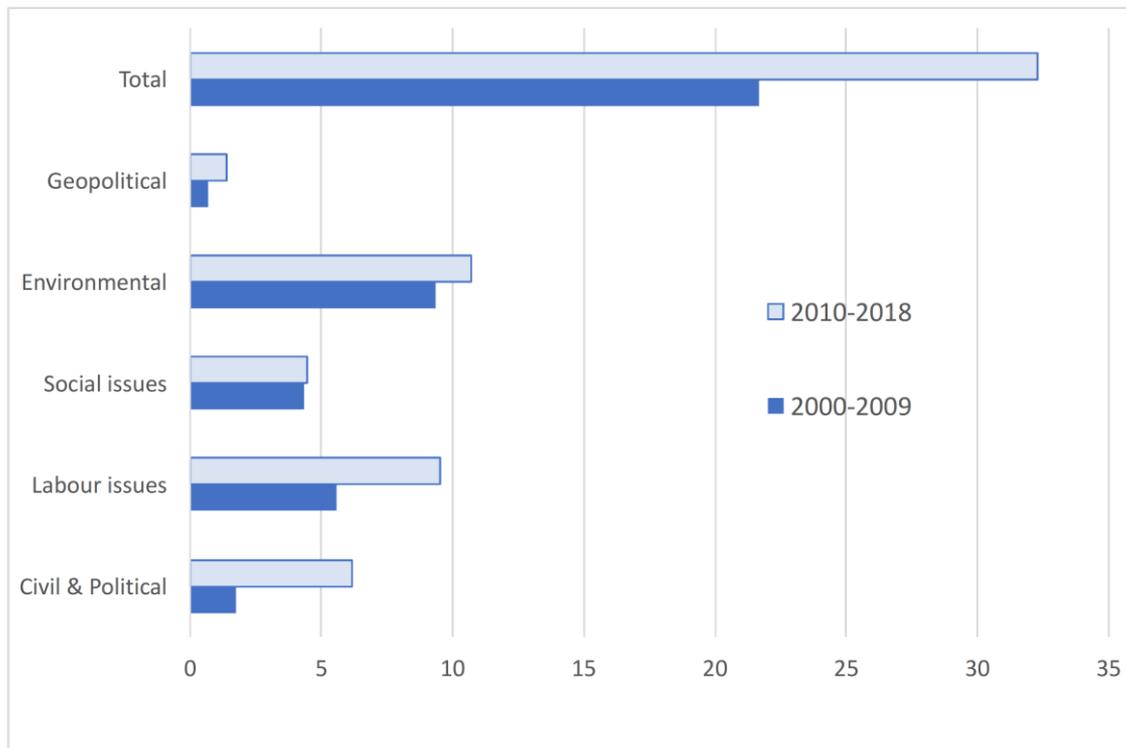


Figure 2: Average number of NTPO, by main categories covered in SIAs



Example of human rights

- Guidelines provided in EC (2015) recommend using a simple positive, negative, or neutral (+/-/0) score to assess direct and indirect effects of a trade agreement on specific human rights
- This is mostly based on induction-based links between the expected economic outcomes of the trade agreement and different rights.
 - For example, the SIA on the Environmental Goods Agreement, finds that the main (positive) effect of the agreement on human rights is:
 - "Small solar lights, or renewable energy projects that bring electricity to rural areas, can allow people to work later, to enjoy leisure activities and to read and write during the night, among other benefits". (Development Solutions, 2016)
- Result: assessment of human rights dimensions not evidence-based, contrary to what is called for in EC SIA handbook
 - More important, of little practical use in informing policy debates

Improving the consultation process (CP) ... and the SIA

- Basic function of the consultation process is to provide stakeholders a platform to express concerns regarding possible negative effects of a trade agreement
- RESPECT practitioner survey by Fiorini et al. (2019): trade union representatives and NGOs disagreed or strongly disagreed that the design of the EU trade agreements is efficiently informed by the CP
- One reason is the weaknesses in analysis how changes in trade and the provisions of a trade agreement may impact on different groups in society and specific NTPO concerns raised in consultations
- Making CP more useful for policy requires
 - ensuring the CP involves and engages with a representative sample of stakeholders;
 - use of a transparent mechanism to weigh views/concerns expressed by participants to identify a subset of nontrade issues that are priorities for action

Revisit design of CP survey instrument

- Current EU SIA consultations utilize a survey instrument that asks if the agreement will have an impact on a long list of topics ([figure](#))
- This instrument not used to identify topics deemed to be most important and relevant by the stakeholders
- Can be done if surveys are designed to include closed ended, scaled questions on the specific NTPOs included in trade agreements as well as questions on the preferred instruments to pursue them
- Identifying and ranking NTPOs will provide guidance for the quantitative analysis, which could then focus on a constrained number of topics that in turn, can be analyzed in more depth
- Re-designed consultation surveys could be used as a sampling frame to obtain a representative group of stakeholders

Use of deliberative polling as input into defining priority policy areas

- Use survey as an input into process of deliberative polling involving a representative group of stakeholders (drawn from survey respondents)
 - Brought together to discuss trade and non-trade issues in small groups
 - Facilitated by trained moderators
 - Informed by accessible expert briefing materials that provide balanced information on the range of salient issues, including economic effects and non-economic concerns
- Goal: solicit the group's views through a poll on priorities and appropriate policy instruments, making the CP a more useful input into negotiations
- Doing this calls for a robust information base, including preliminary analysis of the potential effects of a trade agreement (scoping report; interim SIA reports)
- Can create a positive feedback loop where the (initial) identification of a small set of priority non-trade issues to be subject of in-depth quantitative analysis

Alternative/complement: multi-stakeholder (value-chain) partnerships

- Conceptualize & organize the CP around specific value chains
- Means of identifying a representative set of stakeholders with a common interest in an economic activity that may be affected by trade policy reform
- Organizing deliberations around several value chains that are economically significant can ease the identification of specific groups in society, economic activities and locations that are more relevant to a given trade agreement/should be considered
- A value chain-centered approach can also be useful to guide the stated intention of the EU to develop mandatory standards for due diligence on operation of international supply chains of EU headquartered companies

Conclusion

- Current SIAs cover a very broad set of trade and non-trade topics, but only through a shallow and (mostly) qualitative analysis
- This methodological approach yields very limited information on the expected magnitude of the impacts of trade agreements and makes the consultation process more difficult
- Re-designing consultation surveys to engage with a representative set of stakeholders and use of deliberative polling could help define a limited number of priority issues
- Such prioritization would improve the quantitative analysis in SIAs and create a potential positive feedback loop with stakeholders
- Improved ex-ante analysis also relevant to ex-post evaluations if used to define key performance indicators and baselines for assessing implementation of agreements

Examples of survey questions

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QUESTION 8: Do you think that the proposed FTA / CEPA is likely to have an impact on human rights?

| | Very negatively | Negatively | Neutral | Positively | Very Positively | I don't know |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Freedom of expression | <input type="radio"/> |
| Freedom of assembly | <input type="radio"/> |
| Freedom of religion | <input type="radio"/> |
| Freedom of torture and arbitrary detention | <input type="radio"/> |
| Freedom of movement | <input type="radio"/> |
| Right to an adequate standard of living | <input type="radio"/> |
| Availability of essential goods or services (including, as a minimum: water; essential foodstuffs; clothing; essential primary healthcare; basic shelter and housing; and the most basic forms of education). | <input type="radio"/> |
| Affordability of essential goods or services (including, as a minimum: water; essential foodstuffs; clothing; essential primary healthcare; basic shelter and housing; and the most basic forms of education). | <input type="radio"/> |
| Right to enjoyment of the highest attainable standard of physical and mental health | <input type="radio"/> |
| Right to education | <input type="radio"/> |
| Rights of indigenous peoples | <input type="radio"/> |
| Right to participate in public affairs | <input type="radio"/> |
| Right to family life | <input type="radio"/> |
| Right to a fair hearing | <input type="radio"/> |
| Right to privacy | <input type="radio"/> |

QUESTION 10: Do you think that the proposed FTA / CEPA is likely to have an impact on the environment?

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Air pollution (emissions of greenhouse gases (GHG), of carbon dioxide (CO2), of sulphur oxides (SOx), of nitrogen oxides (NOx), and of particulates) | <input type="radio"/> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|