



This key sheet proposes a generic approach of Strategic Environmental Assessment (SEA) for the establishment of Free Trade Agreements (FTA).¹

What is a Free Trade Agreement about?

An FTA is a policy instrument to influence international trade and is known to have large environmental, social and economic impacts. SEA is a tool to sufficiently integrate environmental and social considerations in the FTA policy and negotiation process. An FTA is complex because:

- many stakeholders with relatively large stakes from different sectors are involved;
- its final form depends on (at least) two decision making parties;
- the impacts of FTAs are difficult to predict;
- negotiation processes have their own (partly unpredictable) dynamics, and
- generally have a confidential character.

The objectives of FTAs are multiple: negotiators will aim for expanding trade and generating economic efficiency, with an indirect purpose of getting access to other countries' markets. Other stakeholders will aim for increased social welfare and sustainable development. Each stakeholder will have its own agenda and expectations and in many cases there may be resistance to FTA.

General principles for this type of SEA

Institutional strengthening is key

The impacts of FTA policies are characterised by high uncertainties. Practice shows that reality often is very different from predictions. Practice has also shown that preparing for dealing with consequences is more effective than just predicting consequences. This preparation may consist of 3 steps:

- Identify environment/poverty priorities and assess how these may be influenced by different options for the trade agreement;
- Assess the country/region institutional capacity to enforce law or deal with negative consequences of trade ;
- Where systems fail, recommend institution & governance strengthening requirements.

Scenarios and flanking measures

The concept of 'alternatives' is less useful in SEA for FTA. Concentrate instead on the elaboration of scenarios showing what might happen if proposals will or will not be adopted. Translate this into 'traffic

¹ The generic approach is based on recent experiences with impact assessment of trade related policies. We would like to acknowledge Colin Kirkpatrick (University of Manchester, UK), Jan Joost Kessler, (Aidenvironment, the Netherlands); Chantal Line Carpentier (Commission for Environmental Cooperation, Canada); and Hernán Blanco (RIDES, Chile) for their valuable contribution to this document.

lights' for negotiators: do's and don'ts from sustainability perspective, depending on country policies and context.

Environment, people or economy first?

Current practice is that environment and social issues (such as poverty and human rights) typically come at the end of negotiation process, too late to influence decision making. One way to avoid this is to proactively identify 4-5 'hot spots': areas, sectors, species, biodiversity, transboundary and poverty issues, where effects of the FTA can be significant. Prepare for what the negotiators need, and put environment and poverty timely on the agenda.

Stakeholders, participation, communication

Preparing effective stakeholder participation requires the mapping of the main actors and their concerns. Identify stakeholders involved in negotiations and those affected by it, such as minority and vulnerable groups, women, indigenous people. Explicitly involve the private sector, as they often know the opportunities. Make an overview of potential 'winners and losers'. A substantial part of the SEA budget should be allocated to communication with key actors.

Appropriate timing

Better to have short fact sheets and key messages in time, than comprehensive studies too late. Try to combine a tailor made 'quick scan' approach per negotiation round, with a continuous in depth assessment (e.g. in the form of theme papers).

Attribution of FTA impacts

FTAs are embedded in a context of existing policies, trends and external factors (e.g. global market trends). Identify and try to understand the dynamics of these policies and trends, as well as ongoing (trade) agreements, and how these influence common 'key issues' or restrict opportunities.

A sample of international experience on environmental assessment and FTA

- 1) The EU's Trade department undertakes Impact Assessment for all the EU's major trade negotiations since 2000.
- 2) UNEP has experiences with integrated assessment of trade related policies (e.g. of certain commodities like rice).
- 3) OECD has a joint working party on Trade and Environment.
- 4) WWF has developed impact assessment methodologies on a case study approach.
- 5) The Commission for Environmental Cooperation (created by Canada, Mexico and the US under NAFTA) undertakes an ongoing assessment.
- 6) The University of Manchester (UK) has undertaken several IA's for FTA.

What is added value of SEA for FTA?

It is crucial to clarify up front the possible benefits of SEA for different stakeholders ('what is in it for us?'). These include:

- create constructive dialogue between environment and trade people;
- help realise sustainable development objectives in a proactive way;
- provide answers to questions of negotiators and highlight questions that need answers;
- inform on environmental and social consequences of negotiated options;
- identify winners and losers;
- clarify opportunities, mitigation and flanking measures;
- enhance policy coherence;
- improve access to and transparency of the negotiation process;
- develop capacity of stakeholders on advocacy and negotiation skills.

How to organise an SEA for an FTA?

An important first step in SEA for FTA negotiations is to make sure that expectations concerning the SEA and the FTA are clear to all. Therefore the SEA organisation should seek to clarify:

- the direct and indirect interests and objectives of negotiators;
- the opinions and interests of other important stakeholders in the process;
- the linkages with existing sustainability and poverty alleviation policies/objectives of both parties in the negotiation process;
- policies and principles (e.g. on public participation) relevant for the negotiation process

Accepting that time and resources will be limited for the SEA, use a simple approach by concentrating stakeholder discussion and impact assessment within an advisory group. This group should be officially set up to accompany the negotiation process and form a channel that can both:

- act 'up': issue non-binding advice to negotiators
- act 'down': disseminate information.

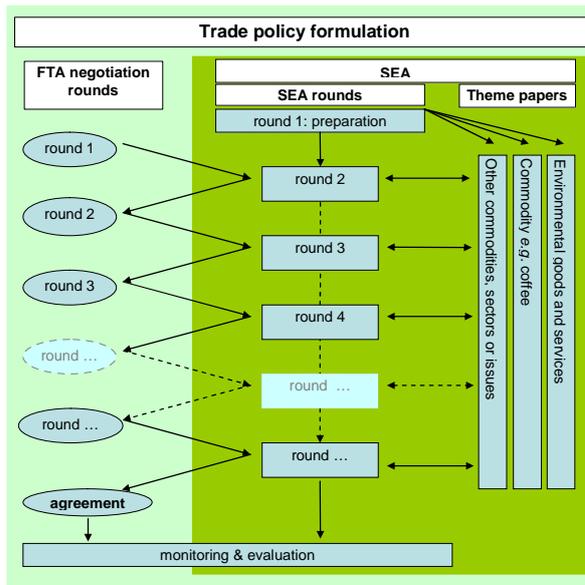
The advisory group guides the consultants doing the impact assessments and discusses results with the negotiators. Further roles could be in the public participation process and/or make a protocol for quality assurance

Membership should be broad; experts, government officials, representatives of the negotiation teams, NGOs, private sector, indigenous people etc. The advisory group should establish personal relationships with key 'high level' persons in foreign affairs, trade and environment.

What are key steps in the SEA?

- 1) Find out when the negotiation process is launched, how it is organised, how many negotiation rounds will be held, when and where.
- 2) Design the SEA through subjecting each (or a selected number) of negotiation rounds to a short tailor made SEA round.
- 3) Each SEA round consists of 4 steps:
 - a. Scoping: indicate and agree on key issues on the basis of 'theme papers' elaborated by experts on a selected number of key issues, relevant for the negotiation.

Schematic overview of an SEA for FTA



- a. Assessment: use a mix of qualitative and quantitative methods to analyse trends and develop scenarios of what might happen, use up-to-date expert judgement and case studies to support evidence.
- b. Give recommendations, including flanking measures or adjustments (in case potential consequences are undesirable) and measures to strengthen sustainability objectives (in case of opportunities).
- c. Sensitivity analyses: discuss the uncertainty in scenarios and recommendations: what if reality proves different? Subsequently, define options to deal with this.

- 4) SEA results should be available in time for the start of each negotiation round. Each next SEA round starts with an evaluation of whether earlier recommendations were included in the negotiation. After adoption of the agreement provisions should be made to monitor and evaluate its effects in practice.
- 5) Organise public participation (PP) throughout the negotiation process. Make this complementary to the PP already included in the negotiation process. Think of appointing a public liaison officer to guarantee transparency and access to information. Make SEA information (theme papers, one-pagers, monitoring results) publicly available as confidentiality allows.

This key sheet is part of a series of experiences gained by the Netherlands Commission for Environmental Assessment (NCEA) in working on Environmental Assessment in its partner countries. Please contact the NCEA for tailor-made support to establish SEA in your country: mer@eia.nl. A more elaborate generic approach document is also available at the NCEA website.

Links:

for further information: www.eia.nl/ncea/, and
for SEA database: www.eia.nl/ncea/database/