FOURTH INFORMAL CONSULTATION BETWEEN THE OECD TRADE COMMITTEE AND CIVIL SOCIETY ORGANISATIONS (CSOs)

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Balanced process, balanced results: How to get there? Critical elements for sustainability assessment

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Sustainability assessment (SA) is a tool which brings together in a coherent manner and on an equal footing the three main elements of sustainable development – the economic, environmental and developmental impacts of trade and investment.*

This position statement presents a number of key elements, which WWF considers should be included in the assessment process to ensure that SA:

- Identifies the outcomes of trade liberalisation, both positive and negative;
- Suggests ways for maximising the positive effects and avoiding or minimising the negative impacts;
- Proposes concrete avenues for reforming trade and investment in support of development and environment;
- Offers a more balanced and inclusive approach when developing and implementing trade and investment policy.

* See WWF brochure Balanced Process, Balanced Results: Sustainability Assessment and Trade
Critical elements in the process

I Objectives

• The purpose of SA is to develop and implement policies — both trade and non-trade — to ensure that the benefits from trade are realised and that potential adverse impacts are mitigated or avoided.

It is important to clearly specify at the outset the broad objective of the SA process. In addition, the SA should also mention any specific aims, such as informing policy-makers in the context of a particular set of negotiations.

II Timing

• SA should be conducted sufficiently early in the policy-making process to have an impact on the development of policies.

SA should be undertaken early enough to allow policy makers to take full advantage of the results of the assessment. The results will help them to develop policies and direct negotiating positions, which take into account relevant economic, environmental and developmental considerations in a balanced and practical manner.

The early assessment of trade liberalisation agreements can help clarify national goals through participatory processes, ensure full access to information, identify required ancillary or flanking policies, build a constituency within government and beyond in support of such goals and policies, and prepare the ground for subsequent assessments.

III Responsibilities

• All relevant government departments must be equally and effectively involved in the process.

The responsibility for leading SA within government should fall equally across the relevant departments, ministries and/or agencies responsible for economic and trade issues, environment and development matters. Establishing a multidisciplinary team to conduct the SA is important to ensure that all relevant areas are covered. Policy recommendations flowing from the SA should integrate the various interests, build on synergies and aim to resolve conflict between key policy areas. It is also advisable, where appropriate, to recruit outside expertise.

IV Participation and process

• SA should be open and transparent. It should include all relevant stakeholders in an ongoing process, which continues after the agreement/policy is implemented and which provides follow-up and monitoring mechanisms.

SA is an important tool in the policy-making process. The development and implementation of a clear approach to effective multistakeholder participation in the process of SA will promote coherence and legitimacy in policy making, and contribute to the quality and usefulness of SA itself, whether undertaken by governments or others.

The economic, regulatory, environmental and developmental impacts of trade policies or trade agreements touch the interests of a wide range of individuals and stakeholders, from politicians and government officials to industry groups, environmentalists, and civil society more broadly including local and indigenous communities (See WWF Position Statement An Effective Multistakeholder Process for Sustainability Assessment: Critical Elements).

V Method

• The SA should clearly identify its overall approach and methodology.

There is no ‘one size fits all’ approach to assessment. However, the method for conducting SA should include a range of quantitative and qualitative tools, taking into account relevant factors
such as capacity, availability of information, resources, expertise, etc. In practice, this means that approaches vary in response to local realities, priorities and needs.

SA is an emerging field and current efforts are really learning processes: it is ‘by learning by doing’ that knowledge and expertise are building up worldwide.

VI Starting with sustainability

- **SA should identify a clear ‘sustainability’ baseline for the issue/sector under investigation, describing current economic, developmental and environmental conditions.**

SA should identify the range of economic, environmental and developmental issues associated with the sustainability of a sector under investigation. For each area, relevant regulatory and policy issues should also be considered.

SA should highlight any key issues associated with unsustainable practices and use relevant indicators to provide further concrete empirical data to support the analysis. This information can provide a useful baseline for determining the present state of sustainability within a sector, from which to assess the nature and significance of trade-related impacts.

VII Sustainability impacts

- **SA should identify positive and negative effects, including economic, environmental, developmental and regulatory impacts, at domestic and international levels.**

SA should identify positive and negative effects related to the three key pillars of sustainable development: the economy, environment and development. Impacts should be assessed at the national, regional and international levels, if appropriate, as movement of goods and services can leave ecological and social footprints across borders.

SA should recognise that there may be limits to sustainability - the ability of an ecosystem and/or society to maintain itself in a ‘healthy’ state. The analysis should consider issues of scale and spatial distribution, taking into account (i) existing environmental and social stresses, (ii) the ability of ecosystems or societies to absorb additional pressure, and (iii) irreversibility of certain impacts.

SA should acknowledge that even small impacts, either incrementally or in combination with other stresses, can threaten ecosystems or societies in subtle but important ways.

VIII Trade focus

- **SA should consider trade policy in a broad sense.**

In order to be comprehensive, SA should not limit itself to narrowly constructed trade measures in the classical sense. Trade and investment policy may include much more than trade measures such as tariffs and related measures, non-tariff measures, trade-related subsidies, trade-related intellectual property rights (TRIPS), or trade-related investment measures. Broadly-based trade liberalisation agreements such as NAFTA and the prospective FTAA include key sectors such as investment and services, and a wide range of economic measures and institutional arrangements. Trade-related policy might also refer to specific commodity or sectoral agreements. Trade-related policies may also include such measures as privatisation, changes in customs procedures, foreign exchange policies, and macroeconomic and microeconomic policies at the domestic level.

IX Considering alternatives

- **SA should focus not only on the trade policy measure or trade agreement being reviewed but also on alternatives.**

SA should be proactive, not reactive. It should not simply assess an existing or proposed set of policies; rather it should help the development of more sustainable options. As a key part of the policy-making process, it is important for those undertaking the SA to consider alternative courses
of action with respect to both negotiating positions and policy responses. These alternatives should also be informed by public involvement.

X Policy recommendations

- **SA should provide concrete policy recommendations related to trade and non-trade factors.**

This section of the SA should address the question of what can be done to make activity within a particular sector more sustainable. Policies may be crafted at the domestic, regional and/or international levels. They may be directly related to trade (change in a trade negotiating position, slower opening up of sectors, or even no trade), or they may focus in priority on environmental or development-related issues (non-trade related).

Recommendations should be meaningful, practical and prescriptive. When considering the range of options associated with this section of SA, policy makers should ensure that they address the economic, environmental and development priorities identified in the SA. Options should be practical and consistent with domestic and international legal regimes, and with other policies being developed in response to the SA. In order to ensure the full implementation of the policies, a sufficient level of resources and capacity to monitor policy options should also be considered. These recommendations should be publicly disclosed.

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