

Policy Brief

SUSSEX SUSTAINABILITY RESEARCH PROGRAMME | DECEMBER 2020



Assessing the sustainability impacts of trade agreements

EXECUTIVE SUMMARY

The UK is at a critical moment in defining trade agreements post-Brexit. To ensure that such agreements do not undermine social welfare and environmental policy goals, it is essential to create policy coherence and implement sustainable development. The UK's departure from the EU provides an opportunity to identify and advocate approaches to integrate the Sustainable Development Goals (SDGs) into trade policy in the UK and beyond. This policy briefing argues for the implementation of Sustainability Impact Assessments (SIAs) that would identify the potential environmental, economic and social impacts of free trade agreements. This systematic and cooperative approach would enable progress towards meeting our commitment to the Sustainable Development Goals (SDGs) more efficiently, synergistically and without the prioritisation of one goal (e.g. SDG 8 Economic Growth) over and above others (e.g. SDG 10 Reduced Inequalities, SDG 13 Climate Action and SDG 15 Life on Land).

KEY RECOMMENDATIONS

Conduct Sustainability Impact Assessments (SIAs) of trade agreements, particularly as part of current and forthcoming Brexit trade deals.

Independent consultants should be procured to conduct detailed analysis of the environmental, economic and social impacts of the proposed agreements, based on the country's own national and international development priorities.

The wider public should be given opportunities to feed into the process and SIAs must be made publicly available.

Any forecasted negative impacts should be communicated by the countries conducting SIAs, including those countries not engaged in the Free Trade Agreement negotiation.

Ex-post assessments should be conducted by consultants to evaluate the accuracy of the SIAs and determine whether any measures adopted were justified.

Ex-post assessments should then be taken into account when engaging in new SIAs.

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OVERVIEW

The World Trade Organisation (WTO) and major environmental treaties have stressed that the goals of trade liberalisation and sustainable development are mutually supportive: trade liberalisation leads to greater prosperity, which creates the resources for better environmental management and social policies. But as trade volumes grow, so does their potential for negative environmental impacts (UN International Resource Panel, 2017). Some environmental and social welfare advocates have argued that trade liberalisation creates a race to the bottom in terms of standards, by globalising markets and encouraging more exploitation of resources. A growing ‘populist backlash’ against free trade has been based on a variety of concerns, including its role in contributing to lower wages and job loss (Saval, 2017).

Sustainability Impact Assessment (SIA) provides specific framing and potential resolution of these Sustainable Development Goal (SDG) conflicts. It is a process through which the environmental, social and economic impacts of trade agreements are assessed, giving negotiators the opportunity to adopt flanking measures to enhance positive impacts and mitigate negative ones.

Clearly, there is potential for the economic growth that free trade agreements pursue (SDG 8) to work against other

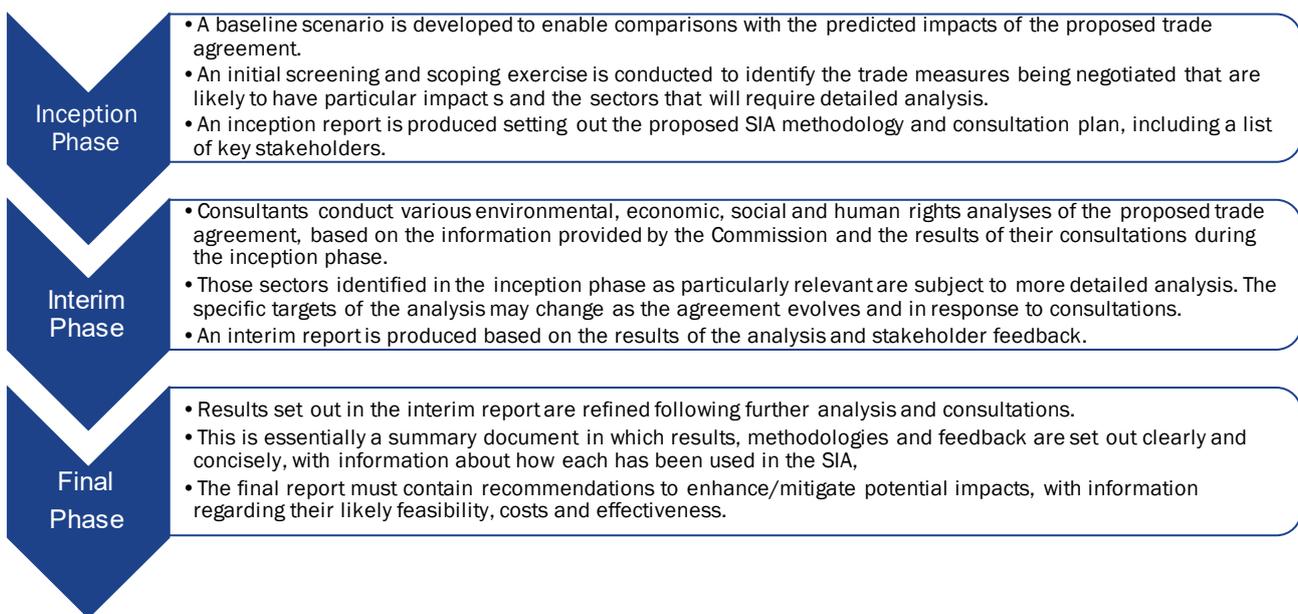
goals embodied in SDG 8 (Decent Work), SDG 10 (Reduced Inequalities) and environmental SDGs (6, Clean Water; 13, Climate Action; 14, Life below water; 15, Life on Land). But broad assertions about the relationship between sustainable development and trade liberalisation are polarising.

Further, national approaches to SDG implementation have neglected to account adequately for transboundary impacts of domestic consumption, and the gap is greatest in wealthy countries, whose high per capita consumption is driving natural resource depletion in poorer producing countries (Bertelsmann Stiftung, SDSN, 2018). SIA also helps make transboundary impacts of trade more visible, thus supporting the achievement of SDG 12 on Responsible Production and Consumption.

SUSTAINABILITY IMPACT ASSESSMENT (SIA) IN CURRENT PRACTICE

While a number of countries, such as the US and Canada, require environmental assessment of trade agreements, the EU has developed an integrated approach that takes account of both social welfare and environmental dimensions of trade agreements. SIA is one component of the EU’s broader decision-making process regarding a particular trade agreement. At the end of each of the SIA’s three stages a draft and final report is prepared by the consultants and made publicly available.

FIGURE 1: SUSTAINABILITY IMPACT ASSESSMENT (SIA) PROCESS



Stakeholders are consulted on both, and the wider public also have opportunity to comment on the reports. At the end of the SIA, the Commission publishes a position paper setting out its view on the SIA's findings and how they, as well as the stakeholder feedback, have been taken into account.

The EU's approach to SIA has been criticised because of its limited influence on the decision-making process, and less-than-comprehensive attempts to capture environmental and social welfare impacts (Kirkpatrick, 2006). With the critiques in mind, as well as advocating greater use of SIA, we offer the following recommendations, divided into ex-ante (taking place before the Free Trade Agreement has been ratified) and ex-post (after ratification).

JUSTIFICATION AND LIMITATIONS OF SIA

SIA clearly falls short of comprising a comprehensive approach. As well as being subject to the time limits imposed by the negotiating timeframe, it requires additional resources which poorer countries may be reluctant to provide. Further, the assessment applies only to the trade between the parties to a prospective FTA, and therefore does not capture the impacts of wider trade flows. Thus, even if third-party impacts are identified in the SIA, they do not fall under its scope. An example of this can be seen in the EU's SIA on its trade agreement with Canada, which provisionally entered into force in 2017, the Comprehensive Trade and Economic Agreement (CETA): Regarding nickel, aluminium and lead products, the EU will substitute decreasing Canadian production of these materials with imports from third countries. Therefore, in these countries, the CETA will contribute to accelerated depletion of metal mineral resources in addition to water and air pollution due to the highly polluting production processes for these materials (Kirkpatrick et al, 2011, 204).

No consideration was given within the SIA to how these third country negative impacts, which undermine those countries attempts to achieve the SDGs, might be mitigated.

Despite these limitations, EU SIA, which covers not only impacts in the EU but also the countries of prospective trade partners, can form a valuable source of information and insight for countries who do not have the resources to undertake such assessments themselves. If accompanied by technology transfer and financial assistance, they can address transboundary harm more effectively.



IMAGE: UK PARLIAMENT FLICKR, BY JESSICA TAYLOR

Transboundary implementation supports not only an integrated approach to the SDGs, but also core principles of international law. These include obligations to prevent transboundary harm, and to undertake environmental impact assessment (ICJ, 2010). The 1991 Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) also requires states to notify others if they consider that certain activities may have a transboundary impact (Article 3) and then, following an environmental impact assessment, enter consultations with relevant states (Article 5). The necessity of conducting environmental impact assessment is now recognised by international law. The OECD Ministerial Council stated that "governments should examine or review trade and environmental policies and agreements with potentially significant effects on the other policy area early in their development to assess the implications for the other policy area and to identify alternative policy options for addressing concerns." (OECD, 1994, 2)

In sum, SIA can catalyse a more systematic, cooperative and global approach to addressing trade-related SDG impacts and achieving integration between multiple SDGs. Increasing the frequency and scope of its use would also help to reveal transboundary impacts of domestic consumption, bringing about better implementation of SDG 12.

SUSTAINABILITY IMPACT ASSESSMENT (SIA) RECOMMENDATIONS

Ex-Ante Evaluation:

- SIA should be conducted by independent consultants, who are chosen through a competitive process. As the main proponent of the trade agreement, the Government would have a conflict of interest in the SIA's findings being positive. There is no reason, however, why the Government should be precluded from taking preliminary steps to facilitate the work of the consultants, or from considering certain issues for which it is better suited. The purpose of measures such as these would not be to enhance the SIA per se, rather to maximise the time available for consultants to conduct detailed analysis of the proposed agreement.
- Consultants should develop bespoke methodologies and consultation plans that best suit the agreement being negotiated.
- SIA should consider a broad range of environmental, economic and social impacts, based on a country's own national and international development priorities. How these themes are categorised should be consistent across all SIAs to facilitate comparisons between SIAs. There are certain factors not considered in the EU that countries may wish to include, for example, whether a trade agreement could lead to regulatory reform and the impacts the agreement may have on different regions within a country.
- SIA should be based on frequent communication between negotiators and consultants, and consultants and stakeholders.
- All information regarding an SIA must be made publicly available. The wider public should also be given opportunities to feed into the process.
- Countries undertaking SIAs should communicate forecasted negative impacts to all stakeholders, including in those countries not engaged in the Free Trade Agreement negotiation.

Ex-Post Evaluation:

- Ex post assessments of trade agreements should be conducted by consultants to evaluate the accuracy of the SIA and determine whether any measures that were adopted in response to predicted impacts were justified.
- Both the Government and consultants should be required to take ex post assessments into account when engaging in new SIAs.

FURTHER INFORMATION

This briefing is based on results from the [Sussex Sustainability Research Programme \(SSRP\)](#) funded research project '[Achieving sustainable trade post-Brexit: the UK and beyond](#)'. Thanks to Bushra Shaik at Georgetown University and Chloe Anthony at University of Sussex for invaluable research assistance. We have also benefitted from discussion on Sustainability Impact Assessment from Dr Max Mendez-Parra at the Overseas Development Institute (ODI). Any errors our own.

CITATION

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