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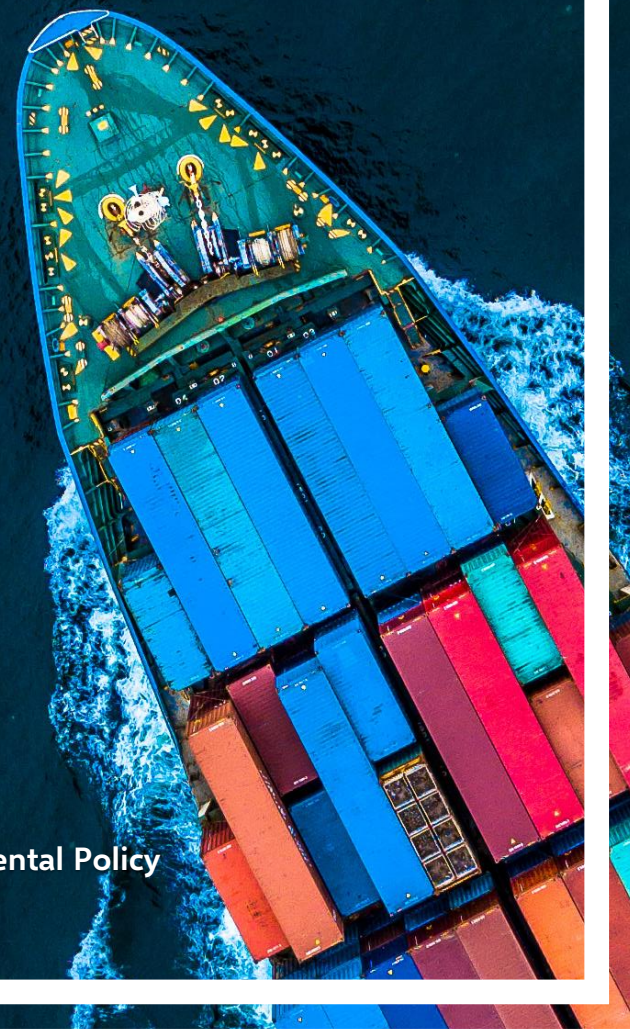


Policy report

# Environmental credentials of EU trade policy

A comparative analysis of EU free trade agreements

Institute for European Environmental Policy





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## List of abbreviations

<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CBD</b>	Convention on Biological Diversity
<b>CETA</b>	Comprehensive Economic and Trade Agreement
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CSD</b>	Civil Society Dialogue
<b>DAG</b>	Domestic Advisory Group
<b>DG</b>	Directorate-General
<b>EBA</b>	Everything But Arms
<b>EU</b>	European Union
<b>FLEGT</b>	Forest Law Enforcement, Governance and Trade
<b>FTA</b>	Free Trade Agreement
<b>GHG</b>	Greenhouse Gas
<b>GSP</b>	Generalised Scheme of Preferences
<b>IAS</b>	Invasive Alien Species
<b>ILO</b>	International Labour Organisation
<b>MEA</b>	Multilateral Environmental Agreement
<b>NGO</b>	Non-Governmental Organisation
<b>SDG</b>	Sustainable Development Goals
<b>SIA</b>	Sustainability Impact Assessment
<b>TSD</b>	Trade and Sustainable Development
<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>WTO</b>	World Trade Organisation



## 1. EXECUTIVE SUMMARY

The [European Green Deal](#), published by the European Commission in 2019, highlights the EU's commitments to 'greening' the Union's trade and trade policy, with a promise to improve the mainstreaming of social and environmental sustainability concerns in the EU's trade regime and in EU Free Trade Agreements (FTAs). The European Green Deal was followed by a dedicated [EU trade strategy](#) in early 2021, reaffirming the role of sustainability at the heart of EU's trade regime.

The Green Deal and subsequent EU trade strategy have a lot to deliver as, despite years of promising rhetoric, many observers – including [IEEP](#) (2020) in a recent review – have concluded that EU trade is not yet making a positive contribution to sustainable development.

The EU is one of the largest international players in trade, together with China and the US. In 2019, EU exports and imports of goods amounted to 15% and 14% of the world total, respectively<sup>1</sup>.

Negotiating FTAs makes up a significant part of the EU's trade policy, and improving the environmental credentials of EU FTAs is a key to improve trade sustainability. Over the past 20 years, the EU has increased the number of its bilateral and regional trade agreements to the point where up to 40% of EU external trade is governed under such agreements<sup>2</sup>. This makes the EU one of the most active negotiators of trade agreements on the international arena, which in turn means that EU FTAs also play a key role in determining trade patterns, norms and standards globally.

This policy paper provides a comparative analysis of the treatment of the environment across the most recent EU FTAs – final or proposed – and related negotiations, with a view to facilitate evidence-based stakeholder engagement in EU trade policymaking under the European Green Deal.

The review assesses three key elements of the EU FTA framework: environmental provisions included in FTAs' Trade and Sustainable Development (TSD) Chapters; the quality of environmental analysis carried out as part of trade Sustainability

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<sup>1</sup> [Eurostat](#) (2021)

<sup>2</sup> [EC](#) (2019)

Impact Assessments (SIAs); and the extent of engagement of environmental civil society stakeholders in the FTA negotiation and implementation processes. The work builds on the 2020 paper by [IEEP](#) on the implications of the European Green Deal for trade and the environment, examining existing shortcomings in further detail and taking forward some of the earlier paper's key policy recommendations.

The report concludes that none of the reviewed EU FTAs provide fully adequate provisions for protecting the environment, neither in terms of mitigating negative impacts of trade, nor in terms of using trade to boost environmental sustainability. Although some agreements appear to be headed in the right direction, no single existing trade agreement can yet be considered a 'gold standard'.

The review also observes that the treatment of environmental issues varies across existing SIAs. While some of this variation seems justified, there seem to be also some clear omissions in terms of the breadth and depth of environmental assessment across SIAs.

Finally, the review confirms that the FTA stakeholder engagement mechanisms are not used to their full potential when it comes to identifying and addressing environmental concerns in FTA negotiation and implementation processes. The current level of engagement of environmental stakeholders is limited and the way in which dialogue and discussions are conducted does not seem fit for purpose to address environmental concerns, especially in an actionable manner. For example, there is no clear follow up or feedback to civil society stakeholders as to how their concerns have been taken onboard.

The Green Deal provides a clear mandate – and also obligation – for the European Commission to improve the EU's trade-related sustainability credentials, not just focusing on individual trade agreements but also taking a more holistic look at the overall EU trade policy framework with its instruments and processes. A comparative review of multiple agreements with their negotiation and implementation processes provides a starting point for this, leading to the following policy recommendations:

**Trade and Sustainable Development Chapters:** should establish a binding framework and effective process for delivering TSD Chapter provisions, to ensure implementation and enforcement of environmental provisions such as the Paris

Agreement and Convention on Biological Diversity (CBD) that are expected to become more explicit element of future FTAs<sup>3</sup>:

*For new agreements:*

- Use strong(er) and explicit language concerning the Parties' obligations when drafting TSD Chapter provisions, to improve their enforceability (e.g. make provisions operational – going beyond the language of 'mutual recognition' – and identify concrete actions for trade partners).
- Make TSD provisions more amenable to monitoring, by including specific targets and timelines for their delivery, and by identifying agencies responsible for monitoring progress (e.g. timelines and processes set in Multilateral Environmental Agreements (MEAs)).
- Include provisions in TSD Chapters that recognise the need to ratchet up environmental and broader sustainability standards over time in line with the objectives set in MEAs (e.g. building on the Paris 'ratchet mechanism').
- Include clause(s) that trigger a review of FTA implementation and/or dispute settlement mechanisms (e.g. triggering a review in the event of a failure to ratify or implement a relevant MEA, or a decision to withdraw from it), following the example set in the [EU-UK Trade and Cooperation Agreement](#) that foresees a breach of the Paris Agreement obligations resulting in the suspension or termination of the trade agreement.
- Improve the TSD Chapter dispute settlement process, to make it more transparent, outcome-oriented and actionable, with violations of the TSD obligations leading to trade-related penalties. Use the TSD provisions in the EU-Canada agreement and current EU-Mercosur and EU-Mexico draft agreements as best practice to guarantee that a resolution to environment-related disputes is reached and made publicly available, with no exceptions.
- Recognise the right and facilitate the role of civil society stakeholders to initiate a complaint in case of a violation of TSD provisions (e.g. through some form of a dedicated [citizen-driven accountability mechanism](#) such as currently in place under the US-Mexico-Canada trade agreement).
- Further to the above, 'unbox' sustainability and support the TSD Chapters by mainstreaming sustainability provisions throughout the sector specific provisions in the trade agreement, including integrating the protection of

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<sup>3</sup> [EC](#) (2021)



labour and environmental standards under an agreement's overall dispute settlement mechanism.

*For existing agreements:*

- Monitor the 'upgraded' EU complaint process – including the '[Single Entry Point](#)' platform and Chief Trade Enforcement Officer – to ensure that it delivers for sustainability (e.g. identify possible needs to build capacity among environmental stakeholders and/or the Commission, provide clear timelines for addressing complaints, improve transparency on decisions taken and set a date for a review of the performance of these processes).
- Make use of the TSD Chapter dispute (settlement) mechanism more proactively and assertively, (e.g. learning from the EU-Korea dispute), with improved dialogue between trade and MEA officials to support timely identification of issues of concern.
- Ensure that dispute settlement panels have the appropriate expertise to deal with environmental issues.
- Utilise the full potential of Domestic Advisory Groups (DAGs) and Civil Society Dialogues (CSDs), by transforming them into outcome-oriented processes (see under "Stakeholder Engagement" below).
- Ensure adequate engagement of environmental and other relevant stakeholders such as those representing labour rights, in particular in trade partner countries, by providing dedicated EU support to the DAG process (e.g. as part of EU development cooperation or Aid for Trade mechanism).
- Use *ex-post* trade assessments to monitor FTA impacts, including triggering an FTA review where required (see under "Trade impact assessments" below).

**Trade impact assessments:** improve the use of trade impact assessments as part of the FTA negotiation and implementation processes, in particular by establishing a systematic and robust practice for carrying out *ex-post* assessments of existing FTAs:

- Finalise SIA reports prior to the conclusion of FTA negotiations, in time to feed into the negotiation and ratification process (e.g. to support the European and Member State parliamentary decisions on the ratification of an agreement).
- Improve accountability by providing clarity and transparency as to how SIA insights and recommendations have been taken up in the final FTA, with identified negative environmental impacts triggering a re-evaluation of the planned trade measures.

- Set up a systematic process for an *ex-post* assessment of existing trade agreements, with predetermined 'triggers' / 'thresholds' to initiate a review of an agreement if required<sup>4</sup> (e.g. in the light of time-bound actions and targets set out in TSD Chapters, see above).
- As best practice, encourage carrying out *ex-post* assessments jointly with trade partner countries, with EU financial support made available for developing economies (e.g. as part of Aid for Trade mechanism).
- Improve the quality of SIAs and *ex-post* assessments by:
  - Reviewing the impact assessment guidance to include minimum requirements and best practice for environmental analysis.
  - Providing sufficient financial resources to ensure comprehensive and systematic assessment of environmental aspects, including improved consultation of relevant experts and stakeholder throughout the process.
  - Fostering co-ownership of trade impact assessments between relevant DGs (e.g. TRADE, ENV, CLIMA and EMPL), to ensure robustness and transparency.
  - Setting up a mechanism or process to scrutinise treatment of the environment in trade impact assessments (e.g. expert review process).

**Stakeholder engagement:** improve engagement of environmental stakeholders in all FTA negotiation and implementation processes:

- Improve early engagement of civil society stakeholders in the FTA process, including both in the EU Member States and trade partner countries.
- For trade partner countries, identify and engage with the most relevant representatives from civil society.
- Adopt similar rules for all DAGs, to accelerate the administrative and operational discussions and move on to substantive topics.
- Incentivise environmental organisations' participation and increase their confidence in the DAG process, by establishing a feedback procedure in which the Commission officially responds to concerns raised by DAG members within a specified timeframe.

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<sup>4</sup> E.g. as per previously suggested by the [Jacques Delors Institute](#) (2020)

- Structure DAG and CSD debates and allow for detailed discussion, by creating smaller groups based on thematic interests and ensuring adequate time to discuss civil society input.
- Stimulate DAG and CSD debates by involving experts from relevant DGs (e.g. ENV, CLIMA and EMPL) and international organisations.
- Re-establish the [expert group on trade agreements](#) which was put in place from 2017 to 2019 to advise the Commission during trade negotiations and implementation of trade agreements.

## 2. INTRODUCTION

The EU is one of the largest international players in trade, together with China and the US. In 2019, EU exports and imports of goods amounted to 15% and 14% of the world total, respectively<sup>5</sup>. As such the EU wields considerable influence globally over trade patterns, norms and standards, including on sustainability issues.

Under the [European Green Deal](#), the European Commission reaffirms its commitments to ‘greening’ EU trade and trade policy, with promises of mainstreaming social and environmental sustainability concerns in EU Free Trade Agreements (FTAs). Since the Green Deal was published, the Commission has taken several steps to deliver dedicated decisions, initiatives and tools aligned with the Green Deal, the latest of which is a new [EU trade strategy](#) reaffirming the role of sustainability at the heart of EU’s trade regime.

This policy paper provides a comparative analysis of the treatment of environmental concerns across the most recent EU trade agreements and related negotiations with a view to facilitate evidence-based stakeholder engagement in EU trade policymaking under the EU Green Deal. It builds on IEEP’s earlier paper “[An EU Green Deal for trade and the environment](#)” (2020), by further examining the shortcomings identified there and developing some of the paper’s key policy recommendations.

### How does EU trade policy account for sustainability?

Negotiating trade agreements makes up a significant part of the [EU’s trade policy](#). Over the past 20 years, the EU has increased the number of bilateral and regional trade agreements negotiated to the point where [up to 40% of EU external trade](#) is governed under such agreements.

Trade agreements aim to increase economic activity by liberalising trade in various sectors and removing trade restrictions in a sustainable manner, delivering social and environmental objectives alongside economic development. The focus on social and environmental issues is achieved in particular through dedicated sustainability provisions integrated into the trade agreement (i.e. **Trade and Sustainable Development (TSD) Chapters**). These provisions aim to prevent unwanted environmental and social consequences from trade liberalisation, and also to encourage using trade as a means to support sustainable development.

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<sup>5</sup> [Eurostat](#) (2021)

To identify and mitigate any potential negative consequences, EU FTAs are subject to **Sustainability Impact Assessments (SIAs)**, which model the impact of trade liberalisation on the economy and further assess the related impacts on society and the environment. SIAs also aim to identify opportunities for sustainable development linked to, for example, increased trade in environmentally friendly products. As such, SIAs are a key tool to gauge an FTA's potential effects on the environment and provide negotiators with recommendations for policy and flanking measures to mitigate negative impacts while boosting possible positive outcomes.

SIAs make up only one element of the [EU's trade negotiation process](#). The European Commission must decide for which areas trade liberalisation will be negotiated, consult the public and receive the Council's authorisation before it can initiate the process. Once the Commission has started negotiations, the European Parliament and the Council must be updated on the progress made. After the negotiations have concluded, the negotiated text is signed and undergoes the process of legal 'scrubbing' and translation. This can be a lengthy process, even before the process of signing and ratification by the Council, the Parliament and each Member State. For example, the negotiations for the EU-Canada Comprehensive Economic and Trade Agreement (CETA) started in 2009 and concluded five years later in 2014. The trade deal has applied provisionally since 2017, as the ratification process has stalled and is still to be concluded on EU's side.

Once a trade deal comes into force, monitoring mechanisms must normally be in place to ensure that trade partners implement the TSD Chapter commitments. Within the TSD Chapter, this monitoring task is delegated to the TSD Committee – a governmental body made up of high-level representatives from each party's administration – complemented by civil society monitoring mechanisms. The civil society mechanisms tasked to monitor TSD Chapter implementation are the **Domestic Advisory Groups (DAGs)** – made up of members of civil society and the European Economic and Social Committee – and the **Civil Society Dialogues (CSDs)**, which are meetings – composed of broader civil society stakeholders – where progress regarding trade agreements is communicated and concerns can be shared. Implementation is also supported by **ex-post assessments** that, building on SIAs, assess the actual impacts of trade liberalisation.

In the case of a violation of TSD Chapter commitments the trade partners can initiate **dispute settlement**, the process for which is normally detailed within the TSD Chapter. This dispute settlement process is limited to what is foreseen in the TSD Chapter, specifically, that a trade partner may request a consultation with the other partner to discuss the matter in question. If necessary, a trade partner can request the TSD Committee to be convened to attempt to resolve the matter. The

TSD Committee may seek advice from the DAGs or other experts in an attempt to come to a resolution. If trade partners cannot come to a mutually satisfactory resolution, one of the partners can request the convening of a Panel of Experts to further discuss the matter. However, the TSD Chapters do not stipulate any further reconciliation steps if either party decides they do not agree with the Panel's decision.

### **Why are EU trade policy's environmental credentials under scrutiny?**

The EU is generally considered as one of the global champions for sustainable trade. However, the political rhetoric is not fully supported by the policy framework implementing it<sup>6</sup>.

The main points of criticism regarding the EU's trade policy and the treatment of environment in trade agreements concern the lack of enforceability of the TSD Chapters. Environmental protection is insufficiently ensured, either as a result of the use of weak language and inexplicit provisions in the TSD Chapters, or as a result of the limited dispute settlement mechanisms, which are not as stringent as those mechanisms that apply to other parts of trade agreements (e.g. penalties or sanctions for noncompliance)<sup>7</sup>. Another criticism concerns the quality and timing of SIAs, the findings of which should underpin environmental protection in the trade agreement.

In an attempt to address these shortcomings, as part of the European Green Deal in 2020 the Commission stepped up efforts to enforce TSD Chapter commitments by appointing a Chief Trade Enforcement Officer and by launching an online complaints platform called the '[Single Entry Point](#)', which provides all stakeholders with the opportunity to bring potential violations of the TSD Chapters to the attention of the Commission.

The Commission has also taken some steps in response to concerns over trade partner countries' non-compliance regarding TSD Chapter provisions, as well as a general disregard of social rights and environmental protection. For example, under the Everything But Arms (EBA) tariff preference scheme, part of the Generalised Scheme of Preferences (GSP), the Commission partially withdrew Cambodia's duty-free quota-free access to the EU market in response to repeated human and labour rights violations<sup>8</sup>. The EU also initiated dispute settlement with South Korea, on the grounds that South Korea had not fulfilled its TSD Chapter

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<sup>6</sup> [IEEP](#) (2020)

<sup>7</sup> [Centre for European Reform](#) (2019)

<sup>8</sup> [EC](#) (2020)



obligation to ratify four core International Labour Organisation (ILO) conventions<sup>9</sup> (See Chapter 6 for more information). This dispute further demonstrates that the EU is taking a more serious stance to enforce the TSD Chapters, with the EU Trade Commissioner promising to boost the enforcement of the chapter's provisions across existing FTAs.

The EU-Mercosur FTA is another highly scrutinised area of the EU's trade policy. Since negotiations concluded in June 2019, environmental stakeholders and even Member State governments have increased pressure on the Commission to not go forward with the agreement in its current state<sup>10</sup>. In response, the EU Trade Commissioner agreed with Mercosur countries to negotiate additional environmental commitments without reopening the deal<sup>11</sup>. However, it is still unclear how far these additional commitments would go to prevent negative environmental impacts potentially resulting from the trade deal, or if the current and additional commitments will be binding.

The European Green Deal and the subsequent EU trade strategy provide a clear mandate – and also obligation – for the European Commission to improve the EU's trade related sustainability credentials, focusing not only on individual trade agreements but taking a more holistic look at the overall EU trade policy framework with its instruments and processes. A comparative review of multiple agreements, including their negotiation and implementation processes, as detailed by this paper, provides a starting point for this.

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<sup>9</sup> [EC](#) (2018)

<sup>10</sup> [Politico](#) (2020a)

<sup>11</sup> [Politico](#) (2020b)

### 3. APPROACH AND SCOPE

This paper assesses the extent of the integration of environmental concerns in eleven recent EU FTAs, in force or under active negotiation, and the respective negotiation and (where relevant) implementation processes. Building on this analysis, the paper identifies both common shortcomings and good practices in the existing EU trade policy framework, to be taken into consideration in both the implementation of existing FTAs and the negotiation of future new FTAs.

The analysis is based on the latest information on EU FTAs available at the time of analysis, including both final and draft agreement text. It is considered that the latter can provide equally relevant insights on shortcomings and good practice as the former. However, since draft texts might change the conclusions and comparisons for agreements still under negotiation should not be considered as final assessments of their sustainability credentials.

Table 3.1 provides a list of the trade agreements analysed and key reasons why they were selected.

The analysis covers three elements of the EU trade policy framework which are crucial for environmental concerns: 1) environmental provisions included in the trade agreement TSD Chapters, 2) environmental analysis carried out as part of SIAs, and 3) engagement of environmental stakeholders representing civil society in the negotiation and implementation processes. In addition to scrutinising the extent and depth of environmental provisions, the analysis also considers issues related to the timing between SIAs and FTAs.

The analysis was complemented by anonymous open-ended interviews to gauge stakeholder experience in participating the EU trade agreement process (Box 3.1). Altogether nine civil society stakeholders working on either trade, environment and/or climate were interviewed, covering research institutions and non-governmental organisations (NGOs).

Different geographical environmental interests were represented (European, Latin American and Southeast Asian), either directly or indirectly through intra-organisation communication with international branches. The interviewees had experience relevant to the FTA process through their involvement in SIAs, DAGs and CSDs covering EU trade agreements with the Andean region, Australia, Canada, Indonesia, Japan, Mercosur, Mexico and New Zealand.

**Table 3.1: List of FTAs included in the analysis**

Trade Agreement	Agreement in force	Ongoing negotiations	Established DAG	Key reasons for inclusion	TSD Chapter & SIA sources
EU-Canada	Provisionally since 2017		✓	TSD Chapter includes a dedicated clause on climate change.	<a href="#">TSD Chapter, SIA final report</a>
EU-Korea	Since 2015		✓	Dispute on labour rights commitments.	<a href="#">TSD Chapter, SIA final report</a>
EU-Andean	Since 2013		✓	Ongoing ex-post evaluation ongoing. Considered to have explicit biodiversity-related provisions.	<a href="#">TSD Chapter, SIA final report</a>
EU-Japan	Since 2019		✓	Wide MEA coverage but considered to use weak language.	<a href="#">TSD Chapter, SIA final report</a>
EU-Singapore	Since 2019		✓	Clauses on timber, fish products and sustainable energy, commonly considered to use weak language.	<a href="#">TSD Chapter, SIA final report &amp; SIA Annex</a>
EU-Vietnam	Since 2020		✓	Clauses on climate change, biodiversity, forestry, fisheries, sustainable energy and investment, commonly considered to use weak language.	<a href="#">TSD Chapter, SIA final report &amp; SIA Annex</a>
EU-Mercosur		Negotiations concluded June 2019	TBD	Politically contested agreement with strong focus on agriculture and risk of deforestation.	<a href="#">TSD Chapter, SIA draft final report</a>
EU-Mexico Modernisation		Agreement in principle, April 2020	TBD	Under renegotiation with green elements in discussion.	<a href="#">TSD Chapter, SIA final report</a>
EU-Indonesia		✓	TBD	Strong forestry element.	<a href="#">TSD Chapter, SIA final report</a>
EU-Australia		✓	TBD	Considered to have a strong TSD Chapter.	<a href="#">TSD Chapter, SIA draft final report</a>
EU-New Zealand		✓	TBD	Forestry and climate element, TSD Chapter considered to be comprehensive.	<a href="#">TSD Chapter, SIA draft final report</a>

**Box 3.1: Stakeholder interview questions**

- 1. In which way(s) have you or your organisation been part of the EU trade policy negotiation or implementation process?**
- 2. In the above context, what has your experience been in terms of:**
  - a. Emphasis given to environmental or broader sustainability concerns in the process?
  - b. Extent of the involvement of environmental stakeholders in the process?
  - c. Timing of environmental information and/or stakeholders feeding into the process
3. In your view, were the environmental concerns you or your organisation raised duly and appropriately addressed or taken on board?
4. What would be your key recommendations to improving the integration of environmental concerns and/or involvement of environmental stakeholders in the EU FTA negotiations and/or implementation process?

## 4. ENVIRONMENTAL INTEGRATION IN TRADE AND SUSTAINABLE DEVELOPMENT CHAPTERS

Since 2009, EU trade agreements have included a chapter dedicated to trade and sustainable development (i.e. the TSD Chapter), which comprises parties' commitments to encourage trade in a range of environmental areas and to address global challenges such as illegal wildlife trade or unsustainable trade in natural resources. Parties sometimes also reaffirm their commitments to international agreements such as the ILO or the Paris Agreement.

The TSD Chapters also foresee mechanisms for the monitoring of the implementation and the enforcement of the Chapter commitments by including provisions establishing civil society mechanisms and a dispute settlement process (See Chapter 1)<sup>12</sup>.

This chapter discusses the differences in TSD Chapter articles and text across the reviewed trade agreements<sup>13</sup>.

### **TSD Chapter objectives and commitment to Multilateral Environmental Agreements**

The first article of the TSD Chapters usually identifies the trade partners' general objectives on trade and sustainable development. The article specifies the existing multilateral commitments of both parties, highlights the interdependence between economic, social development and environmental protection, of trade as a contributor to sustainable development, and finally, the benefit of considering trade-related labour and environmental issues as part of a global approach to trade and sustainable development.

Viewing trade restrictive actions through the lens of possible discrimination is an expression of the obligations of the EU and its trade partners under WTO law<sup>14</sup>. It is also 'logical' given the very purpose of trade agreements. From a sustainability perspective, however, it can also increase the threshold for triggering environmental safeguards and open the door for questioning the grounds for environmental measures.

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<sup>12</sup> Not all agreements have both a DAG and CSD forum.

<sup>13</sup> Building on approach adopted by Gehring, Delev and Philips. (2020). Assessing EU FTA Environmental Obligations: putting the draft EU-Mercosur trade agreements into perspective.

<sup>14</sup> As per [GATT Art. XX on General Exceptions](#)

Apart from the EU-Andean agreement, all FTAs state that parties 'recognise that economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development.' The FTAs with Australia, Indonesia, New Zealand and Singapore also explicitly state that 'parties shall promote the development of international trade and investment in a manner that contributes to the objective of sustainable development.'

Some FTAs further include the welfare perspective of 'present and future generations' (Andean, Canada, Japan, Mercosur, Mexico and Vietnam) while the agreements with Mercosur and Mexico explicitly mention the Sustainable Development Goals (SDGs) in the TSD Chapter objectives, with the EU-Mexico agreement also including a provision on promoting 'inclusive green growth and circular economy' to foster sustainable development. Finally, the draft agreements with Australia and New Zealand include additional provisions to increasing cooperation to promote 'sustainable production and consumption, circular economy, green growth and pollution abatement.'

TSD Chapters also include an article on Multilateral Environmental Agreements (MEAs), commonly reaffirming parties' commitments to specific MEAs and highlighting the need to exchange information and cooperate to implement these commitments. The newest FTAs in force or under negotiation (Australia, New Zealand and Vietnam) reference altogether twelve MEAs, while older FTAs reference the least number of MEAs (Table 4.1).

The most cited environmental agreements across FTAs are the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), each of which is mentioned in ten of the eleven analysed FTAs. The next most cited environmental agreements are the Paris Agreement and the Convention on Biological Diversity (CBD), each of which is mentioned in eight of the eleven analysed FTAs.

Commitment to sustainable development and explicit references to MEAs in the TSD Chapter are a positive starting point for the environment. However, they are not indicative of concrete action or progress by the parties.

TSD Chapters do not link the implementation of the trade agreement to verified progress in sustainable development, including the implementation of MEAs. Furthermore, in all FTAs, language is used that seems to weaken their commitment



to sustainable development, including both when outlining the objectives of the TSD itself, and when detailing trade partners' commitments to MEAs.

For example, older FTAs (EU-Andean, EU-Korea and EU-Singapore) include provisions stating that the TSD Chapter should not be used for 'unjust discrimination between Parties' or 'protectionist trade purposes.' FTAs with less developed regions, such as Andean, Mercosur and Vietnam, also 'recognise the differences in levels of development' and foresee Parties taking 'common but differentiated responsibilities' to sustainable development.

Restrictions are also implicitly introduced with regard to the adoption of measures to implement MEAs. For example, the agreements with Japan, Singapore and Vietnam, state that such measures should not 'constitute a means of arbitrary or unjustifiable discrimination between the parties or a disguised restriction on trade'.

**Table 4.1: Explicit reference to key MEAs**

Bilateral FTA	UNFCCC	Paris Agreement	Kyoto Protocol	Montreal Protocol	CBD	CITES	Total in FTAs
EU-Andean	✓		✓	✓	✓	✓	9
EU-Australia	✓	✓		✓	✓	✓	12
EU-Canada						✓	1
EU-Indonesia	✓	✓		✓	✓	✓	11
EU-Japan	✓	✓			✓	✓	8
EU-Korea	✓		✓				3
EU-Mercosur	✓	✓			✓	✓	6
EU-Mexico	✓	✓		✓	✓	✓	10
EU-New Zealand	✓	✓		✓	✓	✓	12
EU-Singapore	✓	✓	✓		✓	✓	4
EU-Vietnam	✓	✓	✓		✓	✓	12
Total number of MEAs referenced	10	8	4	5	8	10	

**Note:** This table has been shortened to include the most cited MEAs. The row 'Total reference to MEA' presents the number of times an MEA is mentioned in all the reviewed FTAs. The column 'Total in FTAs' presents the number of explicitly referenced MEAs in each FTA.

Even the newest trade agreements under negotiation (Australia, Indonesia, New Zealand and Mexico), which demonstrate good practice by explicitly stating that Parties may take environmental measures necessary to protect human, animal or plant life or health and that nothing in the FTA text shall be used to prevent the adoption of these protective measures, conclude that such measures can be taken if not deemed 'a means of arbitrary or unjustifiable discrimination between the parties'<sup>15</sup>.

### Environmental scope and depth

The TSD Chapters also include articles on specific environmental areas. These provisions contain obligations on actions to be taken by the parties to the trade agreement to implement and/or uphold national or international standards and obligations in areas such as biodiversity or climate change. They also specify areas for cooperation and information sharing between trade partners, and many of them announce endeavours to promote environmentally friendly trade and investment. Table 4.2 provides an overview of which FTAs include such articles and which specific environmental areas they cover.

**Table 4.2: Specific environmental area articles included in each TSD Chapter.**

Bilateral FTA	Biodiversity	Forests & timber products	Marine resources & aquaculture	Climate change	Trade for sustainable development	Responsible management of supply chains	Total
EU-Andean	✓	✓	✓	✓	✓		5
EU-Australia	✓	✓	✓	✓		✓	5
EU-Canada		✓	✓				2
EU-Indonesia	✓	✓	✓	✓	✓	✓	6
EU-Japan	✓	✓	✓				3
EU-Korea					✓		1
EU-Mercosur	✓	✓	✓	✓		✓	5
EU-Mexico	✓	✓	✓	✓	✓	✓	6
EU-New Zealand	✓	✓	✓	✓		✓	5
EU-Singapore		✓	✓				2
EU-Vietnam	✓	✓	✓	✓	✓		5

<sup>15</sup> Note: based on proposed text in agreements under negotiation

The comparison reveals that the EU FTAs with Mexico and Indonesia provide the most comprehensive environmental scope, covering altogether six specific areas under the TSD Chapter. These FTAs are followed by those with the Andean region, Australia, New Zealand, Mercosur and Vietnam, each covering five specific environmental areas. The FTA with Korea has the most limited environmental scope covering only one specific area.

**Biodiversity:** Biodiversity is the issue most covered by a specific article in the FTAs reviewed (8 of 11, all except Canada, Korea and Singapore). Specific provisions contained under this article across FTAs include commitments to combat illegal wildlife trade and to conserve and sustainably use biodiversity. For the most part, these provisions are linked to the parties implementing obligations under CITES. Commitments to facilitating trade in biodiversity-friendly products are also common, as is cooperation in trade and biodiversity related issues between trade parties (e.g. exchange of information on biodiversity and trade).

While the content of biodiversity specific articles is relatively similar across FTAs, some differences exist, indicating flexibility in terms of taking on board the specific concerns of trade partners. For example, the FTAs under negotiation with Australia, New Zealand and Mexico include a specific reference to preventing risks related to the spread of invasive alien species (IAS) via trade. As highlighted above, the provisions for conservation and sustainable use of biodiversity centre around preventing trade in endangered species. As a notable exception, the Andean FTA goes further by explicitly identifying trade parties' obligations to work towards meeting international targets for establishing and maintaining comprehensive, effectively managed, and ecologically representative networks of protected area. The FTAs with the Andean region and Mexico also include explicit provisions on strengthening national institutional capacity for biodiversity conservation, with references to mainstreaming biodiversity into the operation of different sectors in the case of Mexico.

**Forest and timber products:** A specific article on sustainable use of forests and timber is included in all but the EU-Korea FTA (10 of 11 of those reviewed). Specific provisions include encouraging trade in legal and sustainable forest products or in products originating from sustainably managed forests, with what constitutes 'legal' and 'sustainable' specified to be determined based on the law in the country of harvest. In addition, provisions for the exchange of information and cooperation on sustainable forest management are common in these articles across FTAs, with a particular focus on cooperation around the implementation of existing commitments and initiatives linked to illegal timber trade (e.g. CITES

and the EU FLEGT<sup>16</sup> initiative). However, only two agreements (Andean and Vietnam) have explicit provisions for the development of mechanisms to verify timber origin and to support enforcement institutions.

In general, there is no explicit mention of tackling deforestation in any of the existing articles, with only the EU-Mexico modernisation FTA including a provision for promoting trade in products that do not cause deforestation.

**Marine resources and aquaculture:** An article on sustainable use of marine resources and aquaculture is included in all but the EU-Korea FTA (10 of 11 of those reviewed). The most commonly included provisions include undertaking measures to combat illegal, unreported and unregulated (IUU) fishing, complying with long-term fish stock conservation measures, promoting sustainable aquaculture, and cooperation and information exchange. In contrast to forests (above), the article commonly refers to standards and frameworks set at international, rather than domestic, level (e.g. UN and FAO instruments and standards).

Four of the agreements include specific provisions to undertake effective monitoring and surveillance measures to prevent illegal fishing and/or overfishing (Andean, Canada, Japan and Singapore). Finally, all of the FTAs reviewed fail to make any commitments on prohibiting harmful fisheries subsidies by trade partners.

**Climate change:** All but four of the reviewed agreements (7 of 11) include a dedicated article on climate change, with Canada, Japan, Korea and Singapore being the exceptions to the rule. All FTAs with such an article include an explicit commitment by trade parties to climate change efforts, stating that 'each party shall effectively implement' international climate agreements. However, none of the FTAs identify any mechanisms for accountability in case parties fail to deliver this commitment.

Provisions striving to make trade supportive of climate policy and/or positive contribution of trade to climate policy objectives are also commonly included in the article, as are commitments to cooperation on climate related issues. The latter is the most specified in the context of the Australia and New Zealand FTAs currently under negotiation, with a range of specific areas for cooperation identified. These draft agreements also support action by trade parties in implementing the Montreal Protocol on Substances that Deplete the Ozone Layer. Finally, the draft Australian and New Zealand agreements – together with the Andean FTA – also

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<sup>16</sup> Forest Law Enforcement, Governance and Trade

provide explicit provision for facilitating trade in goods, services and investment that contribute to climate mitigation and adaptation.

**Trade for sustainable development & responsible management of supply chains:** Most of the reviewed FTAs (8 of 11) include dedicated articles on trade as a vehicle for sustainable development and/or sustainable supply chains, with the exception of Canada, Japan and Singapore. All FTAs with this article identify promoting and/or facilitating trade and investment in environmentally friendly goods and services as one of the aims of the FTA; however, there are some differences across the FTAs regarding the specific types of goods and services identified to be a key focus of this activity. The articles also systematically include provisions to uphold social standards, especially those for labour. However, there is variation in language across FTAs, with FTAs with Korea and Vietnam using less stringent language in reference to such standards (i.e. 'should promote' and 'recognise the beneficial role of' instead of 'shall promote').

In general, the comparative review of EU FTAs demonstrates a varied practice in the environmental scope and depth of the TSD Chapters, with a lack of explicit identification of obligations for trade partners, or gaps in those obligations.

Some of the variation might be explained by differences in the overall FTA scope, for example some FTAs do not foresee trade liberalisation in the forestry or marine sectors. Some omissions, such as biodiversity or climate change related chapters, might also be explained by the overall progress in stepping up the integration of environmental issues in the EU FTAs and TSD Chapters, with the most recent EU FTAs systematically covering more ground than the older FTAs. The variation also indicates that there is flexibility in drafting the agreements, both in terms of specific environmental areas covered and detailed provisions included within these areas. In the future, such flexibility could – and arguably should – be used in a way that improves both the coverage and the explicit nature of the environmental provisions.

The review also reveals that the most stringent form of trade agreement language (i.e. 'Parties shall ensure [...]') as opposed to 'Parties should ensure [...]') is commonly used in the environmental articles of TSD Chapters across FTAs. While this is a positive sign, the language itself does not guarantee the implementation of measures in practice, and mechanisms are required both to monitor progress (e.g. trends in trade of environmentally friendly products) and to hold parties accountable for delivery of the agreed provisions. In this context, *ex-post* trade impact assessments should be considered as a key mechanism for the EU to verify the

actual outcomes of FTAs, including the impact of provisions linked to cooperation and to promoting trade in environmental goods and services.

In conclusion, there seems to be no single existing FTA that sets a 'gold standard' for integrating environment into its TSD Chapters. This is due to the varying coverage of environmental issues, lack of detail or gaps in environmental provisions and, as identified in Chapter 2, the overall absence of an effective mechanism – or demonstrated common practice by the Commission – for the enforcement of environmental provisions as well as monitoring their achievement.

However, on paper, TSD Chapters in the FTAs with the Andean region and Mexico seem to provide the most comprehensive existing frameworks for the conservation and sustainable use of biodiversity, whereas TSD Chapters in the draft agreements with Australia and New Zealand seem to do the same for addressing climate change.

None of the existing TSD Chapters seem to provide extensive enough safeguards to combat deforestation, including those FTAs which explicitly address deforestation risks, and all existing FTAs rely solely on national frameworks to determine what is sustainable (e.g. with no reference to relevant targets and guidance by the CBD). Finally, while most of the reviewed FTAs include a dedicated TSD Chapter article on marine resources, none of these articles contain obligations to limit or ban harmful fisheries subsidies; although the updated US-Mexico-Canada trade agreement (USMCA) in 2020<sup>17</sup> demonstrates that this can be done.

### **Right to regulate & upholding levels of protection**

The provisions on the right to regulate and on upholding levels of protection contain the trade partners' obligations to not weaken their environmental and labour standards. These provisions are written into the TSD Chapters as one or two articles. All the trade agreements assessed in this study have articles on the right to regulate, with newer FTAs merging the provisions on levels of protection with it, while relatively older FTAs opt for separate articles.

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<sup>17</sup> [US Government](#) (2020)



The review reveals that relatively strong language is used across FTAs to prevent weakening of environmental standards as a consequence of trade liberalisation. However, differences between agreements exist, with FTAs with developing economies appearing to provide a slightly less stringent basis for upholding such standards.

Newer FTAs in force or under negotiation that use one article on the 'right to regulate and levels of protection' include Australia, Indonesia, Japan, Mexico, Mercosur and New Zealand. Across the agreements with these trade partners, there are differences in terms of the language used in this article when describing how Parties are expected to uphold levels of protection. Specifically, when it comes to the Parties' commitment to 'not weaken or reduce the levels of protection afforded in its environmental or labour law in order to encourage trade or investment', the articles for Australia, Japan and New Zealand use mandatory language for this article, i.e., 'Parties shall not weaken [...] levels of protection'. Conversely, when the trade partner is an emerging economy, the article uses non-mandatory language instead, i.e., 'Parties should not weaken [...] levels of protection'. For the rest, the 'right to regulate and levels of protection' articles in the above-mentioned FTAs are quite similar.

Relatively older FTAs (Andean, Canada, Singapore, Korea and Vietnam) have separate articles for the 'right to regulate and levels of protection' and 'upholding levels of protection'. On the 'right to regulate' all agreements have comparable provisions using similar, mandatory language and stating that each party 'shall strive towards providing and encouraging high levels of environmental and labour protection'. Moreover, all except the EU-Andean agreement also state that each party 'shall continue to improve such laws and policies.'

The articles on 'upholding levels of protection' in the older FTAs include provisions stating that parties 'shall not waive or derogate or offer to waive or derogate from [their] environmental law to encourage trade' and that parties 'shall not fail to effectively enforce [their] environmental law to encourage trade or investment.' The EU-Andean agreement includes an explicit reference to the trade parties' right to control their domestic environmental and labour regulations and standards. The agreements with Canada and Vietnam add the explicit recognition that weakening or reducing levels of protection to encourage trade or investment is inappropriate, however the latter also later specifies that a trade party 'shall not apply environmental and labour laws in a manner that would constitute a means of arbitrary or unjustifiable discrimination between the parties or a disguised restriction on trade.'

## Transparency and cooperation

The transparency chapter contains provisions to ensure that each party develops and implements measures in a transparent manner, providing civil society with the opportunity to submit their views. The measures in question may pertain to environmental or labour measures that may affect trade or investment; or, inversely, to trade or investment measures that may affect environmental or labour conditions.

The language used and provisions included in the transparency chapters are quite comparable across all reviewed FTAs, with wording such as 'parties shall provide the public reasonable opportunities for stakeholder to submit views.' FTAs that explicitly reference 'ensuring awareness' and 'promot[ion of] public participation' include the EU-Andean, EU-Canada, EU-Mercosur, EU-Australia and EU-New Zealand agreements. The EU-Andean agreement is the only FTA that does not include a separate article on transparency, however Article 280.7 of the agreement states that 'the subcommittee on TSD shall promote transparency and public participation in its work.'

A chapter on cooperation<sup>18</sup> generally specifies the parties' commitments to working together in order to achieve the objectives of the TSD Chapter. These chapters usually include three main provisions: 1) the fora in which trade partners pledge to cooperate; and their cooperation 2) in promoting trade related environmental practices; and 3) on the implementation of MEAs.

On the number of specifically mentioned fora for cooperation, EU-Mercosur references the most, including the World Trade Organization (WTO), the UN Environment Programme (UNEP), the UN Conference on Trade and Development, and the High-Level Political Forum for Sustainable Development. In contrast, the EU-Andean and EU-Japan cooperation provisions do not mention specific fora for cooperation. Across the reviewed cooperation provisions, the WTO and UNEP are the most frequently mentioned fora, with the exception of the EU-Vietnam agreement which mentions the Asia-Europe meeting instead of the WTO.

Concerning cooperation promoting trade related environmental practices the majority of the TSD Chapters seek to promote low carbon technologies and energy efficiency. The EU-Mercosur agreement does not specify low carbon technologies or energy efficiency; however, it does commit to cooperation in the promotion of 'sustainable consumption and production including the circular

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<sup>18</sup> The EU-Australia and EU-New Zealand TSD Chapters available online are draft versions which do not include articles on cooperation as of yet.

economy.’ Similarly, the EU-Mexico cooperation provision mentions ‘promotion of inclusive green growth and circular economy’. Trade agreements where deforestation and biodiversity may be negatively impacted have commitments to cooperate on the conservation and sustainable use of biodiversity and forest management.

Finally, regarding cooperation on the implementation of MEAs and other environmental objectives, EU-Mercosur includes the greatest number of explicitly mentioned MEAs and other environmental goals, such as the UNFCCC objectives, the Paris agreement, the Montreal Protocol, voluntary sustainability assurance schemes, and combatting wildlife trafficking and illegal logging.

Although efforts for increased cooperation to secure environmental protection in trade agreements are welcome, as a rule these Chapters lack language that binds the parties to the commitments stated. In general, across FTAs, reference to parties ‘recognising’ the importance of cooperation is commonly used, which can be perceived as aspirational and therefore less likely to implemented and/or more difficult to be enforced.

### **Settlement of disputes**

A process for raising and seeking to settle TSD disputes is defined under articles on consultations<sup>19</sup> and panels of experts, which come into play during the process of either party requesting consultations regarding any matter of mutual interest arising under the TSD Chapter, including any dispute with regard to the implementation of TSD provisions.

When such a request is filed, the parties consult with a relevant person, organisation or body that contributes to the examination of the matter at issue. If further discussion is warranted a party may request for the TSD subcommittee to be convened to consider the dispute and come to a resolution of the matter.

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<sup>19</sup> The EU-Indonesia TSD Chapter available online is a draft version which does not include an article on consultations as of yet.

The provisions on requesting consultations are quite generic and comparable between FTAs. However, what is interesting – and important – is the varying degree of transparency surrounding the consultations.

Certain provisions allow for the parties or the subcommittee to decide internally whether the resolution of a consultation is to be made publicly available or not. Such provisions are included in the agreements with the Andean region, Korea, Japan, Singapore and Vietnam. Conversely, the TSD Chapter in agreements with Canada, Mercosur and Mexico state that ‘any resolution reached by the parties shall be made publicly available’ with no other provision allowing the parties to keep the resolutions private. The draft agreements with Australia and New Zealand also state that any resolution reached by the parties shall be made available to the public ‘except as otherwise provided for in this Article.’

If the resolution mechanism under the consultations provision is unsuccessful, a panel of experts is convened. The articles on the panel of experts include provisions with varying time periods in which the interim and final reports must be issued.

Furthermore, and similarly to articles on consultations, the articles on the panel of experts include provisions that specify when their final findings must be made publicly available to ensure transparency and provide civil society a reasonable opportunity to respond to the reports.

The EU-Canada, EU-Mercosur, EU-Mexico, EU-Australia and EU-New Zealand agreements unequivocally state that ‘parties shall make the final report publicly available within [XX] days – usually less than 30 days – of its submission by the panel of experts.’ In comparison, the EU-Singapore and EU-Vietnam agreements state that the final report can remain confidential if parties so decide. In a similar vein, the EU-Andean and EU-Japan agreements include text to ensure the removal of confidential information from the publicly made final report. Finally, the provision on the panel of experts in the EU-Korea agreement is the vaguest in terms of transparency as it does not mention the final report being made publicly available.

If either party does not agree to follow the expert panel's decision the TSD Chapter provides no further mechanism or procedure to resolve the issue at hand.

The assessed trade agreements that have a dedicated TSD Chapter article for dispute settlement use almost identical provisions simply stating that 'For any dispute that arises under this [TSD] Chapter, the parties shall only have recourse to the rules and procedures provided in this Chapter,' referring to the articles on consultations and a panel of experts. This procedure does not specify a follow-up mechanism to ensure parties abide by the expert panel's decision.

In the case of the EU and South Korea's dispute settlement surrounding Korea's failure to make progress in the ratification of core ILO conventions (See Box 7.1 in Chapter 7), the expert panel concluded that Korea was obliged to ratify the conventions in an "expeditious manner". Since the panel's decision, Korea has made progress in ratifying three core ILO conventions, however, it has yet to ratify the fourth on the abolition of forced labour<sup>20</sup>. The omission of a clear deadline in the panel's resolution – paired with the lack of any (financial) penalty mechanism under TSD dispute settlement – means that the EU has no further enforcement tools to ensure Korea ratifies this fourth ILO convention.

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<sup>20</sup> [The Korea Herald](#) (26 Feb 2021)

## 5. ENVIRONMENTAL INTEGRATION IN THE SUSTAINABILITY IMPACT ASSESSMENTS

The SIAs are an essential tool used to inform negotiators on the expected economic, social, human rights and environmental impacts of trade liberalisation under an FTA. These impact assessments are commissioned by DG Trade and usually carried out by external consultants, following official guidance provided by DG Trade<sup>21</sup>.

The consultants usually consult with stakeholders in both the EU as well as in the relevant partner countries and use economic modelling to predict the overall and sector-specific economic impact of the trade agreement. This in turn is used to predict consequent social, human rights and environmental impacts. In addition, SIAs aim to identify recommendations and flanking measures for negotiators to ensure integration of sustainable development issues and safeguards into the negotiated trade agreement<sup>22</sup>.

In practice, the scope of SIAs varies depending on the type of trade and/or investment deal being negotiated, and while the EU SIA Guidance provides a rather comprehensive list of environmental themes that may be assessed, the guidance provides no obligatory minimum requirements for integrating environmental aspects into the analysis. Existing evidence points to issues that hinder the optimal use – and usefulness – of SIAs in providing robust and timely information on possible environmental impacts of FTAs to support the trade negotiation process<sup>23</sup>.

This chapter explores the SIAs carried out in the context of the eleven EU FTAs reviewed. It assesses their timing, i.e. when the SIA reports are made public and where this occurs in the FTA negotiation process, and how environmental aspects are treated in the assessment.

### Timing of SIAs

The review reveals that, on average, the SIA process takes less than two years to finalise, from the invitation to tender to the publication of the final report (see Figure 5.1). This was significantly shorter for the EU-Korea agreement (nine months) and longer for the EU-Mercosur agreement (three years and four months). Based on the existing processes, it takes on average six months to deliver the inception report and another six months after to deliver the interim

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<sup>21</sup> [EC](#) (2016)

<sup>22</sup> [EC](#) (2020c)

<sup>23</sup> [IEEP](#) (2020b) and [IEEP](#) (2018)



report. Looking only at those trade agreements for which draft final reports have been published<sup>24</sup>, on average it takes another six months to deliver the final report (see Figure 5.1).

Given that the SIA final conclusions, recommendations and flanking measures – which are provided in the final report – are intended to feed into the negotiation process, the final report should ideally be finalised and published prior to the end of the negotiations. Cases where the timing of SIA final reports did not match the timing of negotiations being concluded include the EU-Mercosur agreement, where the final report was delivered one year after the negotiations had concluded, and the agreements with Singapore and Vietnam.

In the case of the EU-Singapore and EU-Vietnam trade agreements, the negotiations relied on the conclusions of an older SIA for a trade agreement between the EU and the ASEAN region, which never came to fruition. The EU-ASEAN SIA focuses on the impact of trade liberalisation in the EU and the ASEAN region which includes ten Southeast Asian countries. Due to the nature of the EU-ASEAN agreement – being a regional trade agreement – the SIA lacks country-specific details for environmental areas, and preferably a new SIA should have been conducted for each bilateral agreement. Considering that the negotiations for the bilateral agreements with Singapore and Vietnam were concluded respectively three and six years after the delivery of the final SIA report for EU-ASEAN, in 2009, there appears to have been sufficient time to conduct new SIAs for each bilateral agreement.

Civil society engagement is particularly important during the negotiation process as it provides the opportunity for civil society to voice their concerns surrounding the impacts of the FTA via roundtables, meetings, workshops, interviews and online surveys. As previously mentioned, flanking measures and policy recommendations are formulated during the draft final report phase of SIAs. This is a stage where concerns of stakeholders can be integrated into the SIA for the negotiators to consider.

The timeline in Figure 5.1 highlights the first and last civil society engagements, as written in the SIAs. The review finds that the first civil society engagement typically occurs within the first year after the invitation to tender for the SIAs, either during the draft inception report phase where consultants compose their lists of stakeholders to consult, or during the draft interim report phase. The last civil

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<sup>24</sup> The SIA final reports for the EU-Mercosur, EU-Australia and EU-New Zealand trade agreements have not been published at the time of this study. In lieu of this, the analysis includes the draft final reports for these trade agreements.

society engagement usually occurs during the development of the draft final report.

Ideally stakeholders should be consulted, at the latest, during the draft final report preparation stage. From the analysis, trade agreements where this was *not* the case were:

- The EU-Singapore and EU-Vietnam agreements<sup>25</sup> which both made use of the same earlier SIA (EU-ASEAN), which held its last stakeholder engagement during the draft interim report phase.
- On the EU-Mercosur agreement, a final draft SIA has been delivered and a [civil society dialogue meeting](#) took place in July 2020. However, negotiations on the trade agreement had already been concluded by then, so it is unclear how this meeting and its conclusions would feed into the agreement text.
- While the SIA final reports for the EU-Australia and EU-New Zealand agreements are yet to be published, a joint CSD meeting took place for both agreements during the preparation of the draft final report.

There seems to be no clear rule stipulating how the SIA process, including stakeholder consultation, should be timed vis-à-vis the FTA negotiation procedure. In most of the existing cases, EU FTA negotiations were concluded months after the delivery of the final SIA report allowing, in principle, SIAs' final insights and recommendations to be integrated in the negotiation process. However, EU-Mercosur, EU-Singapore and EU-Vietnam are clear exceptions to this practice.

### **Treatment of environment in the SIA analysis**

Environmental impact assessments most commonly start with the construction of a baseline. The baseline describes the current situation with regards to environmental and wider sustainability aspects in trade partner countries. To complement the baseline scenario, some SIAs include a generic, overall assessment on

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<sup>25</sup> However, both bilateral agreements held civil society meetings prior to negotiations ending which were not part of the SIA process. EU-Singapore ex-post [briefing](#) of FTA status (Mar 2013) and EU-Vietnam ex-post [briefing](#) of negotiations status (Oct 2015).

how the economic impacts resulting from trade liberalisation are expected to translate into impacts on the environment.

The assessment of sector specific impacts of trade liberalisation form the core of the SIA analysis. These assessments aim to determine the changes in trade flows linked to specific sectors expected to be included in the FTA and then link these changes with possible environmental outcomes, both negative and positive. In some SIAs, the sector specific analysis is underpinned by a baseline sector review, which provides detailed information on the current status of the sector.

The treatment of the environment varies across SIAs both in terms how comprehensively environmental issues are considered (i.e. coverage of a range of different issues) and how systematically the issues are analysed as part of the overall SIA process.

In general, our review reveals five environmental areas commonly included in SIAs: impacts on natural resource stocks (e.g. energy, agriculture, forestry, minerals); impacts on environmental quality (e.g. air, land, waste, water); impacts on ecosystems and/or biodiversity; climate change impacts; and impacts on environmental regulation.

Table 5.1 presents a summary of the evaluation of each trade agreements' environmental impact assessment, and Annex I provides further detail on the insights underpinning the summary. This evaluation is structured based on the common elements of SIAs and it provides a qualitative assessment of how comprehensively and systematically the five environmental issues are included in the SIA assessment across these elements.

According to the assessment, EU-Australia, EU-New Zealand and EU-ASEAN<sup>26</sup> perform the best in terms of their assessment of environmental impacts. This assessment is based on their comprehensive treatment of relevant environmental areas and systematic evaluation of the baseline scenario versus the liberalisation scenario, dependent on a change in sector output under the FTA.

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<sup>26</sup> The EU-ASEAN SIA was used to underpin the negotiations for the bilateral trade agreements for EU-Singapore and EU-Vietnam.

**Table 5.1: Authors' evaluation of the overall environmental assessment of SIAs.**

	Overall baseline	Overall impact	Sector baseline	Sector impact	SIA coverage: overall evaluation
EU-Andean	++	--	--	+	☹
EU-Australia	++	++	++	++	😊
EU-Canada	--	--	++	+	☹
EU-Indonesia	++	+	+	-	😊
EU-Japan	-	--	-	-	😞
EU-Korea	++	--	--	--	😞
EU-Mercosur	++	+	--	--	☹
EU-Mexico	-	++	--	-	☹
EU-New Zealand	++	++	++	++	😊
EU-ASEAN	++	++	++	++	😊

**Note:** The 'overall baseline' column considers the overall baseline assessment, which should present the environmental state of play across several environmental areas. Environmental impact assessment chapters with a comprehensive overall baseline assessment receive a double plus, while non-comprehensive assessments receive a double minus. Similarly, environmental impact assessment chapters with a limited overall baseline assessment receive a plus or a minus, depending on the comprehensiveness, and level of structure and detail of the analysis. The 'overall impact' column considers the comprehensiveness of the environmental areas included in the overall impact assessment and how systematically it considers these environmental areas compared to the baseline. Similarly, the following two columns consider the same criteria as the overall baseline and impact assessment, but in the context of the sector analysis. The evaluation, i.e. (double) plus or minus, is based on the authors' views of the level of comprehensive consideration of environmental areas in the assessment and the systematic approach of the level assessment for these environmental areas. Finally, the 'overall evaluation' column indicates the authors' final judgement of the treatment of environment in the SIA, taking into account the evaluation of the overall/sector baseline/impact assessment and the level of detail provided in these assessments. For example, was the impact of liberalisation on key environmental areas for specific sectors assessment?

The EU-Korea and EU-Japan environmental impact assessments perform the poorest. The economic modelling used in the context of these SIAs conclude that trade liberalisation under these FTAs would not have significant environmental effects in either country. In the case of EU-Korea, the overall impact assessment only considers the environmental area 'environmental regulation', and the sectoral assessment includes only four sectors: automotive, agri-foods,

environmental goods and services, and financial services. The assessment of the impacts of sector liberalisation on environmental areas is limited.

In the case of the EU-Japan SIA, the overall environmental impact assessment is not comprehensive or systematic in considering environmental areas. Moreover, the sectoral assessment lacks clarity and detail because it bundles sectors into wider categories such as the power generation sector, environmental goods and services, energy intensive sectors and resource use and efficiency. This leads to difficulties in gauging the treatment of the environment in individual sectors such as the automotive or agricultural sector. Furthermore, the sectoral assessment does not have a comprehensive treatment of environmental areas, e.g. the impacts of the FTA on ecosystems and biodiversity are not assessed.

Other SIAs that have not thoroughly assessed the environmental impact of the respective FTAs are the EU-Andean, EU-Canada and EU-Mercosur SIAs. The EU-Andean environmental assessment is not systematic due to the lack of an overall impact assessment to complement the baseline scenario assessment. Furthermore, the lack of an assessment of the agricultural, mining and fishery sectors' contribution to climate change in the form of greenhouse gas (GHG) emissions weakens the quality of the evaluation.

The EU-Canada environmental impact assessment has no overall baseline or impact assessment. The sectoral analysis is very extensive in terms of sectors analysed and systematic in its approach to assessing the baseline and impact of environmental areas per sector. However, comprehensive treatment of environmental issues is lacking for certain sectors. For example, the automotive and transportation equipment sector does not look at the impact on natural resource stocks or environmental quality. Another example is the lack of detailed impact assessment of the fisheries sector on environmental quality.

The EU-Mercosur overall environmental impact assessment is structured by sectors (agriculture, forestry, fisheries, energy) rather than by environmental areas. This assessment, while detailed in terms of sectors considered, does not have a comprehensive sector baseline for the environment. Furthermore, the sector impact assessment does not assess impacts on key environmental areas. For example, the assessment acknowledges that increase of livestock production will increase GHG emissions but it does not mention the impact of potential deforestation and related impacts on climate change.

The EU-Indonesia and EU-Mexico agreements seem to perform moderately in comparative evaluation. In the case of EU-Indonesia, the systematic assessment of environmental areas performs well, however the range of relevant environmental areas considered is not very comprehensive. For example, the assessment of

the energy and mining sector does not consider either the baseline or environmental impact scenarios of this sector on natural resource stocks or on ecosystems and biodiversity. Moreover, the assessment relies heavily on the effectiveness of environmental regulations in mitigating the potential negative effects under the FTA.

In the case of the EU-Mexico SIA, the overall baseline analysis is limited in terms of the amount of detail provided on each environmental area, but despite this the overall impact assessment is comprehensive and systematic. The sectoral assessment performs poorly, as the sectors are bundled into three groups: manufacturing (including energy, chemicals, machinery, motor vehicles, metal parts), agriculture and business and professional services. Due to this bundled presentation, the sectoral impact assessment lacks clarity and fails to provide detailed information on the sector impact on different environmental areas. Moreover, the sectoral assessment is not comprehensive in considering relevant environmental areas. For example, the assessment of the manufacturing sector does not consider its impact on environmental quality or ecosystems and biodiversity, and that of the agricultural sector does not consider its impact on ecosystems and biodiversity.

Based on the above, the comparative review reveals a very varied treatment of environment across existing SIAs. This variation could be partly explained – and justified – by differences in the scope of FTAs. However, the review also points to some clear omissions in both the breadth and depth of environmental assessments across SIAs, indicating that the assessment process would benefit from more detailed guidance and/or scrutiny in terms of environmental integration.

Furthermore, the review also highlights the role of economic modelling as a key ‘gateway’ factor determining the extent to which environmental aspects are explored in SIAs. This further points to the need for reliable models that are both accurate in their predictions and also fit-for-purpose to be used as a basis for assessing consequent impacts on the environment. Concerns have been raised in the past as to the accuracy of the commonly used economic models relied on by the SIA process (e.g. underlying assumptions of models)<sup>27</sup>. These concerns point to the need for complementing the results of economic modelling with other

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<sup>27</sup> E.g. [De Ville & Siles-Brügge](#) (2015), [Kohler and Storm](#) (2017) and IEEP, Trinomics, IVM and UN Environment WCMC (2021).

evidence to trigger in-depth sector assessments (e.g. evidence provided by stakeholder consultation), as well as further scrutiny on the economic models themselves, and work to improve the underlying data on which they rely.

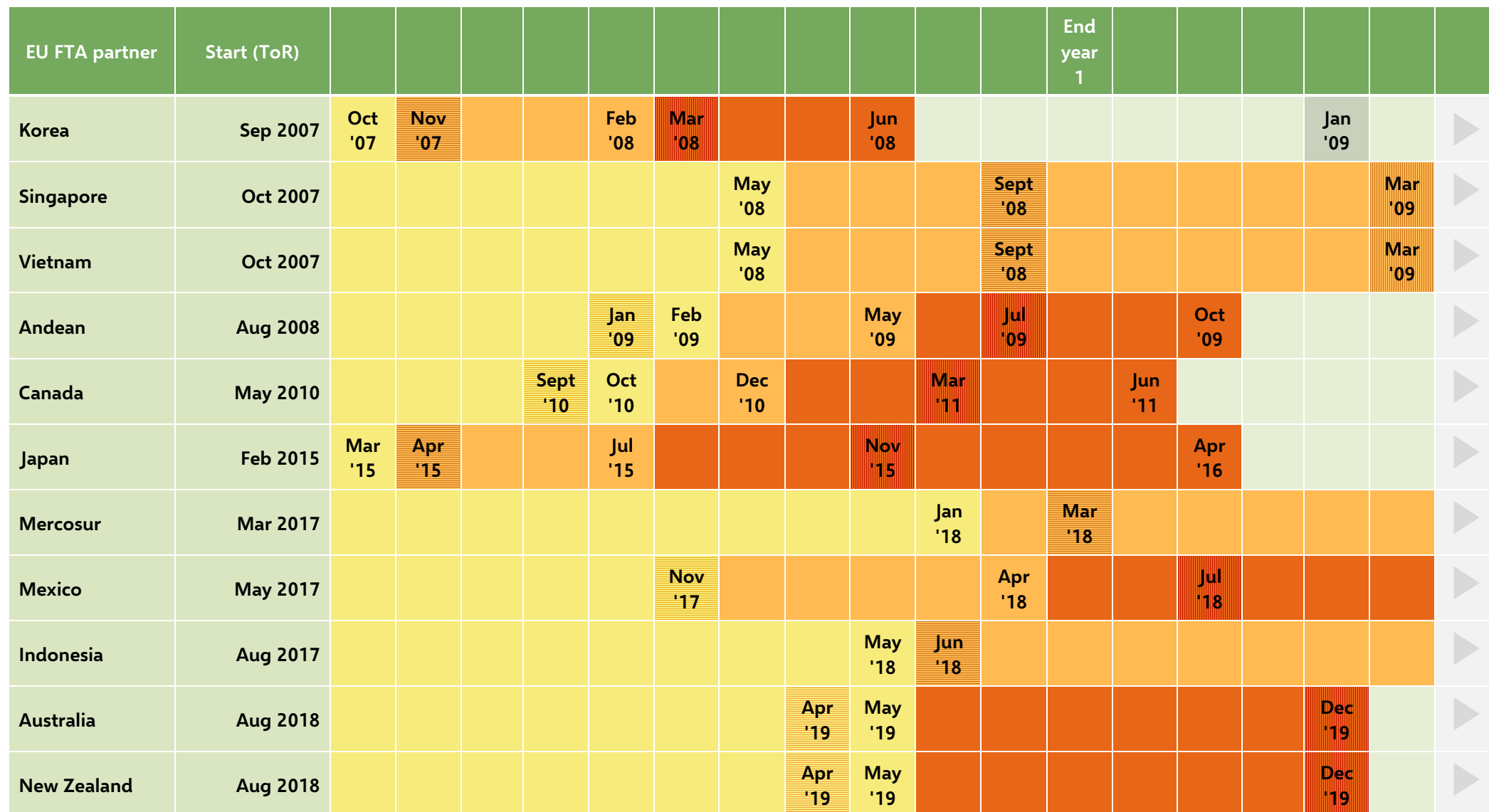
Finally, a brief comparison of the SIAs’ scope with the corresponding TSD Chapters reveals no clear correlation between the environmental areas receiving attention in the SIAs and the inclusion of specific environmental area provisions in the TSD Chapters. In general, the process of integrating the insights and recommendations provided by SIAs into the trade agreements is neither transparent nor well documented, with a limited evidence trail on how the SIAs have fed into the agreements.

**Legend for Figure 5.1: Visualisation of the timing of the SIA process mapped against key developments in the FTA process**

Timeline Legend	
Inception report	
Interim report	
Final report	
End / last negotiations	
First civil society engagement	
Last civil society engagement	



**Figure 5.1: Visualisation of the timing of the SIA process mapped against key developments in the FTA process.** Annex 1 provides further information on developing the timeline.



EU FTA partner								End year 2											
Korea	◀																		▶
Singapore	◀	Apr '09		Jun '09															▶
Vietnam	◀	Apr '09		Jun '09															▶
Andean	◀												Jan '11						▶
Canada	◀																		▶
Japan	◀												Jul '17						▶
Mercosur	◀									Jun '19			Sept '19					Feb '20	▶
Mexico	◀											Sep '19							▶
Indonesia	◀			Apr '19				Aug '19										Jun '20	▶
Australia	◀				May '20														▶
New Zealand	◀						Jul '20												▶

EU FTA partner			End year 3												End year 4			>>>	End year 5
Korea	◀																		
Singapore	◀																	>>	Dec '12
Vietnam	◀																	>>>	Dec '15
Andean	◀																		
Canada	◀															Aug '14			
Japan	◀																		
Mercosur	◀					Jul '20													
Mexico	◀	Apr '20																	
Indonesia	◀																		
Australia	◀																		
New Zealand	◀																		

## 6. ENVIRONMENTAL INTEGRATION THROUGH STAKEHOLDER ENGAGEMENT

### **Experiences of Domestic Advisory Groups (DAGs)**

DG Trade describes the role of the DAG in the FTA process as consisting of assessing and advising on the implementation of the TSD Chapters<sup>28</sup>. The establishment of the DAGs is included in TSD Chapters either in a designated article or included as provisions in other TSD Chapter articles. A DAG is composed of members of the European Economic and Social Committee and civil society organisations, that are not for profit, enrolled in the EU Transparency register<sup>29</sup> and that represent or defend EU interests. The Commission seeks to balance the DAG participation, mirroring EU's civil society across employers, workers and NGOs/others.

The interviews led to the identification of two points of concern, based on the stakeholders' experiences in the DAGs:

Firstly, the time devoted to discussing the administrative organisation of the DAG seems to be disproportionate to – or can even appear prioritised over – the discussion of issues relating directly to the FTA. Stakeholders said that even one year after the establishment of the DAG, meetings were still primarily consumed by administrative debate.

Secondly, there is a general concern related to the underrepresentation of environmental organisations in the DAGs. While the Commission intends to bolster the presence of environmental organisations, the burden of participation for these organisations is rather high. On the one hand, the environmental stakeholders interviewed explained that they face an expertise or capacity constraint, preventing them from participating. On the other hand, some stakeholders express reluctance to participate because they feel their concerns will not be addressed in a timely and adequate way.

### **Experiences of Civil Society Dialogues (CSDs)**

The objectives of the CSD are to inform the participants of EU trade policy developments, discuss civil society concerns on trade issues, allow civil society actors

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<sup>28</sup> European Commission – [Call for Expression of Interest in participation in EU Domestic Advisory Groups](#) (25 September 2020)

<sup>29</sup> The Transparency register provides the Commission with standardised information on the organisation such as their mission, their representatives and their funding sources.

to contribute their expertise to trade policy and improve transparency and accountability in EU trade policy<sup>30</sup>. The principles of the CSD are also written into the TSD Chapter either in an article entitled 'Civil Society Forum' or included as provisions in other TSD Chapter articles. The participants of the CSD include DAG members as well as other civil society organisations with the only criterion being their registration in the Transparency register. Recently, for example, DG Trade hosted the first public stakeholders' forum to discuss the EU-Singapore TSD Chapter<sup>31</sup>.

Based on our interviews, the CSDs face similar issues as the stakeholder consultation in the SIAs and the DAGs, such as a lack of trade partner civil society involvement and an underrepresentation of environmental stakeholders. However, the overwhelming feeling present among the environmental stakeholders interviewed was that at present the CSDs felt more like a formality and 'box-ticking' exercise by the Commission than an actual dialogue aimed to meaningfully support the FTA implementation, with many stakeholders left feeling that their environmental concerns are not seriously taken on board.

Another issue raised by the interviewees is the unstructured method of debate common across CSDs, which leads to a ping pong dynamic with a topic of discussion bouncing between economic sector interests, labour or human right interests, and environmental interests without a clear conclusion or actionable outcome. This approach hinders in-depth discussion of civil society interests and is not considered an efficient use of the available time.

### **Experiences on TSD Chapters and SIAs**

Across the range of FTAs, stakeholders pointed out that the TSD Chapter provisions lacked enforceability. Furthermore, stakeholders also criticise the fact that civil society is unable to initiate a complaint before the dispute settlement mechanism in case of a violation. A remedy for these concerns could be the 'Single Entry Point' platform announced by the Commission on 16 November 2020. The 'Single Entry Point' platform is a complaints system used to report violations of the TSD Chapter commitments and issues concerning market access barriers, open to broader civil society including citizens<sup>32</sup>. However, it remains to be seen

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<sup>30</sup> European Commission – [Trade Dialogues Objectives](#) (March 2014)

<sup>31</sup> European Commission – [First Trade and Sustainable Development Public Stakeholders' Forum under EU-Singapore Free Trade Agreement](#) (20 November 2020)

<sup>32</sup> European Commission – [Commission launches new complaints system to fight trade barriers and violations of sustainable trade commitments](#) (16 November 2020)

to what extent the Commission will take action vis-à-vis trade partners in response to complaints from civil society.

When asked about their views on the current procedure for conducting SIAs, the interviews identified four problematic issues. The first is a lack of involvement of environmental stakeholders in the trade partner country during the SIA stakeholder consultation process. One explanation may be that consultants carrying out SIAs have limited understanding of, or access to, networks of environmental stakeholders in partner countries. For example, one stakeholder from a Brazilian climate and environment network consisting of over 50 civil society organisations claimed that no organisation within their network had been contacted by the Commission or the consultancy in charge of the EU-Mercosur SIA to participate in the CSD held in Brazil or any other dialogue. Other stakeholders explained that some trade partner civil society organisations miss out on CSD sessions due to language barriers.

A second issue, also relevant to the lack of environmental stakeholder involvement, is an insufficient budget allocated to the environmental impact assessment section. While budgets vary across SIA projects, the budget allocated to the environmental impact assessment was commonly considered inadequate to meet the desired scope of an assessment. The budget issues also play into the ability to consult in-depth with relevant stakeholders, both in the EU and in partner countries.

The third issue identified by stakeholders was the timing of the publication of the SIAs. The stakeholders had the opinion that publication come too late in the negotiations process. This led to them feeling that if they provided feedback based on the SIA, it was most likely to be too late for their feedback to feed into the negotiation process. The case of the EU-Mercosur FTA was mentioned the most, where the negotiations were concluded prior to the publication of the final SIA.

The fourth issue raised concerned the involvement of the Commission in the SIA process. The stakeholders drew attention to a few cases where they felt that the Commission had demonstrated an inappropriate level of influence over framing the final outcomes of SIA, with the involvement resulting to a more favourable outcome for the FTA than was suggested by initial drafts, or than was supported by the evidence.

## 7. CONCLUSION AND RECOMMENDATIONS: TOWARDS A GOLD STANDARD APPROACH

### Trade and Sustainable Development Chapters

The comparative review shows that the TSD Chapters of newer EU trade agreements contain more comprehensive and detailed provisions on sustainable development and environmental protection. Sustainability is becoming a clearly stated objective of FTAs, indicated by an increasing number of references to sustainability and explicitly stated ambitions for trade to contribute to goals such as the SDGs, inclusive green growth and/or the circular economy.

Furthermore, the TSD Chapter dispute settlement process has a greater degree of transparency in the newer agreements compared to older agreements and mandatory language ('shall') is more prevalent in TSD Chapter articles in the newer agreements. The latter, however, seems to apply to economically developed partners only, with the language used in agreements with less economically developed partners remaining less strong.

The above findings are in line with the existing reviews of EU FTAs including conclusions reached previously by Gehring, Delev & Philips (2020)<sup>33</sup> and Lamy, Pons & Leturcq (2020)<sup>34</sup> that also find newer agreements using stronger language and incorporating more specific ambitions for sustainability.

Significant shortcomings remain, however, hindering environmental integration. Non-committal language remains a key issue in TSD Chapters across all FTAs. This is observable in, for example, language on environmental cooperation, and on ensuring levels of environmental protection. Although agreements oblige the trade partners to comply with their obligations under an increasing number of MEAs, there are no provisions that stipulate the consequences of a failure to implement, or withdraw from, an MEA.

In the case of disputes under TSD chapters, if either party fails to agree to follow the decision of an expert panel, thereby hindering the resolution of the dispute, the TSD Chapter process provides no further mechanism or procedure to resolve

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<sup>33</sup> Gehring, Delev & Philips. (2020). Assessing EU FTA Environmental Obligations: putting the draft EU-Mercosur trade agreements into perspective. CIDSL.

<sup>34</sup> Lamy, Pons & Leturcq. (2020). Greening EU Trade 4: How to "green" trade agreements. Jacques Delors Institute.



the issue at hand. There is no (financial) penalty or a suspension of trade concessions as a consequence of noncompliance.

The FTAs for the Andean region and Mexico appear to provide the most comprehensive frameworks for the conservation and sustainable use of biodiversity; whereas the draft text in FTAs under negotiation with Australia and New Zealand seem to do the same for addressing climate change. The agreements with Canada, Mercosur and Mexico provide the most transparent treatment of dispute settlement, with any resolution reached by the parties to be made public with no exceptions to this rule.

However, no existing agreement's TSD Chapter contains explicit provisions or safeguards to combat deforestation; more specifically none of the FTAs explicitly addresses deforestation risks, and all existing FTAs rely solely on national frameworks – with no reference to international frameworks such as the CBD – to determine what constitute sustainable forestry practices. Similarly, none of the TSD Chapters address the issue of harmful fisheries subsidies, known to be one of the key factors contributing to unsustainable use of marine resources.

The comparative review concludes that none of the existing EU trade agreements – final or proposed – provide an adequate framework for environmental protection in the TSD Chapters. Although some agreements appear to have taken steps in the right direction, no single existing agreement can yet be considered a 'gold standard'.

Agreeing on more environmentally ambitious TSD Chapters and, in particular, addressing issues of non-compliance in a timely and action-oriented manner are key priorities for improving the environmental performance of EU FTAs. An effective TSD dispute settlement process – and an effective use of that process – seems to be a key requirement for achieving this, supported by a much more pro-active monitoring of the implementation process. For example, in the case of the EU-Korea dispute on labour rights it took the Commission several years to launch consultations on the subject after mounting pressure from civil society and the European Parliament<sup>35</sup>.

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<sup>35</sup> [Ashraf & van Seters](#) (2020)

**New agreements:** For any future agreements, strong(er), explicit and binding language could be systematically used when drafting TSD Chapter provisions avoiding any watering down of the enforceability of TSD provisions (e.g. making them free from any possible association with trade protectionism). It is clearly also important to consider changes to the TSD chapter dispute settlement process with a view to making it more outcome-oriented and actionable, with non-compliance leading to explicit consequences in terms of penalties.

The process of monitoring TSD Chapter provisions should be made more explicit by establishing specific targets and timelines for their delivery, reinforcing the targets and timelines set in MEAs themselves and identifying causes to trigger a review of the FTA. It could in principle be possible to tie trade agreements more explicitly to progress in implementing MEAs.

In the above context, both the European Green Deal and the new EU trade strategy see the Paris Agreement becoming an ‘essential element’ of future EU trade agreements. The concrete implications of this remain unclear but civil society voices have called for trade agreements to allow unilateral withdrawal from the trade agreement in the case of the other party’s withdrawal from the Paris Agreement<sup>36</sup>. The recently proposed [EU-UK Trade and Cooperation Agreement](#) seems to be taking the EU in this direction, foreseeing that a breach of Paris Agreement obligations could result in the suspension or termination of the trade agreement as a whole. Similar approaches could be extended to include also other MEAs, including the CBD.

Making the Paris Agreement – and other MEAs – integral elements of FTAs should also open the door for TSD Chapter provisions that foresee raising environmental and broader sustainability standards of trade over time in line with the MEAs and the best available science they build on. In particular, the [Paris ‘ratchet mechanism’](#) foresees countries increasing climate targets gradually to reach net zero emissions. Ratcheting up climate targets will translate into changes in trade partner countries’ domestic frameworks, including higher standards for carbon content and/or footprint of products, and FTAs will need to be able to support – not hinder – such developments.

In terms of TSD Chapter non-compliance, and learning from the outcome of EU-Korea dispute settlement (See Box 7.1), it seems there is potential for establishing more effective dialogue between the trade and MEA ‘policy spaces’ with the latter informing the former on issues of concern in a timely manner. In particular, if there is enough suspicion that a trade partner has rolled back environmental

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<sup>36</sup> [Lamy, Pons & Leturcq](#) (2020)

protection legislation which would inhibit the delivery of the MEA objectives which they have agreed to abide by, delegates from the MEA and trade space could cooperate in taking forward those concerns under the TSD Chapter.

As an alternative to the above approach, Voituriez & Laurans (2020) have also highlighted the possibility of a specific investment treaty or investment chapter designed to facilitate the implementation of FTAs' environmental provisions, transforming them into environmental performance-based agreements<sup>37</sup>.

This paper has focused on assessing existing practice for environmental integration in EU FTAs, which centres around the use of TSD Chapters as the vehicle for sustainability. However, discussions are also starting to explore whether placing sustainability provisions in a single, separate FTA chapter will ever yield adequate safeguards and/or benefits for the environment, and whether it would be better to move towards a more holistic approach, with sustainability provisions in future EU FTAs integrated across all relevant (e.g. sector specific) elements of the agreement<sup>38</sup>. Such an 'unboxing' could take place alongside a TSD Chapter, making the Chapter's overall objectives and provisions explicit in a sector specific context. Among other things, this should result in integrating the protection of labour and environmental standards under the agreement's more stringent dispute settlement mechanism.

**Existing agreements:** Improving future agreements should not however be the sole – or even primary – course of action for the EU. With a fleet of trade agreements already in place, directing attention to improving sustainability of the existing FTAs and other preferential trade frameworks as part of their implementation should be the EU's key priority. While the Commission is making progress in this regard (we note in particular the appointment of Chief Trade Enforcement Officer, establishment of the 'Single Entry Point' online complaints platform, and the TSD dispute settlement with South Korea) there is no clear independent and effective mechanism in place to monitor, identify and address deviations from environmental commitments made in the TSD Chapters.

This improvement needs to build on a better use of tools available in existing FTAs, including improved engagement of environmental stakeholders in DAGs and CSDs, more effective and outcome-oriented use of DAGs and CSDs, systematic use of *ex-post* assessments to assess impacts (see further below) and a more pro-active and assertive use of the TSD Chapter dispute (settlement) mechanism.

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<sup>37</sup> [Voituriez & Laurans \(2020\)](#)

<sup>38</sup> E.g. [Kettunen et al. \(2020\)](#)

For the latter, the recent outcomes of the settlement with South Korea on labour rights provides a welcome – and promising – precedent (See Box 7.1).

**Box 7.1: Outcomes and lessons learned from the EU – Korea dispute settlement**

The EU-Korea dispute settlement case on labour rights commitments under the trade agreement, launched by the EU in 2018, was concluded in 2021<sup>39</sup>.

The resolution provided by the Expert Panel confirmed that the requirement for both parties to make “continued and sustained efforts towards ratifying the fundamental ILO Conventions” is a legally binding and on-going obligation. The Panel acknowledges that while Korea has made “tangible, but slow, efforts” since 2017 with respect to ratification of the core ILO Conventions in question, it is the Panel’s opinion that these efforts have been “less than optimal”. The Panel’s decision states that they are aware that Korea had not committed to a specific timeframe under the trade agreement in which it would ratify these ILO Conventions. However, while acknowledging this, the Panel expects the ratification process “to be completed in an expeditious manner”<sup>40</sup>. Since the Expert Panel’s decision, Korea has made progress by ratifying three core ILO conventions; however, they have yet to ratify a fourth ILO convention on the abolition of forced labour<sup>41</sup>.

The precedent set by the Expert Panel’s decision – affirming that labour rights commitments under trade agreements are legally binding – is an encouraging development in the context of TSD enforceability. However, considering Korea’s hesitance in ratifying the convention on the abolition of forced labour, the Panel’s omission of a more outcome-oriented final resolution with a clear deadline or timeframe leaves open the question as to when or whether Korea will ratify this final convention.

This highlights the shortcomings of the dispute settlement mechanism under the TSD Chapters. If the Expert Panel’s decision leaves room for ambiguity concerning the monitoring and implementation of the TSD

<sup>39</sup> [EC](#) (2021)

<sup>40</sup> Panel of Experts Proceeding Constituted Under [Article 13.15 of the EU-Korea Free Trade Agreement](#) (2021)

<sup>41</sup> [The Korea Herald](#) (26 Feb 2021)

Chapter commitments (i.e. the absence of a set timeframe for implementation or a penalty mechanism in case of inaction) and a party decides to not follow through with the Panel's decision, then the dispute-initiating party has no other tools to enforce TSD commitment compliance.

### **Sustainability Impact Assessments and *ex-post* assessments**

The majority of the SIA processes reviewed can be considered good practice in terms of engaging stakeholders in a timely manner, and in terms of concluding negotiations after the delivery of the SIA, thus allowing the SIA recommendations – in principle – to feed into the negotiation process.

However, exceptions exist, including a conclusion of the negotiations before the final SIA report was published (EU-Mercosur) and using an old SIA to inform their bilateral trade agreement negotiations (EU-Singapore and EU-Vietnam). Such a failure to synchronise FTA negotiations with the SIA process can be considered a significant shortcoming.

The treatment of environmental issues varies across SIAs. This is likely to be related to the scope of the FTAs concerned. Some of this variation seems justified, however there seem to be also some clear omissions in terms of the breadth and depth of environmental assessments across SIAs.

Stakeholder interviews, as well as other existing information<sup>42</sup>, indicate that limited resources to carry out environmental assessments as part of SIAs are one reason for the observed shortcomings. Lack of guidance and identified good practice for carrying out environmental assessments within SIAs seems also to be an issue<sup>43</sup>, as does the lack of involvement of environmental stakeholders in the SIA process, with particular concerns over the engagement in the EU trade partner countries.

Finally, the review of EU FTAs and their respective SIAs reveals that there is limited correlation between the environmental areas that received attention in the SIAs

<sup>42</sup> IEEP, Trinomics, IVM and UN Environment WCMC (2021). Methodology for assessing the impacts of trade agreements on biodiversity and ecosystems.

<sup>43</sup> [Kuik et al.](#) (2018)

and the inclusion of specific environmental provisions in the TSD Chapters. This indicates ambiguity and divergence when it comes to the process of integrating SIA insights into the trade negotiations.

With several EU FTAs now in place, ex-post assessments are expected to become an increasingly prominent part of EU trade policy in the future and, clearly, they will play a critical role in monitoring the implementation of TSD Chapter provisions.

*Ex-post* assessments are carried out through a process identical to SIAs and therefore the insights and lessons learned with SIAs are applicable to ensure appropriate treatment of environmental issues also in the *ex-post* context. These include striving for more comprehensive and in-depth treatment of environmental aspects, ensuring adequate resources for analysis, and paying dedicated attention to the stakeholder consultation element of the process, especially in the trade partner country context.

### **Stakeholder engagement**

Both CSDs and DAGs are important stakeholder consultation moments at different points in the FTA process; CSDs during the negotiations and at implementation stage and DAGs at implementation stage. However, the interviews reveal a lack of impact of these consultations on trade policy in practice, which is particularly concerning in the light of resource costs to the organisations.

Consequently, the potential of DAG and CSD processes in addressing environmental concerns in FTA implementation is underutilised. The current level of engagement of environmental stakeholders in both processes is limited; and the ways in which dialogue and discussions are conducted does not seem fit for purpose to address environmental concerns, especially in an actionable manner.

Finally, the stakeholder views were in line with our analysis of the (lack of) enforceability of the TSD Chapters, with concerns also raised regarding civil society's role in initiating a complaint in case of a violation of TSD provisions. The stakeholders were similarly concerned about the timing of SIAs vis-à-vis the FTA negotiation process, in particular in terms of SIAs being available in time for the

stakeholders to use this evidence base effectively to inform their involvement in the negotiation process.

## 7.1 Policy recommendations

**Trade and Sustainable Development Chapters:** establish a binding framework and effective process for delivering TSD Chapter provisions, to ensure implementation and enforcement of environmental provisions such as the Paris Agreement and the CBD that are expected to become more explicit element of future FTAs<sup>44</sup>:

*For new agreements:*

- Use strong(er) and explicit language concerning the Parties' obligations when drafting TSD Chapter provisions, to improve their enforceability (e.g. make provisions operational – going beyond the language of 'mutual recognition' - and identify concrete actions for trade partners).
- Make TSD provisions more amenable to monitoring, by including specific targets and timelines for their delivery, and by identifying agencies responsible for monitoring progress (e.g. timelines and processes set in MEAs).
- Include provisions in TSD Chapters that recognise the need to ratchet up environmental and broader sustainability standards over time in line with the objectives set in MEAs (e.g. building on the Paris 'ratchet mechanism').
- Include clause(s) that trigger a review of FTA implementation and/or dispute settlement mechanisms (e.g. triggering a review in the event of a failure to ratify or implement a relevant MEA, or a decision to withdraw from it), following the example set in the [EU-UK Trade and Cooperation Agreement](#) that foresees a breach of the Paris Agreement obligations resulting in the suspension or termination of the trade agreement.
- Improve the TSD Chapter dispute settlement process, to make it more transparent, outcome-oriented and actionable, with violations of the TSD obligations leading to trade-related sanctions. Use the TSD provisions in the EU-Canada agreement and current EU-Mercosur and EU-Mexico draft agreements as best practice to guarantee that a resolution to environment-related disputes is reached and made publicly available, with no exceptions.
- Recognise the right and facilitate the role of civil society stakeholders to initiate a complaint in case of a violation of TSD provisions (e.g. through

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<sup>44</sup> [EC](#) (2021)



some form of a dedicated [citizen-driven accountability mechanism](#) such as currently in place under the US-Mexico-Canada trade agreement).

- Further to the above, ‘unbox’ sustainability and support the TSD Chapters by mainstreaming sustainability provisions throughout the sector specific provisions in the trade agreement, including integrating the protection of labour and environmental standards under an agreement’s overall dispute settlement mechanism.

*For existing agreements:*

- Monitor the ‘upgraded’ EU complaint process – including the ‘[Single Entry Point](#)’ platform and Chief Trade Enforcement Officer – to ensure that it delivers for sustainability (e.g. identify possible needs to build capacity among environmental stakeholders and/or the Commission, provide clear timelines for addressing complaints, improve transparency on decisions taken and set a date for a review of the performance of these processes).
- Make use of the TSD Chapter dispute (settlement) mechanism more proactively and assertively, (e.g. learning from the ongoing EU-Korea process), with improved dialogue between trade and MEA officials to support timely identification of issues of concern.
- Ensure that dispute settlement panels have the appropriate expertise to deal with environmental issues.
- Utilise the full potential of DAGs and CSDs, by transforming them into outcome-oriented processes (see under “Stakeholder Engagement” below).
- Ensure adequate engagement of environmental and other relevant stakeholders such as those representing labour rights, in particular in trade partner countries, by providing dedicated EU support to the DAG process (e.g. as part of EU development cooperation or Aid for Trade mechanism).
- Use *ex-post* trade assessments to monitor FTA impacts, including triggering an FTA review where required (see under “Trade impact assessments” below).

**Trade impact assessments:** improve the use of trade impact assessments as part of the FTA negotiation and implementation processes, in particular by establishing a systematic and robust practice for carrying out *ex-post* assessments of existing FTAs:

- Finalise SIA reports prior to the conclusion of FTA negotiations, in time to feed into the negotiation and ratification process (e.g. to support the European and Member State parliamentary decisions on the ratification of an agreement).

- Improve accountability by providing clarity and transparency as to how SIA insights and recommendations have been taken up in the final FTA, with identified negative environmental impacts triggering a re-evaluation of the planned trade measures.
- Set up a systematic process for an *ex-post* assessment of existing trade agreements, with predetermined 'triggers' / 'thresholds' to initiate a review of an agreement if required<sup>45</sup> (e.g. in the light of time-bound actions and targets set out in TDS Chapters, see above).
- As best practice, encourage carrying out *ex-post* assessments jointly with trade partner countries, with EU financial support made available for developing economies (e.g. as part of Aid for Trade mechanism).
- Improve the quality of SIAs and *ex-post* assessments by:
  - Reviewing the impact assessment guidance to include minimum requirements and best practice for environmental analysis.
  - Providing sufficient financial resources to ensure comprehensive and systematic assessment of environmental aspects, including improved consultation of relevant experts and stakeholder throughout the process.
  - Fostering co-ownership of trade impact assessments between relevant DGs (e.g. TRADE, ENV, CLIMA and EMPL), to ensure robustness and transparency.
  - Setting up a mechanism or process to scrutinise treatment of the environment in trade impact assessments (e.g. expert review process).

**Stakeholder engagement:** improve engagement of environmental stakeholders in all FTA negotiation and implementation processes:

- Improve early engagement of civil society stakeholders in the FTA process, including both in the EU Member States and trade partner countries.
- For trade partner countries, identify and engage with the most relevant representatives from civil society.
- Adopt similar rules for all DAGs, to accelerate the administrative and operational discussions and move on to substantive topics.
- Incentivise environmental organisations' participation and increase their confidence in the DAG process, by establishing a feedback procedure in

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<sup>45</sup> E.g. as per previously suggested by Notre Europe (2019)

which the Commission officially responds to concerns raised by DAG members within a specified timeframe.

- Structure DAG and CSD debates and allow for detailed discussion, by creating smaller groups based on thematic interests and ensuring adequate time to discuss civil society input.
- Stimulate DAG and CSD debates by involving experts from relevant DGs (e.g. ENV, CLIMA and EMPL) and international organisations.
- Re-establish the [expert group on trade agreements](#) which was put in place from 2017 to 2019 to advise the Commission during trade negotiations and implementation of trade agreements.

## 8. ANNEX I: SIA ASSESSMENT – KEY ANALYTICAL INSIGHTS

### Timeline construction and information

To determine the trends surrounding dates of publication of different SIA reports (inception, interim and final) and their significance alongside stakeholder engagement in the SIA process and the FTA negotiations, a relative timeline was constructed providing a visualisation of the SIA process for each trade agreement. The timeline compares the SIA process of each assessed FTA, starting with the publication of the 'Terms of Reference' which is the European Commission's invitation to tender the SIA.

The period following the 'Terms of Reference', which is highlighted in **yellow** in Figure 5.1, indicates how many months pass before the chosen consultancy delivers the inception report. According to the Commission's website, the inception report mainly contains the consultants' propositions on the methodology to assess the impact of the potential trade agreement, which stakeholders will be consulted, and which economic sectors will be analysed.

Highlighted in **orange** in Figure 5.1, is the period between the delivery of the inception report and the interim report. The interim report consists of the chosen methodology's expected impacts of the agreement and the engagement of stakeholders.

Next, the timeline indicates the period between the delivery of the interim report and the final report highlighted in **red**. The final report provides the full impact assessment with its conclusions and recommendations for maximising the benefits of the trade agreement while mitigating any negative impacts.

Finally, the timeline marks the first and last instance of stakeholder engagement in the SIA process, respectively marked by horizontal and vertical lines as well as the month in which FTA negotiations concluded for the agreement in questions, indicated by a shaded box.

### 8.1 Comparative assessment

The comparative evaluation considers the following elements commonly included in SIAs:

**Baseline:** SIAs start with the construction of a baseline. The baseline scenario describes the situation with regards to environmental and wider sustainability aspects in trade partner country/ies. It covers a country's current performance related to sustainability, including governance framework(s) in place.

**Overall impact evaluation:** Some SIAs start with a generic, overall assessment of how the economic impacts resulting from trade liberalisation are expected to translate into impacts on the environment. This analysis is *not* sector specific.

**Sector specific impact assessment:** Assessment of sector specific impacts linked to trade liberalisation form the core of the SIA analysis. These assessments aim to determine the changes in trade flows linked to specific sectors set to be liberalised under the FTA (e.g. agriculture, forestry, fisheries) and link these changes with possible environmental and societal outcomes, both negative or positive. Depending on the SIA, these assessments are carried out either in a qualitative or quantitative manner. In some SIAs, the sector specific analysis is underpinned by a baseline sector review, which provides detailed information on the current status of the sector (i.e. status without FTA in place).

**Case study:** Case studies are often used to support the sector specific impact assessments, with particular focus on sectors foreseen to be the most impacted by the FTA. These case studies bring together the existing qualitative and quantitative information that allow for the assessment of possible future impacts of a sector change in a detailed manner, including provision of spatially specific insights at sub-national level.

**Conclusions:** Conclusions provide the write-up of the overall analysis. They commonly include a summary of the baseline scenario and a selection of priority impacts, discussing the results of the impact assessment and provide the relevant wider context necessary to interpret the results. Depending on the SIA, recommendations are provided as to possible ways to mitigate negative and/or support positive impacts identified.

The text below summarises insights gained in reviewing eleven existing EU SIAs. These insights have been used as a basis for the analysis summarised in Table 5.1. 'Comprehensiveness' of SIAs' treatment of environmental issues is determined based on the number of environmental areas included in the overall impact assessment. 'Systematic' assessment refers to how systematically SIAs consider these environmental areas compared to the baseline.

The analysis is based on the most recent versions of SIAs available in the public domain, i.e. final or draft final reports.

## 8.2 EU-Andean SIA

- Provides overall **baseline** scenario
  - No **overall** impact evaluation
  - No baseline **sector** review
  - **Sector** impact analysis for primary sectors (bundles the impact on environment from the agricultural and processed agricultural goods, mining, and fishing sectors), industrial products, services, investment, and public procurement.
    - Impact assessment could be more detailed, i.e. impact assessment for primary sectors does analyse the contribution to climate change through GHG emissions.
  - **Case study** on biofuels.
  - **Conclusion** limited to summary of key environmental impacts (water quality, deforestation, biodiversity).
- ➔ **Not systematic, comprehensiveness lacking**

## 8.3 EU-Australia SIA

- Provides a **baseline** scenario and **overall** impact assessment, excludes natural resource stocks assessment.
  - **Sector** impact analysis for ruminant meat sector, motor vehicles & transport equipment, machinery, dairy, and communication and business services.
    - Comprehensiveness corresponds with the sector impact (output increase/decrease) under trade liberalisation and the overall economic significance of the sector, i.e. motor vehicles & transport equipment: estimates impact on climate change but **not** on (mineral) resource extraction due to limited increase in sector production.
  - **Case study** on iron ore mining
  - **Conclusion** explores recommendations (climate action to negate FTA impacts, effective policy making for water use/quality) and cooperation measures (increase climate ambitions, ways to alleviate biodiversity impacts).
- ➔ **Quite systematic and comprehensive**

## 8.4 EU-Canada SIA

- No **baseline** scenario or **overall** impact assessment.
  - **Sector** impact analysis for agriculture, processed agricultural products, fisheries, mining & metal manufacturing, oil & petroleum products, coal, forest-based industries, automotive & other transportation equipment, textiles, public procurement, investment, and transportation, telecom, financial & business services.
    - Comprehensiveness of environmental areas assessed is determined based on the FTA's effect on a sector (output increase/decrease) and the significance of the sector; i.e. textiles sector not expected to increase, so impact of sector on environmental quality is not assessed; however, while production in the fisheries sector is expected to increase under the FTA there is no assessment of the production increase on environmental quality. The assessment does note that natural resource stocks will deplete fish stocks of fishing practices are unsustainable).
    - The sectoral impact assessment is systematic, in other words, if the baseline scenario for an environmental area is discussed, the analysis will also discuss the sectoral impact on that environmental area under the FTA.
  - **Conclusion** reiterates impact on environmental areas from agriculture, energy and extractive industries, and transport. Recommendations to expand environmental regulations, promote green tech and include environmental protection provisions to address possible negative impacts. Strong focus on cooperative measures to mitigate FTA impact and improve environmental protection.
- ➔ **Sector analysis is systematic and rather comprehensive, however, no overall baseline or impact analysis.**

## 8.5 EU-Indonesia SIA

- Provides an overall **baseline** scenario.
- **Overall** impact assessment is comprehensive except that it does not address the impact on natural resource stocks (which is discussed in the baseline).
- **Sector** impact assessment for vegetable oils & oilseeds, motor vehicles & parts, energy & mining, fisheries, clothing & apparel, financial services, investments, and public procurement.



- Sectoral assessment is not very systematic (there are areas where the baseline is identified but no impact is assessed, and vice versa);
  - Areas where known impacts of a specific sector's production on environmental quality are not assessed; i.e. 'energy & mining' no discussion of effects on natural resource stocks and biodiversity.
  - Assessment relies heavily on 'environmental regulations', assuming EU standards and dissemination of mitigating technology will compensate for the environmental impacts rising from the FTA.
- **Case study** on the Citarum River Basin and its tributaries.
  - **Conclusion** reiterates impact on environmental areas, recommends funding for environmental protection, focus on circular economy and cooperation measures to offset negative environmental impacts, meet standards, contribute to commitments under the Paris Agreement.
- ➔ **Not very systematic, with moderate comprehensiveness**

## 8.6 EU-Japan SIA

- **Baseline** scenario discusses natural resource stocks, climate change and a handful of environmental/climate indices.
  - **Overall** impact assessment is limited to 'environmental regulation'; i.e. FTA assessed as likely to encourage adoption of environmental management practices in Japan.
  - **Sector** assessment for power generation sector, environmental goods & services sector, energy intensive sectors, resource use and efficiency.
    - **Sector** assessment is not comprehensive or systematic, i.e. sectors are limited and bundled (energy intensive sectors);
    - Mining (as part of power generation sector) does not discuss impacts on environmental quality or biodiversity.
  - **Case study** for timber and fisheries.
  - **Conclusion** for impact on environment is considered negligible and non-measurable due to sector specific growth. Encourage exchange of information between parties on best practice in public procurement for legal sustainable timber and on the implementation of the EU Timber Regulation.
- ➔ **Rather unsystematic, lacking in comprehensiveness**

## 8.7 EU-Korea SIA

- **Baseline** scenario discusses all environmental areas.
- **Overall** assessment only discusses 'environmental regulations', not systematic.
- **Sector** assessment for automotive sector, agri-foods, environmental goods & services, and financial services.
  - Assessment is not comprehensive or systematic: no discussion of the baseline, and some environmental areas that would be impacted by a sector's increase in production are not discussed (automotive sector limited to GHG emissions; agri-foods does not talk about impact on GHG emissions).
  - Assessment is underpinned by assumption that the "FTA is not foreseen to have a significant environmental effect since the projected expansion of trade is not predicted to utilise resources that are poorly managed or increase production that will lead to expansion of pollution or other negative environmental externalities that are unregulated."
- **Conclusion** that the FTA is not foreseen to have significant adverse environmental effects. Recommends cooperation to develop standards, on energy efficiency, enhance global effort on tackling climate change. Promote renewable power generation.

➔ **Not systematic, not comprehensiveness**

## 8.8 EU-Mercosur SIA

- SIA structured differently to common practice, making the analysis more complicated; i.e. **baseline** assessment mixes impact on environmental areas (GHG emissions, air pollution, waste) and sectors (power generation, fisheries, forests, agriculture).
- **Overall** assessment is structured by environmental areas and discusses sector contribution to the environmental quality in those areas.
- **Sector** assessment for agriculture (beef, dairy, sugar & ethanol, beverages), manufacturing (textiles & garments, chemicals & pharmaceuticals, machinery, motor vehicles), services (business, financial) mostly limited to the impacts, not the baseline scenarios.
  - Impact is only discussed if sector is expected to grow.

- Agricultural sector impact discusses impact only on biodiversity from sugar & ethanol production. Note: the overall baseline assessment discusses the issue of deforestation as a result of agricultural expansion. The overall impact assessment then discusses the roll of land intensification as a solution to increasing production without increasing deforestation. So while the sector impact assessment does not adequately discuss deforestation in the context of the agricultural sector, it is not completely overlooked in the SIA.
- **Conclusion** reiterates negative environmental impacts on water quality/use, deforestation. Cooperation to strengthen commitments to the Paris Agreement and increase trade in environmental goods and services. Recommendations to convert existing degraded pasturelands into sustainable agriculture to prevent clearing and degradation of forest land, Mercosur countries should aim at achieving greater harmonization of deforestation regulations and closing the gaps in agricultural productivity. parties should fulfil Paris Agreement commitments and should promote cooperation on green technology. Mercosur countries should consider giving the right priority to the circular economy.

➔ **Rather systematic, lacking comprehensiveness**

## 8.9 EU-Mexico Modernisation SIA

- **Baseline** scenario assessment does not discuss water use/quality or biodiversity & ecosystems.
- **Overall** assessment does discuss pressures on water and damage to ecosystems.
- **Sector** assessment is bundled making individual sector analysis impossible: manufacturing (energy, chemicals, machinery, motor vehicles, metal parts), agriculture, and business & professional services.
  - Assessment is not systematic or comprehensive for these sectors.
- **Conclusion** that the FTA is not foreseen to have significant adverse environmental effects. Recommends cooperating on green technology, boost the renewable energy sector, cooperate on trade-environmental linkages taking account of the relevant cooperation provision in the TSD Chapters, and find ways to strengthen civil society participation.

➔ **Rather unsystematic, lacking comprehensiveness**

- SIA itself preforms relatively poorly compared to newer FTAs (AUS, NZ, MEX, IND)

- Specifically, it is rather unorganized and has an unsystematic overall baseline and impact assessment, and the sector baseline and impact assessment are not comprehensive (i.e. there is no baseline assessment and the impact assessment per sector overlooks some subsectors (e.g. livestock production) overlooks information such as beef not leading to deforestation but sugar and ethanol production does).

### 8.10 EU-New Zealand SIA

- **Baseline** scenario excludes assessment of natural resource stocks and environmental regulations.
- **Overall** assessment excludes assessment of natural resource stocks, ecosystems & biodiversity and environmental regulations.
- **Sector** impact analysis for ruminant meat sector, motor vehicles & transport equipment, machinery, dairy, and communication and business services.
  - Assessment is comprehensive and systematic corresponding to the predicted sector growth.
- **Case study** on ecosystems and biodiversity and impact of EU-NZ FTA
- **Conclusion** ambitious FTA scenario would have small negative environmental impacts globally, negative impact on climate change, and could exacerbate pressures on biodiversity in NZ. Recommends further stimulating climate action to offset negative impacts, find ways to alleviate impacts of agriculture on biodiversity, exchange info on effective policy making in the field of water quality, and explore possibilities to stimulate implementation of NZ's Biosecurity Strategy in the context of the FTA.

➔ **Quite systematic and comprehensive**

### 8.11 EU-Singapore & EU-Vietnam (EU-ASEAN SIA)

- **Baseline** scenario and **overall** impact assessment is systematic, except both do not cover the baseline and impact of natural resource stocks.
- **Sector** assessment for cereals & grains, textiles, clothing & footwear, motor vehicles & parts, financial services, fisheries, and investment conditions.
  - Assessment is comprehensive and systematic corresponding to the predicted sector growth across environmental areas and sectors.
- **Case study** on rice in Thailand, illegal logging and timber trade, and bio-fuels & sustainable development.

- **Conclusion** reiterates expected pressures on natural resources and environment from FTA, but that FTA may open windows of opportunities find sustainable solutions with appropriate policy action and stakeholder involvement. Recommends specific environmental clauses in TSD Chapter and development of an adequate monitoring and evaluation system to assess progress on commitments made in agreement. Cooperate to address concerns of 'losers' and resistance to change, where possible cooperate with and within international organizations.

→ **Quite systematic and comprehensive**





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