

**International Trade, Investment
and Sustainable Production
Forescene Workshop, Vienna
Industry/Economy Section**



Photo credit: Greenpeace.org.uk

thomas@thomasruddy.org

Thomas F. Ruddy, working for ...



Materials Science & Technology

Technology and Society
Laboratory

in collaboration
with ...

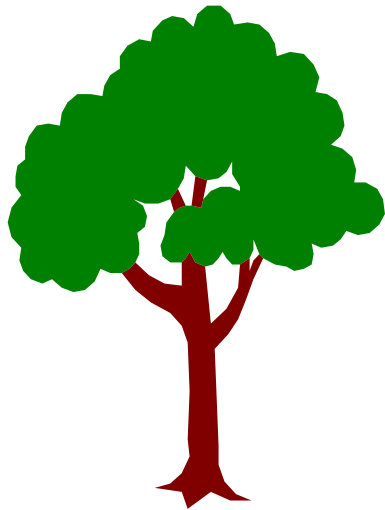


as documented on
www.wsis.ethz.ch/seri.htm

Overview: slides *complement* handout

- Basic economics: factors of production
- Int.*Political* Econ.(IPE) sees *governance* of each factor (refer to handout, p.3)
- Sustainability Scenario Elements (SSEs) for use in the EU SDS (for backcasting)
- Relation of EU SDS to Impact Assessment (IA) in the European Commission
- DG Trade's IA and the WTO's "Doha Development Agenda"

Production factors



Land



knowledge + human capital

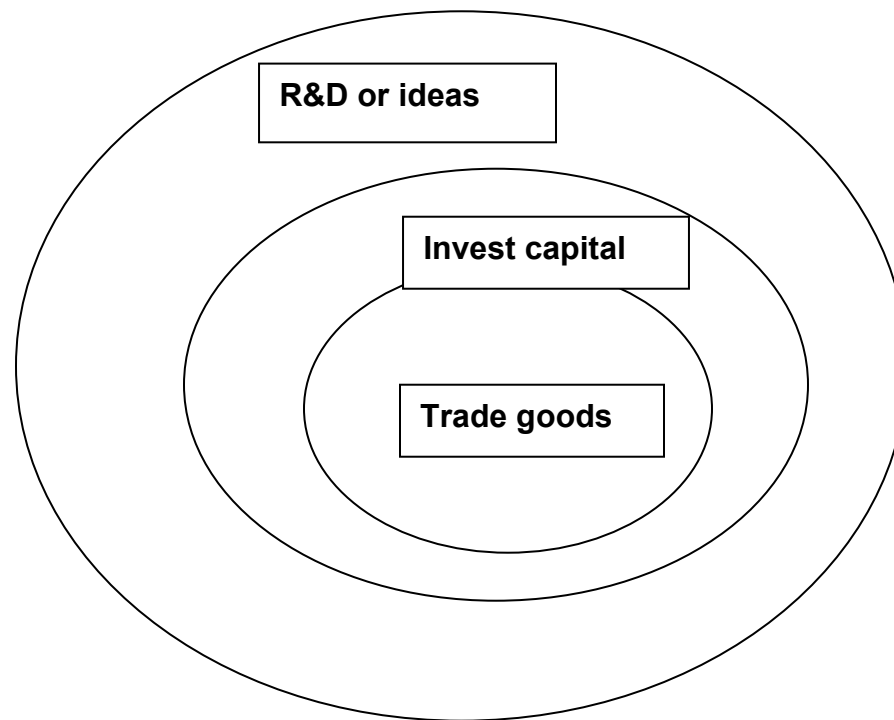


Work

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Capital

Phases of economic integration

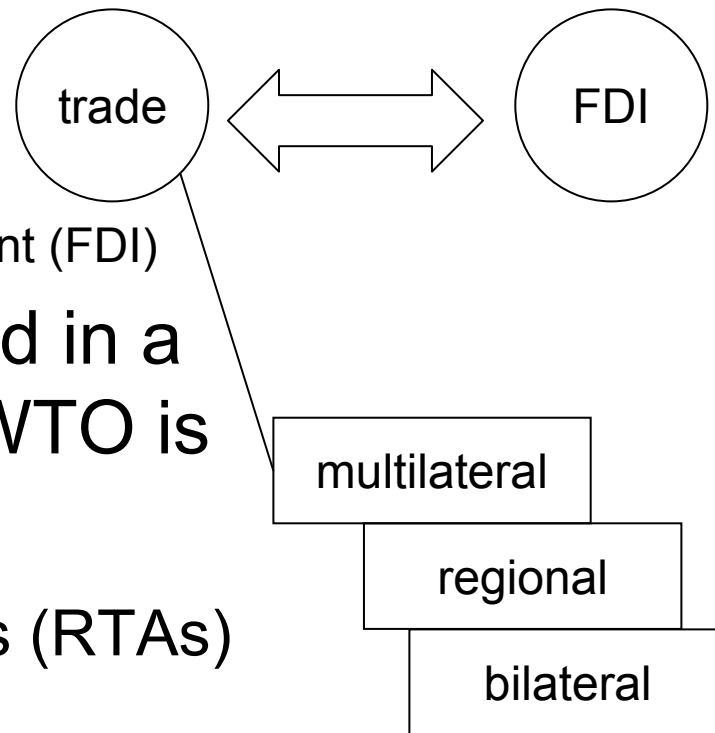


Why trade and investment?

- Trade liberalization corresponds to the liberalization of capital markets in a complementary way

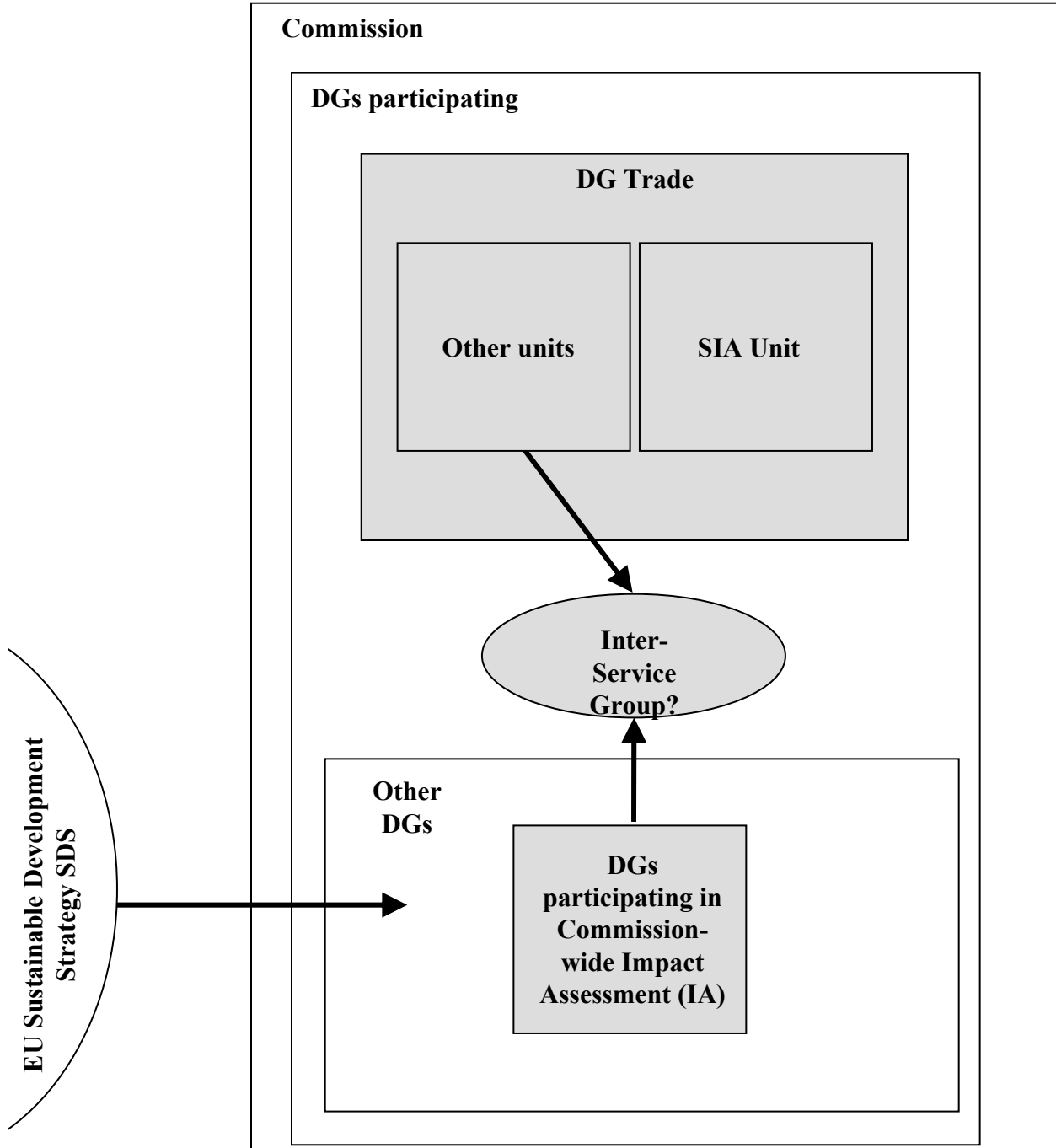
as “twin sisters“, for example, when the exchange of goods is replaced by Foreign Direct Investment (FDI)

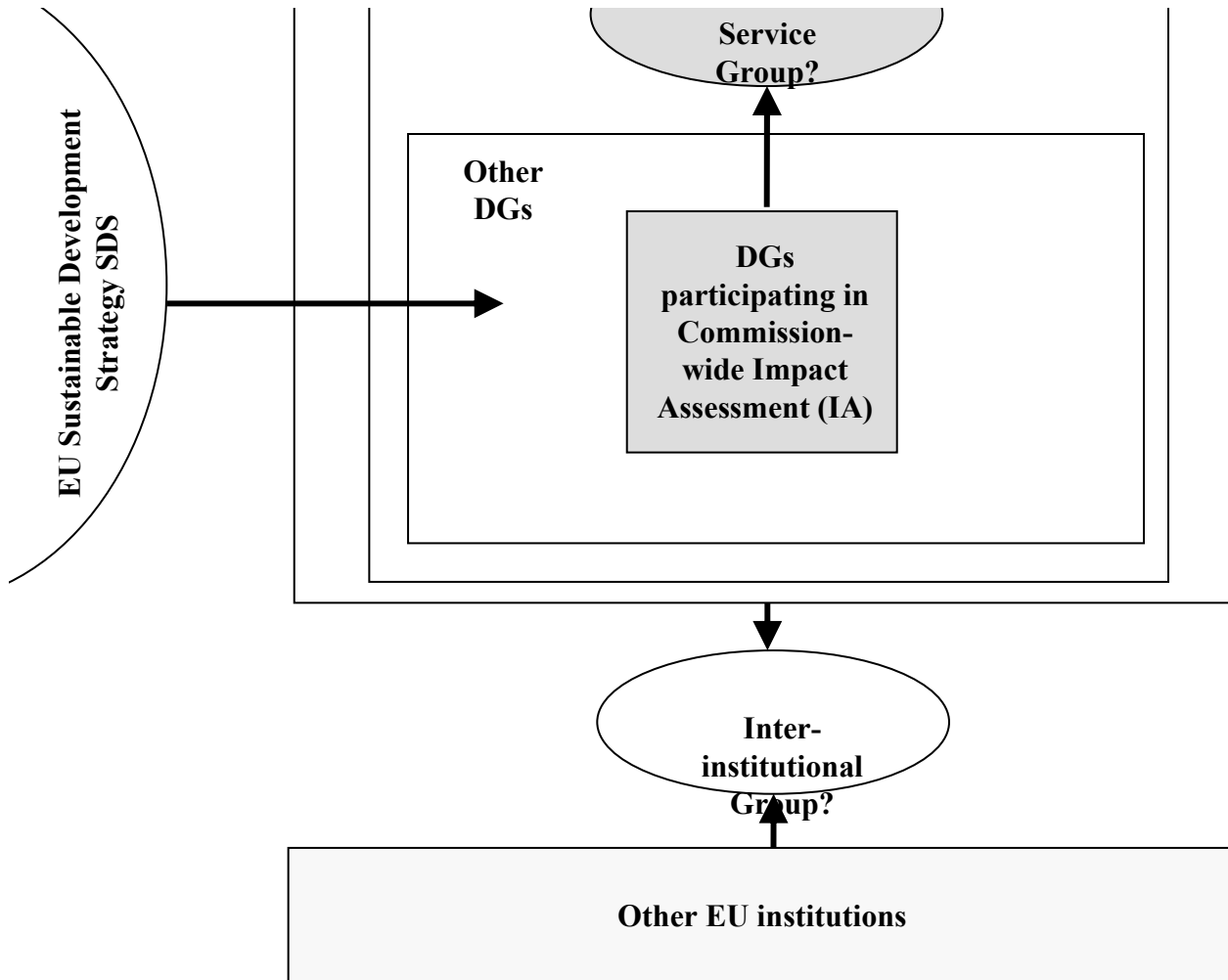
- “Trade“ here is understood in a general sense, of which WTO is only the multilateral part
 - Regional Free Trade Areas (RTAs)
 - Bilateral deals
 - Trade within nation-states



Europe, a RTA with Brussels as capital

- Trade and FDI issues in Brussels are dealt with by DG Trade
- Global controversy emerging over biofuels:
 - My paper deals with EU policies for sugar (a feedstock for biofuels)
 - Future question: Is it legal under the WTO's TBT Agreement to import biofuels with lower tariffs when they qualify as environmentally preferable" products because of production (their product-related PPMs)?



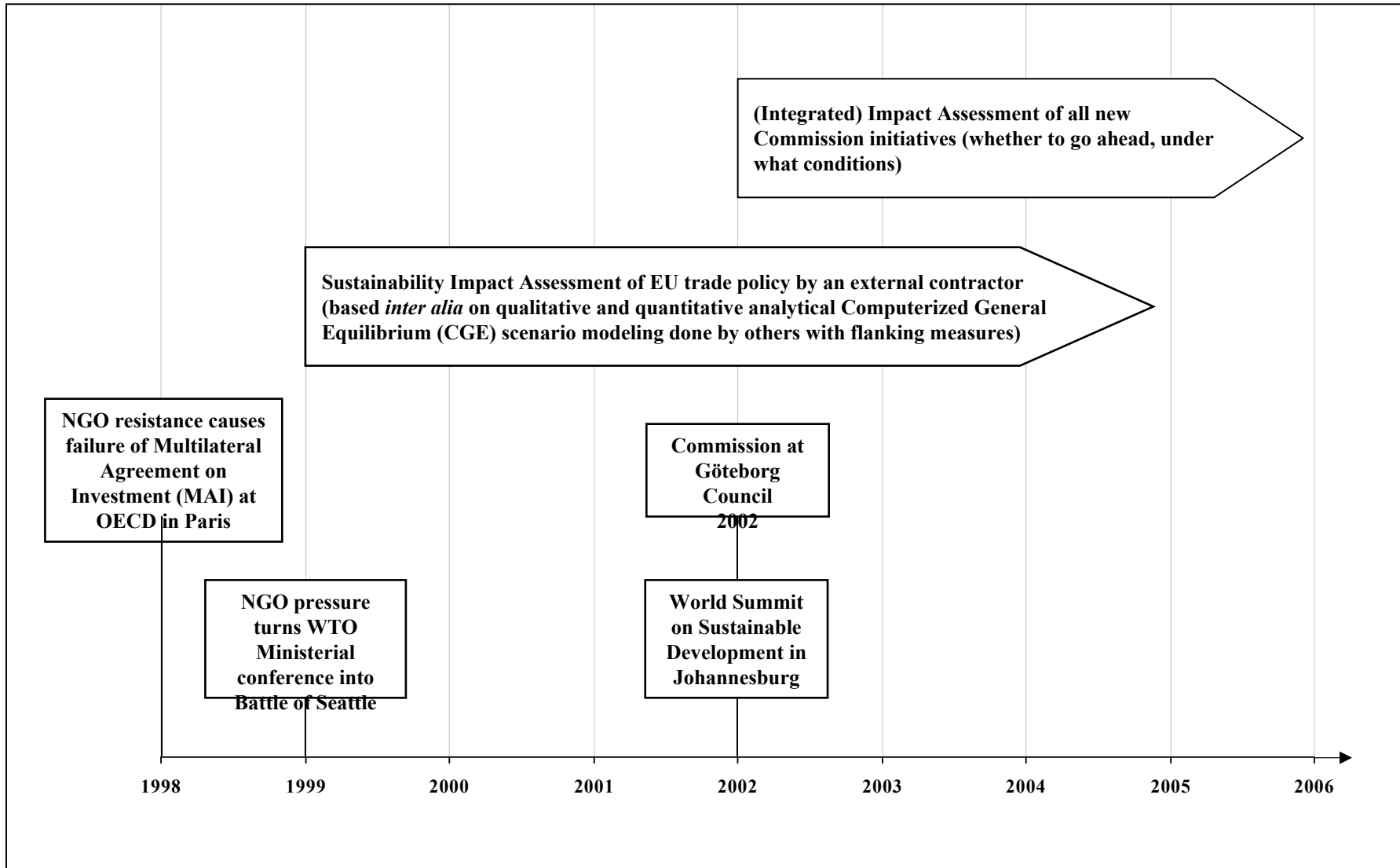


The need for coordination bodies to improve policy coherence in EU IA for SD

Natural resources	material flows, per-capita carbon emissions and world GDP, global value chain data
Capital	capital allocation, FDI, energy investment, land ownership
Ideas	sharing of technology, public/ private balance of IPRs, counterfeiting, open access, training, brain drain
Labor	informal economy, unpaid work, gender issues, demography, migration, urbanization, remittances

DG Trade has more experience with IA than other DGs.

- In 1999 Pascal Lamy promoted Sustainability IA (SIA) and its Civil Society Dialogue *inter alia* to defuse protest
- Other DG's did not begin until 2002
- Current trade SIA programme budget is more than EUR 2,700,000 over four years



Parallel development of two Impact Assessment (IA) processes
in the European Commission in a geopolitical timeline

Separate processes

During DG Trade's conference (Handbook available)...



..another event was being held by others DG's across the street



Are trade and sustainable development compatible?

Article XX of GATT offers environmental safeguards

“Rather than an environment chapter in a trade agreement...

...we need a trade chapter in a sustainable development agreement.”
EU SIA co-contractor Clive George, University of Manchester

What are sustainability impacts of trade?

- Doha Round -- overall economic and social impacts positive, but
 - environmental impact negative (per Duncan Brack, 2005).
- Trade's *direct* environmental impacts (goods transport) are associated with energy resources
 - “the most stupendous item is global warming” (Ostry, p.8).
- Trade's *indirect* environmental impacts magnify unsustainable consumption and production patterns.

Each IA process treats the sugar case differently (Table 2)

Type of assessment	DG Trade SIA Process	Commission-wide IA Process	
Orientation	Outward	Inward	
Assessment processes	SIA on reform of WTO Agreement on Agriculture, “sugar” being one of six most important products	Impact assessment of reforms in reaction to negative WTO panel decision on Brazil / Thai complaint	
		Reform of Common Market Organization (CMO)	Reform of Sugar Protocol
		Domestic parties	African, Caribbean and Pacific (ACP) countries
DGs involved	DG Trade	DG Ag and others	DG International Cooperation and others

Conclusions: Policy learning

- Sugar reform hurts farmers (EU and ACP)
- Trade policy not an autonomous force from elsewhere
 - but rather one embedded in a coherent context with related objectives such as development policy's
 - revealing what flanking measures are appropriate

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