



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

Handbook for Conducting Environmental Assessments of Trade Negotiations

Guide pour l'évaluation environnementale
des négociations commerciales



Canada

This is a guidance document developed for federal governmental officials engaged in conducting environmental assessments of trade negotiations.

This handbook will be periodically updated as experience is gained during its use. Comments and suggestions are most welcome. To provide comments or suggestions or for further information, contact:

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**Handbook for
Conducting
Environmental
Assessments of Trade
Negotiations**

October 2004

Executive Summary

This handbook is designed to help federal government officials conduct strategic environmental assessments (EA) of trade negotiations. Strategic environmental assessment, referred to simply as an ‘environmental assessment’ in this handbook, is a systematic process to identify and evaluate likely environmental effects of an initiative to ensure that they are fully considered and addressed from the earliest stages of decision-making. The handbook supplements *Canada’s Framework for Conducting Environmental Assessments of Trade Negotiations* (the framework), issued in February 2001. The framework establishes the process and analytical requirements for conducting EAs of trade negotiations and was developed to improve policy coherence within and among federal departments, while contributing to Canada’s sustainable development objectives.

Conducting an EA of trade negotiations has two key objectives:

- ✓ to assist Canadian negotiators integrate environmental considerations into the negotiating process by providing information on the environmental impacts of the proposed trade agreement; and
- ✓ to address public concerns by documenting how environmental factors are being considered in the course of trade negotiations.

The essential starting point for conducting an EA for any trade negotiation is to establish an Environmental Assessment Committee. An EA Committee, under the leadership of a chair(s), and composed of officials from various departments, is responsible for determining the appropriate scope for the EA, and for ensuring that the EA is suitably carried out.

The EA Committee chair will normally be drawn from the division within International Trade Canada (ITCan) responsible for managing the trade negotiation process, and will likely be the lead negotiator or his/her designate. A co-chair may be appointed where the subject matter and scope of the negotiations warrant. It is important to note that not all of the committee members, or indeed the chair, are expected to be ‘environmental specialists.’ The EA Committee is responsible for managing the EA process and for making decisions in accordance with the framework, guided by the handbook, within the context of the negotiations to be assessed.

An Interdepartmental Environmental Assessment Steering Committee (the Steering Committee) serves an oversight role, ensuring that all EAs are conducted appropriately. The Steering Committee is composed of senior officials from Foreign Affairs Canada (FAC), ITCan, Environment Canada, the Canadian Environmental Assessment Agency and other relevant federal departments.

Various other players are to be brought into the EA process as determined by the EA Committee to assist in their decision-making. The Federal- Provincial- Territorial Committee on International Trade (C-Trade Committee) and relevant Sectoral Advisory Groups on International Trade (SAGITs) are engaged at various stages throughout the EA process and are given the opportunity to comment on all EA Reports. Outside experts, such as sectoral associations and non-governmental organizations, are important sources of information and may be engaged in the EA process as determined by the EA Committee. The public may be engaged at various points of the EA process, and comments sought on the various EA Reports.

The framework's analytical methodology has four basic stages that should be applied in a consistent manner for every EA. The methodology endeavours to identify the domestic economic effects of the negotiations, the likelihood of resulting environmental impacts, the significance of those impacts, and finally, the mitigation and/or enhancement options to inform the negotiators. A series of questions are provided for each of the four stages that prompts the type of information needed to undertake the assessment. These stages are intricately linked. When addressing questions at any given stage in the analysis, all other stages should be kept in mind to ensure that the level of effort applied reflects the possible nature and scope of impacts. In essence, each stage of the analysis establishes a context which determines whether or not a particular trade activity should be subjected to the next, more detailed stage of the analytical methodology.

The handbook outlines how the EA process is guided by, and will be integrated into, existing negotiation processes. A *full* EA process has six distinct phases:

- ✓ Preparing to undertake an EA
- ✓ Initial EA Phase
- ✓ Draft EA Phase
- ✓ Negotiation Phase
- ✓ Final EA
- ✓ Follow up & Monitoring

A report will be produced and released to the public at the conclusion of the Initial, Draft and Final phases. Each document is an elaboration of the previous. For example, the Draft EA phase results in a relatively more detailed analysis and report, and is influenced by the findings of the Initial EA Report. The same four-stage analytical methodology is applied regardless of when the analysis is undertaken during the course of an EA. Communications and engagement are an integral component throughout the entire process.

It is important to underscore that the level of effort committed to an EA should be commensurate with the scale of the trade negotiations. Consequently, some EAs will not undergo all the phases as described above, and may conclude after the first or second phase. It is conceivable that an EA of a modest bilateral trade negotiation might conclude after the Initial EA phase if it is determined that significant

environmental impacts are unlikely to occur. In such cases, a Notice of Intent and an Initial EA Report could be prepared and released together identifying that no significant environmental impacts are anticipated and that no further EA action would be pursued. This should not preclude continued consideration of environmental factors during the course of negotiations.

The framework acknowledges that assessing the environmental impacts of trade negotiations is a complex task and that the exercise will be challenging. The underlying approach outlined in the framework is to integrate environmental considerations into the trade negotiation and policy process to achieve greater coherence between trade and environment policy-making. This integrative approach is further elaborated in this handbook.

The handbook was designed to ‘evolve’ as more experience on the EA of trade negotiations is gained and new materials are produced. The binder and loose-leaf format permit easy updates to sections and allows the insertion of additional pages of notes or other important information. The handbook is divided into four chapters:

- ✓ Chapter 1 provides a brief introduction and identifies how the handbook supplements the framework.
- ✓ Chapter 2 is an overview of the entire EA process, describing generally the stages of a full EA from start to finish.
- ✓ Chapter 3 describes the key steps for engaging groups within as well as outside of government - whose participation is essential to the EA process.
- ✓ Chapter 4 provides a step-by-step guide on how to conduct an EA of trade negotiations, including a series of checklists and figures to guide officials through the entire process.

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1. Introduction

This *Handbook for Conducting Environmental Assessments of Trade Negotiations* (the handbook) is intended to serve as a guidance manual for federal government officials engaged in conducting strategic environmental assessments (EA) of trade negotiations. The handbook supplements *Canada's Framework for Conducting Environmental Assessments of Trade Negotiations* (the framework) issued in February 2001.

The framework was prepared with guidance from the *1999 Cabinet Directive on Environmental Assessment of Policy, Plan and Program Proposals* (the Cabinet Directive) and was developed to improve policy coherence within and between federal departments, while contributing to Canada's sustainable development objectives.

Conducting an environmental assessment of trade negotiations has two key objectives:

- ❑ to assist Canadian negotiators integrate environmental considerations into the negotiating process by providing information on the environmental impacts of the proposed trade agreement; and
- ❑ to address public concerns by documenting how environmental factors are being considered in the course of trade negotiations.

It is important to note the difference between an environmental assessment of a policy, such as a trade negotiation, and an environmental assessment of a project. While the process for conducting an environmental assessment of policy may appear similar to a project assessment, the two are different and should not be confused. A policy assessment is best characterized as a forecasting tool to anticipate environmental impacts and/or opportunities. The difficulty in undertaking such a process involves dealing with a host of data limitations and uncertainties, timing issues and numerous other complexities not commonly associated with project-based environmental assessments. See Annex 4 for further discussion on the differences between project and policy EA.

1.1 Environmental Assessment Approach

Assessing the environmental implications of trade is not a new undertaking for Canada. Environmental reviews conducted by Canada include the North American Free Trade Agreement (NAFTA), and the 1994 Uruguay Round of Multilateral Trade Negotiations. While these reviews provided valuable insight into Canada's trade and environment relationships, they did not inform the negotiation of the agreement as they were carried out in an *ex post* fashion (undertaken after the negotiations were completed).

While environmental reviews still serve as a valuable learning tool for improving our

understanding of trade and environment linkages, the framework establishes a process to gather and analyse the data necessary to inform policy-makers of the likely and significant environmental implications in an *ex ante* fashion (undertaken before the negotiations are completed) to help inform Canada's negotiators throughout the trade negotiation process.

There are a number of challenges in undertaking an *ex ante* assessment of the environmental implications of trade negotiations. These challenges are also characteristic of strategic environmental assessments. Notable challenges include:

- often having to conduct analysis with limited empirical data; and
- the final outcome of the agreement is unknown and, as a result, the assessment is more of a 'forecasting' or 'anticipatory' exercise.

The advantages to pursuing an *ex ante* approach in many respects outweigh the challenges. Valuable aspects of this approach include:

- assessments can help clarify national goals and priorities with respect to trade and environmental interests; and
- the approach allows for the early identification of mitigation and enhancement options (policies, legislation, programs, environmental side-agreements) and discussion of jurisdictional concerns with provinces and territories.

Adopting an *ex ante* approach is in keeping with the Government of Canada's efforts to 'mainstream' environmental issues with trade policy rather than attempting to address these in an isolated fashion. Indeed, as noted in the framework, EAs can improve overall policy coherence at the national level by assisting decision-makers to understand environmental implications of trade policy.

Each trade negotiation is unique and provides its own set of challenges. Consequently, the level of effort committed to an EA should be commensurate with the scale of the trade negotiations and the likely environmental impacts. Accordingly, it is anticipated that an environmental assessment of a modest bilateral negotiation could be abbreviated if warranted by the scope of the negotiations, and the anticipated economic impact and environmental effects. EA Committees are responsible for determining the appropriate scope and nature of an EA.

NOTES:

The handbook outlines how the EA process is guided by, and will be integrated into, existing negotiation processes. A *full* EA process has six distinct phases:

- Preparing to undertake an EA
- Initial EA Phase
- Draft EA Phase
- Negotiation Phase
- Final EA
- Follow up & Monitoring

A report will be produced and released to the public at the conclusion of the Initial, Draft and Final phases. Each document is an elaboration of the previous. For example, the Draft EA phase results in a relatively more detailed analysis and report, and is influenced by the findings of the Initial EA Report. The same four-stage analytical methodology is applied regardless of when the analysis is undertaken during the course of an EA. The methodology identifies the economic effects of the negotiations, the likelihood and significance of resulting environmental impacts, followed by identification of mitigation and/or enhancement options to inform the negotiators. Communications and engagement are an integral component throughout the entire process.

Finally, it should be noted that the framework was developed for application to the negotiation of international trade and investment liberalizing agreements. The framework is not intended to apply to agreements that are negotiated to resolve bilateral trade disputes due to the dynamic nature of such negotiations and the unpredictable timing involved. However, this does not preclude consideration of environmental issues in the resolution of disputes.

1.2 How to use this Handbook

The handbook is intended to be used as a working tool to guide officials engaged in the EA process. It was developed in binder format so that it could evolve over time, with the addition or modification of sections as experience is gained. Ample room has been left for notes throughout the document. The loose-leaf format permits the easy insertion of additional pages of notes and/or other useful information.

The handbook provides guidance for collecting, organizing and synthesizing the information required to assess the environmental implications of a proposed trade agreement. The handbook:

- details the procedural steps necessary to conduct a full EA of trade negotiations;
- lays out a thorough and systematic strategy for information exchange between the various actors throughout the EA process;

- ❑ provides practical guidance for applying the analytical methodology to determine environmental impacts; and
- ❑ provides reference tools and sources for further research and increased understanding on issues related to trade and environment from a variety of perspectives.

The handbook has four chapters:

- ❑ Chapter 1 provides a brief introduction and identifies how the handbook supplements the framework.
- ❑ Chapter 2 provides an overview of the full EA process. This section should be consulted to gain a general idea of the EA process and the key steps involved. A useful figure that shows the stages of assessment from start to finish is located on page 2.4.
- ❑ Chapter 3 details the key steps for engaging federal government officials and individuals and groups external to the Federal Government, whose participation is essential to the EA process.
- ❑ Chapter 4 outlines a step-by-step approach for applying the analytical methodology and the procedural requirements for undertaking the work. This methodology identifies and characterizes the likely environmental impacts associated with a proposed trade agreement.

The handbook provides a series of ‘checklists’ identifying essential steps for each stage of the full EA process and the responsible parties for undertaking the tasks. Many of the criteria outlined in these checklists are taken from, or build on, those found in the framework and are necessary for the thorough and consistent application of the EA process. The checklists are located throughout the handbook for each aspect of communications, and each stage of the analytical methodology. As well, a compilation of all the checklists can be found in Annex 2. The looseleaf format allows completed checklists to be copied and attached to files for documentation purposes.

A series of *possible* questions is provided for each stage of the analytical methodology for the Initial and Draft EA phases. Some of these questions may be more applicable to some negotiations than to others. For example, negotiations pertaining to services will likely require different questions than negotiations on goods or investment. Consequently, the *questions listed should be used as a guide to gather the information needed, rather than a strict and exhaustive list.*

NOTES:

Supporting information can be found in the annexes to the handbook:

- Annex 1 contains a copy of the *Framework for Conducting Environmental Assessments of Trade Negotiations*.
- Annex 2 contains the checklists for communication and the analytical methodology provided throughout the handbook. These checklists can be used for documenting the EA process.
- Annex 3 provides examples of text and formats for documents that have to be produced during the EA process.
- Annex 4 includes the *Cabinet Directive on Environmental Assessment of Policy, Plan and Program Proposals* and a short description of Strategic Environmental Assessment.
- Annex 5 contains the *Policy Statement and Guidelines on Consulting and Engaging Canadians*.
- Annex 6 provides a description of Canadian sectors of the economy as listed in the North American Industry Classification System (NAICS).
- Annex 7 holds an annotated bibliography on the trade and environment interface.
- Annex 8 provides a glossary and list of acronyms used in the handbook.

NOTES:

2. Implementing the Framework - An Overview

This chapter provides a brief overview of the environmental assessment (EA) process and the analytical methodology to undertake an EA. Subsequent chapters explore the procedural and methodological steps in more detail. The chapter also provides a broad sketch of the trade negotiation process, the corresponding EA process, and the roles and responsibilities of the various participants in the process.

...establish an EA Committee.

The principal starting point for initiating an EA of a trade negotiation is to establish an EA Committee. While the EA Committee is tasked with making numerous important decisions throughout the course of the EA, some of the most crucial decisions need to be made at the outset. For example, the EA Committee must decide at the outset the structure of the Committee, the work program and requisite resource requirements.

...the timing and scope of an EA is determined in relation to the trade negotiation process.

The timing and scope of the EA is another such important decision. The EA Committee determines the pace and timing and scope of the EA in relation to the negotiation process. Key steps throughout the negotiations will trigger corresponding complementary action during the EA, such as consultation requirements. Similarly, the level of effort required to carry out the EA should be commensurate with the scale of the negotiations or proposed agreement.

2.1 The Trade Negotiation Process

As the EA process is guided by the trade negotiation process, it is worthwhile clarifying what constitutes “trade negotiations.” Negotiations may have several stages and go beyond the traditionally conceived notion of bargaining around a negotiating table. The overall trade negotiation process may contain several steps, and varies with the type and scale of agreement to be negotiated. The following list provides an indication of the general steps in the process:

- Announcement of interest to pursue a trade agreement.
- Exploratory discussions with negotiating parties.
- Development of the Canadian negotiating position in consultation with federal governmental departments, provincial governments, industry associations, and interest groups. This consultation process continues throughout the duration of the negotiation.
- Drafting of Memorandum to Cabinet (MC) by Government of Canada officials from one or more departments proposing a negotiating mandate for Cabinet approval.
- Approval of the proposed negotiating mandate by Cabinet and initiation of the negotiations according to the approved mandate.

- Negotiation with other countries to resolve issues and develop text for the agreement. This is where countries resolve differences between their negotiating positions to reach an agreement.
- Conclusion of the negotiations with initialing of the text *ad referendum* by the negotiators.
- Approval of the agreement and signing authority sought from Cabinet, as well as approval to begin drafting the implementing legislation.
- Parliamentary approval sought for the implementing legislation.

NOTES:

2.2 An overview of the EA process

An overview of the process for conducting an EA is provided in Figure 1. For more detailed description of the information gathering, communication, and engagement elements of the process, readers should consult Chapter 3. Chapter 4 gives further guidance on the analytical methodology for undertaking EA.

A *full* EA process has six distinct phases:

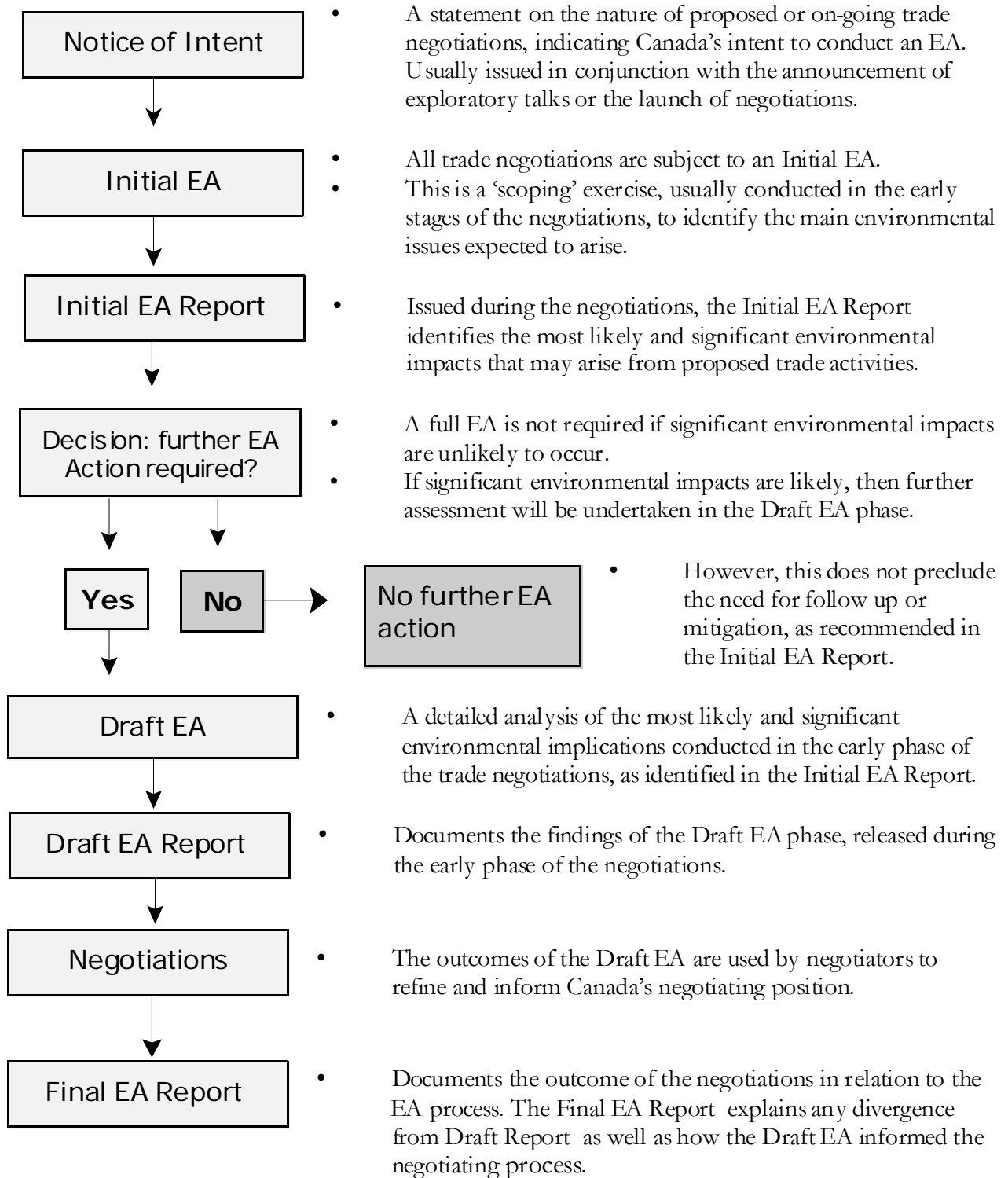
- Preparing to undertake an EA
- Initial EA Phase
- Draft EA Phase
- Negotiation Phase
- Final EA
- Follow up & Monitoring

A report will be produced and released to the public at the conclusion of the Initial, Draft and Final phases. Each document is an elaboration of the previous. For example, the Draft EA phase results in a relatively more detailed analysis and report, and is influenced by the findings of the Initial EA Report. Conducting a *full* EA will produce the following main outputs:

- A **Notice of Intent** to publicize the government's intent to conduct an EA of trade negotiations. This should be issued in conjunction with the announcement of trade negotiations.
- An **Initial EA Report** that identifies the main environmental issues expected to arise as a result of the proposed trade negotiations. The Initial EA phase is essentially a scoping exercise, and therefore is limited in its analysis and detail.
- A **Draft EA Report** that elaborates on the Initial EA Report. The Draft EA phase involves a more thorough examination and assessment of environmental impacts of the trade negotiations. It is a detailed process, exploring the issues with more depth than the Initial EA phase. The majority of effort with respect to EA process is expended during the Draft EA phase.
- A **Final EA Report** that details the outcome of the negotiations as related to the EA process. The final EA Report is prepared and released after the negotiations are complete. A detailed account of any new information related to the EA process and the trade negotiations is provided in the text of the report, including mitigation and enhancement options.

NOTES:

Figure 1: Overview of the steps in the EA of Trade Negotiations



2.3 Roles and Responsibilities in the EA Process

This section details the roles and responsibilities of participants in the EA process. Table 1 summarizes the participants in the EA process, including those that will be involved in the process via communication and/or engagement.

*...the EA Steering Committee
...plays an oversight role.*

The **Interdepartmental Environmental Assessment Steering Committee** is responsible for ensuring that all EAs are conducted in a manner consistent with the process outlined in framework and the guidance provided in this handbook. The Steering Committee is composed of senior officials from FAC (one of whom Chairs the Committee), ITCan, Environment Canada, the Canadian Environmental Assessment Agency and other relevant federal departments. All federal departments are invited to provide a representative to the Steering Committee. In some cases, departments may have more than one division or unit that should be involved, but should still have one lead representative on the Steering Committee. The Steering Committee plays an oversight role, reviewing progress of the EA Committees established for specific trade negotiations to ensure the process continues in an effective and efficient manner, including matters related to the human or financial resources required to complete the EA. The Chairs from the various EA Committees should also be members of the Steering Committee, or participate in meetings periodically as appropriate. This ensures that there is communication between the EA Committees, that EA Committee chairs are always apprised of any issues or concerns related to the EA of trade negotiations in Canada, and conversely that they are able to communicate issues related to the EAs they are directly involved in.

...EA Secretariat

The FAC Environmental Policies and Sustainable Development Strategies Division (ESS) will serve as the **EA Secretariat**, providing guidance and assistance to the EA Steering Committee.

...an EA Committee is established for each trade negotiation.

An **EA Committee** is established for each trade negotiation. Each EA Committee will include representatives from ITCan and FAC, , Environment Canada, the Canadian Environmental Assessment Agency and other relevant federal departments, depending on the nature of the trade negotiations. All federal departments are invited and encouraged to provide representation to the relevant EA Committees. These committees, under the guidance of their chair(s) are responsible for the application of the EA framework as guided by this handbook and advice. EA Committees can seek guidance from the Steering Committee on broader EA application issues as well as coordination between the various EA Committees and their activities. They can also use the Steering Committee as a contact point when issues are limiting the progress of the process and require an interdepartmental decision at the executive level.

...EA Sub-Committees for comprehensive regional or multilateral negotiations.

EA Sub-Committees will likely be necessary for comprehensive regional or multilateral negotiations. For example, negotiations at the World Trade Organisation (WTO) will require EA Sub-Committees for Services, Agriculture, and other negotiating committees. Similarly, the negotiations under the Free Trade Area of the Americas (FTAA) will likely require EA Sub-Committees. The number of sub-committees and the subsequent communication and reporting structure will need to be determined through interdepartmental consultations under the guidance of the

lead negotiator and the EA Committee. The chair(s) of each sub-committee should be determined in the manner discussed below.

***...EA Committee
Chair...will
normally
be the chief
negotiator.***

The **EA Committee Chair** will normally be the chief negotiator. This administrative unit or division under this individual will normally become the lead group responsible for managing the EA process and drafting or commissioning EA reports. The Chair may be from another government department where the subject matter and scope of the negotiations warrant. For example, in the case of WTO negotiations on the Agreement on Agriculture, the Chair of the sub-committee will be from Agriculture and Agri-Food Canada.

The Chair is responsible for ensuring that EA process is carried out in keeping with the framework. As noted earlier, the EA of trade negotiations is determined (in terms of scope and time line) by the nature of the negotiations. In turn, the Draft EA Report informs Canada's negotiating position on integrating environmental considerations into trade policy. The chief negotiator, in the capacity of the EA Chair, must ensure that the EA findings are communicated, understood, and considered in the development and execution of the negotiating position(s). The outcome of the negotiations, and decision-making processes therein, are a substantive part of the Final EA Report.

***...ITCan and
FAC divisions
serving in an
advisory
capacity.***

Some divisions within ITCan and FAC will serve in an advisory capacity to assist with the implementation and management of various aspects. The ITCan **Trade Policy Consultation and Liaison Division** (EBC) will provide assistance on managing and coordinating consultation activities. The ITCan **Trade and Economic Analysis Division** (EET) will advise on the economic effects of the negotiations.

***...other
government
departments***

Other Government Departments will sometimes lead or co-lead in the negotiations. In these cases, the chief negotiator from that department may co-chair the EA Committee and share responsibility for ensuring the completion of the EA process. Some departments are automatically members of all EA Committees (e.g., the Canadian Environmental Assessment Agency and Environment Canada). Other government departments have a particularly important role employing the findings of an EA, for example by introducing enhancement and/or mitigation measures during the implementation of the concluded trade agreement.

***C-Trade
and
SAGITs***

The **Federal-Provincial-Territorial Trade Committee** (C-Trade) and **Sectoral Advisory Groups on International Trade** (SAGITs) are consulted at various stages throughout the process, and given the opportunity to comment on EA Reports. Experts can be engaged as determined to be necessary by the EA Committee.

...the public

Public input, including views from the private sector and non-governmental organizations, will be sought at various stages. The timing and scope of public participation will vary depending on the nature of the agreement to be assessed.

NOTES:

Table 1: Roles and Responsibilities in EA of Trade Negotiations

<p>Interdepartmental Environmental Assessment Steering Committee (EA Steering Committee)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Composed of senior officials from ITCan and FAC and other relevant federal departments <input type="checkbox"/> Chaired by FAC <input type="checkbox"/> Has representation from the chairs of all EA Committees, normally the lead negotiators <input type="checkbox"/> Plays an over-sight role for the EA process <input type="checkbox"/> Provides guidance for consistent application of the EA framework <input type="checkbox"/> Oversees establishment, coordination, and management of all EA Committees <input type="checkbox"/> Meets every 3-4 months to ensure EAs of negotiations are progressing and to address any problems <input type="checkbox"/> Facilitates communication between/amongst EA Committees <input type="checkbox"/> Acts as a contact point to address problems that affect progression of the EA process, including responding to funding issues that inhibit progress <input type="checkbox"/> Responsible to the Interdepartmental Trade Policy Committee
<p>Environmental Assessment Committee (EA Committee)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> An EA Committee is formed for each set of negotiations <input type="checkbox"/> ITCan and FAC, Environment Canada, and CEAA are always represented <input type="checkbox"/> Responsible for applying the analytical methodology <input type="checkbox"/> When necessary, the EA Committee can engage independent research bodies to undertake some of the required analysis
<p>EA Committee Chairs</p>	<ul style="list-style-type: none"> <input type="checkbox"/> One or two chairs manage the EA Committee <input type="checkbox"/> Chaired by ITCan <input type="checkbox"/> Not necessarily an ‘environmental specialist’ <input type="checkbox"/> This position should normally be held by the lead negotiator <input type="checkbox"/> Second chair should be held by lead from other lead federal department in negotiations <input type="checkbox"/> Develop time line and schedule for EA Committee <input type="checkbox"/> Establish, coordinate, and manage EA Committee <input type="checkbox"/> Responsible for the operational aspects of the EA process <input type="checkbox"/> Responsible for identifying likely resource requirements for EA process
<p>EA Secretariat</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Advisory body to the EA Steering Committee and EA Committees <input type="checkbox"/> Provides guidance to chairs on managing the EA process <input type="checkbox"/> Principle liaison between the various EA Committees and the Steering Committee
<p>Lead ITCan Division</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Establishes EA Committee <input type="checkbox"/> Draft the Initial, Draft and Final EA Reports <input type="checkbox"/> Disseminate EA Reports, collect and summarize consultation submissions <input type="checkbox"/> Coordinates C-Trade and SAGIT consultation lists and briefings with EBC <input type="checkbox"/> Coordinates communication and engagement with public
<p>Negotiators</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Lead negotiator(s) from ITCan and/or OGDs are responsible for EA Process and chair the EA Committee <input type="checkbox"/> Output from the EA Process informs negotiations
<p>C-Trade</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Consulted throughout pre-negotiation and negotiation stages, and development of Initial, Draft and Final EA Reports for guidance on Federal-Provincial-Territorial jurisdictional issues
<p>Sectoral Advisory Groups on International Trade (SAGIT)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Meet with representatives from ITCan and FAC and OGDs as usual and provide comments on EA process and analysis <input type="checkbox"/> Sub-working group of SAGITs consulted specifically on all EAs <input type="checkbox"/> Provided opportunity to comment and inform EA Reports
<p>Experts</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Consulted by the EA Committee as needed and identified during negotiations and development of Initial, Draft and Final EA reports
<p>Public</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Receives information provided from the EA Committee <input type="checkbox"/> Consulted on Notice of Intent, Initial, Draft and Final EA Reports <input type="checkbox"/> Invited to provide constructive feedback on EA Reports to inform the EA process

NOTES:

2.4 Relationship Between the Memorandum to Cabinet Process and the EA Process

In keeping with the *Cabinet Directive on Environmental Assessment of Policy, Plan and Program Proposals*, environmental considerations must be included in Memoranda to Cabinet (MCs). As outlined chapter 1, the framework and this handbook have been prepared in part to address this requirement in relation to the trade negotiations.

Cabinet approval is required at various stages of the trade negotiation process as outlined previously in section 2.1. Cabinet must be provided assurance that environmental issues have been, or will be, examined and addressed. The EA process helps to provide this assurance. In the early stages, when approval is required to develop negotiating mandates, MCs should indicate that an EA will be conducted for the trade negotiations. At later stages, when approval is being sought for the mandate, information can be drawn from the EA findings to inform Cabinet of the environmental implications of the negotiations and resulting agreement.

In addition to providing assurance to Cabinet that environmental considerations have been incorporated into the trade negotiation process, EAs are instrumental in achieving increased policy coherence. The MC stage is a point for integrative policy development, as environmental considerations can be included both explicitly and implicitly in an MC pertaining to trade negotiations.

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2.5 Resources

The Steering Committee, chaired by FAC, is responsible for the long-term management of the EA process and, as stated, is a focal point if resources become an obstacle to completing the EA process. The framework specifically states “DFAIT will be responsible for ensuring that the necessary resources for undertaking the environmental assessments are identified and allocated in accordance with Treasury Board guidelines”. As part of the EA, Committees should identify resource requirements to carry out the EA process, determine if existing resources will suffice or additional resources are required, and take corresponding action to secure them.

The resources required will be a function of the nature of the negotiations. For example, the resources to conduct an EA of a bilateral trade agreement would probably be significantly less than those required for the FTAA. As can be expected, the resource needs will also be a function of the level of detail inherent in each stage of the EA process with the majority of the resources required during the Draft EA phase. Specific resources needed may include:

- costs incurred for consultations and communications (such as web site maintenance, Canada Gazette notices, travel and meeting costs associated with consultations, and document production for EA reports);
- consultancy fees when necessary to supplement internal expertise;
- costs for studies deemed appropriate and necessary by EA committees.

Possible sources for resources include existing resources or special submission to the Treasury Board. Again, it is the responsibility of the EA Steering Committee to identify what resources are required and to secure these in a manner that facilitates the effective application of the EA process. EA Committees should communicate possible resource needs as they become apparent to assist the Steering Committee on this matter.

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3. Information Gathering, Communication, and Engagement

This chapter details how information for the EA is to be collected from within the Federal Government and from external sources. It discusses the concepts of engagement and communication and relates central steps and principles to be remembered throughout the EA process.

“Engagement” comprises both the exchange of substantive information and consultation on it. Engagement occurs at various stages throughout the EA process. “Consultation” is an interactive process through which the views of individuals or groups are sought. “Communication” involves informing others within and outside of government, and can include information on processes or substance related to the EA of trade negotiations. Communication is ongoing through the EA process.

Both engagement and communication contribute to the goal of gathering information for the EA of trade negotiations. Checklists are provided in this chapter recommending key steps/ principles at each stage. Since engagement and communication occur throughout the EA process, an understanding of these principles and identification of the steps that need to be taken is necessary before the EA process begins.

Information will be collected from a variety of sources throughout the EA process, and will include statistics, quantitative and qualitative studies. This information will then be assessed, analysed, and synthesized through the analytical methodology provided for in the Initial EA and Draft EA phases. Some of the information collected may provide guidance on how best to carry out these steps. After the information is synthesized, it is then disseminated as appropriate through established communication mechanisms.

Exchanging information and consulting with provinces and territories, as well as individuals and groups outside of the federal government, are integral to the purpose, value and legitimacy of the EA of trade negotiations. Involving those outside of the federal government ensures that a wide variety of perspectives are involved and expands the information guiding the assessment of environmental impacts of trade. It also serves to increase the transparency of and trust in the EA process. The Federal Government’s commitments in this regard is affirmed in the *Policy Statement and Guidelines on Consulting and Engaging Canadians*:

It is a policy of the Government of Canada to involve Canadians in the development, design, and evaluation of public policies, programs, and services through consultation and citizen engagement processes that are transparent, accessible, accountable, supported by factual information, and that take into account the broad diversity of Canada.

Table 2 illustrates how the type and scope of engagement vary (and tends to deepen) through the EA process from the announcement of trade negotiations to their

conclusion. While all groups are invited to participate at any point, it is expected that most will engage in the EA process once the Initial EA Report identifying potential environmental impacts has been communicated, or in some cases, beforehand. During the Draft EA phase, where in-depth analysis takes place to produce a report to inform the negotiations, engagement will be most extensive. There will also be variations with respect to who is engaged throughout the EA process. Specifically, during negotiations, engagement will be more limited due to concerns regarding confidentiality of the negotiating position. For example, the provinces and territories will be engaged throughout via C-Trade Committee, while the public will be engaged in a limited fashion during the negotiations phase, as per the guidance provided in section 3.2.

**Table 2:
Engagement and Communication throughout the EA Process**

Stage in Negotiations	Announce Negotiations	Prepare for Negotiations		Negotiations	Signing and Post-Negotiations
Stage in EA Process	Notice of Intent to Conduct an EA	Initial EA	Draft EA	Draft EA Report informs negotiations	Final EA Report documents how environmental considerations integrated
Information Gathering/ Analysis?	Begin gathering information	Information gathering and summary analysis	Detailed information gathering and analysis	Limited	Documentation
Engagement Outside Federal Government?	Yes	Yes	Yes	Limited	Yes
Communication?	Yes	Yes	Yes	Yes	Yes

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3.1 Internal Consultations

Before being able to assess environmental impacts, an information collecting stage is necessary. The first priority of the EA Committee is to identify what information exists within participating departments and agencies regarding the trade negotiations under assessment, and their economic and likely environmental impacts (if any). It is essential to the success of the EA process that there be effective and timely exchange of information between the teams supporting the negotiators within ITCan and FAC and other government departments (e.g. Environment Canada, the CEAA, and other divisions within ITCan and FAC). It is also important to clearly determine roles and responsibilities early in the process. The chief negotiator, in his or her capacity as the EA Chair, must ensure that the EA findings are communicated, understood, and considered in the development and execution of the negotiating position(s).

Information collection includes communications within the EA Committee, and within federal departments represented on the EA Committee. Central steps to information collection include

- Identifying types of information required;
- Identifying departments associated with the required information;
- Determining the information that exists, and identifying the analytical requirements to address the gaps; and
- Determining what steps need to be taken to obtain the necessary missing information.

For an indication of the type of information that is required at each stage of the EA process, the EA Committee should consult the questions provided at each stage of the analytical methodology in Chapter 4. Each departmental representative on the EA Committee should identify/establish the information available within their department. It is likely that they would need to consult with individuals in their department who work on economic analysis, environmental assessment, and/or sustainable development, and perhaps at later stages with technicians and scientists knowledgeable about specific issues.

The EA Committee should review the information available, and determine what steps, if any, need to be taken to obtain the necessary missing information. The Committee determines how the analytical methodology described in detail in Chapter 4 (economic analysis, analysis of the likelihood and significance of environmental impacts, and identification of enhancement and mitigation options) should be applied in assessing the information available. This occurs through interdepartmental consultations via the EA Committee, and can be assisted by external consultants as deemed appropriate by the EA Committee. Consultations will increase as the process deepens and the conclusions become more defined as the EA process progresses. When reports are produced in draft form during the Initial EA, Draft EA, and Final EA, they are circulated interdepartmentally for comment before they are provided to groups external to the federal government.

Collecting, analysing, & communicating information within the Federal Government

In the early stages, the ITCan division responsible for the negotiations should:

- identify relevant departments to be represented and appropriate officials to be members on EA Committee
- take steps to establish an EA Committee and inform members regarding the EA Process

The EA Committee, under the leadership of its chairs, should:

- establish mechanisms for interdepartmental communication and consultations, including standard e-mail lists for communicating information
- identify information required for each phase of the EA
- identify existing information and gaps
- identify methods available to fill information gaps
- conduct interdepartmental consultations for analysis and synthesis of the collected information via the EA Committee
- circulate draft reports interdepartmentally before providing external to the Federal Government.

The departmental representatives on the EA Committee should:

- identify what information is needed from their department
- consult within their department to identify what information exists
- identify methods to obtain any additional information needed
- circulate reports within their department for comment and consolidate input received.

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3.2 External Consultations

A variety of groups can be engaged in the EA process; the scope and method of engagement will be determined by the EA Committee based on the nature of the negotiations under assessment. The following three sub-sections outline considerations for conducting external consultations.

The difference between information exchange and consultation is particularly important when involving those outside the federal government. Again, consultation refers to processes through which the views of individuals or groups are sought on policies that affect them directly or in which they have a significant interest. Consultation means interaction among those involved, best assured through face-to-face meetings, but also possible through conference calls, and interactive web-based communication. This is distinguished from information exchange, which is more passive in nature. It also implies taking the views of those consulted into account and justifying the results.

For more information on consulting and engaging Canadians, see Annex 5: *Policy Statement and Guidelines on Consulting and Engaging Canadians*. ITCan's Trade Policy Consultation and Liaison Division (EBC) and similar groups within other relevant government departments can also provide guidance and assistance on consultation strategy, mechanisms, identifying stakeholders, and help with concerns regarding how to exercise the EA Committee's discretion.

The Access to Information Act enables citizens and residents of Canada to request certain types of documents held by the Government of Canada. Documents produced during the EA process may be requested through this Act. Confidentiality is necessary for development and execution of the Canadian negotiating position. The Access to Information request should be forwarded to the federal department that has control of the document(s) to determine whether the document(s) satisfies the requirements of the Act for disclosure of information. Within ITCan and FAC, the Access to Information Division (DCP) handles concerns regarding the application of this act, and should be consulted on such matters. In negotiations where there are co-chairs of the EA Committee, the outcome may be that ITCan and FAC and the other Government department each has control of the document(s) and should consult their legal services and the Department of Justice to help with such a determination.

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Preparation for engagement outside of the Federal Government

The EA Committee should:

- read the *Policy Statement and Guidelines on Consulting and Engaging Canadians* (provided in Annex 5)
- contact the ITCan Trade Policy Consultation and Liaison Division (EBC) at an early stage, and appropriate departmental equivalents, for guidance
- consult documents on the Access to Information Act and contact the Access to Information and Privacy Protection Division (DCP) in ITCan and FAC or departmental equivalents if required.

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3.2.1 Engaging the Provinces and Territories

Trade negotiations may involve matters under provincial or shared jurisdiction. The EA Committee should determine how provinces and territories should be involved in the EA process based on the nature and type of trade negotiations proposed, and according to general policy considerations. At a minimum, the EA Committee should provide briefings as appropriate to the Federal-Provincial-Territorial Committee on Trade (C-Trade).

C-Trade is part of a variety of different mechanisms put in place by the Federal Government that enables provinces and territories to exchange information, share perspectives and develop Canadian positions on a range of international trade policy issues, including negotiation of agreements. During preparation of the framework, it was agreed that C-Trade Committee would be used as the primary point of contact between federal and provincial-territorial governments on matters related to the environmental assessment of trade negotiations.

ITCan's Trade Policy Consultation and Liaison Division (EBC) is responsible for managing and coordinating input to and from C-Trade, and needs to be kept apprised of developments on an ongoing basis. The EA Committee, with EBC, should both communicate information to, and seek information from C-Trade. C-Trade officials are in turn responsible for advising their colleagues in relevant provincial and territorial departments regarding the EA process.

C-Trade members are subject to a confidentiality agreement. This confidentiality arrangement also means that the nature and quality of information that is shared with C-Trade may be different -- at all stages of the EA process -- from that shared with those outside of the Federal Government who are not bound by similar agreements. The ongoing exchange of information for EA of trade negotiations will serve to better inform the assessment of environmental impacts and the identification of mitigation and enhancement options. C-Trade officials should be provided copies of the EA Reports for review/ comment before they are publicly released. To ensure the EA process is given due consideration in C-Trade, the EA Steering Committee may encourage that EA be regularly maintained as a forward agenda item for upcoming C-Trade meetings.

Other departments involved in the negotiations and in the EA Committee may have federal-provincial-territorial (FPT) mechanisms and networks. In the interest of coherence, those responsible for FPT relations within the relevant departments should receive the same information at the same time as ITCan's EBC.

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Communication and Engagement with C-Trade

The EA Committee should:

- coordinate communication and engagement with C-Trade via the Trade Policy Consultation and Liaison Division (EBC)
- keep EBC up to date on the EA process to enable them to identify issues and materials for C-Trade
- ensure EBC is kept apprised of information provided to other Federal-Provincial-Territorial mechanisms and networks
- communicate EA findings to C-Trade for consultation
- seek information from C-Trade to inform the EA process
- distribute EA Reports to C-Trade for review/ comment

C-Trade members should:

- apprise provincial/ territorial colleagues regarding the EA findings
- provide information regarding provincial/ territorial concerns related to the EA process.

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3.2.2 Engaging Sectoral Advisory Groups on International Trade

The framework notes that in undertaking environmental assessments, the EA Committees will seek the advice of relevant Sectoral Advisory Groups on International Trade (SAGITs) that advise the Minister of International Trade on trade-related issues. The EA Committee should seek the advice and assistance of ITCan's Trade Policy Consultation and Liaison Division (EBC) to determine which SAGITs should be consulted and the appropriate methods for consultation.

SAGIT members are drawn from the private sector and civil society, and are bound by confidentiality agreements with the Department. Consequently, they can receive qualitatively different information from other "outside" participants in the EA process, and can remain engaged after the issuance of the Draft EA Report. As SAGIT members are appointed in their personal capacity, it will not be possible for the EA Committee to state, for example, that "members of (given) industries or organizations have been consulted" solely on the basis of engaging SAGITs.

In many cases, more than one SAGIT will be interested in a given negotiation and/or have the relevant environmental expertise. The information SAGITs will receive will be pertinent to the purpose of the group. They will be consulted during issue scans, and as necessary during the application of the analytical methodology. SAGITs should also receive the EA reports for review and comment before they are publicly released. EBC is responsible for coordinating input to and from all SAGITs, and needs to be kept up to date on developments in the EA process on an ongoing basis.

NOTES:

**Communication and Engagement with Sectoral Advisory Groups on
International Trade**

The EA Committee should, with advice and assistance of the ITCan Trade Policy Consultation and Liaison Division (EBC):

- keep EBC up to date on the EA process to enable them to identify issues and materials for SAGIT forums
- coordinate communication and engagement with SAGITs
- communicate EA findings to SAGITs for consultation
- seek information from SAGITs to inform the EA process
- distribute EA reports to SAGITs for review/ comment.

NOTES:

3.2.3 Engaging Other External Sources

Outside experts, sectoral associations, and other non-governmental groups, including the public, are important sources of information and are essential contributors to the EA process.

At appropriate points during the process, there is a requirement to communicate information, and generally provide opportunity for the public to provide feedback. These should happen with the Initial EA Report, Draft EA Report, and Final EA Report when a full EA is undertaken. The EA Committee should determine which groups and/or individuals to consult, and how these consultations should occur. This determination should be based on the following considerations:

- the objective of developing better informed policy;
- the commitment to a transparent process and objective of increasing public confidence in recognition of environmental considerations in trade negotiation;
- the nature and quality of information that the EA process requires; and
- the Federal Government *Policy Statement and Guidelines on Consulting and Engaging Canadians*.

While the specific groups consulted will vary depending on the subject matter from negotiation to negotiation, the need for outside environmental expertise and sectoral knowledge will remain constant. These groups will need as much information on the proposed trade negotiation as appropriate to ensure they provide pertinent and informed comments.

The EA Committee should establish a list for communicating information. This is in addition to communication through publicly accessible mechanisms like the ITCan and FAC web site. EBC will be a central resource for communication and consultations lists, but these must be adapted by the EA Committee to suit the negotiations at hand. To promote information exchange, understanding and awareness among the participants, it is important to develop and maintain communication and consultation lists as early as possible. This exercise could draw from existing lists provided by the EA Secretariat, EBC, and the responsible divisions within ITCan and FAC and OGDs. A shorter list of groups and individuals to engage on specific issues should also be formed. It is the responsibility of the EA Committee chair(s) to ensure that lists are developed and updated as necessary.

Communication and engagement with groups and individuals that are not subject to confidentiality agreements must take into account the confidential nature of any information. While the initial decision as to what information to disclose resides with the EA Committee and Canada's negotiators, such discretion is of course bound by the provisions of the Access to Information and Privacy Act, and is to be exercised in light of the considerations listed above.

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3.3 Communications Management

Communication keeps individuals and groups within and outside government informed regarding both process and substance at all stages of the EA process. The communication content will vary as the EA process deepens and information and analysis become more complete. The EA Committee must ensure that there is a system in place for collecting information from internal and external sources, communicating the process for managing submissions, and disseminating requests for submissions, summaries of the submissions received, and the EA reports. The lists provided throughout Chapter 3 of the handbook highlight the key principles and steps the EA Committee can follow for the engagement and communication aspects of the EA process.

When external input is solicited, contributors must be informed in advance on what will be done with the information they provide and the results of consultations (information, analysis, policy recommendations).

Contributors must be told that the information they submit will be shared with the EA Committee, other federal department officials and retained experts (if any). They must also be advised in advance how their input will be shared with others outside of government. Submissions will not be individually attributed, but could be summarized and distributed widely. The rationale for non-attribution is to encourage frankness. The rationale for distributing summaries of the submissions is three-fold:

- increases understanding of the diverse inputs that need to be considered (and perhaps accommodated) in producing the EA reports;
- serves as a concrete indication that the government has reviewed the information received; and
- widens the sphere of dialogue beyond the government and the particular individual or group.

The EA Committee might also consider establishing an automatic reply message acknowledging inputs received electronically and advising on how the input will be used within the EA process.

Communication activities will be managed by the EA Committee. This includes communicating information, engaging in consultations, summarizing information received and sharing it as outlined above. The communication initiatives should be coordinated within existing mechanisms in the negotiating process. EBC will be the central contact point for communication with C-Trade and the SAGITs, and can provide guidance on communicating with other sources outside of the federal government.

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Communications management

The EA Committee should:

- determine how information gained through engagement and communication activities will be managed, and communicate this process publicly and to anyone from whom information is sought
- determine which communication tools are best employed at varying stages of the EA process
- identify opportunities to integrate EA communications with announcements for the negotiations.

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3.3.1 Communication Mechanisms

Communication of EA reports and notifications for public submissions will take place in both official languages through a series of mechanisms. At a minimum, all notifications must be posted on the ITCan and FAC web site, with all other mechanisms strongly recommended. It is important to recall that the EA process should be integrated into the overall negotiating process. As such, communication relating to the EA process or reports should correspond with announcements pertaining to the negotiations wherever possible.

ITCan and FAC Web Site

All notifications for public submissions and release of the Initial, Draft and Final EA reports must be made available on the appropriate ITCan and FAC web page. All reports should be made available in both HTML and PDF formats. ITCan and FAC web staff should be given ample notification about material to be posted.

Canada Gazette

Notifications seeking public submissions could also be announced in the Canada Gazette. Notices of Initial, Draft and Final EA reports could also be announced in the Canada Gazette. As the Gazette charges a cost per word, it is advised that the Initial, Draft and Final EA reports not be printed in the Canada Gazette, but rather that the notices specify where the reports can be viewed (i.e., the public can view the reports on the ITCan and FAC web site, and as appropriate other sites, or have hard copies mailed or faxed to them). For Gazette questions or submissions, contact the Editing Services Manager at (613)991-6902.

Communication and Consultation Distribution Lists

The EA Committee could also undertake a direct mailing (or E-mail) to business groups, NGOs and interested individuals. Coordination of this distribution list with other participating divisions and departments will be key to avoiding gaps and duplication. The distribution list can provide both consultation notices and copies of the documents throughout the EA process. The EA Committee will also be responsible for coordinating internal ITCan and FAC consultation lists with other participating federal departments.

Electronic Newsletters and Listservs, and Journals

Electronic newsletters and listservs are another effective way to reach a large audience of interested individuals and groups, specifically catering to the interest of those dealing with environment and trade issues. Some examples might be the Gallon Environmental Newsletter, Canadian Environmental Network and the Bridges Electronic Trade Journal. Trade and professional journals on the issues surrounding international trade (e.g. Journal of International Trade) could also be given a summary of the EA findings. This would enable communication of the findings to the international academic and professional community. Suitable journals can be identified by the content, sectoral relevance, and audience.

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4. Conducting an EA of Trade Negotiations

This chapter provides step-by-step guidance for conducting an EA of trade negotiations. The chapter begins with a brief overview of the procedural and analytical steps, followed by illustrative lines of inquiry for each of the six phases of an EA. Figure 2 provides an overview of the six phases. Checklists are provided at the end of each section to highlight the key steps in each phase. Checklists are also available in Annex 2, and could be used for documentation purposes for the EA process.

...illustrative guidance

It is important to note that the guidance presented in this chapter is purely illustrative. EA Committees will have to exercise judgement in applying this guidance, especially with regard to the lines of inquiry offered throughout. Undertaking an EA according to the framework, supplemented with the guidance offered in this handbook, remains subject to the availability of data and limited resources, and is contingent upon numerous other factors beyond the control of EA Committees.

...an EA should be commensurate with the scale of the trade negotiations

It is also important to underscore that the level of effort committed to an EA should be commensurate with the scale of the trade negotiations. Consequently, some EAs will not undergo all the phases as described in this chapter. Similarly, in some cases, outputs of separate phases may be combined. For example, it is conceivable that an EA of a modest bilateral trade negotiation might conclude after the Initial EA phase if it is determined that significant environmental impacts are unlikely to occur. In such cases, a Notice of Intent and an Initial EA Report could be prepared and released together identifying that no significant environmental impacts are anticipated and that no further EA action would be pursued. This does not preclude continued consideration of environmental factors during the course of negotiations.

Conducting a full EA of a trade negotiation involves six main phases. The sequencing of the EA phases in relation to the negotiation process is an approximation and may not correspond in practice. The framework and handbook were prepared to ensure that EAs of trade negotiations are carried out in a credible and consistent manner. At the same time, it is necessary to maintain a certain degree of analytical and procedural flexibility given that trade negotiations differ from one to the next, be they bilateral, multilateral, sectoral, investment related, goods or service-based agreements.

...a full EA has six phases

- ❑ ***The Preparatory Phase.*** The main tasks undertaken during this phase include establishing an EA Committee, deciding on the appropriate scope of assessment, and issuing a Notice of Intent.
- ❑ ***The Initial EA Phase.*** This phase entails the early identification of likely and significant environmental effects of the proposed trade negotiations, identification of key issues to be explored further at subsequent stages of analysis if required, and the release of an Initial EA Report during the early stages of the negotiations.
- ❑ ***The Draft EA Phase.*** This phase involves a more detailed examination of the likely and significant environmental effects of trade negotiations based on further analysis and consultations, and the release of a Draft EA Report during the early

...the EA serves to inform negotiators about crucial environmental issues

stages of the negotiations.

- The Negotiations Phase.*** This phase involves the continued use of the Draft EA Report by negotiators during the trade negotiation, and further analysis if required.
- The Final EA Phase.*** This phase involves the examination and detailing of any new information related to the EA process, including enhancement and mitigation options. It is the occasion to assess the process itself.
- The Follow Up and Monitoring Phase.*** This phase involves conducting any follow up and monitoring activity during the implementation of the resulting trade agreement which has been deemed appropriate by the EA Committee and identified in the Final EA Report.

...four basic stages of analysis are intricately linked

While it is recognized that a standard analytical template for different kinds of trade negotiations will pose some difficulties, the framework outlines four basic stages of analysis. Regardless of when the analysis is undertaken during the course of an EA, the same analytical stages would be applied. Each stage of analysis seeks to establish whether or not a particular trade activity should be subjected to the next stage within the analytical methodology. It is important to note that the four stages are intricately linked. When addressing questions at any given stage in the analysis, all other stages should be kept in mind to ensure that the level of effort applied reflects the possible nature and scope of impacts. The areas covered by the negotiations determines what will be subjected to environmental assessment.

The four analytical stages are:

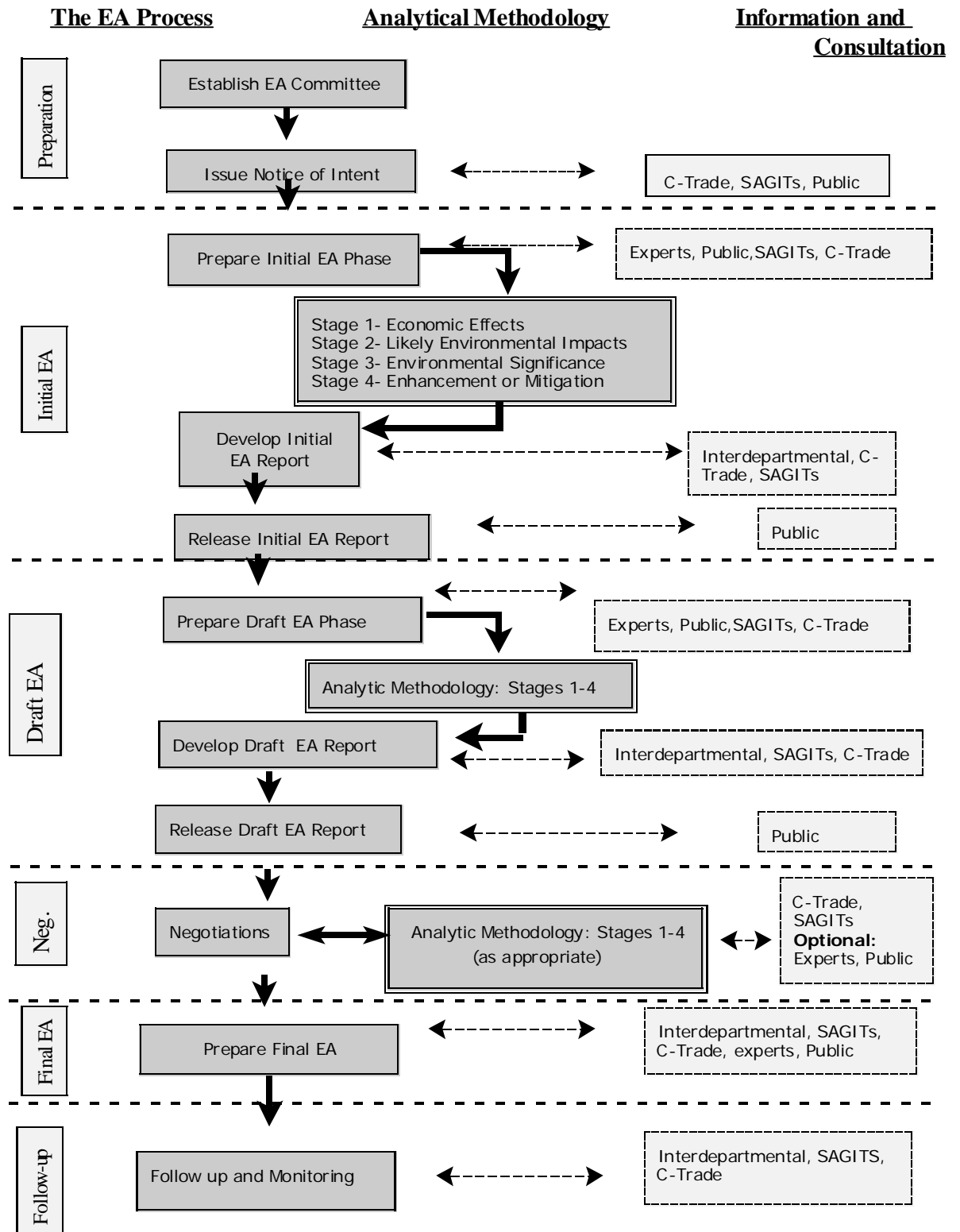
- Stage 1: Identification of the economic effects of the negotiation
- Stage 2: Identification of the likely environmental impacts of economic effects
- Stage 3: Assessment of the significance of the identified likely environmental impacts
- Stage 4: Identification of enhancement/mitigation options to inform the negotiations.

This analytical methodology acts as a screening process to identify the most crucial environmental issues for Canada's trade negotiators to consider when entering into negotiations. The analytical methodology provides a series of questions in each of the four stages. This list of questions serves as a guide for the type of information that will be needed to successfully fulfill the requirements of each analytical stage, however, it should not be seen as a prescriptive or exhaustive list of points for inquiry.

The remainder of this chapter presents step-by-step instructions for each of the six phases of a full EA.

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Figure 2: Conducting an EA of Trade Negotiations



4.1 Phase 1: Preparatory Phase

Preparing to conduct an EA is a crucial phase as it establishes the main parameters of the assessment process. It is during this phase that an EA Committee is formed to determine the environmental assessment requirements in relation to the proposed trade negotiations.

4.1.1 Establishing an EA Committee

...establish an EA Committee

The principal starting point for initiating an EA of a trade negotiation is to establish an EA Committee. While the EA Committee is tasked with making numerous important decisions throughout the course of the EA, some of the most crucial decisions need to be made at the outset. The EA Committee must decide on the structure of the Committee, the scope of the assessment, the work program and requisite resource requirements. The integrity of the EA process rests on the Committee structure and the pivotal role of collective decision-making. With the overarching goal of increased policy coherence, the fundamental role of an EA Committee is to represent the various departmental views thereby informing the negotiation process.

...the EA Committee has considerable flexibility and discretion

The EA Committee has considerable flexibility and discretion in undertaking an EA. In keeping with the principle of self-assessment as defined in the Cabinet Directive, the EA Committee will often have to base decisions on sound judgement rather than conclusive evidence. The discretion afforded to the EA Committee is conditioned by the various avenues for peer review and oversight by departmental colleagues and the EA Steering Committee. Recalling that the second objective of an EA of trade negotiations is to address public concerns, the EAs will have to be able to withstand public scrutiny and any reviews by the Commissioner of the Environment and Sustainable Development.

...the EA Secretariat

The Environmental Policies and Sustainable Development Strategies Division (ESS) within Foreign Affairs Canada serves as the EA Secretariat to provide guidance and assistance to initiate and manage the EA process. The following is a rough outline of the first steps to initiate the EA process.

- ❑ **Develop an understanding of the EA process.** The EA Secretariat should brief the chief negotiator on establishing and managing the EA Committee. It is important to note that neither the chair nor the committee members are expected to be ‘environmental specialists’ in order to either initiate or manage the EA process. Expertise will be provided throughout the process by the EA Secretariat, specialist divisions within the Departments of Foreign Affairs Canada and International Trade Canada, other government departments, and external parties as appropriate.
- ❑ **Identify which departments should be represented on the EA Committee.** The EA Secretariat maintains a listing of departmental economic and trade policy, environment and sustainable development officials to contact when establishing EA Committees. The EA Committee must always have members from the Departments of Foreign Affairs and International Trade, Environment Canada, and the Canadian Environmental Assessment Agency. Other departments,

relevant to the negotiations at hand, should also be represented. Examples of departments likely to be involved include Industry Canada, Finance, Natural Resources Canada, Agriculture and Agri-Food Canada, and Transport Canada. The size of the committee will vary with the nature of the negotiations. With larger negotiations, it may be necessary to have a large EA Committee with smaller, specialized working groups. Or, it may be determined that each individual Agreement or chapter within an agreement should have an EA working group.

- ❑ **Hold an initial meeting to establish the EA Committee.** The purpose of the initial meeting is to establish the membership of the Committee, and to begin determining the appropriate scope of the EA and work program for the Committee. The EA Secretariat should brief the Committee on the EA process. Materials to be provided to committee members include the framework and this handbook, and previous EA reports for illustrative purposes.
- ❑ **Develop materials for second meeting of the EA Committee.** Materials to be distributed before the second meeting of the EA Committee may include a draft timeline for the process, communication mechanisms to be used within the EA Committee, and a general list of the types of information to be collected to begin the Initial EA. This list may be in the form of questions that need to be answered.
- ❑ **Hold second EA Committee meeting.** At this time the Committee should establish the scope and timeline for undertaking the assessment, and tasks should be distributed so that information collection for the Initial EA can begin.

The preceding is not a strict list of steps, but rather a rough indication of the key actions required to initiate the EA process. Subsequent steps are not outlined here because the EA Committee is responsible for delineating these as appropriate in keeping with the framework, the guidance provided in the handbook, the advice provided by the EA Secretariat and the specific nature of the negotiations.

4.1.2 Determining the Scope of the Assessment

...EA timing and scope determined in relation to the trade negotiation process

The EA Committee determines the timing and scope of the EA in relation to the negotiation process. Key steps throughout the negotiations will trigger corresponding complementary action during the EA. Similarly, the level of effort required to carry out the EA should be commensurate with the scale of the negotiations or proposed agreement. With advice and assistance from the EA Secretariat and others, the EA Committee is responsible for determining the appropriate scope of analysis for the EA. The EA Committee is also responsible for defining the work program and timetable to carry out the EA, and the roles and responsibilities of the Committee members in undertaking this work. Roles and responsibilities in the EA process were outlined in section 2.3.

The framework notes that analysis undertaken during EAs will rely largely on existing information, augmented as necessary by additional research. The EA Committee should determine early in the EA process what quantitative and/or qualitative information is available, and how that data should be collected and analyzed, whether individually or

collectively, and internally or externally. The EA Secretariat can advise the EA Committee on this determination.

4.1.3 Preparing a Notice of Intent

A Notice of Intent announces the Government's intention to conduct an EA and invites comments on environmental matters related to the proposed negotiations. This notice can be included with International Trade Canada's primary notification that Canada is entering into trade negotiations multilaterally, regionally or bilaterally. The Notice of Intent will be published and comments will be sought for 60 days, unless a shorter or longer period is considered appropriate and justifiable.

The Notice of Intent is a short statement (only a couple of paragraphs) that should include the following information:

- the nature of the trade negotiations Canada is entering into and with whom;
- a statement that Canada's EA framework will be applied (with a link to the framework and background documents);
- an invitation for public comments with a note that it may be too early in the process for substantial input;
- where people should send comments to (mail and e-mail addresses);
- how long the public has to respond and final date for submissions; and
- where the public can retrieve background information on the proposed trade activity.

The Notice of Intent will be published via the Canada Gazette, and/or the International Trade Canada Web site, and will be sent to consultation lists (via e-mail) of various identified groups and individuals.

An example of text for the Notice of Intent is found in Annex 2.

It is important to note that, in keeping with the discretion accorded to the EA Committee as noted in section 4.1.1, the Committee may determine that a separate Notice of Intent is not required and may choose to issue a Notice of Intent together with the Initial EA.

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**Phase 1 Checklist:
The Preparatory Phase**

By the end of Phase 1, the following should be checked as completed:

- An EA Committee has been formed and has met to:
 - Decide the structure of the committee and member's respective roles, divide the work
 - Organize internal and external communication and engagement
 - Determine the scope of the assessment, outlining the broad parameters of the work program and timetable to carry out the EA
- Initiate the EA Process:
 - Develop an understanding of the EA process
 - Identify which sectors should be represented in the EA
- Prepare and Issue a Notice of Intent:
 - Prepare Notice of Intent
 - Issue Notice of Intent through chosen communication mechanisms with information regarding opportunities for participation

4.2 Phase 2: The Initial EA

...the Initial EA is performed to identify key environmental issues

The Initial EA is designed to identify early in the assessment process the key issues that warrant further attention at later stages. Essential tasks undertaken during this phase include the ‘scoping’ or initial analysis of the range of likely environmental effects of the proposed trade negotiations, as well as the release of an Initial EA Report.

The Initial EA phase is carried out for all trade negotiations. It may indicate that further application of the EA process is not required if environmental impacts are unlikely or insignificant during the initial analysis. In this circumstance, the findings would be documented and published in the Initial EA Report and the public would be invited to provide comments. No further EA action would be pursued unless warranted by new information.

...scoping

‘Scoping’ is a critical step in the preparation of an EA. It helps to identify the most important environmental issues that are likely to arise from the assessment, thereby assisting in the prudent allocation of resources. The scoping process is to identify:

- the important environmental issues to be considered;
- the appropriate boundaries for the study; and
- the information requirements necessary for further analysis.

The scoping process will draw on the knowledge and views of interested bodies with relevant expertise in the subject analysed. The Initial EA Report acts as a ‘scoping paper’ to identify areas of environmental interest and potential concern that might arise during the conduct of negotiations.

The EA Reports, issued at various phases of the EA process, are essentially elaborations of the Initial EA Report. For example, the Draft EA Report will have a similar look and feel to the previous Initial EA Report, but will contain more detail and information as a result of further analysis and consultation.

... Public Participation

Following the Notice of Intent and the period of public comment, the Initial EA Report will be posted on International Trade Canada’s Web site. As well, it may be published in the Canada Gazette. The EA Committee will determine the scope and method for preparing the Initial EA, and for external consultations as appropriate. Once released, comments will be sought for 60 days unless the EA Committee determines that a longer or shorter period is appropriate and justifiable. Comments received will be used in preparation of the Draft EA.

...key sectors

Given that the Initial EA is not an exhaustive analysis, but rather a scoping exercise to identify potentially impacted sectors (see Annex 6 for a listing of key sectors) or trade activities that could have environmental implications as a result of trade liberalization, it is difficult to define how much time should be committed to each stage of analysis due to the varying characteristics of each trade negotiation.

NOTES:

4.2.1 Applying the Analytical Methodology during the Initial EA

The analytical methodology is applied in a cursory manner during the Initial EA phase. The analysis will rely largely on existing information, augmented as necessary by additional research. For each stage, possible questions are provided as guidance for gaining the information required. Each stage of the analysis seeks to establish whether or not a particular trade activity should be subjected to the next stage within the analytical methodology. It is important to reiterate that the four stages are intricately linked. When addressing questions at any given stage in the analysis, all other stages should be kept in mind to ensure that the level of effort applied reflects the possible nature and scope of impacts.

Some basic questions should be answered to provide a basis for the analysis:

- What will the trade negotiations cover?
- What are the general goals of these negotiations?
- What has Canada proposed?

4.2.1 Stage 1: *Identification of the Economic Effect of the Agreement to be Negotiated*

This first stage of the analysis establishes the overall domestic economic relevance of the agreement to be negotiated. The analytical methodology seeks to identify the sectors of the economy that are likely to be affected by the negotiations and/or associated trade-related issues. This is in keeping with the framework, and helps to define the scope of the assessment.

... *Initial EA*
...*Stage 1*

The linkages between trade and environment can be investigated through an examination of the potential changes to trade flows and economic activity arising from an agreement, and specifically the scale, structural, product, technology and regulatory effects that may result.¹

Changes to economic activity can lead to scale and structural effects. **Scale effects** refer to changes in the overall level of economic activity or macro-economic effects of trade agreements. Positive environmental effects may result from economic growth and financial gains when appropriate environmental policies or regulations are in place. In the absence of such policies or regulations, or when they are impeded or not enforced, negative environmental effects may result, such as unsustainable use of natural resources or pollution resulting from trade-related increases in transportation.

Structural effects refer to the changes in the patterns of economic activity or micro-economic effects of trade agreements. Positive effects may result when the agreement promotes the efficient allocation of resources and efficient patterns of

¹ Discussion of scale, structural, product and technology effects based on OECD, 1994.

production and consumption. Negative effects may result when the patterns of consumption are inefficient or unsustainable and/or when appropriate policies and regulations are not present. Baseline scenarios may be established as appropriate at this stage to help measure the changes resulting from the trade negotiations.

Changing trade flows can lead to product, services and technology effects. **Product effects** pertain to changes in trade flows of goods and/or services. Positive effects may result when an agreement leads to increased trade in beneficial products, such as energy-efficient goods. Negative effects may result if the agreement leads to an increase in the production and trade of products that have direct or indirect negative impacts on the environment.

Technology effects relate to changes in the flow of technologies, for example, technologies that reduce the resource requirements (energy, inputs) or reduce or eliminate pollution that may otherwise result from production.

Regulatory effects refers to the likely legal and/or policy effects of agreements. Positive effects may result when appropriate environmental regulations, standards or other measures are in place to address macro- and micro-economic changes. Negative effects may result when appropriate environmental policies or regulations are not present, or if the agreement impedes the development or implementation of such policies or regulations.

Employing largely existing information, the nature and scope of the agreement to be negotiated and its economic relevance to Canada could be analysed by pursuing the following illustrative lines of inquiry:

■ **Scale Effects:**

- Will the agreement likely increase or decrease, and by how much, the imports or exports of broad categories of goods, services, or investments?
- Will the agreement likely lead to increased or decreased consumption of specific products or services, and, if so, by how much?
- What is the overall economic significance of this sector? Possible indicators to consider include:
 - % of GDP
 - Annual Sales
 - Employment
 - Trade (Canada)
 - Trade (% of sales)
 - Balance of Payments
 - Investment

*...some
guiding
questions*

■ **Structural Effects:**

- In which sectors will economic activity likely increase/decrease?

- Is the pattern of economic activity expected to change (eg. allocation of resources, patterns of productions, change in consumption) as a result of the negotiations?
- Are the economic effects concentrated in particular regions?

■ **Product Effects:**

- Trade liberalization will affect the import/export of which specific products and/or services? And by how much?

■ **Technology Effects:**

- How will trade liberalization affect the production/consumption of these products?

■ **Regulatory Effects:**

- Would domestic economic policy changes be required as a result of the agreement? If so, what sort of changes might be required?

Some suggested resources to help in answering these questions:

- Industry Canada's on-line site 'Strategis' is an invaluable information source which contains trade data by product and standard industry code, and aggregate data for both exports and imports with other countries
www.strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html
- The Trade and Economic and Analysis Division (EET) within International Trade Canada, and similar economic analysis units in other departments, should be consulted for assistance with identifying and collecting of information. To this goal they produce, each year, an annual report on Canada's state of trade
www.dfait-maeci.gc.ca/eet/menu-en.asp
- Other likely resources will include expertise and data from relevant sources including various levels of government, academic institutions, and private sector institutions and organizations. See the annotated bibliography for a partial listing of resources.

NOTES:

4.2.1 *Stage 2: Identification of the Likely Environmental Impact of Such Economic Changes*

... Initial EA **...Stage 2**

With the information gained and analysis completed in stage one, the second stage of analysis will be to identify the likely environmental impacts following from the economic changes in Canada with respect to the particular sectors. The same categorization is employed as in the previous stage:

■ **Scale Effects:**

- How will the increase of activity in certain sectors (transportation, energy, resource extraction) impact the environment? To what level and in which proportion?
- Are the effects located in specific regions and/or sector(s) of the economy?

■ **Structural Effects:**

- What are the environmental impacts of expected changes to the patterns of economic activity arising from the trade negotiations?
- What are the central environmental concerns in the sector(s) related to the economic change? This may be indicated by corporate environmental reports, current reporting obligations, activities of industry associations, and research institutions.

■ **Product Effects:**

- What do current studies of environmental impacts in the sector(s) related to the economic change indicate?
- What is the effect of increased/decreased trade flows of certain products on water/air quality, soil, the flora and fauna, etc?
- How will the increase/decrease in the production of specific goods and services, as a result of the trade negotiations, affect the environment?
- Will the trade negotiations lead to increases or decreases in production? How will the increases/decreases in production and/or flow of products due to the trade negotiations affect natural resources extraction, input requirements (energy, material, labour) and outputs (air/water pollution) and externalities?

■ **Technology Effects:**

- What is the consequence of changed trade flow of environmentally sound or harmful technologies?

■ **Regulatory Effects:**

- How is the economic change related to any current environmental regulations, standards, or voluntary initiatives?
- Are there current international environmental agreements or negotiations related to the sector(s)?

*... establishing
and using
indicators*

To help establish the likely environmental impacts resulting from economic changes and to monitor progress it will be useful to establish **indicators** to project and measure change in diverse areas. Indicators serve to facilitate both the evaluation of impacts (basis for monitoring) and the understanding and presentation of the results (selective by sector). Indicators are useful as they can reduce the total amount of data required for assessments and they also furnish a simplified way of analysing and presenting results. They provide early identification of trends, as well as suggesting causal relationships, making intricate linkages easier to understand.

There is a wide range of indicators available to study environmental impacts. The careful selection of indicators is crucial to achieve relevant and credible results. The following criteria should be considered when selecting appropriate indicators:

Indicators should:

- be easily measurable and quantifiable;
- be scientifically reliable and sound;
- be appropriate for the sector they are meant to represent;
- focus on key components and reflect actual concerns;
- as a group, be balanced in their coverage of economic and environmental aspects; and
- be comprehensive and compatible when analyzed collectively.

Most EA methodologies use a set of core indicators:

- economic indicators such as real income; fixed capital formation; and employment.

- environmental indicators such as air and water quality; biodiversity; and depletion of natural resources.

See Annex 9 for more guidance on indicators and sources of information.

...determining likelihood

Another important aspect of the environmental impact assessment is the determination of the **likelihood** that certain environmental impacts will occur due to the trade negotiation. The likelihood provides insight into the probability that an identified environmental impact will occur, where likelihood represents a qualitative value, and probability represents a quantitative value. The quantitative measure of probability can be associated with the qualitative terms of likelihood, as shown in the example below:



Exposure, which is the regularity with which an activity occurs, may increase the likelihood that a given environmental impact will occur. It can be described in terms such as:

- never
- yearly
- monthly
- weekly
- daily
- continuously

The determination of likelihood involves both judgement and measurement, as may be required. Assigning the best estimate for likelihood can be challenging, depending on the nature of the impact, whether an increase or decrease in exposure is relevant, and the availability of previous data. For example, detailed historical records of flooding due to soil erosion can help to assess the likelihood of future flooding due to the same cause. However, in areas where little or no previous data exists, it will be necessary to estimate a likelihood based on judgement, similar past experiences and expertise.

Any determination of likelihood must consider the scientific uncertainty associated with the data and the resulting assessment, and thus the EA Committee should account for the limitations of such an evaluation in its Report. When determining the likelihood of environmental impacts, it is important to remember that both positive and negative environmental impacts should be identified and assessed.

NOTES:

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4.2.1 Stage 3: *Assessment of the Significance of the Identified Likely Environmental Impacts*

...Initial EA ...Stage 3

After the most likely domestic environmental impacts have been identified, they must be evaluated to determine their significance. The attribution of significance begins early and extends throughout the EA process. To accomplish this evaluation, the committee must first establish criteria to measure impact, then determine what constitutes a significant environmental impact using appropriate environmental indicators. Evaluation of significance helps focus resources and define priorities for the remainder of the EA process.

...defining significance

The concept of significance is difficult to define, as it is subjective in nature. Common understanding of the term correlates increasing significance with the magnitude and/or the severity of the impact. To assess significance requires consideration of duration, frequency, permanency, magnitude, impact on quality and quantity of environmental indicators, geographical cover and ecological context, and effects on people resulting from environmental impacts. Environmental impacts cannot always be predicted, modelled or completely described to allow the application of those approaches that would be considered standards, objectives or criteria. Establishing the effects of “significance” also involves considering the level of risk, certainty, burden of proof and weighing of decision-making factors.

...determining significance

The following questions are provided to guide the EA Committee in determining significance of impacts. When assessing significance, both positive and negative environmental impacts should be subject to analysis.

- What is the **nature** (positive or negative, cumulative, indirect) of the impact?
- What is the **geographical scale** of the impact (local, regional, or national) and are there any trans-boundary impacts that will affect the Canadian environment (for example, fish stocks)?
- What is the **magnitude** of the impact (inconsequential, minor, moderate, major, extreme, catastrophic)?
- What is the **frequency** (rarely, often, constantly or intermittent) and **duration** (short, medium, or long-term) of the impacts? Does the impact represent a one-time impact or does it occur repeatedly?
- What is the **timing** of the impacts (immediate or delayed)?
- What is the **extent** of the effects (area, volume, distribution)? What is the ecological context of the impacts?
- What is the **severity** of the impact (permanency, reversibility, carrying capacity, likelihood of resiliency and time required)?
- Does the impact conflict/complement commitments made under bilateral or

multilateral environmental commitments?

- Does the impact affect human health?

If it is determined that no likely significant environmental impacts will result from the trade agreement to be negotiated, this will be documented and no further assessment action should be required. However, environmental factors will continue to be considered on an ongoing basis particularly as new information arises during the course of negotiations.

4.2.1 Stage 4: Identification of Enhancement / Mitigation Options to Inform the Negotiations

... **Initial EA**
...**Stage 4**

Stages 1 to 3 have identified in a cursory manner the economic effect and the expected environmental impacts of negotiations and assessed their likelihood and significance. Stage 4 identifies the policy options or actions to address those impacts. Enhancement activities increase the benefits that may accrue to environmental quality, while mitigation actions take steps to control possible negative environmental impacts.

Examples of possible enhancement and/or mitigation options to consider include altering the negotiating position, introducing negotiations for complementary cooperative agreements on environmental issues, introducing or modifying existing policies or programs, and implementing monitoring mechanisms. The same analytical stage is carried out with more rigour in the Draft EA phase when further analysis has been conducted on the various environmental impacts, and the optimal enhancement/mitigation options are better known.

Some questions to guide the analysis:

- Are there initiatives (in the sector identified as of economic importance to the trade agreement) to encourage environmentally sound resource development? To identify initiatives, it is useful to consider government (e.g. regulation, policies, plan or program initiatives) and private sector initiatives (e.g. business, non-governmental codes of conduct).
- Are there ways to harmonize different standards/options/regulations?

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4.2.2 Preparing an Initial EA Report

After the Initial EA analytical methodology is complete, the Initial EA Report is compiled or commissioned by the EA Committee. It will summarize the most likely and significant environmental impacts that may arise as a result of the proposed trade agreement. Following a review and discussion within the EA Committee, members should consult within their respective departments/agencies and consolidate comments. The document should then be revised to reflect comments received from departments before it is forwarded to members of C-Trade and appropriate SAGITs for their review and comments. Comments should then be sought from the public for 60 days unless either a longer or shorter period is deemed appropriate by the EA Committee. Comments received during the specified period will be used in the preparation of the Draft EA.

The Initial EA Report should contain some key elements:

- a description of methodological developments, if any, since past studies;
- an account of the state of trade relations between Canada and the other countries in the negotiations;
- a statement of Canadian goals in the negotiations;
- a selective review of literature, tools and references relevant to the EA of negotiations underway;
- a screening exercise of key issues and probable impacts.

While Initial EAs will be conducted for all trade negotiations, it may be determined that a full environmental assessment is not required if significant environmental impacts are unlikely to occur. In that event, such circumstances would be documented and published in the Initial EA Report and no further EA action would be required unless additional information becomes available. Otherwise, further assessment is undertaken in the Draft EA phase.

NOTES:

Phase 2 Checklist: The Initial EA

Under the leadership of its chair(s), the EA Committee should:

- Carry out pre-scoping analysis using the four-stage analytical methodology, identifying preliminary indication of likely and significant environmental impacts of the proposed trade agreement
- Conduct “quality control” of information:
 - evaluate capacity for monitoring and reporting
 - organise systematic collection of data
 - ensure sound science and reliability of sources
 - evaluate availability of required information
- Determine the strategy for engagement based on guidance provided in Chapter 3
- Engage the C-Trade forum and identify jurisdictional issues with provinces and territories
- Produce an Initial EA Report by designated/ lead International Trade Canada division
- Circulate the Initial EA Report for comments interdepartmentally, C-Trade, SAGITS and other relevant interdepartmental networks
- Release Initial EA Report through established communication mechanisms, with information about opportunities for feedback and consultation
- If required, start reviewing those environmental implications identified in the Initial EA Report for a more thorough analysis in the Draft EA phase.
- Evaluate the need to conduct further analysis

4.3 Phase 3: The Draft EA

...the Draft EA will continue to inform the negotiators

The Draft EA phase involves a more detailed examination of the likely environmental impacts of trade negotiations based on further analysis and consultations, and the release of a Draft EA Report at the start of, or during, the negotiations. The Draft EA will continue to inform the negotiators of the identified environmental concerns during the conduct of the negotiations.

...the Draft EA should re-visit questions asked previously

This section elaborates on the procedural and analytical steps detailed in previous sections. The Draft EA should outline and analyze in further detail those issues identified in the Initial EA as having the most likely and significant environmental impacts. As well, any new comments or concerns identified from the submissions received throughout the consultation process are considered. The Draft EA phase will follow the same analytical methodology outlined in the Initial EA. It is important to reiterate that the lines of inquiry offered are for illustrative purposes and EA Committees will need to exercise judgement in their application. As well, the illustrative lines of inquiry used during the Initial EA should be re-visited, as appropriate.

Before reviewing the suggested analytical and procedural steps to prepare a Draft EA, two suggestions are offered to assist in organizing the analysis: establishing and using scenarios to conduct the analysis; and grouping the analysis on a sectoral basis.

...establishing and using scenarios

The EA Committee may wish to organize its research around one or more scenarios of possible outcomes of the negotiations. Three scenarios are offered below as examples. It is important to underscore that the use of scenarios is not a statement of Canada's objectives. Rather, it is strictly a tool for conducting the analysis. Furthermore, it is important to underscore that scenarios are to be used at the discretion of the EA Committee and may not be appropriate in certain cases.

- A base scenario representing *status quo*, from an environmental standpoint, of the trade relationship between the negotiating countries. In other words, no new agreement is achieved. The principle purpose of this scenario is to provide a “benchmark” for comparative purposes.
- A modest result scenario which assumes the negotiations result in tariffs being cut by 50 per cent of present levels.
- An ambitious result scenario which assumes that tariffs are completely eliminated.

**...organizing the
research on a
sectoral
basis**

Trying to tackle the analysis of the impact of the trade negotiations at once can be a rather daunting prospect, and it is recommended that the EA Committee approach the undertaking on a sectoral basis, and then connect the results. A sectoral approach can also help to facilitate the work to be carried out by participating departments and agencies.

To carry out the analysis on a sectoral basis, it is necessary to identify the sectors of the economy that are likely to be affected by the areas covered by the trade negotiations, and then estimate the range of environmental impacts the negotiations may have on those sectors. EA Committees may also choose to establish priority sectors for analysis within the EA, and Box 4.1 offers criteria in this regard.

Box 4.1 Criteria for selecting priority sectors

The following criteria are offered to help identify priority sectors:

- The sector is important to the national economy and in particular in its contribution to export revenues.
- The sector relates directly or indirectly to major environmental media and natural resources
- The sector relates directly or indirectly to important issues of equity and social well-being
- The sector provides a strategic natural resource (such as a certain foodstuff) that a large proportion of the population depend upon for their livelihood
- The sector has been, or might become, the subject of changes in economic rules induced by trade-related policies
- The sector is one with significant trade flows in both volume and financial terms and is experiencing changes in trade flows
- The sector is one where one might expect, *a priori*, that there are important sustainability effects attributable to trade-related policies.

Source: United Nation Environment Programme, Reference Manual for the Integrated Assessment of Trade-Related Policies p.12 (drawing on the work of the OECD, NACEC, and WWF)

4.3.1 Applying the Analytical Methodology for the Draft EA

4.3.1 Stage 1: *Identification of the Economic Effects of the Agreement to be Negotiated*

During stage 1 of the Initial EA, the economic importance of the agreement to Canada was established and possible changes to the economic landscape were identified in a cursory manner. By the beginning of the Draft EA phase, there should be increased knowledge of the negotiations and the issues, thus a more detailed analysis may be feasible. Any new economic analysis that pertains to the negotiations should therefore be carried out. Those sectors or trade-related issues that have been identified as factors influencing the economy will be the focus of the analytical methodology. This first stage is very important as it provides the necessary information from which to extrapolate environmental impacts.

...categorization of economic impacts

The categorization of linkages between trade and environment outlined earlier in the section on the Initial EA is applicable throughout the Draft EA phase, and are reiterated below.

Changes to economic activity can lead to scale and structural effects. **Scale effects** refer to changes in the overall level of economic activity or macro-economic effects of trade agreements. Positive environmental effects may result from economic growth and financial gains when appropriate environmental policies or regulations are in place. In the absence of such policies or regulations, or when they are impeded or not enforced, negative environmental effects may result, such as unsustainable resource use or pollution resulting from trade-related increases in transportation.

Structural effects refer to the changes in the patterns of economic activity or micro-economic effects of trade agreements. Positive effects may result when the agreement promotes the efficient allocation of resources and efficient patterns of production and consumption. Negative effects may result when the patterns of consumption are inefficient or unsustainable and/or when appropriate policies and regulations are not present. Baseline scenarios may be established as appropriate at this stage to help measure the changes resulting from the trade negotiations.

Changing trade flows can lead to both product and technology effects, including services. **Product effects** pertain to changes in trade flows of goods and/or services. Positive effects may result when an agreement leads to increased trade in beneficial products, such as energy-efficient goods. Negative effects may result if the agreement leads to an increase in the production and trade of products that have direct or indirect negative impacts on the environment.

Technology effects relate to changes in the flow of technologies, for example, technologies that reduce the resource requirements (energy, inputs) or reduce or eliminate pollution that may otherwise result from production.

Again, using largely existing information, supplemented as appropriate by new research, the nature and scope of the agreement to be negotiated and its economic

relevance to Canada could be analysed by pursuing the illustrative lines of inquiry offered below. The analysis undertaken is at the **macroeconomic** scale and the key economic trends that impact a specific sector.

*...illustrative
lines of
inquiry*

■ **Scale Effects:**

- Have the goals of the negotiations changed, become clearer?
- What is the overall economic significance of the different sectors to the agreement? How will these sectors be affected?
- How large will the changes in imports or exports be?
- Will the agreement likely increase or decrease, and by how much, the imports or exports of specific types of goods, services, or investments?
- Will the agreement likely lead to increased or decreased consumption of specific products or services, and, if so, by how much?

■ **Structural Effects:**

- In which sectors will economic activity likely increase/decrease?
- Is the pattern of economic activity expected to change (eg. allocation of resources, patterns of productions, change in consumption) as a result of the negotiations?
- Are the economic effects concentrated in particular regions?
- Would domestic economic policy changes be required as a result of the agreement? If so, what sort of changes might be required?
- What are the economic implications of high vs. minimal liberalization?
- How will the identified sectors be affected in terms of GDP, sales, employment?
- How will investment flows be affected, if at all?

■ **Product Effects:**

- Trade liberalization will affect the import/export of which specific products and/or services? And by how much?
- What is the impact on the level of trade flow (import/export) of products and/or services?
- What are the foreseen changes in the types/characteristics of goods and

services and their distribution?

■ **Technology Effects:**

- How will trade liberalization affect the production/consumption of these products?
- What are the expected changes in the volume, pattern, and modes of transportation?

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4.3.1 Stage 2: Identification of the Likely Environmental Impact of Economic Changes

... Draft EA ...Stage 2

A more rigorous series of questions is asked at this stage of the Draft EA to establish a detailed understanding of the likely environmental impacts of economic changes related to the negotiations. The same definition of likelihood employed in the Initial EA (*Section 4.2.1 Stage 2*) is applied, and again, both positive and negative environmental impacts are to be considered. This analysis will require collaboration with environmental specialists from the relevant federal departments and agencies. As well, the EA Committee may wish to seek expert analysis from outside the government as appropriate.

The credibility of an EA is based on the appropriate use of scientific principles and practices. There is an obligation, therefore, to use widely recognized standards and trustworthy sources for data gathering during the analysis to ensure a transparent, objective and credible report.

... Environmental Indicators

Environmental indicators established during the preparation of the Initial EA should be reviewed and refined as appropriate, or established if not previously done so. The criteria for establishing environmental indicators should be measurability, consistency, reliability and flexibility. Relevant indicators are quantifiable and identifiable measurements of environmental quality that assist in determining the likely environmental impacts of economic activities. To fulfill this goal it is important that the selected indicators be reflective of the complexity of the sector they are meant to cast light on, and that they have the potential to indicate something about more than one area or sector.

- What environmental quality indicators currently exist that may act as a measure to environmental impact? (See Annex 9)
- Are the current indicators yielding relevant information? Are they adequate for the questions they attempt to answer?
- Are there relevant indicators for all sectors under analysis?

■ Scale Effects:

- Will the trade negotiations increase or decrease the availability of environmental goods and services, the consumption of ecologically sensitive inputs, the movement of environmentally-hazardous goods, or any other environmental externalities?
- How will the increase of activity in certain sectors (transportation, energy, resource extraction) impact the environment? To what level and in which proportion?
- Are the effects located in specific regions and/or sector(s) of the economy?
- How is natural resource development affected by the economic change and

are there initiatives to encourage environmentally sound natural resource development?

- Is there a change in energy demand that results from the economic change and are there initiatives to encourage energy efficiency?
- What is going to be the likely impact on environmentally sensitive areas and endangered species?

■ **Structural Effects:**

- What are the environmental impacts of expected changes to the patterns of economic activity arising from the trade negotiations?
- What are the central environmental concerns in the sector(s) related to the economic change? This may be indicated by corporate environmental reports, current reporting obligations, activities of industry associations, and research institutions.

■ **Product Effects:**

- What do current studies of environmental impacts in the sector(s) related to the economic change indicate?
- What is the effect of increased/decreased trade flows of certain products on water/air quality, soil, the flora and fauna, etc?
- How will the increase/decrease in the production of specific goods and services, as a result of the trade negotiations, affect the environment?
- Will the trade negotiations lead to increases or decreases in production? How will the increases/decreases in production and/or flow of products due to the trade negotiations affect natural resources extraction, input requirements (energy, material, labour) and outputs (air/water pollution) and externalities?
- Is there an impact on the amount/type of wastes produced by the sector(s) associated with the economic change?

■ **Technology Effects:**

- What is the consequence of changed trade flow of environmentally sound or harmful technologies?
- Is there an impact on transportation demands as a result of the economic

change? Will it involve a new process or delivery arrangement with environmental implications?

- Will the trade negotiations promote/ facilitate or discourage the transfer of environmentally-responsible technologies? Are there any trade-related obstacles to the advancement of cleaner technologies?

■ **Regulatory Effects:**

- How is the economic change related to any current environmental regulations, standards, or voluntary initiatives?
- Are there current international environmental agreements or negotiations related to the sector(s) to which Canada is a party?
- Are there issues of public concern regarding government policy in the sector?

*...cumulative
impact*

Once the sectoral analysis has been conducted, of ultimate interest is the **cumulative impact** of the different pressures on ambient components of the environment. Notwithstanding that these components are intricately interrelated and thus difficult to assess in the aggregate, the EA Committee should endeavour to combine the findings of the various sub-committees to determine whether cumulative impacts are likely to occur, and how these should be addressed. A useful mechanism to evaluate cumulative impact is the causal chain, as it helps to demonstrate cause-and-effect relationships, when science permits, between various elements.

There exists a wide variety of tools and methods available to further assess the impacts of trade liberalisation policies on specific regions: empirical estimation, analytical methods, data-based methods (statistical estimation), descriptive methods (case studies), expert opinions, consultations and others. These usually require the help of economists and scientists who can interpret the outcomes of the different models and scenarios.

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4.3.1 Stage 3: Assessment of the Significance of the Identified Likely Environmental Impacts

... Draft EA ...Stage 3

The Draft EA will require a more thorough and substantial elaboration of the significance of the environmental impacts identified during the Initial EA. As outlined in Section 4.2.1 (Stage 3), while the concept of significance is difficult to define as it is subjective in nature, there are guideposts to help determine “levels of significance.” Based on those guideposts, Committees may wish to establish a scale of significance using descriptors such as low, medium and high. Any scale established should describe the criteria or rationale employed in the analysis.

If the impacts cannot be quantified or reasonably approximated, the EA Committee, to the best of its ability and considering available information, should attempt to judge the likelihood that the impact in question will reach significant proportions. The analysis undertaken to reach these conclusions should be explained in the Draft EA Report.

Further illustrative lines of inquiry to consider when evaluating the level of significance include the following:

- Are there possible synergies (positive and/or negative) with other environmental impacts? Related influences or cumulative impacts?
- What is the ecological context of the likely environmental impact?
- What are the short term and long term effects and how do they differ?

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4.3.1 Stage 4: Identification of Enhancement / Mitigation Options to Inform the Negotiations

The final stage of analysis is the consideration of enhancement and mitigation options. In the Initial EA, options for enhancement or mitigation may have been developed and/or proposed depending on the level of analysis and information available at that time. A key component of the Draft EA will be to expand and elaborate the enhancement and mitigation options available to address the identified likely and significant environmental impacts. Canada's negotiators will wish to have clear assurances that current policies, plans or programs are in place, or can be introduced, to enhance positive and/or address negative impacts identified..

... enhancement and mitigation options

The enhancement and mitigation options would assist the negotiators in identifying, as appropriate, what steps can be taken outside or within the negotiations to either reduce or enhance environmental outcomes. Examples of possible options include:

- Abandon a negotiating position and developing a new approach;
- Retain a negotiating position;
- Retain a negotiating position with the assurance that other steps can be taken to mitigate the effects (such as parallel environmental agreements);
- Establish new, or modify existing policies or programs to address and/or enhance the environmental impacts;
- Establish mechanisms for follow-up to monitor the outcomes of an agreement in the course of its implementation, create bodies to investigate and enforce the agreement;
- Work with like-minded countries or organizations on issues identified during the course of the assessment (collaborative agreements or other joint initiatives); and/or
- Negotiate the addition of provisions/regulations to allow for environmental concerns.

If mitigation/enhancement options cannot be addressed directly at the negotiations phase, other options need to be evaluated, these options can be:

- measures by government to remedy market failures;
- reinforcing existing mechanisms; and
- enacting regulations: competition laws, environmental laws, etc.

Several mitigation measures entail legislation and/or policy work by government. However it is important to note that, as international agreements are ratified, they may influence how governments regulation is formulated in certain areas. Therefore it is equally

important to examine whether and how the agreement might influence Canada's regulatory process regarding environmental measures. To help in answering these questions, it might be appropriate to ask if trade questions were considered in the drafting of legislation and if existing regulations can face the cumulative and retroactive effect of the trade liberalisation agreement. Other questions to help in this analysis are:

- Is the ability to develop environmental regulations or standards affected by the possible economic change?
- Are there appropriate regulations already in place to help in enhancement / mitigation? If not, what time frame would be reasonable for enactment of such regulations?
- What is the sector/environment/government ability to respond to unexpected environmental impacts?
- Will the trade agreement affect the federal/provincial/ territorial governments' ability to regulate environmental protection or to enhance environmental benefits?
- Is there increased pressure on public infrastructure that results from the economic change?
- Will the trade negotiations affect the achievement of an environmental quality goal (e.g., reduction of greenhouse gases or protection of endangered species)?
- Does the identified environmental impact conflict with Canada's existing commitments under multilateral environmental agreements (MEAs), such as the Montreal Protocol, the Bio-diversity Convention, the Kyoto Protocol?
- Are there provincial/territorial jurisdiction issues that prevent or facilitate enhancement and mitigation?
- Would domestic economic policy changes be required as a result of the agreement? If so, what sort of changes might be required?
- Are environmental management tools available and being used to address the environmental concerns?
- What is the risk posed by the agreement on Canada's ability to make environmental management decisions or regulations?

The effects of the economic liberalization are intrinsically related to the timing of the entry into force of the agreement and structural resiliency of the country. These will dictate how long and how challenging the transitional process of economic restructuring will take. We need rules that keep pace with the needs of our modern economy, that are anticipatory and provide fair and predictable conditions for economic and social development while promoting environmental conservation.

The work program associated with the introduction of enhancement and/or mitigation options may be pursued within the negotiations, but will more likely be pursued outside the negotiations separately as policy responses. The resulting work still needs to be linked at various stages to the EA. In keeping with the objective of increasing policy coherence within the federal government, EA Committee members should ensure that the appropriate sections/individuals have been involved and/or informed throughout the EA process. Intra-departmental communication is essential to ensure that suitable policy responses are prepared to address the EA findings. Pursuing a parallel environmental regime or agreement to complement the trade agreement is an option previously pursued by Canada.

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4.3.2 Preparing the Draft EA Report

The findings of the four stages of analysis are documented in the Draft EA Report, prepared or commissioned by the EA Committee. EA Committee members consult within their respective departments to ensure that the Draft EA Report reflects a balance of departmental views. The EA Committee should then forward the EA Report to C-Trade Committee, as well as any Sectoral Advisory Groups (SAGITs) as appropriate, for review and comment. The EA Committee should then release the EA Report to the public through established communication mechanisms, and seek comments for 60 days unless a shorter or longer period is considered appropriate and warranted. Comments received during the specified period would be considered during the course of negotiations. This does not preclude the opportunity for comment at any point during negotiations, particularly as new issues arise.

The Draft EA should contain the following sections:

- Executive summary
- Table of contents
- Purpose of the assessment
- Objectives of the proposed trade agreement
- Analysis of impacts per sector
- Integrated analysis and findings
- Conclusions and suggestions
- Appendices

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Phase 3 Checklist: The Draft EA

Under the leadership of its chair(s), The EA Committee should:

- Use comments from the Initial EA phase to inform Draft EA phase
- Determine the strategy for engagement based on guidance provided in Chapter 3
- Complete all four stages of the analytical methodology: identify the economic effects, and the significance of likely environmental impacts of the proposed trade agreement, and develop enhancement and mitigation options
- Engage the C-Trade forum to identify any jurisdictional issues with provinces and territories
- Produce / commission Draft EA Report by the designated/ lead International Trade Canada division in collaboration with co-leads
- Circulate Draft EA Report for comments amongst EA Committee, C-Trade, SAGITs and relevant interdepartmental networks
- Update 'formal' and 'informal' consultation lists
- Publish the Draft EA Report through established communication mechanisms for an appropriate time period, with information on how feedback will be provided.

4.4 Phase 4: Negotiations

This phase calls for the continued use of the Draft EA Report to inform the negotiations. If required, further analysis is also conducted using the same four stage analytical methodology previously outlined.

4.4.1 Employing the Draft EA During the Trade Negotiations

The results of the Draft EA will be used by negotiators to further develop and refine Canada's negotiating position. Given the confidentiality of the negotiating process, further assessment, if any, during the negotiations would not normally be made public, but would be documented in the Final EA Report issued at the conclusion of negotiations. As indicated earlier, the C-Trade Committee and SAGITs are bound by confidentiality agreements and may be engaged during the negotiating period on EA matters.

Given the Canadian government commitment to a transparent policy development process, the EA Committee may provide public updates on the negotiations and consultations on new issues that occur during the negotiations. If the negotiations are expected to take place over a prolonged period of time, and as any new circumstances or issues arise during the negotiation process, further research to complement the Draft EA Report may be warranted. The negotiators may also request further analysis on specific issues.

4.4.2 Applying the Analytical Methodology during Negotiations

If required, any new analysis of environmental impacts of the negotiations would be undertaken using the same four stage analytical methodology described throughout Chapter 4. Any new analysis required would be undertaken or commissioned by the EA Committee, with advice and assistance from the EA Secretariat. The new analysis would be documented and outlined in the Final EA Report.

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Phase 4 Checklist: Negotiations

During the Negotiation Phase, the EA Committee should:

- Use the Draft EA Report to inform the negotiations
- If required, undertake or commission any new analysis of environmental impacts of the negotiations using the same four stage analytical methodology described throughout Chapter 4. Any new analysis undertaken should be documented and outlined in the Final EA Report.
- Assess the need for more information to be collected
- If required, refine Canada's negotiating position
- Provide public updates as appropriate
- Evaluate new issues that arise during negotiations using analytical methodology outline in the framework

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4.5 Phase 5: The Final EA

The Final EA Phase involves the documentation of any new information related to the Negotiations Phase of the EA process, and the examination, as appropriate, of the enhancement and mitigation options that were considered during the negotiations.

4.5.1 Applying the Analytical Methodology for the Final EA

If any new analysis was conducted during the negotiations phase, the outcome of that analysis should be documented in the Final EA Report. In the context of comprehensive multilateral trade negotiations, for example at the WTO or FTAA, EAs would be undertaken using an agreement-by-agreement approach, with sub-committees pursuing assessments on various tracks. The Interdepartmental EA Steering Committee would undertake or commission the consolidation of the various Final EA Reports produced by the sub-committees to examine the cumulative impacts, if any, of the negotiations. Again, such analysis would be undertaken using the same four stage analytical methodology described throughout Chapter 4.

4.5.2 Preparing the Final EA Report

The purpose of the Final EA Report is to document the outcome of negotiations in relation to the EA process. The Final EA Report is prepared or commissioned by the EA Committee. Input will be required from individuals directly involved in the negotiation process, if not already represented on the EA Committee, to identify how environmental considerations were integrated into the negotiation decision-making process in relation to enhancement and mitigation options identified in the Draft EA. The Final EA Report will be posted on Web site and/or published in the Canada Gazette after negotiations have concluded.

The Final EA Report may identify the following:

- How the Draft EA informed the negotiations, and any pertinent information regarding the relationship between the EA process and the negotiations;
- Subsequent analysis undertaken during the course of negotiations and the anticipated environmental implications, if any;
- Subsequent analysis, if any, undertaken after the negotiations and the anticipated environmental implications, if any;
- Any notable divergence from the Draft EA Report;
- Final assessment of environmental implications and accommodation of the new trade agreement;
- Any additional information or comments received from the public on the EA process and findings during the course of negotiation; and
- How the Final EA Report could be disseminated for use by federal departments and

agencies, other levels of government, aboriginal groups, business groups, non-governmental organizations, and the public.

The EA Committee will use the Final EA Report to communicate these points, and demonstrate the steps taken to integrate environmental considerations into the trade negotiations.

Comments on the Final EA Report will be welcome from the public and will be useful in the periodic updating/improvement of the framework as experience and knowledge is gained in applying the framework.

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Phase 5 Checklist: The Final EA

The Final EA Report is prepared or commissioned by the EA Committee, and those involved in the negotiating process. During the Final EA phase, the EA Committee should:

- Identify and document the findings and actions since the Draft EA Report
- Examine any new information as appropriate
- Evaluate mitigation/enhancement options discussed during the negotiations
- Determine the timetable and responsibilities to produce the Final EA Report
- Produce the Final EA Report:
 - identify the ways in which environmental considerations were integrated into the decision-making process
 - document the outcome of the negotiations in relation to the EA process
 - establish requirement for follow-up
- Seek departmental comments on the Final EA Report from C-Trade and SAGITs
- Publish the Report through communication mechanisms, including information on how comments can be submitted.

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4.6 Phase 6: Follow Up & Monitoring

The Follow Up and Monitoring Phase involves the review of any mitigation/enhancement actions recommended by the EA Committee in the Final EA Report. Follow up and monitoring can take place at any time during the implementation of the concluded trade agreement on the recommendation of the Steering Committee.

Follow up activities may include *ex post* environmental studies to determine the accuracy of the original EA findings. Monitoring includes any on-going activities to assess impacts and/or the effectiveness of mitigation/enhancement measures established in response to recommendations identified in the Final EA Report.

The EA Steering Committee will be responsible for leading the continual improvement of the EA process generally, and the periodic revision of the framework. This may include development of a system to compile the various EA Reports and establish a monitoring system to track the environmental performance of a trade agreement with respect to its Final EA Report recommendations and mitigation options. In the WTO context, the results of follow up and/or monitoring activities may be useful as part of Canada's obligations under the Trade Policy Review Mechanism (TPRM).

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Annex 1: Canada's Framework for Conducting Environmental Assessments of Trade Negotiations

Annex 2: Checklists

Checklists for communication and the analytical methodology provided throughout the handbook. These checklists can be used for documenting the EA process.

Phase 1 Checklist: Preparing to Conduct an EA

By the end of Phase 1, the following should be checked as completed:

- An EA Committee has been formed and has met to determine:
 - Organize internal and external communication and engagement lists
 - Write notice of intent
 - Launch notice of intent through chosen communication mechanisms with information regarding opportunities for participation via
 - the Canada Gazette, and/or
 - the ITCan and FAC web site with press release, and
 - Consultation lists (via e-mail), or
 - Various identified groups and individuals

Phase 2 Checklist: The Initial EA

Under the leadership of its chair(s), the EA Committee should:

- Carry out pre-scoping analysis using the four-stage analytical methodology, identifying preliminary indication of likely and significant environmental impacts of the proposed trade agreement
- Determine the strategy for engagement based on guidance provided in Chapter 3
- Engage the C-Trade forum and identify jurisdictional issues with provinces and territories
- Produce an Initial EA Report by designated/ lead ITCan division
- Circulate the EA Report for comments interdepartmentally, C-Trade, SAGITS and other relevant interdepartmental networks
- Determine consultation lists for 'formal' and 'informal' groups
- Release Initial EA Report through established communication mechanisms, with information about opportunities for feedback and consultation
- If required, start reviewing those environmental implications identified in the Initial EA Report for a more thorough analysis in the Draft EA phase.

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Phase 3 Checklist: The Draft EA

Under the leadership of its chair(s), The EA Committee should:

- Use comments from the Initial EA phase to inform Draft EA phase
- Determine strategy for engagement based on guidance provided in Chapter 3
- Complete all four stages of the analytical methodology: identify the economic effects, and the significance of likely environmental impacts of the proposed trade agreement, and develop enhancement and mitigation options
- Engage the C-Trade forum to identify any jurisdictional issues with provinces and territories
- Produce / commission Draft EA Report by the designated/ lead ITCan division in collaboration with co-leads
- Circulate Draft EA Report for comments amongst EA Committee, C-Trade, SAGITs and relevant interdepartmental networks
- Update 'formal' and 'informal' consultation lists
- Publically release the Draft EA Report through established communication mechanisms for an appropriate time period, with information on how feedback will be provided.

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Phase 4 Checklist: Negotiations

During the Negotiation Phase, the EA Committee should:

- Use the Draft EA Report to inform the negotiations
- If required, undertake or commission any new analysis of environmental impacts of the negotiations using the same four stage analytical methodology described throughout Chapter 4. Any new analysis undertaken should be documented and outlined in the Final EA Report.

NOTES:

Phase 5 Checklist: The Final EA

The Final EA Report is prepared or commissioned by the EA Committee, and those involved in the negotiating process. During the Final EA phase, the EA Committee should:

- Identify and document the findings and actions since the Draft EA Report
- Determine the timetable and responsibilities to produce the Final EA Report
- Seek departmental comments on the Final EA Report and C-Trade and SAGIT forums
- Publish the Report through communication mechanisms, including information on how comments can be submitted.

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Annex 3: Sample Text - Notice of Intent

Examples of text and formats for documents that have to be produced during the EA process.

Example text for *Notice of Intent* for EA of trade negotiations

The notice of intent should be communicated with the announcement to initiate negotiations.

The Departments of Foreign Affairs Canada and International Trade Canada in consultation with other federal government departments and agencies will soon begin an environmental assessment (EA) of negotiations for a trade agreement with _____ (list other countries involved in the negotiations or equivalent). The EA will be guided by Canada's *Framework for Conducting Environmental Assessments of Trade Negotiations*.

The public is invited to provide comments on the EA by _____ (deadline for comments in MM/DD/YR). Comments can be sent to: consultations@international.gc.ca or to the following mailing address:

EA Trade Consultations
Lester B. Pearson Building
125 Sussex Drive
Ottawa ON K1A 0G2

Your views will help us to ensure that Canada's position reflects the interests of all Canadians.

To learn more about Canada's trade negotiations and agreements, you are invited to visit www.dfait-maeci.gc.ca/tna-nac/menu-e.asp. For information about Canada's *Framework for Conducting Environmental Assessments of Trade Negotiations* you are encouraged to read the document, which is available at: www.dfait-maeci.gc.ca/tna-nac/social-e.asp#environment.

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Annex 4: The Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals

Consistent with the government's strong commitment to sustainable development, ministers expect that policy, plan and program proposals of departments and agencies will consider, when appropriate, potential environmental effects.

More specifically, ministers expect a strategic environmental assessment of a policy, plan or program proposal to be conducted when the following two conditions are met:

- the proposal is submitted to an individual minister or Cabinet for approval; and
- implementation of the proposal may result in important environmental effects, either positive or negative.

Departments and agencies are also encouraged to conduct strategic environmental assessments for other policy, plan or program proposals when circumstances warrant. An initiative may be selected for assessment to help implement departmental or agency goals in sustainable development, or if there are strong public concerns about possible environmental consequences.

Ministers expect the strategic environmental assessment to consider the scope and nature of the likely environmental effects, the need for mitigation to reduce or eliminate adverse effects, and the likely importance of any adverse environmental effects, taking mitigation into account. The strategic environmental assessment should contribute to the development of policies, plans and programs on an equal basis with economic or social analysis; the level of effort in conducting the analysis of potential environmental effects should be commensurate with the level of anticipated environmental effects. The environmental considerations should be fully integrated into the analysis of each of the options developed for consideration, and the decision should incorporate the results of the strategic environmental assessment. Departments and agencies should use, to the fullest extent possible, existing mechanisms to involve the public, as appropriate. Departments and agencies shall prepare a public statement of environmental effects when a detailed assessment of environmental effects has been conducted through a strategic environmental assessment. This will assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made.

For further information, or to view the Guidelines on Implementing the Cabinet Directive, visit the Canadian Environmental Assessment Agency's website: www.ceaa.gc.ca/016/directive_e.htm

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Annex 4: What is a Strategic Environmental Assessment?

Federal officials may be more familiar with the Federal Government's Canadian Environmental Assessment Act (CEAA), which pertains to project-based initiatives. It is important to note there are both similarities and differences between **project**-based assessment and *Strategic Environmental Assessments* (SEAs) or **policy**-based assessment. Similarities include terminology, use of an *ex ante* approach, links to integrated decision making, use of scoping phase before detailed analysis, and identification of mitigation and enhancement options. Assessments conducted under the framework are policy-based EAs and do not fall under CEAA and are not guided by any of the regulations laid out in that Act. Rather, SEAs are governed by the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, and more specifically the SEA of trade negotiations is governed by the framework. The following table outlines a number of the differences between the two types of EAs.

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EA Framework vs. Project-Based Assessments

ISSUE	EA of Trade Negotiations	Project-Based EAs
Legislation	SEAs are governed by the Cabinet Directive. The EA process for trade negotiations is guided by the framework and <i>not</i> governed by CEAA	Governed by CEAA, with a well established legal infrastructure and dedicated resources.
Application	Applied to all 'liberalizing' trade negotiations. Such negotiations can encompass a wide range of sectors. The EA focuses on the possible impacts of the policy.	Established 'triggers' indicate whether a project requires an EA as defined by the CEAA. The EA focuses on the impacts of a specific project.
Content	Assesses the environmental implications of trade negotiations	Considers the project's effect on health, socioeconomic, cultural heritage, environment and land use
Public Participation	<p>Public is engaged throughout the EA process. Sectoral Advisory Groups on International Trade (SAGITs) are also engaged.</p> <p>ITCan and FAC communicates findings of EA Process in the form of reports at varying stages throughout the process.</p> <p>Trade negotiations and Memoranda to Cabinet are confidential for strategic policy reasons.</p>	<p>Varies depending on the level of assessment. Comprehensive studies require mandatory public participation and panel reviews. Public participation is not mandatory for screenings.</p> <p>All assessments should be included in a public registry.</p>
Decision-Making	Negotiators provide results of strategic environmental assessment to aid in decision-making by Cabinet.	Decision rests with the responsible authority, as defined by the CEAA.
Timing	SEA is a requirement for all documents provided to cabinet, and as such is necessary for MCs on the trade agreement. The timing of this EA process is guided by the trade negotiation process, which varies with the nature of the agreement.	The EA must be complete before irrevocable decisions are made.

**Annex 5 Policy Statement and Guidelines on
Consulting and Engaging Canadians**

Annex 6: The North American Industry Classification System (NAICS): Canada Sectors

Source: <http://www.statcan.ca/english/Subjects/Standard/prefac.htm>

The North American Industry Classification System (NAICS) is unique among industry classifications in that it is constructed within a single conceptual framework. Economic units that have similar production processes are classified in the same industry and the lines drawn between industries demarcate, to the extent practicable, differences in production processes. This supply-based, or production-oriented, economic concept was adopted for NAICS because an industry classification system is a framework for collecting and publishing information on both inputs and outputs, for statistical uses that require that inputs and outputs be used together and be classified consistently. Examples of such uses include measuring productivity, unit labour costs and the capital intensity of production, estimating employment-output relationships, constructing input-output tables and other uses that imply the analysis of production relationships in the economy. The classification concept for NAICS will produce data that facilitate such analyses.

NAICS divides the economy into twenty sectors. Industries within these sectors are grouped according to the production criterion. Though the goods/services distinction is not explicitly reflected in the structure of NAICS, five sectors are largely goods-producing and fifteen are entirely services-producing industries.

- 11 Agriculture, Forestry, Fishing and Hunting
- 21 Mining and Oil and Gas Extraction
- 22 Utilities
- 23 Construction
- 31-33 Manufacturing
- 41 Wholesale Trade
- 44-45 Retail Trade
- 48-49 Transportation and Warehousing
- 51 Information and Cultural Industries
- 52 Finance and Insurance
- 53 Real Estate and Rental and Leasing
- 54 Professional, Scientific and Technical Services
- 55 Management of Companies and Enterprises
- 56 Administrative and Support, Waste Management and Remediation Services
- 61 Educational Services
- 62 Health Care and Social Assistance
- 71 Arts, Entertainment and Recreation
- 72 Accommodation and Food Services
- 81 Other Services (except Public Administration)
- 91 Public Administration

NOTES:

Annex 7: Annotated Bibliography

The following list of references was assembled from a variety of perspectives and sources, to provide insight into issues that may arise during the process of applying the EA framework, and the resultant reports that will inform trade negotiations. References are categorized under source and topic. **The current list provides examples of the materials available and may be expanded in the future.**

United Nations

United Nations Environment Programme (UNEP) Web-site: www.unep.org

UNEP Reference Manual for the Integrated Assessment of Trade-Related Policies.

Available at: <http://www.unep.ch/etu/etp/acts/manpols/rmia.htm>. 115 pages.

This is a comprehensive source that outlines the purpose of assessing trade policy, the different processes and methods that exist, examples of policy responses, and the need for follow-up after an assessment is complete. It was developed with expert input from a variety of areas and countries to provide assistance to policy-makers and practitioners from developed and developing countries that are conducting integrated assessments of trade. 'Integrated Assessments' look at the economic, environmental, and social impacts of trade policy with the purpose of informing policy-development and negotiations to control negative impacts and enhance benefits. The manual provides insight into the challenges of choosing appropriate methods for assessment, determining scope, data constraints, and measurability of impacts. Methods of assessment discussed include: cost-benefit analysis, risk assessment, multi-criteria analysis, and scenario building. The manual also details the policy options available to respond to the information gained from the assessment, such as market-based instruments, regulations, voluntary agreements with the private sector, and additional international cooperative agreements. Finally, it emphasizes the need for monitoring and evaluation after policies are implemented.

UNEP Fisheries Workshop - February 2001

This workshop brought more than 60 governments together with the UNEP, WTO, FAO, UNCTAD, ILO, and OECD to discuss policy options for sustainable management of fisheries that considers social and economic dimensions. The goal of this workshop was to further the sustainable management of fisheries, one aspect of which necessitates the removal of harmful market distortions related to subsidies. Shortages in information and understanding on the relationship between overfishing and subsidies currently limit the ability to make broad recommendations. Key conclusions included the need for: better monitoring and data collection on financial transfers to the fisheries sector and the resulting economic, social, and environmental effects; increased study at the country-level; increased international cooperation; transparency; notification of subsidies to the WTO under the Subsidies and Countervailing Measures Agreement; and development of a list of sustainability criteria for fisheries. Win-win-win solutions that protect the environment, enhance development opportunities, and decrease trade distortions should be promoted. Documents from the workshop and country-specific studies are available at: <http://www.unep.ch/etu/etp/events/recent/fishery.htm>.

UNEP High-Level Meeting on Environment, Sustainable Development and Trade - March 2001.

Representatives from over 70 countries, the WTO, MEA Secretariats, and civil society met to discuss the linkages between trade, environment, and sustainable development. It was recognized that with growth, there needs to be policy action to recognize and react to possible negative social and environmental impacts that result. This is important for the overall welfare of countries, and to ensure continued public support for trade liberalisation. In the chairman's summary, the need for an integrated approach to trade and environment, including assessment of policy outcomes when developing strategy, and the required needs of developing countries is emphasized. Specific points that are included are: identification of "win-win" opportunities, operationalization of the Rio principles of sustainable development (e.g. precautionary principle and polluter pays principle), avoidance of environmental standards that are protectionist, and use of economic instruments for mutually supportive trade and environmental policy and to internalize environmental costs. The need for coherence in trade and environmental protection policy at both the national and international level is emphasized throughout. Documents related to the workshop are available at: <http://www.unep.ch/etu/etp/events/recent/berlin.htm>.

International Environmental Governance

<http://www.unep.org/IEG/>

The UNEP site on environmental governance has documents reviewing the current structure of international environmental governance and its limitations, and provides an ongoing account of meetings and actions being taken on this issue. This will be a topic of large importance on the Rio+10 agenda.

World Trade Organization

All WTO Documents referenced are available on-line at www.wto.org by entering the document reference provided.

Agreement on Sanitary and Phytosanitary Measures (SPS)

Biosecurity in Food and Agriculture. Submitted by the FAO.

G/SPS/GEN/239. March 14, 2000. 8 pages.

Biosecurity is a key part of the FAO strategy, and includes three major components: food safety, plant life and health, and animal life and health. This document outlines current achievements and opportunities for improvement at the national and international level with respect to global and local biosecurity. Recommendations include increased consistency in regulation, coordination and cooperation, and capacity building. Trade in goods and services is linked to biosecurity is linked to legally binding agreements including the SPS Agreement, Convention on Biodiversity, and Biosafety Protocol. The concerns detailed in the report and resultant enhancement and mitigation options are useful for informing an EA of trade negotiations in general, with specific applicability to Agriculture.

Committee on Trade and Environment (CTE)

Annotated Bibliography of Selected Literature Concerning the Use of Trade Measures in Multilateral Environmental Agreements (MEAs). Note by the Secretariat. WT/CTE/W/129. February 2 2000. 11 pages.

This document was prepared to provide information to WTO parties on the relationship between MEAs and the rules of the international trading system. A range

of books, articles, and WTO documents is provided covering the relationship with more specific references for particular MEAs. MEAs specifically covered include the : Basel Convention on the Transboundary Movement of Hazardous Waste and their Disposal, the Convention on Trade in International Trade in Endangered Species of Wild Fauna and Flora (CITES), the UN Framework Convention on Climate Change, the Montreal Protocol on Ozone Depleting Substances, and the Convention on Biodiversity (CBD). The EA framework specifically references the assessment of consistency of negotiations to Canada's trade negotiations with current MEA commitments and current environmental issues. Particular references may be useful for EA and negotiations for specific sectors (e.g. Agriculture negotiations would be most closely related to the CBD and Biosafety Protocol).

The International Tropical Timber Agreement. Communication from the ITTA Secretariat.

WT/CTE/W/169. October 17, 2000. 6 pages.

The ITTA is a commodity agreement negotiated under UNCTAD that encourages sustainable management of tropical forests. This communication discusses their work on guideline development, certification and labelling, and more recently the work in this area as it relates to trade. Detailed documents and studies of the ITTA and its members are referenced that summarize the current state of these areas and future opportunities. Canada is a "consuming" member to the Agreement. The work of this organization would be a good reference for EA of trade in forest products, and identification of mitigation and enhancement options.

Environmental goods and services: an assessment of the Environmental, economic and development benefits of further global trade liberalization. Communication from the OECD Secretariat. WT/CTE/W/172. October 20, 2000. 5 pages.

This communication is a summary of a report of the same name released by the OECD Joint Working Party on Trade and Environment, that cites trade barriers are more of a hindrance to the transfer of environmental technologies than previously thought. Win-win opportunities for trade, environment and development are identified, specifically increased trade in water and waste management environmental services. Specific environmental, economic, developmental, and trade benefits are listed. Measures that would contribute to such an outcome include: stronger regulatory framework and use of policy instruments that encourages improved environmental performance, timing and sequencing environmental services and environmental goods, provision of a framework that discourages distortion of environmental externalities, consistency with other government policies, international cooperation and collaboration, and capacity building.

Trade and Environment. WTO Special Studies 4. Nordstrom, Hakan, and Scott Vaughn. 1999. 109 pages.

This study reviews concerns regarding the relationship between international trade and the environment through a literature review, assessment of quantitative studies, and five case studies (one each on chemical intensive agriculture, deforestation, global warming, acid rain, and overfishing). Environmental impacts related to trade can be a result of composition effect (change in what is produced), scale effect (change in amount produced), and technique effect (how production is done). A central finding to the study is that lack of proper policy to address market failures (e.g. environmental externalities) is a major factor of environmental degradation. Trade can exacerbate this effect, but trade barriers are a poor substitute for sound environmental policy. The study reviews the evidence supporting the pollution haven theory and Environmental

Kuznets Curve (EKC). Limited evidence shows that companies are moving to places with less stringent regulations. The relationship between trade, development, and environmental degradation is complex, and under certain conditions the predictions of the EKC are likely to occur and be facilitated by trade.

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)

Statement by the World Intellectual Property Organization (WIPO) on intellectual property, biodiversity, and traditional knowledge. IP/C/W/ 242 and WT/CTE/W/182. February 6, 2001. 5 pages.

This communication outlines the recent progress and short term work plan of WIPO and associated groups on the relationship of intellectual property rights and traditional knowledge and biodiversity, including workshops around the world, studies on current practices, and standards development. Areas specifically related to environmental impacts of trade include the work on genetic resources and biodiversity.

The Relationship Between the Convention on Biological Diversity (CBD) and the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) with a Focus on Article 27.3(b). Background Note by the Secretariat. IP/C/W/175. May 11, 2000. 34 pages.

This note details international instruments for the protection of plant varieties, and then provides an account of the implementation of the CBD by WTO members as it relates to the TRIPS as evidenced by information provided by the parties, studies, and enacted legislation. The information provided allows background on the issue as well as comparison of activity between countries.

General Agreement on Trade in Services (GATS)

Services Trade Liberalization: Assessing the Environmental Effects. Andrew, Dale. October 2000. OECD Trade Directorate. Presented at CEC Symposium on Understanding the Linkages between Trade and Environment.

This paper provides an overview of the concepts integral to trade in services, the GATS, and current methodologies for assessing environmental impacts of goods and investment. Throughout the document, environmental assessment methodologies are linked to assessing the impacts from liberalisation of services. The document provides a good synthesis of assessment methodologies as they relate to services, but provides limited additional guidance in terms of EA tools or analysis.

GATS - Fact and Fiction. WTO Secretariat. April 2001.

This brochure was produced as response to common misperceptions of the GATS. It outlines the central concepts and current statistics of trade in services, and the development and coverage of the GATS. One section of the document discusses the benefits of GATS, listing lower prices, more competition, faster innovation, higher employment, greater transparency and predictability, and technology transfer. A substantial amount of the document is dedicated to dispelling myths regarding the impact on publicly funded services, water distribution, and impacts on fundamental democratic processes.

North American Commission for Environmental Cooperation (NACEC)

Web-site: www.ccc.org

NACEC is the tri-national organization established from the North American Agreement on Environmental Cooperation (NAAEC), the environmental parallel accord to the North American Free Trade Agreement (NAFTA). A major part of their work program is assessing the environmental impacts of trade liberalisation.

Analytic Framework for Assessing Environmental Effects of the North American free Trade Agreement. 1999. 139 pages.

In support of its mandate, the NACEC developed a framework for assessing the environmental impacts of the NAFTA. The Framework looks at the effects of NAFTA rules changes, institutions, trade and investment flows, and other economic conditioning factors. In this framework, environmental impacts are assessed through four linkages, or critical areas that the aforementioned forces may affect the environment: (1) production, management, and technology, (2) physical infrastructure, (3) social organization, and (4) government policy. The framework prescribes that impacts on the ambient environment (air, water, land, and living things) be measured through the use of indicators. For example, air quality indicators could include ambient concentrations of specific compounds or levels of specific emissions. The NACEC framework has been applied to regional sector-specific case studies, which are another good resource for individuals wanting further information on assessing environmental impacts of trade.

First North American Symposium on Understanding the Linkages Between Trade and Environment. October 11 - 12, 2000.

Papers and highlights from the symposium are available on the web site.

Improving Environmental Performance and Compliance: 10 Elements of Effective Environmental Management Systems. June 2000. 10 pages.

www.ccc.org/pubs_info_resources/publications/enforce_coop_law/ems.cfm?varlan=english

This guidance document is the first joint support from Canada, the US, and Mexico for use of voluntary environmental management systems as compliments to regulations for environmental performance and protection. 10 specific elements that will help ensure improved environmental performance and compliance are discussed. Insight into each country's approach to the use of voluntary environmental management systems and standards is provided.

Organisation for Economic Cooperation and Development (OECD)

Web site: www.oecd.org.

Second World Conference on Agricultural and Environmental Statistical Application. Rome June 5 - 7, 2001.

Topics of interest for EA of Agriculture trade negotiations include: "The agriculture-environment relationship", "New Technologies and Strategies for Agricultural Data Collection also for Use in Environment Monitoring", and "Agricultural/Environmental Modelling".

The Uruguay Round Agreement on Agriculture: An Evaluation of its Implementation in OECD Countries. OECD. 2001. 180 Pages. Available at:

<http://www.oecd.org/publications/e-book/5101051e.pdf>.

This report reviews the measures of market access, export subsidies, and domestic support committed to during the Uruguay Round Agreement on Agriculture, and assesses the effectiveness of each and current issues associated with implementation. It finds that the quantitative impacts are moderate, and that there is still substantial room for improvement for market access and reduction in export subsidies. As well, there is evidence that the green-box domestic support measures may have more impact on markets than previously thought.

Environmental Indicators for Agriculture: Methods and Results. *Executive Summary.* OECD. 2000. 50 Pages.

Assessing the overall environmental impact from agriculture is difficult due to the complex interrelationship between changing technology and production methods and ecosystem components. While there have been notable decreases in pesticide use and soil erosion in some regions, there has also been decreasing water and air quality. Overall the environmental performance in agriculture over the last 10-15 years indicates that risks persist and pollution levels remain high. The study develops contextual indicators that consider socio-economic factors, then examines the environmental impacts of different farming systems and impacts. The final sections track the use of inputs and natural resources (e.g. nutrients, pesticides, and water), and monitors the extent of environmental impacts (e.g. soil and water quality, land conservation, greenhouse gases, biodiversity, and landscape). A picture of the current state and trend for individual countries, and OECD as a whole is provided, although comparisons between countries are complicated by differing measurement methods and indicators.

Environmental Goods and Services: An Assessment of the Environmental, Economic and Development Benefits of Further Global Trade Liberalisation.

Joint Working Party on Trade and Environment. October 2000. Written by Dale Andrew and Rachel Thompson, with assistance from Carole Pellegrino and Rosemary Morris. 110 pages.

Environmental Services: The “Win-Win” Role of Trade Liberalisation in Promoting Environmental Protection and Economic Development.

Joint Working Party on Trade and Environment. September 2000. Prepared by Rachel Thompson and Carole Pellegrino. 28 pages.

Joint Working Party of the Committee for Agriculture and the Environment Policy Committee: Domestic and International Impacts of Agricultural Liberalisation.

Joint Working Party on Trade and Environment. July 1999. 36 pages.

Trade Measures in Multilateral Environmental Agreements: Synthesis of Case Studies. Adams, Jan. OECD. February 1999. COM/ENV/TD(98)127/FINAL. 46 Pages.

This report recognizes the wide opportunity for the use of trade measures in environmental agreements, that depend on the economic and environmental context of the issue at hand. It details the use of trade measures in MEAs based on studies of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); the Montreal Protocol on Substances that Deplete the Ozone Layer; and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. The report provides a detailed list of factors that both contribute to and limit the success of MEAs, citing illegal trade as one of the biggest challenges, and increased effectiveness with specific targets and specific problems.

Agriculture, Trade, and the Environment: Anticipating the Policy Challenges.

Joint Working Party on Trade and Environment. 1997. Written by David Ervin. 42 pages.

Liberalisation in the Transportation Sector in North America.

Joint Working Party on Trade and Environment. 1997. Prepared by Dr. Jerry Fruin under the supervision of Dale Andrew. 25 pages.

Non-Governmental Organisations (NGOs)

International Institute for Sustainable Development (IISD)

Web-site: www.iisd.org.

Whither MEAs? The Role of International Environmental Management in the Trade and Environment Agenda. Von Moltke, Konrad. Produced with the support of Environment Canada. July 2001. Available at: www.iisd.org.

This document discusses the reasons for the current structure of international environment, contrasts it with the structure used in international economic governance (specifically the international trade regime), and makes recommendations for improvement of the governance of the international trade regimes. Effort is made to emphasize the difference between the concept of institutions, and that of organizations - the former being rules, and the latter a physical entity with a charter, employees, and offices. In general, recommendations focus on strengthening environmental governance through common institutions, rather than organizational reform for the purpose of reform. A summary of eighteen specific proposals for strengthening MEAs are provided.

The contrasts made between the environmental and trade regimes demonstrate why efforts to reform international environmental governance should not attempt to mimic the structure of the WTO. Rather, organizational changes are recommended only as they are practical in terms of increasing effectiveness, and not merely for the purpose of developing an overarching organization. The range of issues covered, institutions, and mechanisms in international governance are three contributing factors that would make an overarching organization undesirable and inefficient. Clustering of regimes by problem, pooling resources, and clustering of common institutions (e.g., scientific assessment, transparency and participation, implementation, dispute settlement, investment, development assistance, and use of market mechanisms) are areas where mutual cooperation may be beneficial. Regarding the interaction of the trade and environment regimes, a recommendation is made for the development of a standing conference on trade and environment.

Private Rights, Public Problems: A Guide to NAFTA's controversial chapter on investor rights. Produced with WWF. April 2001. 124 pages.

http://www.iisd.org/pdf/trade_citizensguide.pdf.

This publication provides a simple and detailed introduction to the purpose of and content within Chapter 11 of the NAFTA, the current concerns as they relate to public policy (specifically environment), and an overview of the disputes to date and their impacts on the future implementation of Chapter 11 and federal environmental regulation.

IISD Statement on Trade and Sustainable Development. November 2000. 4 pages. <http://www.iisd.org/trade/statement.htm>.

A communication regarding the mutually supportive roles of economic growth, trade, and sustainable development (SD), recognizing the benefits of a rules based system for trade, and the need for concurrent policy that focuses on SD. The majority of the position paper deals with the current relationship between trade and SD and the central principles and benefits of each, the events that occurred at the Seattle WTO Ministerial, developing countries, and future negotiations within the WTO. Following from this discussion, suggested actions include: recognition of development concerns and the benefits of trade liberalisation by the environmental community; ensuring equitable distribution of powers in the WTO; open recognition of all trade impacts within the WTO; increased compatibility and mutual support between the international environmental protection regime and international trade regime; capacity building; and increased transparency and involvement of civil society in the WTO.

Environment and Trade: A Handbook. Produced with UNEP. 2000. 96 pages. <http://www.iisd.org/trade/handbook/default.htm>.

This handbook was developed as a reference book for use by policy-makers, practitioners, and the public. It is a comprehensive introduction to the main aspects of the international trade regime, international environmental management, and sustainable development, as well as the complex interface between these three areas. Included in the handbook is a number of references and on-line sources for more detailed information.

World Wildlife Fund (WWF)

Web-site: www.panda.org

Preliminary Assessment of the Environmental and Social Effects of Liberalisation in Tourism Services. May 2001. WWF International Discussion Paper.

This WWF study had two main purposes, (1) to identify and assess the potential environmental and social effects of trade and trade liberalisation in the tourism sector, and (2) to determine the role played by trade and trade liberalisation policies in supporting or constraining opportunities for sustainable development (SD) in the tourism sector. Three objectives were highlighted for the study: (1) development of a preliminary assessment framework, which is applied to a specific case, (2) increase understanding of the linkages between trade, liberalisation, and SD in the tourism sector, and (3) to provide recommendations on the likely effects of tourism. The framework is a multi-stage approach to assessment, which determines the purpose, scope, and focus of the assessment, determines the context, identifies key linkages between tourism services and liberalisation and then links between tourism liberalisation and SD. Findings indicated that impacts: can be positive and/or negative; are largely related to liberalisation of foreign investment and foreign establishment; that developing countries hold much of the economic and political power in tourism liberalisation, and that the impacts depend on a number of factors, including the degree of liberalisation; and the regulations and institutions in the destination countries.

International Experts Meeting on Sustainability Assessment of Trade Liberalisation. Held March 6 - 8, 2000.

http://www.panda.org/resources/publications/sustainability/iem/iem_home.html

Environmental Impact Assessment of Macroeconomic Reforms. Iannariello, Maria Pia and Pamela Stedman-Edwards, David Reed, and Robert Blair. 42 pages. <http://www.panda.org/resources/programmes/mpo/>.

Provides a framework for conducting environmental assessments with the intent of informing policy-makers of a method to assess the full range of impacts associated with macroeconomic reform. International trade is one component of macroeconomic reform. The framework provides direction on conducting an assessment of direct and indirect environmental impacts (developing a working team, scoping, and analysis), developing mitigation options for sustainable macroeconomic reform of trade, and follow-up (e.g. monitoring). Examples of possible environmental impacts of reform are provided. The process uses a matrix of possible positive and negative environmental impacts that assesses probability, severity, irreversibility, and severity. Each of these measures are rated on a likert scale and added up to result in an indicator of total effect. A qualitative assessment of these measures is also assessed in matrix format.

Royal Institute for International Affairs (RIIA)

The RIIA is an independent institute focussed on stimulating research and debate on international issues. Their work on energy and environment, international economics, and international security are sources of information related to international trade and the environment.

Web-site: www.riia.org

From Rio to Johannesburg: The Earth Summit and Rio +10. March 2001. Briefing Paper, New Series No. 19. Brack, D, F. Calder and M. Dolun. 6 pages.
<http://www.riia.org/Research/eep/Rio10.pdf>

This paper succinctly outlines the history that has led to the 2002 World Summit on Sustainable Development that will take place in Johannesburg, and details the main issues that will be discussed. These issues include finance, technology transfer, capacity building, governance, and trade. With respect to trade, the discussion will be broad, encompassing the relationship between MEAs and WTO Agreements, ecolabelling and certification, precautionary principle, and the environmental impacts from trade. References to key documents and decisions relating to the agenda for the meetings are throughout the document. A schematic of the Rio +10 preparation process is also provided.

Global Environmental Institutions: Analysis and Options for Change. September 2000. Hyvarinen, Joy and Duncan Brack. 64 pages.
<http://www.riia.org/Research/eep/GEI.pdf>

A simply detailed outline of the development of the international environmental governance structure that currently exists, and its shortfalls. Recommendations for improvement are made based on a set of 12 features for effective global environmental governance. This document is especially interesting in light of the inclusion of governance on the Rio+10 agenda, and the possibility that a new global environmental organization may be a recommended outcome of the conference.

International Trade and Climate Change Policies. 2000. Brack, Duncan with Michael Grubb and Craig Windram.. 168 pages.

This book explores the interaction between trade and climate change, and the relationship between the Kyoto Protocol and WTO Agreements. Specific topics covered include: the possibility of the flexible mechanisms (e.g. emissions credits) being covered by WTO disciplines, and the impact of climate change policies on world trade patterns.

Trade, Investment, and the Environment. 2000. Eds. Duncan Brack and Halina Ward. 336 pages.

This book provides perspectives on the complex interaction of investment and environment from developed and developing countries, intergovernmental organizations, governments, industry, and NGOs. Discussions are provided on the failed MAI and the relationship of its demise to the environment, the role of Multinational Corporations and standards of operation when they invest abroad, and the concept of fair trade markets.

Canadian Foundation for the Americas (FOCAL)

Web-site: www.focal.ca

FOCAL is an independent NGO focused on strengthening Canada's relations with Latin America and Caribbean countries through policy discussion and analysis. FOCAL's aims to develop a greater understanding of issues important to the Americas and to help build a stronger community in the region. The core policy issues that FOCAL focuses on are governance and human security, social policies, and economic

integration.

Central America: The Difficult Road Towards Integration and The Role of Canada. Solis, Luis G., and Patricia Solano. May 2001. FPP-01-07. 12 pages.

This document provides a historical review of integration within Central America, and emphasizes the importance of international trade for the future development of the region and its countries. A large portion of the paper discusses the Canadian relations with Central America and future opportunities for strengthening that relationship in a way that encourages integration.

Environmental Security and Governance in the Americas. Dannenmaier, Eric. March 2001. FPP-01-04. 16 pages.

Environmental security recognizes that the security of the state is dependent on the health of the environment, which impacts their economic prosperity and health of their population. Policy developed in a manner that integrates environmental considerations with economy strategy helps ensure environmental, and consequently state, security. In the Americas, the concept of environmental security is especially important due to reliance on natural resources and a predominantly urban population. The paper provides recommendations for the integration of environmental considerations during the development of the FTAA, as well as national and local strategies.

Other

Documents from the Office of the United States Trade Representative

These documents are available at:

<http://www.ustr.gov/environment/environmental.shtml>

Guidelines for implementation of Executive Order 13141. Environmental Review of Trade Agreements. December 2000. 21 pages.

The Guidelines are process-focused, and developed to ensure consistency in the environmental review process. Specific guidance is provided on identifying and prioritizing issues for assessment, the criteria for assessing the significance of environmental impacts, requirements for consultations and documentation, and roles and responsibilities.

Report of the Quantitative Analysis Working Group to the FTAA Interagency Environment Group. October 2000. 56 pages.

This report outlines the approach recommended for the environmental review for the FTAA negotiations. A two pronged approach is proffered that consists of (1) an economy wide analysis using literature review and currently employed economic and environmental modelling techniques, and (2) a supplemental analysis of specific sectors and geographic areas using quantitative and qualitative approaches and consultations. Models, tools, and indicators currently available are introduced. The estimated resources required for the review is 104 person months and US\$750,000 for contractors, with an estimated time line of eight to thirteen months.

Labour and Environment “Toolbox.” 2 pages. Available at:

<http://www.ustr.gov/toolbox.pdf>

This document outlines a set of actions available that could be taken in combination with trade negotiations to promote protection of children, core labour standards, and environmental protection policies. The environmental options include increasing the effectiveness of UN environmental programs, programs in development banks, and

promotion of compliance with environmental laws, regulations, and guidelines

European Union

Information from the EU Commission related to trade negotiations is available on-line at: <http://europa.eu.int/comm/trade>. This site provides access to positions on various topics related to trade negotiations, including sustainable development, environment, and assessment of trade impacts.

WTO New Round Sustainability Impact Assessment Study: Phase One Report. October 1999. Colin Kirkpatrick, Norman Lee and Oliver Morrissey. Institute for Development Policy and Management, and Environmental Impact Assessment Centre, University of Manchester. Centre for Research on Economic Development and International Trade, University of Nottingham. 178 pages.

This study develops a workplan and methodology for carrying out a sustainability impact assessment of a new WTO round. The document provides the findings of a literature and case study review that form the basis of the methodology. The methodology endeavours to provide guidance on the assessment of economic, social and environmental impacts, that are of four natures: direct, indirect (secondary), feedback, and regulatory, from trade related measures to determine the impact of trade on sustainable development.

Other

Alternatives for the Americas - Building a People's Hemispheric Agreement. <http://www.web.ca/~comfront/alts4americas/eng/eng.html>.

This document is a response to the development of a Free Trade Area of the Americas. It focuses on the development of a "People's Hemispheric Agreement", that has guiding principles of democracy and participation, sovereignty and social welfare, reduction in inequalities, and sustainability. A number of subject specific sections are provided, including: human rights, environment, labour, immigration, role of the state, foreign investment, international finance, and enforcement and dispute resolution.

Audley, John J. A Greener Fast Track: Putting Environmental Protection on the Trade Agenda. 12 pages. Carnegie Endowment for International Peace.

This document provides constructive and practical advice on the steps need to integrate environmental considerations into trade policy, and specifically into the establishment of Trade Promotion Authority (also known as "fast track authority") for President George W. Bush. Audley maintains that it is necessary to address the issue of environmental considerations in trade policy within the fast track discussion in Congress to win support on trade agreements from Congress and the American public. He shows that the involvement of NGOs, the growing information regarding the trade-environment relationship, and past efforts to integrate environmental concerns in trade policy are implicit recognition of environmental concerns, and that incorporating this into the President's fast track authority just makes it explicit. Audley provides pragmatic advice on how to incorporate environmental issues into international policy (specifically international trade); pointing to current policy tools. Three proposals are provided for including environmental considerations in the trade negotiations mandate: include sustainable development in the overall trade policy objectives, pursue explicit environment negotiation objectives, and internalize environmental considerations throughout negotiations.

Curtis, John. 2000. Trade and Civil Society: Toward Greater Transparency in the Policy Process.

This document was prepared by John Curtis of DFAIT. It discusses the reason there has been an increase in the activity of civil society organizations (CSOs) and a

background on contributing factors to their demands for social considerations in trade policy. He provides a road map for how trade policy and its relations with CSOs evolved. Above this, he provides three suggestions for the way forward, making the case for improved transparency and analysis, and more inclusive consultations.

Esty, Daniel C. 1994. *Greening the GATT: Trade, Environment and the Future*. Washington DC: Institute for International Economics. 242 pages plus references and appendices.

This book provides a general discussion of the origins of the trade-environment discussion, discusses specific issues (e.g., the development of a global environment organization, the effectiveness of GATT Article XX, international standards, ecolabelling, and dispute settlement), and offers recommendations. Although a dated reference, much of the discussion and recommendations remains relevant.

Hudec, Robert E. 1996. *Fair Trade and Harmonization: Prerequisites for Free Trade*. Editors Jagdish Bhagwati, and Robert E. Hudec. Cambridge, Massachusetts: The MIT Press. 2 volumes.

This two volume set brings the work of a number of experts together on the topic of fair trade. The first volume is focused on economic analysis and the second looks at legal studies. Topics covered include: environmental and labor standards, competition practices, and the concept of fairness in economic and legal interpretation.

Jackson, John H. 1998. *The World Trading System: Law and Policy of International Economic Relations*. 2nd ed. Massachusetts: Massachusetts Institute of Technology. 351 pages plus references and index.

This book provides an overview of the international and national institutions of the international trade regime and is a good resource on the legal aspects of the international trade regime and operationalization of international agreements. After an overview on the development of the system, a chapter is provided on each of the major principles and concepts of the regime (rule implementation and dispute settlement, tariff and non-tariff barriers, most favoured nation policy, safeguards, national treatment, competition policy, dumping, and subsidies). A brief introduction to the new Uruguay Round (i.e., GATS, Agriculture, and TRIMs) subjects is given in chapter 12, as well as special issues of developing countries and economies in transition in Chapter 13.

Sampson, Gary P. and W. Bradnee Chambers. 1999. *Trade, Environment, and the Millennium*. New York: United Nations University Press. 298 pages plus appendices and references.

This compilation of work brings work from governmental, non-governmental, and intergovernmental representatives together, providing both developing and developed country perspectives. It highlights many of the current issues in the trade environment, including win-win opportunities for trade and environment, the precautionary principle, ecolabelling, and the relationship of MEAs and the international trade regime. There is discussion regarding the Agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Standards, the work of the WTO Committee on Trade and Environment, and the WTO dispute settlement and how these relate to the trade-environment debate.

Trebilcock, Michael, and Robert Howse. 2000. *The Regulation of International*

Trade. 2nd ed. New York: Routledge. 594 pages plus references.

This book covers many of the topics discussed in Jackson (1998) identified above, but has a larger focus on the regulation of trade and the new topics in the international trade regime. Whole chapters are provided on Agriculture, Services, Intellectual Property, Investment, Environment, and Labour. As well, chapters are provided on health and safety regulation and standards, and the movement of people.

Annex 8: Glossary & Acronyms

Glossary

Environment

Refers to the components of the Earth, including land, water, air, all layers of the atmosphere, all organic and inorganic matter and living organisms (including humans) and the interacting natural systems that include components of the foregoing.

Environmental Assessment (EA)

Used synonymously with 'Strategic Environmental Assessment' in this framework, an EA is a systematic process to identify and evaluate likely environmental effects of an initiative to ensure that they are fully considered and addressed from the earliest stage of decision-making.

Mitigation

The elimination, reduction or control of the adverse environmental effects that may result from the proposed initiative under review.

Sector

A group of closely related industries. See Annex 6 for more information on sector classification.

Strategic Environmental Assessment

Used synonymously with Environmental Assessment (EA) in this handbook, a Strategic Environmental Assessment is a systematic process to identify and evaluate likely environmental effects of an initiative to ensure that they are fully included and addressed at the earliest stage of decision making. The term "strategic" is added to the title to distinguish the activity from project-level environmental assessment.

List of Acronyms

C-TRADE	Commerce-Trade Committee (federal-provincial/territorial)
DFAIT	Department of Foreign Affairs and International Trade
EA	Environmental Assessment
EC	European Commission
FTAA	Free Trade Areas of the Americas
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
MEA	Multilateral Environmental Agreement
NACEC	North American Commission for Environmental Cooperation
NAFTA	North American Free Trade Agreement
NGO	Non-Government Organization
OECD	Organization for Economic Cooperation and Development
SAGIT	Sectoral Advisory Group on International Trade
WTO	World Trade Organization