

**Chairman's Summary for the Plenary Session
RISPO II Kick-Off Meeting
26 – 28 October 2005
IGES Headquarters, Hayama, Japan**

1. Significance of the RISPO II

As Asian countries intensify their economic activities, trade and integration processes, it has been increasingly important to ensure environmental sustainability, poverty eradication and policy rectitude for this purpose. At the recent tripartite environmental ministers' meeting among China, Japan and the Republic of Korea, it was agreed to conduct a joint study on trade and the environment in the sub-regional context. Within ASEAN, economic integration among them and with other countries is a top priority. Furthermore, the First East Asian Summit will be held in December 2005 in Malaysia. It has been stressed that in the course of discussions that this study should contribute to those political processes through tangible inputs to promote sustainable development in the region. This study aims to provide policy options/packages and will not be policy prescriptive to enhance the process of economic integration.

The nexus of economic integration and environmental management has appeared at the forefront of national and international policy agenda. RISPO II that aims to examine, identify and assess the environmental and social implications of economic integration in East Asia, thus emerges as an important policy research work for Asia.

2. Approach

RISPO II will, in principle, i) conduct impact assessment as a result of economic integration in East Asia to identify significant changes at the national level. (ii) examine key policies (environment, socio-economic and other relevant sectoral and cross-cutting policies), and (iii) develop future scenarios and study potential impacts of policy options/packages vital to economic integration and environmental management.

In this research, focus shall be given to economy-environment-poverty linkages.

3. Basic understanding was obtained regarding the overall research design proposed. Major points were as follow;

- i) scenario analysis approach,
- ii) environmental and socio-economic impact assessment of economic integration
- iii) 2-step approach of strategic policy options development including assessment on policy implementation,
- iv) basic design of policy scenarios,
- v) identification of priority issues/sectors based on both environmental impact assessment of economic integration and policy review,

- vi) comprehensive assessment of policy scenarios involving both qualitative and quantitative assessment which complement each other,
- vii) comprehensive assessment at both the regional and country levels, and
- viii) Policy and modelling groups will coordinate their works.

4. Tasks and Timelines for the Policy Group

Broad research directions and area agreed are as follows (National level assessment will be conducted by national institutions and regional level assessment by IGES)

- i) Conduct preliminary assessment of environmental impact of trade and investment at the regional and national level.
- iii) to develop policy options/packages to deal with significant impacts of economic integration
- iv) to analyse implications of policy options/ packages in accordance with established methodologies such as UNEP guidelines.
- v) to maximize the use of existing documents and materials so that the research can contribute to policy analysis and other important issues.
- vi) to focus upon policies of key sectors selected through consultations with relevant government official in the region and countries.
- vii) to put focus of policy analysis on sectoral policies, which are central concern to policy makers.
- viii) The study will not be looking at environment from a sectoral perspective, but in terms of its integration into other sectors. The entry point would thus be to see the impact of policies in other sectors (including trade, economy, agriculture etc.) on the environment, and indicate what the benefit would be, of property reflecting the environmental dimension in those policies. With a view to making the study and its outcome of broad policy relevance, government agencies, not only from environmental ministries, but also trade, industry etc., and business, will be involved in the consultation process, to the extent possible.
- ix) to examine spill over effects and regional policies to deal with them (e.g. MEAs, e-waste, forest products, etc.). For this at least two countries should be involved in examining the effects.
- x) to study policies which draw upon opportunities to be created by the strengthened market mechanism through economic integration.
- xi) to examine implications to poverty reduction with regards to- a) impacts to be created by economic integration, and b) policy options/ packages to be developed.

5. The following was agreed as tasks to be undertaken from November 2005 to March 2006. National level analysis and assessment will be conducted by national institutions for their respective countries. IGES will do the same for Japan and conduct regional level analysis and assessment.

- i) Review of economic trend at the national level (including review of existing and currently negotiated FTAs in the country)

- ii) Preliminary assessment of the current environmental, social and economic impacts of economic integration (trade in: goods and services, investment, and intellectual property right) at the regional and national level
- iii) Environmental report card (review of overall environmental policies, following report card)
- iv) Assessment of relationships between trade-environment-poverty
- v) Institutional analysis of environmental institutions at the national and regional level

6. National workshops will be held in the respective countries between December 2005 and January 2006. For the purpose of conducting the national workshops, items i), ii), and v) shall be completed prior to the national workshops. Items 3) and 4) shall be completed prior to the Progress Workshop to be held at the end of March 2006.

7. To facilitate the understanding of the amount of information needed and the type of analytical work to be undertaken, IGES shall complete tasks i) to v) for Japan, by the end of November 2005, and provide it as a format to other national institutions. National institutions shall communicate to IGES the results of items i), ii), and v) indicated above, prior to the national workshops.

8. Work plan

Oct 2005 – March 2006	Collect and analyse existing data/information to establish the basis of analysis. Review of policies and their impacts based on which the priority issues and sectors shall be identified.
April 2006 – Sep 2006	Assessing potential environmental and socio-economic impacts of economic integration on priority sectors and issues both at regional and national levels.
October 2006 – March 2007	Developing and assessing policy options and mechanisms for enhancing positive impacts and mitigating negative effects both at regional and national levels.
April 2007 – Sep 2007	Developing policy options for mitigating negative effects and enhancing positive impacts.
October 2007 – March 2008	Review, consultations and finalization of policy proposals

9. Immediate work plan

November 2005	Reviewing existing data, documents and preparing for the national consultation workshops
	Contacting key officials, experts and institutes for partnership
December 2005 - Jan 2006	National consultation workshops to be held in respective countries (mobilizing information from and consulting government officials and experts on key sectors and issues for analysis both at the national and regional levels)
Feb 2006	Consolidation of workshop outcome for presentation at the first progress workshop
March 2006	First progress workshop to be held at the IGES, Hayama, Japan (tentatively suggested from 27 – 29 March 2006)
	Preparing a preliminary progress report to be submitted to IGES

10. First progress workshop

At the first progress workshop, the representatives of national institutions shall present the following:

- (i) Outcome of reviewing key environmental, socio-economic and other relevant sectoral policies,
- (ii) Outcome of the preliminary assessment of the current impacts of economic integration,
- (iii) The indication of priority sectors that have been identified by conducting activities under (i) above,
- (iv) List of reference documents/data sources.

Task and Timelines for the Modelling Group

11. Modelling group discussions

- The Modelling Group agreed to develop all quantitative models by the end of December 2006, to conduct environmental impact assessment of economic integration by the end of January 2007, to conduct quantitative assessment of Stage 1 policy scenarios at both the regional and the country levels by the end of March 2007, and to conduct quantitative assessment of Stage 2 policy scenarios at both the regional and the country level by the end of December 2007.
- The Modelling Group agreed that the following two different types of models would be employed in this research:
 - (i) An environmental-extended GTAP model, which incorporates effects of environmental policies on the regional trade flows, to conduct environmental impact assessment of economic integration and to conduct quantitative assessment of policy scenarios at both the regional and country levels.

- (ii) Country specific models, among which the most important models are social accounting matrix (SAM) models to cover poverty reduction issues, to conduct more detailed assessment at the country level, if available.
- The Modelling Group agreed to construct environmental impact coefficients for each of the 57 production sectors for a subset of the indicators listed in the discussion paper on Modelling and Data.
- The Modelling Group assess socio-environmental impacts of economic integration and simulate economic integration as a first step of work.
- It was agreed that the base year is 2001, which is the base year of the latest version of GTAP database, and that we need environmental data in 2001. Five-year time series including 2001 would be helpful, in particular if it would contain a time series after 2001.
- It was agreed that the partnership institutes will investigate and report the availability of data for constructing the environmental coefficients and will list up additional indicators representing high priority issues. Partnership institutes provide a preliminary indication of data availability for the indicators by 1 December 2005 via e-mail.
- It was agreed that the environmental coefficients will be constructed by October 2006 (within 12 months). Environmental data in the working sheet format will be supplied by the partnership institutes and coefficient will be calculated by McGill University.
- It was agreed that the Modelling Group will provide the following information to the First Progress Report to be prepared by March 2006:
 - (i) Identify the environmental policy coverage in the GTAP model and the data requirement to undertake the analysis.
 - (ii) Social indicators to be covered by the quantitative models, and the way to analyse these indicators.
 - (iii) Environmental indicators to be covered by the quantitative models, and data availability. Information on data availability should be provided by the partnership institutes.
- It was noted that capacity building of partnership institutes in modelling exercise should be a part of this project.