

# Newsletter

Newsletter of the European Union's Sustainability Impact Assessment Programme for Trade Negotiations and Agreements



## The SIA programme

As part of its commitment to sustainable development in the EU and globally, the European Commission has, since 1999, been undertaking a series of Sustainability Impact Assessments of multilateral (WTO) and regional trade agreements. The SIA programme combines extensive public consultation with technical analyses, to evaluate the potential social, economic and environmental effects of trade liberalisation.

The goal of the studies is to identify measures which may be taken by the EU and its trading partners to maximise benefits and avoid or minimise potentially adverse effects.

# Impact Assessment of the Euro-Mediterranean Free Trade Area

The Sustainability Impact Assessment (SIA) of the Euro-Mediterranean Free Trade Area (EMFTA) aims to engage members of civil society in the EU and its Mediterranean partner countries in evaluating the potential impacts of the planned free trade area on the sustainable development of the region. As well as providing information for the ongoing trade negotiations, the results of the SIA are expected to have a significant influence on the design of the EU's technical assistance and related support programmes in the areas of trade and sustainable development.

**T**he gradual establishment of a Euro-Mediterranean Free Trade Area (EMFTA) by the year 2010 is a key component of the Euro-Mediterranean Partnership (EMP), linking the EU with ten partner countries of the southern and eastern Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey).

### The EMFTA Association Agreements

The EMFTA is being implemented through Association Agreements between the EU and individual partner countries. Generally speaking these commit the Mediterranean countries to a progressive reduction in all

customs charges on all products from the EU, in return for further opening of the EU to Mediterranean exports. For industrial products, all EU tariffs are eliminated (although in practice many were already removed prior to the Association Agreements). For agriculture, duties are reduced for specified products only, with agreements to negotiate further liberalisation. Services are mentioned in the EU-Med agreements, but no new trade measures are defined. The partnership agreements also provide for regulations governing intellectual property, competition and social cooperation, but no specific schedule has yet been defined.

The SIA seeks to evaluate the major potential impacts of the existing agreements, and of extensions to them that are subject to ongoing negotiation of the EMFTA. Options for enhancing or mitigating these impacts will be identified and evaluated, for consideration by the EU, partner country governments, and other stakeholders in the relevant decision-making processes.

### The role of the SIA in sustainable development decision-making

Sustainable development requires appropriate balances to be made between the social, environmental and economic components of development, at all



geographical levels from the local to the global. The responsibility for determining these balances rests with policy makers and negotiators, through political processes which aim to reconcile the differing values of different people. The SIA will evaluate the likely significance of potential impacts, as they affect different sections of society in different countries, but it will not attempt to judge their relative importance, nor define appropriate trade-offs between adverse and beneficial effects. It will however identify areas where countries may need to undertake their own more specific impact studies and consultative exercises, as part of their decision-making processes.

### Stages in the SIA study

The SIA is being carried out in three phases over a two year period.

*Phase One* (now drawing to a close) defines the methodology for carrying out the SIA study in the subsequent phases.

*Phase Two* (six months) will define the scenarios to be evaluated, and will include a broad assessment of impacts at regional level. This phase will provide an overview of key issues and likely impacts, and identify the key economic sectors whose impact on sustainability is most likely to be influenced by the EMFTA process. The overview assessment will also enable individual countries or groups of countries to be identified for more detailed analysis or case studies.

*Phase Three* (second year) will include detailed assessments of the impacts of the EMFTA on the key sectors identified in Phase Two. It will also produce proposals for an ongoing participatory monitoring mechanism, and recommendations for integrating sustainable development into the remaining EMFTA trade negotiations, and into related policies and support programmes for the Euro-Mediterranean Partnership.

The final report for Phase One is now available on the project website ([www.sia-trade.org](http://www.sia-trade.org)). The report provides more information on the EMFTA and sustainability issues in the region, and defines the proposed methodology for the remainder of the study. Consultation on these proposals will help to define the details of the second and third phases of the project.

### Consultative process

Views and contributions are being sought from interested parties throughout the project, with inputs at appropriate stages covering:

- methodological issues;
- issues of concern which the SIA should address;
- choice of scenarios to be assessed;
- documented information that will be of use in conducting the assessment;
- criticisms, comments and suggestions on the assessments and their conclusions;
- suggestions on economic sectors and geographical areas that should be subject to detailed study;

## The SIA-EMFTA consortium

The SIA of the EMFTA is being undertaken by a consortium of seven institutions based in Europe and the southern and eastern Mediterranean, with complementary expertise in impact assessment and trade and sustainable development in the region:

- Bocconi University, Italy
- Deloitte & Touche Sustainable Emerging Markets, UK
- Institute for Development Policy and Management (IDPM), University of Manchester, UK
- International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM), France
- Overseas Development Institute (ODI), UK
- Tunis International Centre for Environmental Technologies (CITET), Tunisia
- United Nations Economic and Social Commission for Western Asia (ESCWA), Lebanon

The project is led by the Impact Assessment Research Centre at IDPM, in the University of Manchester's School of Environment and Development.

- comments on the evaluation of potential mitigation and enhancement measures and monitoring proposals.

Contributions are welcomed from all interested parties, and may be made through the project website or its dedicated email address.

Particular stakeholder groups being targeted for consultation include those potentially affected by the establishment of the EMFTA, those involved in the formulation and/or implementation of EMFTA policies or parallel measures, and those with specialist knowledge and expertise relevant to the study. These include:

- trade ministries, environment ministries and other relevant departments in the EU and Mediterranean partner country governments;
- social and economic interest groups and organisations;
- representatives of large and small businesses;
- environmental interest groups and organisations;
- organisations representing specific constituencies such as gender, religion, animal welfare etc.;
- universities and scientific or technical institutes;
- groups representing particular local or national interests in individual European and partner countries.

Correspondence and informal meetings are being complemented by a series of discussion fora, both in Brussels and in partner countries. Members of the SIA-EMFTA team have made presentations and/or led side events at meetings of regional organisations, networks and federations whose interests include the impacts of the EMFTA in partner countries, and will welcome further opportunities to do so throughout the project. The European Commission will host a consultative public meeting in Brussels during each phase of the project, to discuss project developments at strategic

points during the assessment process. The meetings will be open to all interested parties, and funding will be available for a limited number of representatives from Mediterranean partner countries.

### Scenarios to be assessed

Phase Two of the study will include the development of a baseline and other potential 20-year scenarios for development in the Mediterranean region, in the context of the establishment of EMFTA. The number, scope and content of potential scenarios will be decided on the basis of their closeness to the specific trade measures contained in the association agreements, and their relevance to the key issues and impacts identified in the overview study of Phase Two. Separate account will be taken of those trade measures for which details are specified in the Association Agreements, and those which have yet to be agreed.

The main trade measures in the agreements centre on trade liberalisation in agriculture, industrial products and services.

For agricultural products, the agreements stipulate reductions in duties and equivalent measures, but only for a limited number of products listed in annexes or protocols. This consolidates and in some cases improves the existing access on a preferential basis. The Association Agreements provide that the EU and its partners will review the trade regime for agriculture at some later point in time (e.g. in 2000 for Tunisia). At least one of the scenarios will postulate potential outcomes of this process, for comparison of impacts with the baseline situation.

The coverage of industrial products in the association agreements includes a wide range of products, but is asymmetrical. The EU offers duty free access immediately, but in many cases it already did this before the EMFTA

agreements. For partner countries, tariffs are to be phased out at rates which vary between products and countries.

For trade in services, discussion of further liberalisation is generally deferred until five years after the agreements come into force. Phase Two of the SIA will identify one or more scenarios for possible further liberalisation that may arise from these discussions.

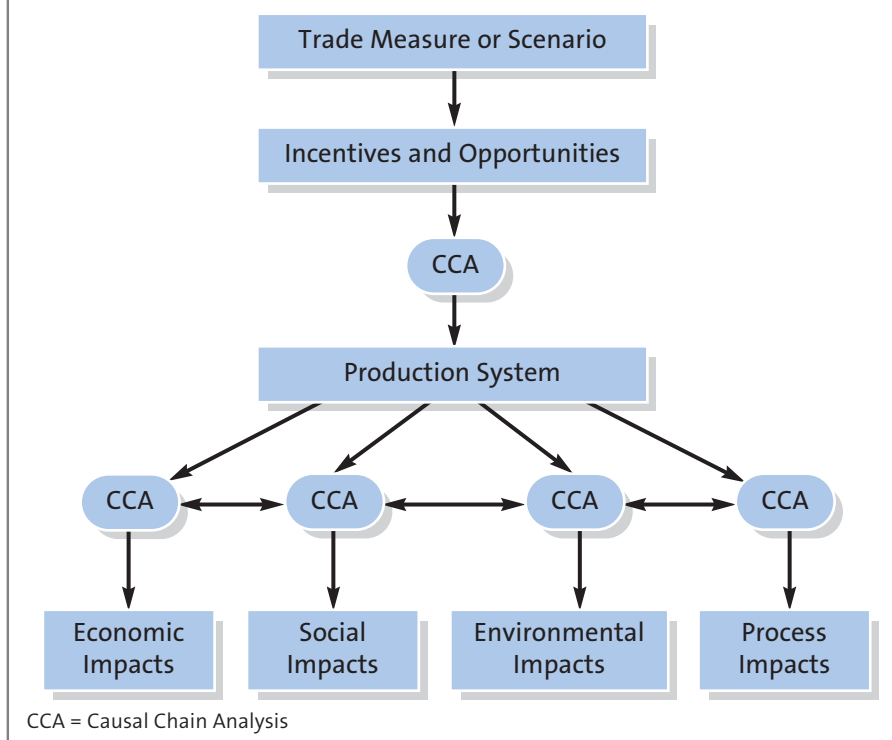
### Indicators

In some forms of impact assessment, indicators play a major role in steering the assessment. Objectives are defined, targets are set, and indicators are devised through which to measure whether targets have been met and objectives achieved. This approach is only partially applicable to a trade agreement. The decision-making process is one of negotiation instead of planning, with only the broadest of objectives, and no targets from which to derive indicators.

In the proposed SIA methodology, indicators serve two prime purposes. A set of broad-brush "core" indicators is used to categorise the types of sustainability impact that can be expected, giving a general indication of the areas which the SIA should study, and providing a framework for summarising the results. Once the assessment is complete, more detailed indicators are needed for subsequent monitoring.

The core indicators proposed are the same as those used in previous EU SIA studies. These are: (economic) real income, fixed capital formation, employment; (social) poverty, health and education, equity;

## Causal chains in the identification of sustainability impacts



(environmental) biodiversity, environmental quality, natural resource stocks; and (process) adherence to sustainable development principles and effectiveness of sustainable development strategies.

More specific detailed indicators will be defined in the course of the study, to help steer the scoping of the assessment and

for monitoring the significant impacts predicted. In order to link to existing monitoring programmes and maximise consistency throughout the region, these will be based, as far as practicable, on the set of 130 indicators of sustainable development which have been developed by the Mediterranean Commission for Sustainable Development.

# How does SIA work?

**S**takeholder consultation is a key element, for identifying important issues and exposing the analysis to public scrutiny.

The technical evaluation of potential impacts employs a combination of logical analysis and empirical evidence from the literature, supported as necessary by specific case studies or theoretical modelling. Causal chain analysis (CCA) is used to work out the links connecting a change in trade policy to the consequent economic, social and environmental impacts. For example, changes in tariff levels will alter prices, which will cause people's behaviour to change. Consumption and production of the affected products will go up or down, as will imports and exports. This in turn may cause significant changes in employment, investment and income. There may be social impacts such as the level and distribution of household income and the gender balance of paid and

unpaid labour services. Changes in the prices of essential goods and services may also have a significant effect on livelihoods and poverty while changes in production may impact on environmental quality, natural resource stocks and biodiversity. Changes in investment may speed up or slow down processes of economic, social and environmental transformation.

The SIA studies distinguish between short-term adjustment effects, long term or 'equilibrium' outcomes and process effects which reflect the non-equilibrium nature of development. The results of economic modelling studies are widely used to identify the 'equilibrium' economic impact once an economy has adjusted to a trade measure, and to indicate the likely magnitude of the adjustment effects, as production and employment move from one economic sector to another. Case studies are valuable in revealing impacts which may not be immediately apparent from CCA, and in suggesting how large impacts are likely to be. Where impacts are identified their

significance has to be determined. This involves taking into account the existing level of economic, social and environmental stress, the nature, size, extent, duration and reversibility of changes and the capacity to implement mitigation and enhancement measures.

Uncertainties can be high. Often the net impact will be the result of two or more large effects in opposite directions, so a small uncertainty in size can have a large effect on the result. Also, impacts are strongly dependent on national policy responses. Key factors in dealing with uncertainty include monitoring the actual impacts, and having policy formulation processes which are sufficiently flexible to respond to unforeseen effects. This is not always easy with trade measures, whose negotiation processes can be cumbersome, nor in countries whose regulatory capacity is weak. To cater for this, the SIA will identify potential impacts, indicate the effectiveness of the relevant institutional capacity in different countries, and evaluate options for institutional strengthening and development assistance.

[http://europa.eu.int/comm/external\\_relations/euromed/](http://europa.eu.int/comm/external_relations/euromed/)

This is the European Commission's site on the Euro-Mediterranean Partnership (EMP), whose key objectives are: to establish a common Euro-Mediterranean area of peace and stability; to create an area of shared prosperity through the progressive establishment of a free trade area between the EU and its Partners and among the Mediterranean Partners themselves; to develop human resources, promote understanding between cultures and rapprochement of the peoples in the Euro-Mediterranean region and develop free and flourishing civil societies. The site provides access to background information, policy and strategy papers, bilateral and multilateral institutions and agreements, latest reports, publications, events and related links.

[www.planbleu.org/indexa.htm](http://www.planbleu.org/indexa.htm)

Through its think-tank approach, the Blue Plan provides a package of data as well as systemic and prospective studies, combined in certain cases with proposals for action, which are intended to provide the Mediterranean countries with useful information for implementing sustainable socio-economic development that does not result in degradation of the environment. Among the issues and concerns identified by the Blue Plan is free trade and the environment. Reports and working papers on this subject are available. The site also includes information on the tools and methods Blue Plan have developed

[www.medforum.org/english/index.htm](http://www.medforum.org/english/index.htm)

MED Forum (Forum of Mediterranean NGOs for Ecology and Sustainable Development) is the Network of NGOs from the Mediterranean Basin dedicated to promoting the defence and protection of the environment within a framework of sustainable development, to allow integrated management of the Mediterranean and its coastline based on solidarity. In 1997, there were more than 80 members from the countries of the Mediterranean shoreline. The network represents NGOs in international fora, helps members fund actions in partnership, campaigns on environmental issues and organises seminars and meetings. The site provides information on these activities as well as publications, newsletters and conference reports.

[www.femise.org/](http://www.femise.org/)

FEMISE is a network of more than 70 research institutes representing the 27 partners of the Barcelona Process. One of its principal activities is to undertake socio-economic research on topics defined as a priority for the future of the Euro-Mediterranean region. It aims to strengthen dialogue on economics and trade and a major objective is to identify and follow the progress of the Mediterranean partner countries through the free trade area and South/South co-operation. Available in English and French, the site provides details of the FEMISE research programme including calls for proposals, reports, conference and working papers, information on economic trends within the MENA region, country profiles and statistics and a Latest News section. It also provides access to Economic Research Forum (ERF) conference reports and working papers.

[www.foeme.org/](http://www.foeme.org/)

Friends of the Earth Middle East (FoEME), is a unique organization that brings together Jordanian, Palestinian, and Israeli environmentalists. Their primary objective is the promotion of cooperative efforts to protect their shared environmental heritage. They provide networking, capacity building, and information sharing services. Projects also cover environmental issues of interest to the whole region, such as renewable energy and environmental impacts related to international trade. The site includes the Euro-Mediterranean Free Trade Zone Environment Watch Homepage which is designed to serve as a forum for information exchange regarding the potential environmental and other social consequences of the establishment of a Mediterranean Free Trade Zone. It includes background information, a newsletter, publications, descriptions of the doings of various actors, links and event details.

<http://lnweb18.worldbank.org/mna/mena.nsf/METAP+Documents/F1B7831CD41A9D1685256CD7007D90EB?OpenDocument>

The Mediterranean Technical Assistance Program (METAP), founded in 1990, is an innovative partnership that brings together countries in the Mediterranean region and multilateral donors to assist beneficiary countries in project preparation and strengthen their capacity in regional environmental management.

In its fourth phase (2001-2005), METAP activities are divided into two main components: capacity building (water quality, wastewater and coastal zone management; municipal and hazardous waste management; policy and legislation tools) and project preparation. The policy and legislation tools section includes papers on Trade and Environment and International Competitiveness in the Mediterranean Region and information on the Larson Tool, for assisting public and private sector decision-makers to estimate the impact that compliance with more stringent environmental standards has on the output, exports and/or imports of a specific industry.

[www.erf.org.eg/](http://www.erf.org.eg/)

The Economic Research Forum for the Arab Countries, Iran & Turkey (ERF) has three main objectives - production of quality research, informing the policy debate, and building capacity for front-line research. The ultimate goal is the creation of a strong MENA research community that interacts with the policy communities of the region and the international community of researchers and development agents. The site includes working papers, conference reports, a bibliographical index of regional research, links to research institutes in the region, access to the ERF library and information on ERF training. The ERF newsletter, Forum, presents summaries of ERF research in non-technical language.

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