

SIA OF MEDITERRANEAN FREE TRADE AREA, SIA-EMFTA

Minutes of public meeting to discuss Phase 3 First Report

Brussels, 26 January 2007

Chair: Manuela Geleng, Unit for Sustainable Development and SPS issues,
Directorate General for Trade

European Commission:

Jean-Marc Riegel, Unit for Centralised Operations for Europe, the Mediterranean and
the Middle East, Europaid

Sofia Munoz, Deputy Head of Unit for Trade Relations with Euromed and the Middle
East, Directorate General for Trade

Nadia De Prito Pires, Unit for Sustainable Development and SPS issues, Directorate
General for Trade

Consultants:

Colin Kirkpatrick, IDPM

Clive George, IDPM

The meeting was attended by around 30 civil society representatives.

1. The European Food and Drink Association (CIAA) noted that the report concentrated on impacts in Mediterranean Partner Countries (MPCs), and not impacts in the EU. The consultants confirmed that this was intentional. The Phase 2 report had identified some significant impacts in the EU as well as MPCs, but the consultation on the findings had led to the selection of key impacts in MPCs as the priority issues for further study at this stage. The subsequent reports will combine the findings of Phases 2 and 3, to cover both EU and MPC impacts.
2. CIAA noted that the report assesses production systems rather than trade. The consultants confirmed this. The impacts on trade flows were assessed in the Phase 2 report, which identified impacts that were taken as the starting point for the Phase 3 analysis of potential mitigation and enhancement measures.
3. CIAA pointed out that other trade agreements such as US-Morocco may affect EMFTA impacts. The consultants replied that this had been considered in the Phase 2 treatment of the baseline situation, which allowed for other factors such as this. Some, such as Chinese accession to the WTO, had a significant influence on the impact of the EMFTA, which had been allowed for. The agreements with the US would have significant impact of their own, but were expected to have relatively little influence on EMFTA impacts.
4. The Institute for the Mediterranean (IMED) noted that many of the impacts were incremental additions to existing problems. Would mitigation measures address only the additional impact, and not the overall problem? The consultants agreed with the observation, and with the suggestion that the SIA should reinforce the need for more general action. The SIA does however identify specific impacts of the EMFTA which need to be addressed as well.

5. IMED welcomed the recommendation for integrated development planning. This should include land tenure reform, which was a key factor in countries such as Morocco.
6. IMED suggested that income support measures should be considered as a mitigation measure, e.g. for small cereal producers, with a timeframe limited to the period of adjustment.
7. IMED pointed out that MPCs cannot have the same level of VAT as EU countries. This was accepted, but the consultants argued that MPCs should have no difficulty in levying additional VAT of the same amount as the tariff revenue lost.
8. IMED pointed out that VAT has significant distributional impacts, and argued that income tax is more equitable. The consultants replied that VAT has been shown to have similar distributional effects to tariff revenues, so that replacement of tariffs by VAT would not have a significantly adverse distributional impact. There may be a case for tax reforms which alter the distributional effects, but this is a separate issue from the impacts of the EMFTA.
9. IMED observed that the Tunisian Mise à Niveau programme has not been an unqualified success. The report should recommend other countries to learn from its failures as well as its successes.
10. CIAA suggested that not all the beneficial impacts of the EMFTA have been identified in the report. The consultants noted this. The report addresses particular impacts identified in the Phase 2 report (some positive and some negative), but should not give the impression that these are the only impacts.
11. CIAA requested that more work should be done on the impacts of trade facilitation measures.
12. The German Association of Chambers of Commerce and Industry reinforced the point made by CIAA on trade facilitation, and asked for clarification on whether the findings for services liberalisation included distribution services. The consultants confirmed that the report considered only environmental services. Other service sectors, including distribution, had been assessed in the Phase 2 report.
13. The European Commission representatives made several observations on the role of the SIA in respect of the negotiations and other actions in the Barcelona process.
 - The Commission would be publishing a position paper describing its response to the report's recommendations.
 - The EMFTA negotiations on agriculture and services are currently under way, and the SIA study comes at an important time. The final report of the study will be the one for which a position paper is published. The position paper will be discussed with civil society.
 - Many co-operative programmes are under way within the Barcelona process, many of which address the areas discussed in the report. These would be adapted as necessary in the light of the report's recommendations.
 - The MPCs had developed country action plans within the Barcelona process. These too would be examined for any amendments that might be needed.

- The remainder of the SIA project would develop a strategy for raising awareness among all stakeholders, including national and local government agencies, the private sector, chambers of commerce, farmers' associations, NGOs, universities etc. This strategy would be implemented during the remainder of the project and subsequently.
 - The EMFTA and the other components of the Barcelona process should be seen in the context of globalisation, as part of a regional effort to help partner countries adjust to globalisation.
 - The Association Agreements will include arrangements for transitional periods to help producers adjust.
14. The French Association of Agricultural Chambers responded by stressing that the EC should not leave action to MPC governments. It too has a responsibility to act on the report's findings and recommendations and adjust its strategy accordingly.
 15. The European Fruit and Vegetable Trade Association suggested that small farmers in MPCs would benefit from greater cooperation among themselves, to facilitate transfer of knowledge on production methods and standards from counterparts in the EU.
 16. The European Fruit and Vegetable Trade Association also asked that the danger of plant diseases and pests being spread through greater trade should be considered. There is a need for better labelling systems to identify the origin of products, and for stronger inspection at ports.

The Commission and the consultants thanked the participants for their contributions.

The Chair asked for written comments and suggestions to be submitted by 5 February 2007.

IDPM 29.1.07