CIVIL SOCIETY DIALOGUE

TRADE SUSTAINABILITY IMPACT ASSESSMENT (TSIA) IN SUPPORT OF A DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT (DCFTA) BETWEEN THE EU AND RESPECTIVELY MOROCCO AND TUNISIA, DRAFT FINAL REPORT

Date: 17/10/2013
Time: 14:00 – 15:30
Location: Berlaymont Building, room S5 (5th floor), 200 rue de la Loi, 1040 Brussels

Lead speakers

Ms Sofía Muñoz Albarrán, Head of Unit, South Mediterranean and Middle East, Directorate-General for Trade
Ms Colette Seyler, Co-ordinator of bilateral trade relations with Morocco, Directorate-General for Trade
Ms Virginie Poirier, Evaluation Coordinator, Internal Audit and Evaluation Unit, Directorate-General for Trade
Dr Koen Berden, Project Director, Ecorys
Mr Jurgen Vermeulen, Team leader Morocco, Ecorys
Ms Nora Plaisier, Team leader Tunisia, Ecorys

Panel Presentation

Ecorys presented the different elements of both TSIA (EU-Morocco and EU-Tunisia) as well as the main findings contained in the draft final report. The presentation provided a short synopsis of the findings on the economic, social and environmental effects expected from the DCFTAs in Morocco, Tunisia and the EU. In the interest of time, the in-depth sectoral studies and recommendations were not presented in detail but participants were referred to the final draft report and invited to ask questions.

DG Trade provided an update on the status of the negotiations on the DCFTA between the EU and Morocco and Tunisia respectively. With regard to Morocco, negotiation is progressing well with two negotiating rounds completed and a third still to be scheduled, possibly in November. The final agreement would still be some time away and therefore recommendations and feedback from civil society could be taken into account during the on-going negotiations. Similarly, the European Commission can take into account results of the sectoral studies and recommendations from the TSIA reports in its negotiations. It is expected that negotiations will continue for at least another year, with an optimistic target to reach a final agreement during the course of 2014.
The DCFTA negotiations between the EU and Tunisia have not yet been launched. There remains one further meeting to be held as part of the preparatory process; however the political situation has so far not been conducive to this final meeting. Given that these preparatory meetings cover important decisions, it is important to only start negotiations when the country situation allows it. DG Trade indicated that greater market access would be a priority, particularly greater liberalisation of agricultural tariffs. It also declared that it was hopeful to launch negotiations in 2014. This timing meant that the TSIA report would be finished before negotiations started and therefore, as with Morocco, this would fully enable negotiators to take into account the recommendations of the TSIA report and feedback from civil society.

**Discussion Highlights / Questions and Replies**

The meeting was then opened to the floor for general comments and remarks.

**Eurogroup for Animals** asked what the timeline would be for the finalisation of the reports on Morocco and Tunisia.

**Ecorys** answered that both projects were at the final stage of and that therefore no additional analyses would be conducted. Comments and feedback on the draft of the final reports would be welcome by the beginning of November so that the final version of the reports could be finalised by the end of that month.

**Eurogroup for Animals** found encouraging the inclusion of enforcement and implementation of certain environmental and social standards, notably the enforcement of CITES, in the recommendations and enquired whether these recommendations would be taken into account during the negotiations.

**DG Trade** replied that, from a timing perspective, there would be enough time to take into consideration the recommendations. In the particular case of CITES, it would certainly be taken into account; however, the full implementation and enforcement of the agreement would go beyond the scope of the DCFTA provisions as the Dispute Settlement Mechanism did not cover the Sustainable Development chapter. Softer mechanisms, such as the monitoring mechanism, could monitor its implementation but ensuring the full enforcement would not possible.

**Eurogroup for Animals** further enquired, in relation to the recommendations on the environmental and social standards, whether the European Commission would only focus on the approximation of Sanitary and Phytosanitary Standards (SPS) in the fruits and vegetables sector or whether issues on meat and other foods would also be addressed.

**DG Trade** replied that the ambitions regarding the approximation of SPS between the EU and Morocco apply to all sectors, not only fruits and vegetables. Moreover, the negotiation will take consideration priorities on both sides and the animal sector is a priority for the EC.

**European Services Strategy Unit** asked whether the effects of the DCFTAs with Morocco and Tunisia on the EU had also been analysed in the TSIAs.

**Ecorys** replied that these effects had been indeed analysed. The effects on the EU were provided mainly quantitatively by the CGE model on a macroeconomic and sector level.
Nevertheless, since the effects for the EU as a whole were negligible in relative terms for most of the indicators, the additional analyses did not focus on the EU, but on Morocco and Tunisia.

European Services Strategy Unit asked whether the effects of the DCFTA on Mode 4 type of services trade had been studied.

Ecorys replied that the effects on Mode 4 services trade could not be included in the main quantitative assessment of the DCFTAs - the CGE model - since the data limitations on Mode 4 did not allow for this. However, the TSIAs had taken Mode 4 type of services trade into account in some of the in-depth sector analyses where this type of services trade is an issue such as, for example, the energy sector analysis through the presence of persons from the EU in Morocco to deliver installation/maintenance services for renewable energy projects.

European Services Strategy Unit pointed out that there seemed to be a mismatch in the presentation of results on the impact of the DCFTA on female employment, which is often associated with poverty. The overall results seemed to show a beneficial effect on poverty, while further on in the presentation, in a more concrete example, it was mentioned that female employment might be affected. ESSU asked for clarification on this issue and required further information on wealth distribution if available.

Ecorys replied that the results were, in fact, not contradictory as they formed part of two separate analyses. The results on female employment were based on expected sectoral developments. The example of a predicted decline in female employment referred to the textile and clothing sector in Tunisia, where the predicted decline in output might be accompanied with a reduction in employment. Since the ratio of women in the workforce of this sector was high, there might be some negative effects for women. On the other hand, a sector like agriculture which also employs many women would increase. Still, it would be difficult to estimate an overall effect on female employment with certainty. The social analysis conducted in Phase 1 of the TSIA had used household data in order to determine the overall impact of the DCFTA on, amongst others, poverty for women in all sectors in the economy. This analysis had shown that, on the aggregate, the DCFTA would contribute to a lowering of the poverty headcount for both men and women. The draft final reports contain more information on this aspect.

European Services Strategy Unit declared that a potentially negative effect on a vulnerable group, such as women, should be given more priority and emphasis in the report and enquired whether Ecorys could confirm that the TSIA results indicated that the lowest groups in society would be disadvantaged by the DCFTA.

Ecorys replied that, based on the social analysis conducted using household data, it was actually found that the DCFTA between the EU and Tunisia would reduce poverty for all population strata in society. Relatively speaking, though, the lowest quintile would benefit slightly less from the DCFTA than the top quintile.

DG Trade added that the liberalisation of trade in goods, which has an important impact on poverty, had already been achieved between the EU and Morocco through the previously negotiated agreements, notably the Association Agreement. It also noted that the poverty impacts should be seen as the incremental effect of negotiating only the DCFTA.

European Services Strategy Unit expressed its interest on whether data and analysis were available on the effects of trade liberalisation on poverty and the welfare of low-end workers, for the instances where liberalisation had already occurred.
Ecorys replied that in the case of the EU – Morocco agreement, the baseline of the TSIA (the starting point of the analysis) took into account the liberalisation achieved by the Association Agreement and the October 2012 agricultural agreement. Thus, the effects of these agreements were not reflected in this analysis. According to their knowledge, there had been no assessment of the effects of the Association Agreement or the October 2012 agreement after concluding it.

DG Trade noted that there was indeed no ex-post assessment conducted of the Association Agreement, but there had been a study in 2009 in preparation of possible further liberalisation (Euro-Mediterranean Free Trade Area EMFTA available at http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/assessments/). In addition, it was mentioned that the obligation upon the EC to conduct ex-post evaluations on the actual effects of such agreements had recently been put in place.

Civil Society organisations were encouraged to send their comments on the TSIA draft final reports for both Morocco and Tunisia by Monday 4 November.