



# Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Egypt

Final Inception Report

Client: European Commission – DG TRADE





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Rotterdam, 27 March 2014

*This report was commissioned and financed by the European Commission. The views expressed herein are those of the Contractor, and do not represent an official view of the Commission.*



# About Ecorys

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# Preface

The European Commission (DG Trade) awarded a contract to ECORYS, signed in December 2013, to conduct a trade sustainability impact assessment (Trade SIA) relating to the possible negotiations of a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Egypt and of a DCFTA between the EU and Jordan. This is the Inception Report for the Trade SIA of an EU-Egypt DCFTA. A separate report is available for Trade SIA of an EU-Jordan DCFTA.

ECORYS is aware of the important role of this study for the negotiation process as it will provide direct inputs for the negotiators as well as recommendations for policy makers implementing the agreement. Currently, both Egypt and Jordan are in a preparatory discussion with the EC, before negotiations of a DCFTA are formally launched. ECORYS closely consults with the EC on the planning and scope of this study to ensure optimal input in the process.

This inception report is based on the Terms of Reference, the ECORYS proposal that was submitted to DG Trade and the subsequent discussions with the Steering Committee, the EU Delegation in Egypt and Civil Society in both the EU and Egypt.

This inception report does not aim to repeat what was written in our proposal, since this is still valid and available. Rather, this inception report summarises the most important methodological components of our study and highlights some of the main issues that will warrant further attention and focus during the implementation of the study – both in terms of content and in terms of organisation and planning of the project.

The Ecorys Team  
27 March 2014



# Executive summary

## Context and objective

The EU and Egypt have strong trade relations. In 2004, an Association Agreement between the two partners entered into force, which includes the establishment of a free-trade area. Tariffs on industrial products are gradually eliminated under this agreement, while agricultural products also benefit from greater market access. In June 2010 an agreement further increasing market access for agricultural, processed agricultural and fisheries products between the two partners entered into force.

In June 2013 the EU and Egypt began discussions on how to further deepen trade and investment relations, with a focus on possible negotiations of a Deep and Comprehensive Free Trade Agreement (DCFTA). A DCFTA extends significantly beyond the scope of the existing Association Agreement as next to tariff reductions on those industrial and agricultural products not already fully liberalised, it also includes trade in services, government procurement, competition, intellectual property rights (IPR) and investment protection.

This is the final Inception Report for the Trade Sustainability Impact Assessment (Trade SIA) in support of possible negotiations of a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Egypt. This study explores the potential (sustainability) impacts of such an agreement. It is part of a larger study that also includes a Trade SIA of the DCFTA between the EU and Jordan.

The objective of the study is thus to *“assess how the trade and trade-related provisions under negotiation could affect economic, social, and environmental issues in the EU and... in Egypt ... (by also taking into account the regional integration process and its potential impact), as well as in other relevant countries. Furthermore, it should propose measures (trade or non-trade – the so-called ‘beyond the border’ dimension/issues) to maximise the benefits of the DCFTAs and prevent or minimise potential negative impacts. It should also include a reference to the existing regional agreement such as the Agadir agreement of which [Egypt is a] Member and other relevant regional integration agreements or arrangements.”*

In this first study report (inception report) we outline our approach and methodology for achieving the study objective. More specifically, we present our approach and conceptual framework, the methodology, a consultation plan, relevant sources (literature, tools, references) and a first preliminary screening of important issues to take into consideration in the study.

## Approach and conceptual framework

The overall approach to the entire Trade SIA can be divided in three linked phases:

- a. Overall analysis of the sustainability impacts arising from the negotiations of a DCFTA between the EU and Egypt;
- b. Sectoral Trade SIA analysis for the DCFTA between the EU and Egypt;
- c. Proposals for policy recommendations and accompanying measures.

Our approach is based on the two methodological elements of a Trade SIA described in the ToR and the Trade SIA handbook<sup>1</sup>: 1) economic, environmental and social assessments as such; and 2) stakeholder consultations. The three phases are characterised by both quantitative and qualitative analyses and *throughout* the three phases, we will engage in continuous feedback and consultation with key stakeholders to collect their input and to verify the results.

## Methodology: main quantitative and qualitative elements

We use both quantitative and qualitative methodologies to assess the economic, social and environmental impact of a DCFTA between the EU and Egypt. The main quantitative methodologies are the following: (1) we apply a Computable General Equilibrium (CGE) model to determine the general equilibrium effects of the potential DCFTA between the EU and Egypt; (2) for the social analysis, we combine the CGE results with micro data to obtain additional insights in the social impact of the DCFTA, notably with respect to poverty and inequality; (3) for the environmental analysis, we combine the CGE results with environmental data to assess the effect of the DCFTA on air pollution. As not all impacts can be assessed quantitatively, the qualitative analysis crucially complements the quantitative analysis, allowing for a *comprehensive* assessment of the DCFTA impact.

### Computable General Equilibrium (CGE) model

The CGE model used for the study is a multi-sector multi-country dynamic CGE model. For the specific details we refer to Chapter 2, but some elements are worth mentioning as they are key to our approach. First, a scenario simulating the DCFTA is built, based on anticipated changes in tariff lines, services related regulatory approximation and other types of regulatory approximation, which is compared to a baseline scenario (2011) to assess the DCFTA impact. Second, we calculate a short-run (static) set of results and a long-run (including dynamic investment effects) set of results. Third, we assess the DCFTA impact not only for Egypt and the EU, but also on a set of third countries (Jordan, Morocco and Tunisia, Rest of North Africa (Algeria, Libya), Turkey, GCC, Middle East (excl. GCC and Iran), Rest of Africa, and Rest of World (ROW)).

### Social quantitative analysis

The social analysis will focus on the impact of the DCFTA on the welfare of households. According to the literature, the most important transmission channels between trade and welfare are the consumption effect (related to prices of consumer goods) and the labour income effect. We will assess these two effects by combining the results of the CGE model with an analysis of household level data. The focus of our analysis will be on the consumption structure of different households, which determines the DCFTA impact on their welfare and resulting distributional effects.

### Environmental quantitative analysis

The quantitative environmental analysis assesses the DCFTA impact on airborne pollutants and greenhouse gases. On the basis of available data, we will compile emission data per sector for Egypt and link them to the expected output changes as predicted by the CGE model. Subsequently, we will monetise the effects on airborne emissions and climate change based on default damage factors, thereby valuating the associated welfare effects.

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<sup>1</sup> Available at: [http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc\\_127974.pdf](http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf).

### Qualitative analysis

To complement the above quantitative analyses, we will also carry out qualitative analyses on social, human rights and environmental issues. For the analysis of social impact, we will pay particular attention to the interaction between the DCFTA and social equality issues and the promotion of the ILO Decent Work Agenda. In addition, we will address fundamental rights issues in Egypt and how they are likely to be affected by the DCFTA. The qualitative environmental analysis will address the current situation of – as well as the likely DCFTA impact on – the natural environment beyond air pollution. This includes e.g. water pollution and use, waste generation and treatment, use of land and land degradation, biodiversity, etc. as well as the implementation of multilateral environmental agreements. In the qualitative analysis we will also pay particular attention to Small and Medium Enterprises (SMEs). The main elements of the approach to this qualitative analysis are literature reviews, consultations with relevant stakeholders (including an SME survey), analysis of official reporting schemes inscribed on respective international conventions and causal chain analysis.

### In-depth analysis of detailed issues

In the second phase of the study will analyse a number of issues or sectors more in-depth, with the aim of presenting more detailed insights into economic, social, and environmental impacts resulting from the DCFTA. The in-depth analysis provides the opportunity to take into account certain specificities of the Egyptian and EU economies and their relations, as well as certain sector specificities that cannot be captured by the quantitative methodologies used in the first phase of the project.

We will select up to four sectors or horizontal issues for in-depth analysis, through a screening/scoping analysis based on five criteria, and in consultation with the Steering Committee. These selection criteria are the following:

Number	Criterion
Criterion 1	Initial importance for economy (GDP, employment, trade shares)
Criterion 2	Economic impact from DCFTA
Criterion 3	Social / environmental importance / impact
Criterion 4	Stakeholder issues of special importance
Criterion 5	Strategic importance of sector in the negotiations

The in-depth analysis complements the findings of the overall analysis with causal chain analysis, literature review, interviews and inputs from sector experts.

### Consultation plan

We present a consultation plan and lists of relevant stakeholders as well as an overview of upcoming events that may be relevant for this study and /or the DCFTA process in general. We have identified a preliminary list of the main relevant stakeholders both in the EU and in Egypt, with the help of our local experts, the Steering Committee, the EU Delegation to Egypt and own research (presented in Annex A).

Our initial analysis of the civil society landscape in Egypt shows that there is a large number of NGOs in the country, but many have weak structures and limited financial resources. Although civil society has played a big role in bringing down the old regime during the 2011 revolution, they now struggle with defining their role in the current transition period. The DCFTA has received limited attention so far, and there appears to be a perception that there is little to gain from the further opening of markets.

The analysis has shown that the risks to stakeholder engagement primarily relate to lack of participation of CSOs due to unawareness, political sensitivity, and/or lack of capacity. We have developed various measures to mitigate this risk, for example using social media tools. Our main consultation activities will consist of electronic consultation and documentation (website, electronic newsletter, social media, etc.), two public meetings in the EU for EU civil society, a Trade SIA Workshop in Egypt, personal interviews, and an SME survey.

# 1 Approach and conceptual framework

The EU and Egypt have strong trade relations. In 2004, an Association Agreement between the two partners entered into force, which includes the establishment of a free-trade area. Tariffs on industrial products are gradually eliminated under this agreement, while agricultural products also benefit from greater market access. In June 2010 an agreement further increasing market access for agricultural, processed agricultural and fisheries products between the two partners entered into force.

In June 2013 the EU and Egypt began discussions on how to further deepen trade and investment relations, with a focus on possible negotiations of a Deep and Comprehensive Free Trade Agreement (DCFTA). A DCFTA extends significantly beyond the scope of the existing Association Agreement as next to tariff reductions on industrial and agricultural products, it also includes trade in services, government procurement, competition, intellectual property rights (IPR) and investment protection. This study is a Trade Sustainability Impact Assessment (TSIA) of a DCFTA between the EU and Egypt.

This chapter provides a general overview of our proposed approach to this Trade SIA, including a presentation of the conceptual framework of the sustainability assessment analysis as requested by the Terms of Reference (ToR). It is structured as follows. The first section describes the **general approach** which includes the outline, phases and deliverables of the study. Next, we present the proposed **methodology** and the six main pillars of this Trade SIA on which the methodology is based. Lastly we will outline the type of information that will be included in the remaining **reports** to be produced for this study.

## 1.1 General approach

The overall approach to the entire Trade SIA can be divided in three linked phases:

1. Overall analysis of the sustainability impacts arising from the implementation of a future DCFTA between the EU and Egypt;
2. Sectoral Trade SIA for the DCFTA between the EU and Egypt;
3. Policy recommendations and proposals for flanking measures.

The current Inception Phase (Phase 0) provides the basis for the remaining three study phases.

Our approach is based on the two methodological elements of a Trade SIA described in the ToR and the Trade SIA Handbook<sup>2</sup>:

- economic, environmental and social assessments as such; and
- stakeholder consultations.

The three phases are characterised by both quantitative and qualitative analyses and throughout the three phases, we will engage in continuous feedback and consultation with key stakeholders to obtain their inputs and feedback to complement and verify the results of our analysis.

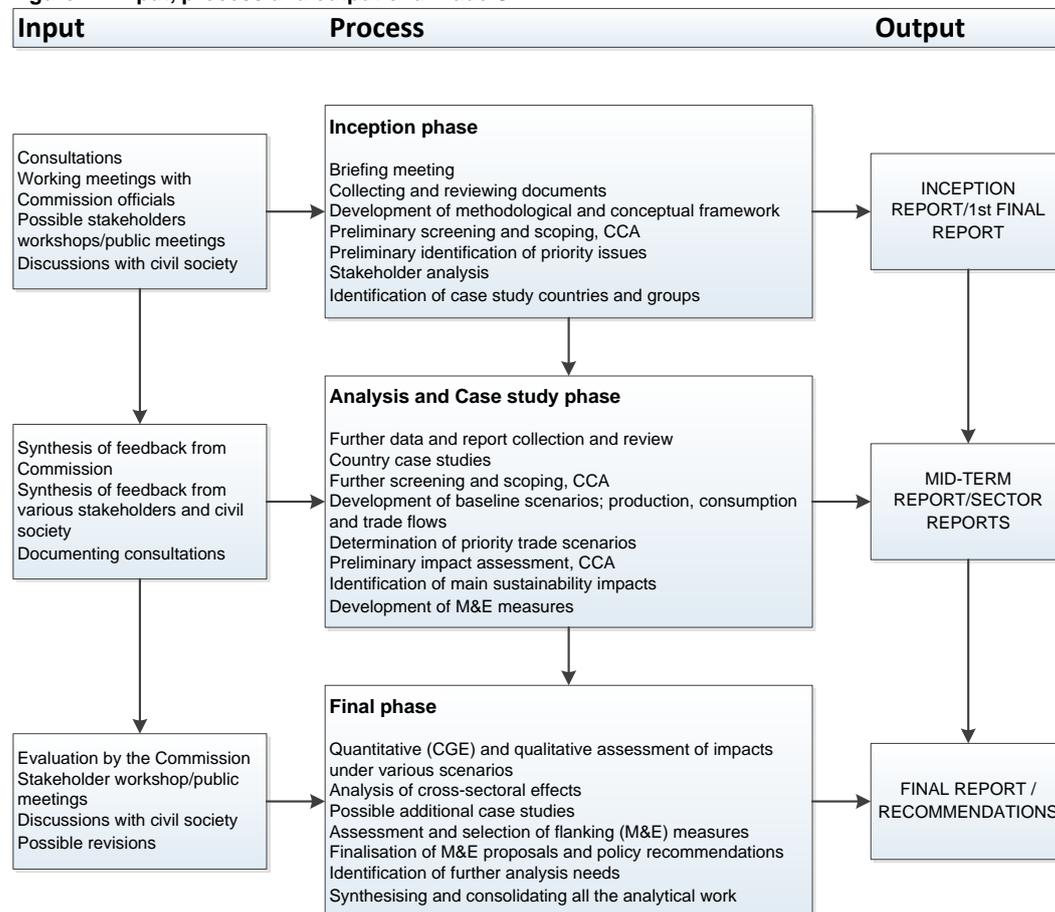
Schematically this approach is presented in Figure 1.1. Our approach closely follows the overall methodology as outlined in the Trade SIA Handbook, but includes some important additions and

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<sup>2</sup> Available at: [http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc\\_127974.pdf](http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf).

aspects that we have come to appreciate and seen as valuable over time (for example with respect to the consultation process). This methodology has been used and tested repeatedly in several previous Trade SIAs, notably for the FTAs between EU-Central America, EU-India, EU-ASEAN, EU-Ukraine, EU-Andean, EU-Libya, EU- Georgia and Moldova, EU-Armenia and most recently for the DCFTA between the EU and Morocco and Tunisia respectively.

**Figure 1.1 Input, process and output of a Trade SIA**



European Commission, Trade SIA Handbook, page 12 (from Indufor, 2004).

The different phases in the study result in two intermediate reports and one final report. Table 1.1 presents the phases and their respective deliverables.

**Table 1.1 Deliverables associated with different phases of the study**

Phase	Deliverable
Phase 0: Inception	Inception report
Phase 1: Overall analysis	Interim report
Phase 2: Sectoral analysis	Final report
Phase 3: Recommendations on policies and measures	

## 1.2 Methodology: the key elements

We will apply a methodology based on six main pillars developed on the basis of the Terms of Reference and the Trade SIA Handbook as well as on our own experience and lessons learned from previous Trade SIAs. These six pillars are:

1. Screening and scoping analysis;
2. Scenario analysis and CGE modelling;
3. Additional quantitative and qualitative analysis;
4. Sectoral analysis;
5. Causal chain analysis (CCA);
6. Dissemination and consultations with key stakeholders, including civil society.

This section briefly summarises what will be done under each of these six methodological pillars. Table 1.2 specifies in which phases of the study the different methodologies will be used.

**Table 1.2 Use of pillars in different phases of the study**

Phase	Pillar 1 Screening/ scoping	Pillar 2 Scenario/ CGE	Pillar 3 Additional analysis	Pillar 4 Sectoral analysis	Pillar 5 CCA	Pillar 6 Consultation & Dissemination
0: Inception	X				X	X
1: Overall analysis	X	X	X		X	X
2: Sectoral analysis			X	X	X	X
3: Recommendations on policies & measures					X	X

### Pillar 1: Screening and scoping analysis

The screening and scoping analysis is executed in order to identify the sectors and issues that are important for a successful conclusion of the DCFTA and should therefore receive adequate attention in the analysis. This exercise consists of a preliminary screening in the Inception Phase (see Chapter 5) and a more comprehensive analysis after the first phase of the study, based on the outcomes of the overall analysis and on inputs from stakeholders.

At the end of Phase 1, we will select up to four sectors or horizontal issues that are most relevant for further analysis in Phase 2. This selection will be done in close consultation with the Steering Committee, and based on the following criteria:

- Criterion 1: Initial importance of a sector for the economy;
- Criterion 2: Impact as a result of the DCFTA;
- Criterion 3: Social / environmental importance or impact;
- Criterion 4: Stakeholder issues of special importance;
- Criterion 5: Strategic importance of sector / issue in the DCFTA negotiations.

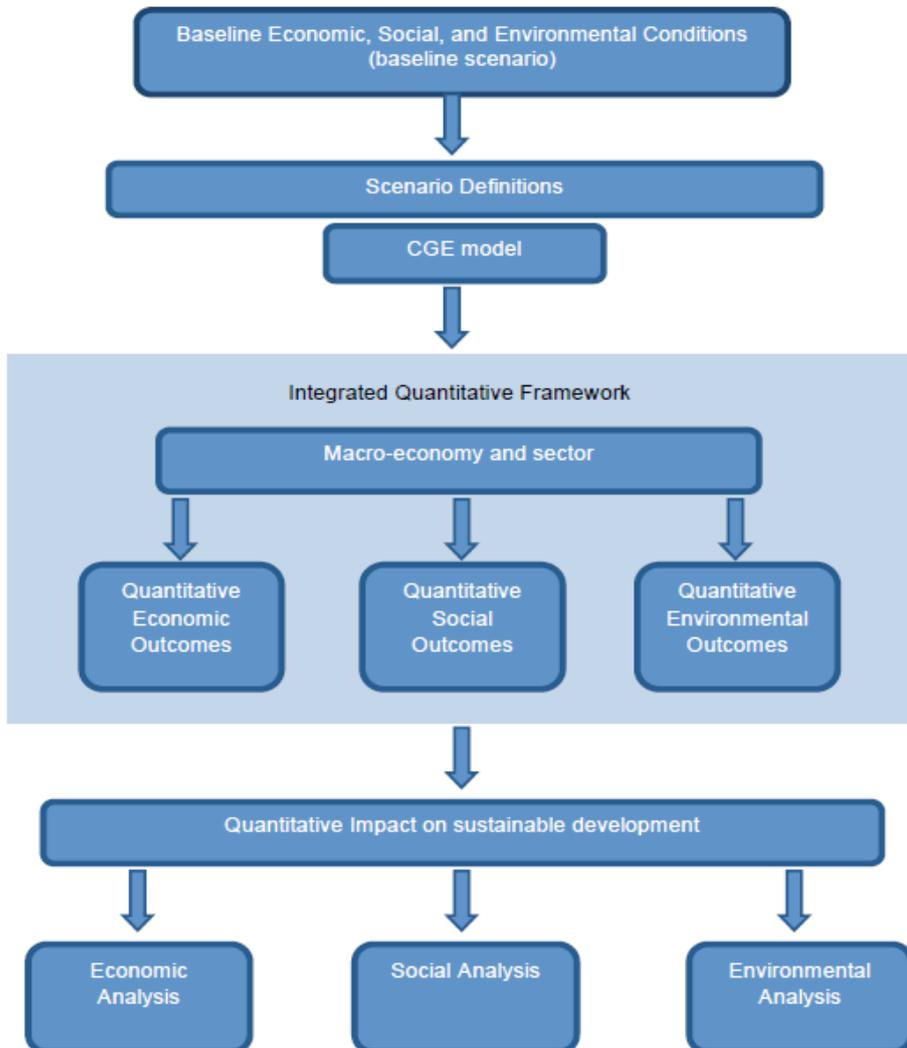
### Pillar 2: Scenario analysis and CGE modelling

Pillar 2 of the analysis covers the development of scenarios that most accurately and realistically reflect the reality of the negotiations. The developed scenarios will ensure realistic modelling results, enabling relevant analyses and policy recommendations. The scenarios are developed based on the assumptions regarding the likely outcomes of the negotiations. These will be compared to the baseline scenario of a continuation of recent trends in Egypt (i.e. a business as usual scenario). The model thus compares the situation with to the situation without the DCFTA.

The model that will be used to quantitatively assess the potential effects of the DCFTA is a Computable General Equilibrium (CGE) model. This is a dynamic and non-linear CGE model. Data used in this model are based on the most recent version 8.0 of the GTAP dataset, which contains data benchmarked to 2007, but which are projected to 2011 using actual macro-economic data. The agreed assumptions and result indicators of the CGE model are presented in Chapter 2.

In order to get a better understanding of what CGE modelling involves and for which elements of the analysis its outcomes are relevant, below we present a schematic illustration (Figure 1.2) of the CGE methodology.

**Figure 1.2 CGE Methodology**



**Pillar 3: Additional social and environmental quantitative and qualitative analysis**

In order to complement the results of the CGE model with relevant information that is not included in the CGE model, additional quantitative and qualitative social (including human rights) and environmental analyses will complement the outcomes of the model.

*Social quantitative analysis*

The social impact of the DCFTA depends on the structural characteristics and population characteristics of the economies involved, and the specific trade reform put into place. The most important transmission channels between trade and welfare identified are the consumption effect (related to prices of consumer goods) and the labour income effect. For a quantitative simulation of these social impacts of the DCFTA, we will combine the results of the CGE model with the analysis of household level data. We will also analyse social impacts in qualitative terms (see below).

### *Environmental quantitative analysis*

A quantitative assessment of the environmental effect of the DCFTA will be performed for air pollution and to a limited extent for water use and climate change. The main inputs for the environmental analysis will include the relevant CGE results, i.e. predictions of CO<sub>2</sub> emissions and sector output, as well as data on air pollution from the EDGAR database. We will calculate emission changes per sector, which will then be used to compute the scale effect and the composition effect of the DCFTA. The quantitative analysis will also report monetary values reflecting the external cost of each of these reported effects. Technological change is not included since the CGE model does not incorporate this.

### *Qualitative analysis*

The CGE model results will be complemented by qualitative analyses on environmental, social and human rights issues. In the social component of the study we will pay particular attention to the interaction between the DCFTA and social equality issues, the effective implementation of the ILO core labour standards, and the promotion of the ILO Decent Work Agenda. In addition, we will consider fundamental rights issues in Egypt. The environmental qualitative analysis will look at the situation of the natural environment beyond air pollution – e.g. water (availability, quality, and maritime issues), waste generation and treatment, ecosystems and biodiversity, etc. – as well as the implementation of multilateral environmental agreements.

The main elements of the approach to the qualitative analyses are:

1. Literature review;
2. Analysis of official reporting schemes inscribed on respective international conventions;
3. Interviews with key informants and stakeholders;
4. Interpretation of quantitative results, especially at the sectoral level.

The **human rights analysis** is part of the social analysis. In carrying out the Human Rights (HR) impact assessment of the DCFTA between the EU and Egypt, we base ourselves on our experience in conducting other sustainability pillars of FTAs in previous studies (notably the HR impact assessment in the Trade SIA on the DCFTA between the EU and Armenia) and the HR IA approach developed methodologically by Walker (2009). Our HR IA approach consists of four steps that are closely aligned with the Trade SIA approach described in the DG Trade Handbook (2006). First, we provide an overview of the current HR situation in Egypt. Second, we analyse which HR aspects are relevant to the DCFTA. Third, taking the economic modelling results as a starting point we turn to the impact of the DCFTA in terms of its general effect on the HR *landscape*, and fourth we assess the effects of the DCFTA on specific HR *aspects*.

### **Pillar 4: In-depth analysis of sectors and horizontal issues**

The aim of the analysis of sectoral and/or horizontal issues is to provide deeper insights into the effects of a potential DCFTA for sectors or issues that are important for a successful conclusion of the DCFTA. Up to four sectors or horizontal issues will be selected for further study, based on the screening and scoping exercise (pillar 1) and in consultation with the Steering Committee.

For selected sectors, a more in-depth analysis will be conducted taking as a starting point the quantitative effects resulting from the CGE analysis and the additional environmental and social analyses (pillars 2 and 3). The sectoral analysis aims to complement these findings through causal chain analysis, literature review, interviews, and inputs from sector experts. Ultimately, the in-depth analysis aims to present more detailed insights into economic (including impact on SMEs), social (such as employment and wage effects in the sector), and environmental (including the effect of an increase in transportation services) impacts resulting from the DCFTA at sector level and in relation to specific horizontal issues.

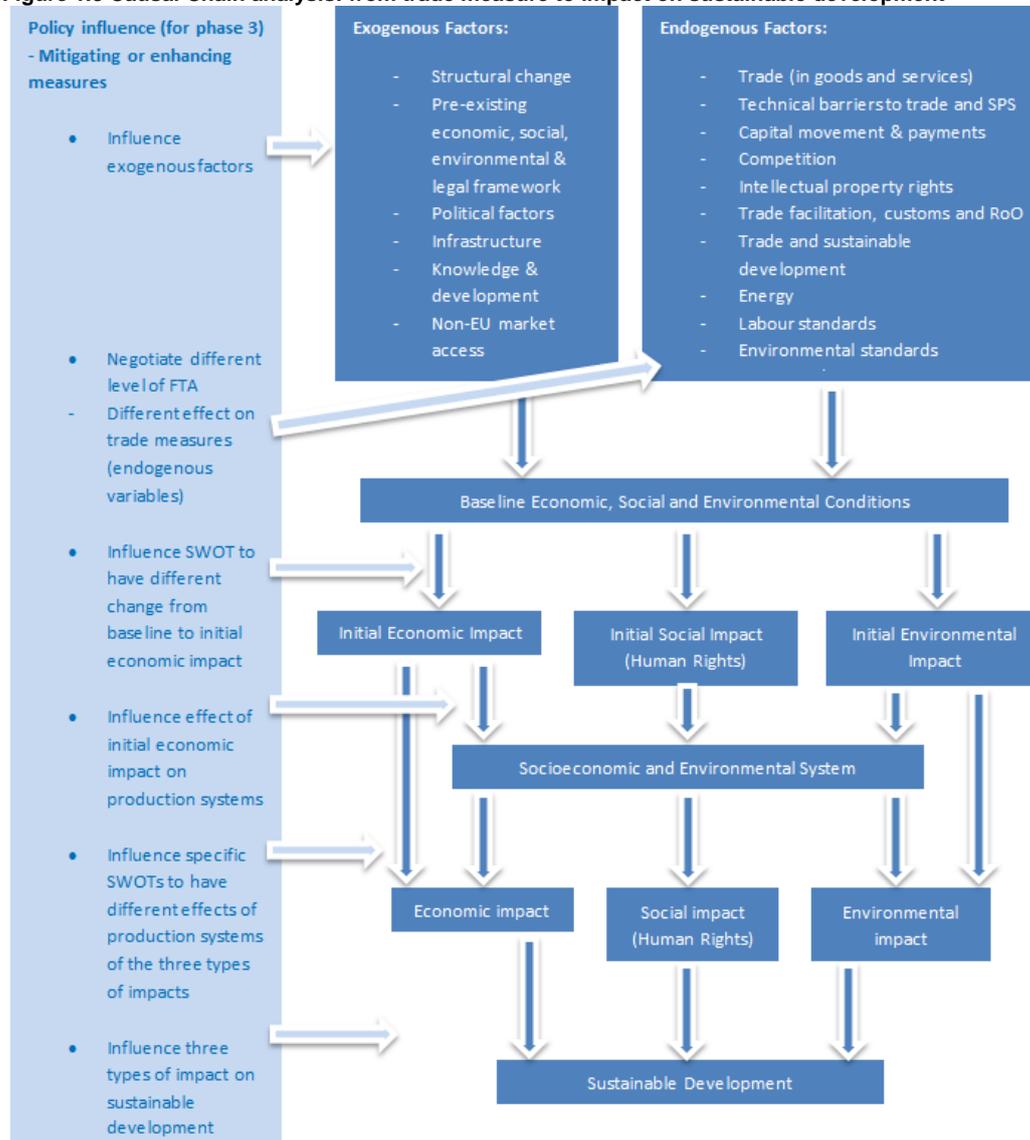
In case a horizontal issue is selected, we could look at important elements that affect a potential DCFTA across multiple sectors. This analysis also starts with the CGE outcomes, comparing them across sectors. An example of an important horizontal issue could be SPS or TBT measures.

**Pillar 5: Causal chain analysis**

Causal chain analysis (CCA) is a conceptual tool used to identify the relevant cause-effect links between the trade measures proposed and the economic, social and environmental impact this trade measure may have. It is imperative for a realistic impact assessment that the CCA is applied to significant links between trade negotiations and their impacts.

Figure 1.3 shows how we view the way CCA should be applied within the Trade SIA framework. This is a slightly adapted version of chart 3 of the Trade SIA Handbook (page 35). The effects of the DCFTA on sustainable development run through the dark blue arrows, while the light blue arrows show how policy measures taken can influence the various cause-effects. Thus the figure illustrates how and at what stages flanking policy measures may increase the positive and mitigate the negative impacts of the DCFTA between the EU and Egypt.

**Figure 1.3 Causal Chain analysis: from trade measure to impact on sustainable development**



Source: Trade SIA Handbook, chart 3 (adapted from Indufor, 2004).

## **Pillar 6: Dissemination and consultation**

Consultation is a key element of the study since inputs from all stakeholders to the negotiation process (businesses, administration, civil society, industry etc.) are required to identify the main issues in relation to the sustainable development effects of the DCFTA. Hence, we aim to involve these stakeholders as actively as possible throughout the entire course of the study. Based on extensive experience with stakeholder consultations, we have developed a tested consultation plan, which is more elaborately presented in Chapter 3. An important tool for the dissemination of the study results and information will be a dedicated Trade SIA website, which is also described in more detail in Chapter 3.

### **1.3 Outline of interim technical and final reports**

After this inception report, two more reports will be delivered: an interim technical report and a final report, which will both be maximum 200 pages long, excluding annexes. Here we outline the main elements of each of these reports.

#### **1.3.1 Outline of the interim technical report**

- A short executive summary in which the preliminary results of the study are presented;
- The CGE model and its results, including the underlying assumptions of the model and their implications for the results;
- The additional quantitative analyses and their results at the overall level, with a focus on social and environmental impact;
- The additional qualitative analyses and their results at the overall level, with a focus on the interaction between the DCFTA and the effective implementation of the ILO core labour standards and multilateral environmental agreements, the promotion of the ILO Decent Work Agenda, and fundamental rights issues;
- An overview of the activities related to consultation and dissemination and their results, in particular:
  - The development and implementation of the stakeholder consultation plan;
  - Consultations and dialogue with external experts from civil society;
  - Social partners and other targeted consultation: summary of comments and suggestions received (via e-mail, social media, meetings etc.) and how these were taken up by the study team;
  - Development of the network of Trade SIA experts: contacts made, information provided / disseminated and comments received;
  - Update on the SME survey results received so far.
- Overview of the Trade SIA website use in terms of number of visits;
- A final screening and scoping exercise to define the sectors and horizontal issues to be analysed in-depth in the final phase;
- A progress briefing, summarising the main activities undertaken so far;
- A roadmap for the work necessary to complete the study and present the final report.

#### **1.3.2 Outline of the final report**

- A short executive summary in which the final results of the study are presented;
- A description of the Trade SIA methodology used;
- Outcomes and results of the Trade SIA assessment, of both the overall analysis and sectoral analysis;
- Proposals for flanking measures and policy recommendations;

- An overview of the activities related to consultation and dissemination and their results, in particular:
  - Outline of contacts with stakeholders (including meetings with social partners and other targeted consultation activities) in the EU;
  - Outline of contacts with stakeholders (including meetings with social partners and other targeted consultation activities) in Egypt (as well as in other countries if relevant);
  - Minutes of the workshop in Egypt outlining key stakeholder positions and points of view, the programme and list of participants;
  - Minutes of the public meetings with civil society in Brussels outlining key stakeholder positions and points of view, the agenda and list of participants.
- Conclusions;
- References and key resources.

### 1.3.3 *Outline of Briefing Document*

As requested in the Terms of Reference, the final report will be accompanied by a Briefing Document (2 pages maximum), which will include:

- The objectives, scope and purpose of the Trade SIA;
- The main trade measures identified for impact analysis;
- The liberalisation scenarios considered;
- Other key assumptions and hypotheses;
- The most significant economic, social, environmental and human rights impacts identified;
- The most important complementary policy measures recommended in order to minimise negative impacts and maximise positive impacts of the trade measures proposed;
- The sources of evidence, and the qualitative and quantitative evidence gathering techniques used;
- Details of the consultation process undertaken for the Trade SIA;
- Limitations in the design or the execution of the Trade SIA in meeting the project aims and objectives;
- Suggestions (where relevant) of issues or aspects for further investigation, including ex post analysis of the impacts of any agreement reached at the conclusion of negotiations.

## 2 Methodological developments

This chapter contains an overview of additional information over and above the general introduction given in the first chapter regarding the quantitative and qualitative analysis in Phase 1 and the sectoral Trade SIAs in Phase 2, based upon initial research and the first discussions with the Steering Committee. It also includes an identification and definition of indicators that we will apply in this study.

The chapter consists of the following sections:

- The first section discusses the specifications applied in the CGE model and the outputs and limitations of the model;
- The methodology for the social analysis, including our approach to human rights effects is outlined in section 2.2;
- Section 2.3 presents the methodologies used for the environmental analysis;
- The approach for the analysis of sectors and horizontal issues is discussed in section 2.4.

The stakeholder consultation process is separately discussed in Chapter 3.

### 2.1 CGE modelling specifications

The CGE modelling approach has been discussed with the Steering Committee already during the inception phase to allow for timely modelling. This section presents the specifications of the final version of the methodological note. For a more detailed explanation of the assumptions and figures used in this section, we refer to the methodological note which can be found in Annex C.

The discussion regarding the modelling specifications has been as follows:

- A first discussion on the modelling approach during the inception meeting on 14<sup>th</sup> of January 2014;
- A first draft methodology note sent to the Steering Committee on the 24<sup>th</sup> of January, upon which there was some exchange of information between Ecorys and the Steering Committee;
- Ecorys sent a new version of the note for approval by the Steering Committee on 26<sup>th</sup> of February 2014, along with the draft inception report;
- Based on the outcome of the discussions during the Steering Committee meeting on the 18<sup>th</sup> of March, the Methodological Note has been finalised.

The next subsections present in detail the modelling specifications.

#### 2.1.1 Country specifications

The CGE model is a general equilibrium model, which implies that all countries from the world are included and are taken into account for the generation of the results. However, in order to show the specific effects of the DCFTA between the EU and Egypt and other countries to the study's interest, a few countries can be split out in the model. In total ten countries will be separated from the general equilibrium analysis to allow reporting on country level. The ten countries / country groups we will specify in the CGE model are going to be:

1. EU-28;
2. Egypt;
3. Jordan;

4. Morocco and Tunisia;
5. Rest of North Africa (Algeria, Libya);
6. Turkey;
7. GCC;
8. Middle East (excl. GCC and Iran)
9. Rest of Africa;
10. Rest of World (ROW).

### 2.1.2 Sector specifications

Table 2.1 below presents the 33 sectors that are selected for the CGE modelling in the Trade SIA EU – Egypt. Based on the preferences of the Steering Committee and the availability of data, the 57 original GTAP sectors have been aggregated into 33 economic sectors that will be used in the reporting for this study. The table shows the 33 sectors selected in this study on the right hand side and the GTAP sectors that are included in this aggregation on the left hand side of the table.

**Table 2.1 Sector selection in CGE modelling, aggregation from GTAP sectors**

Nr.	Abbrev.	Sector content (57 sectors)	Nr.	Abbrev.	Sector description (TSIA)			
1	PDR	Paddy rice	1	GRN	Grains and crops			
2	WHT	Wheat						
3	GRO	Cereal grains nec						
4	V_F	Vegetables, fruit, nuts	2	VOS	Vegetables, fruit & nuts			
5	OSD	Oil seeds	3	OAF	Other agriculture and forestry products			
6	C_B	Sugar cane, sugar beet						
7	PFB	Plant-based fibers						
8	OCR	Crops nec						
9	CTL	Bovine cattle, sheep and goats, horses						
10	OAP	Animal products nec						
11	RMK	Raw milk						
12	WOL	Wool, silk-worm cocoons						
13	FRS	Forestry	4	FSH	Fish products			
14	FSH	Fishing						
15	COA	Coal				5	MNG	Mining
16	OIL	Oil						
17	GAS	Gas						
18	OMN	Minerals nec						
19	CMT	Bovine meat products	6	MPT	Livestock and Meat Products			
20	OMT	Meat products nec						
21	VOL	Vegetable oils and fats	7	VOL	Vegetable oils and fats			
22	MIL	Dairy products	8	OPF	Other processed food			
23	PCR	Processed rice						
24	SGR	Sugar						
25	OFD	Food products nec						
26	B_T	Beverages and tobacco products	9	B_T	Beverages and tobacco			
27	TEX	Textiles	10	TEX	Textiles			
28	WAP	Wearing apparel	11	WAP	Wearing apparel			
29	LEA	Leather products	12	LEA	Leather products			
30	LUM	Wood products	13	LUP	Wood, paper, publishing			
31	PPP	Paper products, publishing						
32	P_C	Petroleum, coal products	14	P_C	Petro-chemicals			

Nr.	Abbrev.	Sector content (57 sectors)	Nr.	Abbrev.	Sector description (TSIA)
33	CRP	Chemical, rubber, plastic products	15	CRP	Chemical, rubber, plastic products
34	NMM	Mineral products nec	16	NMM	Ceramics, cement, etc.
35	I_S	Ferrous metals	17	MET	Primary metals
36	NFM	Metals nec			
37	FMP	Metal products	18	FMP	Fabricated metals
38	MVH	Motor vehicles and parts	19	MVH	Motor vehicles
39	OTN	Transport equipment nec			
40	ELE	Electronic equipment	20	ELE	Electronics, computers
41	OME	Machinery and equipment nec	21	OME	Other machinery and equipment
42	OMF	Manufactures nec	22	OMF	Other manufacturing
43	ELY	Electricity	23	UTI	Utilities
44	GDT	Gas manufacture, distribution			
45	WTR	Water			
46	CNS	Construction	24	CNS	Construction
47	TRD	Trade	25	TRD	Trade
48	OTP	Transport nec	26	OTP	Other transport services
49	WTP	Water transport	27	WTP	Water transport
50	ATP	Air transport	28	ATP	Air transport
51	CMN	Communication	29	CMN	Communications
52	OFI	Financial services nec	30	FIS	Finance and insurance
53	ISR	Insurance			
54	OBS	Business services nec	31	OBS	Business and ICT
55	ROS	Personal and recreational services	32	ROS	Personal and recreational services
56	OSG	Public Administration, Defense, Education, Health	33	OSG	Public and other services
57	DWE	Dwellings			

### 2.1.3 Base year

The CGE model will be based on the GTAP 8 dataset, which includes figures until 2007. This base year will be brought forward using actual IMF figures on trade and growth (i.e. it is not a linear projection, but an adjusted actual projection). The latest complete data for all country groupings and sectors are available for 2011, which will be the base year in the CGE analysis. It includes the most reliable and accurate globally consistent data available to date.

### 2.1.4 Scenarios

As outlined in the Trade SIA Handbook, scenarios should be developed in order to adequately distinguish between the economic developments without a DCFTA and with a DCFTA. In the following, we outline the details of the baseline and DCFTA scenario.

#### Baseline scenario

The following details will constitute the baseline scenario for the DCFTA EU – Egypt:

- For the EU – Egypt scenario, a DCFTA between the EU – Jordan will be included in the baseline since the effect of a DCFTA on Egypt cannot be viewed in isolation of the DCFTA with Jordan (since negotiations most probably will take place during the same timespan);

- This baseline scenario includes the negotiated Association Agreement (signed in 2004) between the EU and Egypt, as well as the Agreement on agricultural, processed agricultural and fisheries products between the EU and Egypt, which entered into force on the 1st of June 2010;
- The Doha Development Agenda (DDA) is not included in the baseline.

There will be no separate reporting of any of these inputs for the baseline or the baseline itself, but the focus will be on reporting the effects of the DCFTA.

### Liberalisation scenario

There are three channels of liberalisation that will be studied: (i) tariffs, (ii) services liberalisation and (iii) other NTMs. The liberalisation scenario will be compared to the baseline scenarios to analyse the pure DCFTA effects.

#### *(i) Tariffs*

The following tariff liberalisations will be modelled:

- Tariff reduction EU into Egypt: 80% liberalisation for agricultural sectors;
- Tariff reduction Egypt into the EU: 95% liberalisation for agricultural sectors;
- Tariff reduction EU into Egypt: 100% liberalisation for all remaining sectors;
- Tariff reduction Egypt into the EU: 100% liberalisation for all remaining sectors.

#### *(ii) Services liberalisation*

The modelling of service level NTMs for the DCFTA EU – Egypt is based on the methodology developed for previous TSIA conducted by Ecorys, notably for the TSIA of the DCFTAs between the EU and Georgia/Moldova, EU – Armenia, and EU – Morocco/Tunisia. Liberalisation in the services sector is based on a percentage reduction in Trade Cost Equivalents (TCEs) for a particular sector.

For the DCFTA between the EU and Egypt, Ecorys will model a 5% reduction in TCEs for the services sectors 23 until 33 (as described in the sector aggregation table) for the Egyptian side liberalisation and a 3% reduction in TCEs from an EU-side liberalisation. These values have also been agreed by the Steering Committee. For a detailed methodology on how these figures are derived, please see Annex C.

#### *(iii) Other NTMs*

For the modelling of liberalisation of other NTMs, we take into account the following assumptions:

1. The EU is focusing primarily on SPS and TBT;
2. The standards of Egypt need to approximate those of the EU because the EU is not going to lower its standards in the fields of SPS and TBT – at least not to an average somewhere in between.

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction, as Egypt approximates to the EU and not the other way around. The EU will also benefit from lower NTM levels in Egypt (albeit to a lesser extent than the other way around), because regulatory approximation also means further market access for EU firms, even if EU standards are higher from the outset (with NTMs it is differences in standards that matter, not level of standards).

In order to link the data to the reality of the negotiations, the baseline NTM values per sector are subjected to different liberalisation percentages. Using the extensive Ecorys (2009) database of

NTMs (business survey with 5500 responses across the world), the importance of SPS and TBT issues in the overall NTMs is determined. The respondents of the business survey were asked for NTMs in their sector:

- (i) What **weight** they attach to the NTM in the sector (from no weight 1, to heavy weight 5);
- (ii) What the **actionability** (likelihood of removal) of the NTM is.

Since the focus of “other NTMs” in the TSIAs is on SPS/TBT, the number of times that “SPS” was mentioned out of the total of NTMs in the relevant sector is calculated as a percentage of the total. This percentage is then weighed with the ‘importance’ criteria (i) and (ii) in order to obtain a weighed percentage of how important SPS/TBT NTMs are with respect to the total amount of NTMs in the sector.

In a next step, for every economic sector in Egypt (except for the services sectors, in which no Other NTM reductions are modelled) is determined whether they are **heavily (high), lightly (low) or not at all (no)** influenced by SPS or TBT issues. The reality of the negotiations, i.e. whether SPS/TBT issues are actually actionable, acts as a ‘downgrade’ of the level of liberalisation possible in sectors affected by SPS/TBT issues. In case many SPS/TBT issues are identified in a certain sector, but the negotiators expect the likelihood of approximation to be low, then only a limited degree of liberalisation is realistic. The table below summarises these assumptions:

		Level of presence of NTMs		
		High	Low	No
Actionability	High	Ambitious liberalisation	Limited liberalisation	No liberalisation
	Low	Limited liberalisation	No liberalisation	No liberalisation

This estimation technique leads to the following liberalisation figures for EU and Egypt side liberalisation<sup>3</sup>:

#### 1. Other NTMs affecting trade from the EU to Egypt:<sup>4</sup>

- a) 4% point reduction in TCE for the ambitious liberalisation scenario;
- b) 2% point reduction in TCE for the limited liberalisation scenario;
- c) 0% point reduction in TCE when there is no liberalisation foreseen;
- d) 2% point reduction in TCE for all agriculture and manufacturing sectors due to trade facilitation<sup>5</sup>.

#### 2. Other NTMs affecting trade from Egypt to the EU<sup>6</sup>:

- a) 16% point reduction in TCE for the ambitious liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = *de facto 8% point reduction*;
- b) 8% point reduction in TCE for the limited liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = *de facto 4% point reduction*;

<sup>3</sup> Based on literature used in the Ecorys (2009) study and expertise gathered in previous TSIAs. As explained above, reductions in TCEs are modelled as being higher on the EU-side than on the Egyptian side reflecting the greater capacity of Egyptian exporters to meet EU standards as a result of the DCFTA. This does not imply any liberalization of the underlying regulatory standards on the EU side.

<sup>4</sup> This is modelled as an NTM reduction at the Egyptian side.

<sup>5</sup> The two percent point trade reduction figure has been agreed with and proposed by the Commission during the inception phase of the EU – Georgia/Moldova and Morocco/Tunisia TSIAs. It is considered a conservative estimate for NTMs and has been used in many past TSIAs reports conducted by Ecorys. Most importantly, the TSIAs EU – Georgia/Moldova, but also EU – India and EU – ASEAN and in particular also Morocco/Tunisia.

<sup>6</sup> For the EU, the sector experts will not be asked to rank SPS/TBT issues since the effects on EU sectors are expected to be small. These NTM reduction levels are modelled on the EU side.

- c) 0% reduction in TCE when there is no liberalisation foreseen;
- d) 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.

3. For other nations towards Egypt (exports and imports) we also model MFN spill-overs worth 25% of the liberalisation level with the EU.

Next to the Ecorys (2009) NTM data that has been used to estimate the above liberalisation percentages, the values have also been cross checked with a range of studies that the project team has done in the past on FTA modelling and barriers in trade and investment, including Professor Joseph Francois academic work on this topic.

### 2.1.5 Outputs from the CGE model

The CGE model results in the following output indicators (see Table 2.2 below).

**Table 2.2 Indicators generated by the CGE model\***

Theme	Indicator	Measurement
1. Aggregate results	a. Wages (skilled and unskilled); b. GDP; c. Total exports; d. Total imports; e. National income; f. Terms of trade.	a. Percent change; b. Percent change; c. Percent change; d. Percent change; e. Billions of dollars; f. Percent change.
2. Sector results	a. Bilateral exports; b. Output; c. Value added; d. Employment - (un)skilled.	a. Percent change; b. Percent change; c. Percent change; d. Percent change.
3. Environment variables	a. Emissions; b. Agricultural; c. Fisheries.	a. Percent change in CO2 emissions; b. Percent change in output and percent change in land use; c. Percent change in fish catch.
4. Social variables	a. Unskilled wage changes; b. Labour displacement; c. Measure of inequality.	a. Percent change in household income; b. Percent of workers required to move jobs; c. Change in share of unskilled workers in total income.

\* If necessary also base values are provided to understand the impact of percentage changes.

The economic analysis will also identify possible tariff revenue implications as a result of tariff liberalisation.

### 2.1.6 Limitations of the model

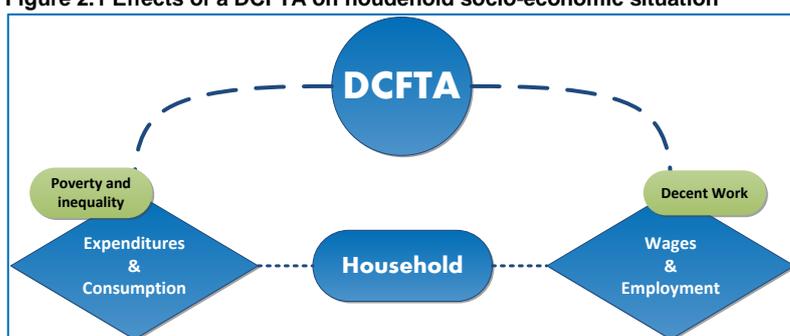
The CGE model gives rise to two limitations that should be taken into account while evaluating the results:

- Limitation 1: If trade flows at present are zero because of some regulatory barrier that is totally prohibitive, CGE cannot model anything because it does not have a base to start from – this will have to be added qualitatively (e.g. based on shares in similar markets) after the CGE modelling;
- Limitation 2: It is impossible to make cost adjustments for approximation – in terms of domestic cost levels. We have used very conservative NTM liberalisation effects (e.g. 8% instead of 16% for ambitious liberalisation; 4% instead of 8% for limited liberalisation) to take this cost increase effect into account to some extent.

## 2.2 Social analysis

The social analysis will focus on the impact of trade liberalisation on the socio-economic state of households. Two main aspects which directly influence household welfare and are potentially affected by the DCFTA will be analysed: expenditures on the one hand and wages and employment on the other. Figure 2.1 provides an overview of the main channels of effects of a DCFTA on the household socio-economic situation.

**Figure 2.1 Effects of a DCFTA on household socio-economic situation**



Household expenditures determine the total utility of its members and therefore have an effect on overall household welfare. An analysis of the effect of a DCFTA on the level of poverty for a household and on inequality between the welfare of households will therefore take total expenditures into account. Wages and employment make up the income side of the effect on households and include not just direct income effects, but also institutional effects such as rights at work and social protection. Furthermore, an increase in wages is assumed to increase total expenditures, therefore also (indirectly) having an additional effect on poverty and welfare.

The social analysis will consist of several quantitative and qualitative methods to determine the impact of a DCFTA on the abovementioned factors that influence the socio-economic situation of a household and its members. Table 2.3 shows an overview of which method will be used for each topic. In the remainder of this chapter we will discuss these topics and the related methods.

**Table 2.3 Coverage of each social topic by main method**

Topics	Social indicators within the CGE modelling results	Extension of the CGE modelling results	Literature review	Consultations
Employment and wages*	✓		✓	✓
Poverty and inequality	✓	✓	✓	✓
Decent work*			✓	✓

\* The topic of employment and wages largely overlap with the first pillar of the decent work agenda.

### 2.2.1 Employment and Wages

As discussed in Section 2.1, the CGE modelling results include the estimated short and long run effects of a DCFTA on wages (both for high skilled and low skilled employees) and labour

displacement<sup>7</sup>. Although these results are only available at an aggregated level, the effect of a DCFTA on households through the estimated change in these indicators will briefly be discussed.

### 2.2.2 Poverty and inequality

Several indicators for welfare effects of a DCFTA are included in the CGE modelling results. For instance, an indication of consumer welfare that will be presented is the equivalent variation, which measures the change of income needed to achieve the same level of utility as before the DCFTA. It should be noted that such an indicator only assesses welfare at the aggregate level, not taking into account heterogeneity between households and (vulnerable) groups. Thus, while welfare at the aggregate level might increase, inequality might also increase, possibly combined with an increase in the number of people living in poverty (i.e. living below the poverty line).

To estimate a change in inequality and the changes in the share of population living in poverty as a result of the DCFTA, a micro-simulation approach is carried out. A change in household welfare as a result of the DCFTA is estimated by the sum of the change in expenditures (i.e. the expenditure effect) and the change in wages (i.e. the income effect). This welfare change is expressed in equivalent units of income that could be given to or taken from the consumer in a situation where prices are left unchanged. We will express the impact of the price and wage changes as an equivalent change in disposable income. This allows us to compute a “new” (short and long run) level of disposable income at the household and personal level that reflects the impact of the DCFTA, much like the computation of the equivalent variation of a price change. These new income or expenditure levels feed into the calculation of the poverty and inequality indicators that summarize key social effects of the DCFTA.

The micro-simulation approach links the CGE modelling results on changes in relative consumer product prices to micro-data on household expenditure data. The Economic Research Forum (ERF)<sup>8</sup> has made the Egyptian household income, expenditure, and consumption survey for 2010/2011 available to Ecorys. This dataset consists of a sample of households with information on household characteristics, annual household expenditures (COICOP coding), household total income and sources of income of the household. Based on the available variables in the dataset, Table 2.4 provides an overview of the expected output of the welfare micro-simulation analysis.<sup>9</sup>

**Table 2.4 Indicators and variables taken into account in the analysis of the micro-simulation.**

Theme	Indicator (for baseline, short run and long run)	DCFTA impact measurement (short run or long run comparison with the baseline)
1. Poverty	a. Poverty headcount based on <i>absolute</i> poverty line (the share of the population below the poverty line)	Change in percentage points
	b. Poverty headcount based on <i>relative</i> poverty line (the share of the population below the poverty line)	Change in percentage points
	c. Poverty gap	Change in percentage points

<sup>7</sup> The CGE model assumes a fixed labour force size and full employment. It is therefore not possible to calculate overall (un)employment effects in the DCFTA scenario.

<sup>8</sup> See: [http://www.erf.org.eg/cms.php?id=home\\_page](http://www.erf.org.eg/cms.php?id=home_page). Survey produced by: Central Agency For Public Mobilization & Statistics - Arab Republic of Egypt.

<sup>9</sup> Although these variables are available in the dataset, the quality of the data and the response per variable will determine whether such a breakdown is possible.

Theme	Indicator (for baseline, short run and long run)	DCFTA impact measurement (short run or long run comparison with the baseline)
	(the depth of poverty)	
	d. Squared poverty gap (the severity of poverty, i.e. analysis 1.c with the additional criteria of individuals receiving a greater weight the further they are below the poverty line)	Change in value
<b>2. Inequality</b>	a. GINI coefficient (measurement between 0 and 1)	Change in coefficient
	b. Decile dispersion ratio (measurement of the income of the highest income group as multiples of that of the poorest income group)	Change in the ratio
<b>3. Vulnerable groups</b>	Poverty headcount by gender	Change in percentage points
	Poverty headcount by age groups	Change in percentage points
	Poverty headcount by rural/urban	Change in percentage points
	Poverty headcount by region	Change in percentage points
	Poverty headcount by main source of income	Change in percentage points

The results of the microanalysis will be provided for three effects: expenditure effect only (assuming constant wages), wage effect only (assuming constant consumer prices) and the total effect (the sum of expenditure and wage effect). Findings will be compared with, and placed in the context of, issues identified through a literature review and consultations. An initial literature review indicates that food insecurity is an important dimension to take into account when assessing the impact of a DCFTA on poverty in Egypt, as illustrated in the text box below.

#### Poverty in Egypt: Food insecurity<sup>10</sup>

The poverty rate in Egypt has increased from around 17 percent in 1996 to 25 percent in 2011. Between 2009 and 2011, twice the number of people moved into poverty than moved out of poverty. Overall, poverty rates are still highest in rural areas.

The general rise in food prices have played an important role in the increase in the number of people living in poverty. With an average household in Egypt spending over 40 percent on food, an increase in food prices can significantly lower the economic possibilities of households. Coping strategies generally involve a reduction of more expensive food and an increase in consumption of calorie-dense food with limited nutrient value. Because the share of spending on food is generally higher for low-income households, it is mostly the poorer households which are hit hardest by an increase in food prices.

In the context of the estimation of the expenditure effect within the poverty analysis for Egypt it is therefore of high importance to consider the changes in food prices and their effect on overall welfare change.

<sup>10</sup> Source: World Food Programme (2013). The Status of Poverty and Food Security in Egypt: Analysis and Policy Recommendations. URL= <http://documents.wfp.org/stellent/groups/public/documents/ena/wfp257467.pdf>.

### 2.2.3 Decent work

Based on an extensive qualitative analysis, extended with results from the consultation process, insights into decent work issues in Egypt will be provided. We will follow the ILO's approach distinguishing four pillars that matter for the agenda as a whole:

- Creating jobs;
- Guaranteeing rights at work;
- Extending social protection;
- Promoting social dialogue.

The steps in the analysis of each pillar to be taken are:

1. Description of the **current state of play** of the four ILO decent work pillars;
2. Identification of current national or regional **issues** within the context of each pillar;
3. Where possible, identification of **potential impacts of the DCFTA** on relevant issues;
4. **Validation and/or extension** of the findings during consultations.

For the analysis of step 1 (current state of play), available literature will be used to identify the developments of indicators within each pillar. Potential sources of information include: OECD country information<sup>11</sup>, The African Economic Outlook 2014<sup>12</sup>, ILO country and region information<sup>13</sup>, UNDP human development reports<sup>14</sup> and World Bank Development Indicators<sup>15</sup>. We will take into account several statistical indicators per main pillar. For each indicator, we will analyse relevant historical trends and/or comparisons with other countries. These statistical indicators are<sup>16</sup>:

- *Creating jobs*
  - Employment.
  - Total unemployment.
  - Unemployment by gender.
  - Unemployment by age.
  - Unemployment by educational level.
- *Guaranteeing rights at work*
  - Gender wage gap by sector.
  - Share of women employed in the non-agricultural sector.<sup>17</sup>
  - Labour Force participation rate by gender.
  - Share of children in the labour force.
- *Extending social protection*
  - Days lost due to cases of occupational injury with temporary incapacity for work.
  - Proportion of elderly above statutory pensionable age receiving an old age pension.<sup>18</sup>
  - Total social protection expenditure.<sup>19</sup>

<sup>11</sup> See for example: <http://www.oecd.org/dev/emea/40577424.pdf>.

<sup>12</sup> See: <http://www.africaneconomicoutlook.org/en/countries/>.

<sup>13</sup> See for example: <http://www.ilo.org/public/english/region/afpro/cairo/info/index.htm>.

<sup>14</sup> See for example (in cooperation with the Egyptian Institute of National Planning: <http://www1.umn.edu/humanrts/research/Egypt/Egypt%20Human%20Development%20Report%202010.pdf>.

<sup>15</sup> See: <http://data.worldbank.org/country/egypt-arab-republic>.

<sup>16</sup> Data is based on ILO country statistics and ILO Key Indicators of the Labour market, unless otherwise specified. See for sources: (ILOstat) [http://www.ilo.org/ilostat/faces/home/statisticaldata/data\\_by\\_country/country-details?country=JOR&\\_afLoop=860512986490295%40%3F\\_afLoop%3D860512986490295%26country%3DJOR%26adf\\_ctrl-state%3Dpd5e7y2df\\_171](http://www.ilo.org/ilostat/faces/home/statisticaldata/data_by_country/country-details?country=JOR&_afLoop=860512986490295%40%3F_afLoop%3D860512986490295%26country%3DJOR%26adf_ctrl-state%3Dpd5e7y2df_171) and (KILM) [http://www.ilo.org/empelm/what/WCMS\\_114240/lang-en/index.htm](http://www.ilo.org/empelm/what/WCMS_114240/lang-en/index.htm).

<sup>17</sup> See <http://data.worldbank.org/indicator/SL.EMP.INSV.FE.ZS>.

<sup>18</sup> See <http://www.ilo.org/gimi/gess/ShowTheme.do?tid=10>.

<sup>19</sup> Ibid.

- *Promoting social dialogue*

This pillar will be analysed using a qualitative assessment.

To identify relevant issues (step 2), we will, next to studying available literature, make use of the ILO supervision of the application of International Labour Standards for Egypt<sup>20</sup>. The comments and complaints related to any of the eight fundamental conventions<sup>21</sup> in this ILO supervision can serve as a tool to identify needs and issues in Egypt. Next to the eight fundamental conventions, a scan of other conventions will be carried out. If a convention can reasonably be linked to a Decent Work pillar and relevant developments have taken place, this convention is also taken into account.

The analysis of the ILO pillar related to job creation and job destruction effects partly overlaps with the analysis of the CGE aggregate labour displacement and wages output. The analysis of job creation and job destruction effects at the sectorial levels will therefore be based on the CGE modelling exercise, extended with consultations with stakeholders, especially business representatives. However, because the CGE model assumes full employment, the output of the modelling cannot be used for estimations on likely overall employment changes (i.e. job creation or job destruction). Additional literature on (un)employment issues in Egypt will therefore be analysed.

The effects on the legal framework and effective implementation of rights at work (including those in disadvantaged positions) will be studied on the basis of interviews with key informants and stakeholders (researchers, policy analysts, policy makers, trade unions, NGOs active in the relevant fields, employer's organisations, business associations, etc.), literature review and analysis of official reporting schemes inscribed in respective international conventions (mainly ILO core conventions). The analysis will cover workers in unregistered employment sector(s), and other vulnerable groups.

The analysis of potential effects on extending social protection and promoting social dialogue will be studied primarily using inputs from stakeholder consultations. The estimated impact on the situation of various (vulnerable) population groups will be explicitly taken into account.

#### 2.2.4 *Informal economy*

We will also analyse the role of the informal economy in Egypt in the context of the DCFTA. For this, we will (similarly to the approach for Decent work) first assess the current situation with respect to the informal economy and employment, based on a literature review. For this, we will use information from international organisations (e.g. ILO) as well as academic research and local information. In this review we will identify specific issues that may be relevant for assessing the DCFTA impact (e.g. related to gender, specific sectors or regions).

As a next step, we will identify possible implications of the DCFTA on the informal economy. This will be based on existing literature on the link between trade liberalisation and the informal sector. Some of the literature initially identified and to be used for this analysis includes:

- Jansen, M., Peters, R., Salazar-Xirinachs, J. (2011). "Trade and Employment: From Myths to Facts", EC and ILO;
- Koujianou Goldberg, P., & Pavcnik, N. (2003). "The response of the informal sector to trade liberalization", *Journal of Development Economics*, 72(2), 463-496;
- Fugazza, M., & Fiess, N. (2010). "Trade liberalization and informality: new stylized facts", UN;

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<sup>20</sup> See:

[http://www.ilo.org/dyn/normlex/en/f?p=1000:11110:0:NO:11110:P11110\\_COUNTRY\\_ID,P11110\\_CONTEXT:102915,SC](http://www.ilo.org/dyn/normlex/en/f?p=1000:11110:0:NO:11110:P11110_COUNTRY_ID,P11110_CONTEXT:102915,SC).

<sup>21</sup> See: <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>.

- Arias, J., Artuc, E., Lederman, D., Rojas, D. (2013). "Trade, Informal Employment and Labour Adjustment Costs". World Bank Policy Research Working Paper 6614.

### 2.2.5 Human rights analysis

Based on the guidelines for the external policy stated in the EC Communication of 19 October 2010, 'Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union'<sup>22</sup> the DCFTA between the EU and Egypt needs to take into account the impact of the effects of this agreement on human rights. Since the DCFTA is likely to have a substantially larger impact on Egypt than on the EU, the human rights analysis will focus on the Egyptian side.

The methodology for our analysis is based on:

- the guidelines set out in the EC Communication 'Operational Guidance on Fundamental Rights in Commission Impact Assessments'<sup>23</sup>;
- 'Guiding principles on human rights impact assessments of trade and investment agreements' communicated in the Report of the Special Rapporteur on the right to food, Olivier de Schutter, from 19 December 2011;<sup>24</sup>
- research work carried out by Simon Walker;<sup>25</sup> and
- our experience in the analysis of the impact on human rights of the previous TSIA's.<sup>26</sup>

Our approach consists of three steps that are closely aligned with the TSIA approach of the DG Trade Handbook (2006) and that are in line with the EU's Impact Assessments guidelines:

- Step 1: Present a concise overview of the HR landscape in Egypt;
- Step 2: Pre-select the HR elements that are most likely affected by the DCFTA;
- Step 3: Based on the policy (modelling) scenarios and additional analysis, look at the potential impacts of the DCFTA on the stylised HR aspects.

In line with the EU's Impact Assessment guidelines, Step 1 constitutes the baseline for human rights, while Steps 2 and 3 compare the potential DCFTA outcomes for human rights to this baseline.

The information sources we use for this exercise are the following:

- Literature, focusing on the current HR landscape for Egypt– HR treaties that Egypt has or has not signed, status of implementation, and specific HR issues relevant for Egypt. Sources that will be used will include (but not be limited to) information from international organisations like the Office of the High Commissioner for Human Rights and the ILO, complemented by information from International NGOs like Amnesty International, Human Rights Watch, the Arabic Network for Human Rights Information and national organisations like the Egyptian Organization for Human Rights;

<sup>22</sup> EC Communication 'Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union', COM (2010) 573 final, available at: [http://ec.europa.eu/justice/news/intro/doc/com\\_2010\\_573\\_en.pdf](http://ec.europa.eu/justice/news/intro/doc/com_2010_573_en.pdf) [accessed 3 February 2014].

<sup>23</sup> SEC (2011) 567 final, available at: [http://ec.europa.eu/governance/impact/key\\_docs/docs/sec\\_2011\\_0567\\_en.pdf](http://ec.europa.eu/governance/impact/key_docs/docs/sec_2011_0567_en.pdf) [accessed 3 February 2014].

<sup>24</sup> United Nations, 'Report of the Special Rapporteur on the Right to Food, Olivier de Schutter: Guiding Principles on Human Rights Impact Assessments of Trade and Investment Agreements', 19 December 2011, S/HRC/19/59/Add.5, available at: [http://www.ohchr.org/Documents/HRBodies/HRCouncil/RegularSession/Session19/A-HRC-19-59-Add5\\_en.pdf](http://www.ohchr.org/Documents/HRBodies/HRCouncil/RegularSession/Session19/A-HRC-19-59-Add5_en.pdf) [accessed 3 February 2014].

<sup>25</sup> Walker, S. (2009). The Future of Human Rights Impact Assessments of Trade Agreements, Intersentia.

<sup>26</sup> See human rights sections in Ecorys (2013), 'Trade Sustainability Impact Assessment of the DCFTA between the EU and Morocco', Ecorys (2013), 'Trade Sustainability Impact Assessment of the DCFTA between the EU and Tunisia', Ecorys (2013), 'Trade Sustainability Impact Assessment of the DCFTA between the EU and Armenia', Ecorys (2012), 'Trade Sustainability Impact Assessment of the DCFTA between the EU and Moldova', Ecorys (2012), 'Trade Sustainability Impact Assessment of the DCFTA between the EU and Georgia'.

- The outcomes of the Computable General Equilibrium (CGE) model that provide information on the main macro-economic changes that stem from the EU-Egypt DCFTA and the results from the social analysis. These predicted changes serve as the basis for potential HR effects;
- Discussions with local HR public institutions, experts and HR-related NGOs in Egypt on specific issues.

## 2.3 Environmental analysis

The environmental analysis will follow three steps: The first step will deal with the current state of the environment and environmental policy in Egypt, introducing the key issues and developments to be considered. The second step will consist of a pre-analysis of how the DCFTA could affect the state of the environment in Egypt, both in general and for each of the identified issues. The third and final part will look at the likely impacts of the DCFTA on the environmental aspects described.

The first step, the environmental profile, will start with a description of the Egyptian geographical and meteorological characteristics and give an introduction to the main environmental issues and trends as well as key features of environmental policy, including Multilateral Environmental Agreements (MEAs). Based on the Yale Environmental Performance Index (EPI) and further research, we foresee to cover the following issues as sub-chapters:

- Air pollution;
- Water (availability, quality, and maritime issues);
- Waste;
- Climate change;
- Ecosystems and biodiversity;
- Greening the economy.

The second step of analysis consists of an assessment on which of the issues the DCFTA may have an impact and how they may do so. It is important to note that we will generally look at two impact channels of the DCFTA: First, the conclusion of a DCFTA may lead to an increase in the efforts to deepen the Association Agreement and work on the provisions on environmental policy outlined there. Whenever relevant, these provisions will be mentioned in the context of the corresponding issue. A second channel is economic activity, which is often related to negative environmental impacts (increased land use, pollution, water use, etc.).

In a third step, the expected impacts of the DCFTA will be analysed. The analysis of impacts will follow the structure of the main issues identified in the baseline and relate them to the relevant influence of the DCFTA identified in the second step.

In the analysis of each of the issues and the impacts of the DCFTA on these, quantitative and qualitative methods are combined insofar possible.

### 2.3.1 Details of approaches

#### Quantitative assessment

A quantitative assessment, combining data from the CGE model with environmental data, will be performed for air pollution and to a limited extent for water use and climate change.

The analysis of air pollution will look at three types of air pollutants: (1) nitrogen oxides (NO<sub>x</sub>), (2) sulphur oxides (SO<sub>x</sub>), and (3) particulate matter (PPM2.5 and PPMcoarse<sup>27</sup>). For this, raw data from the Emission Database for Global Atmospheric Research (EDGAR)<sup>28</sup> will be used and aggregated such that it fits the CGE model sectors, resulting in five aggregated sectors (agriculture, industry, transport, utilities, and other). We will use the results from the CGE model on sectoral changes combined with sectoral emission intensities (taken from EDGAR) to arrive at emission changes per sector. These sector results will be used to compute the scale effect and the composition effect of the DCFTA: The impact of the volume of economic activity – assuming constant sector shares – is captured in the scale effect. As economic activity increases, the volume of emissions also tends to rise. The second determinant of emissions is sector structure. The pure effect of changing sector shares – assuming constant economic activity – is then captured in the composition effect. Together, the scale and composition effect yield the total effect. The quantitative analysis will also report monetary values reflecting the external cost of each of the reported effects. For this calculation, Egypt-specific values of external cost per unit of pollutant will be taken from the NEEDS project.<sup>29</sup>

The impact of the DCFTA on water use can be calculated in a similar way as that of air pollution, but on a more aggregated level. Data from the study on social and economic benefits of enhanced environmental protection in European Neighbourhood Policy Countries and the Russian Federation<sup>30</sup> will be used for numbers on withdrawal by three main sectors: agriculture, industry, and municipal. While this will provide some basic insights into scale and composition effects, a precise monetary valuation of these effects will not be possible due to lack of data on external costs of water scarcity.

For climate change, the quantitative part of our analysis will consist of a presentation of DCFTA-induced changes in CO<sub>2</sub> emissions (taken from the CGE model), which will be valued in monetary terms. Since CO<sub>2</sub> emissions constitute a global externality, usually a globally applicable value for the social cost of carbon (SCC) is used. In line with previous TSIA, this study will assume a value of €20 per tonne CO<sub>2</sub>. This is roughly in line with the median reported in a meta study on the SCC by Tol (2008)<sup>31</sup>, and corresponds to the lower-bound values used in the Assessment Manual for Policy Makers<sup>32</sup> of the Environmental Benefits in ENPI Countries study. It is an option for the long-term scenario to assume a higher SCC.<sup>33</sup>

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<sup>27</sup> Because of differences in health effects (and therefore external cost), we disaggregate the data on particulate matter (PM10, matter with an aerodynamic diameter of smaller than 10 µm) into PMco (particulate matter coarse with an aerodynamic diameter smaller than 10 µm but larger than 2.5 µm) and PM2.5 (particulate matter with an aerodynamic diameter smaller than 2.5 µm). EDGAR only provides values on PM10, but the Environmental Benefits for ENPI Countries study provides shares of the subcategories for Egypt: Bassi, S. (2011): Analysis for European Neighbourhood Policy (ENP) Countries and the Russian Federation on social and economic benefits of enhanced environmental protection: Egypt Country Report. Available at <http://www.environment-benefits.eu/pdfs/Egypt-ENPI-Benefit%20Assessment.pdf>, p. 44.

<sup>28</sup> <http://edgar.jrc.ec.europa.eu/index.php>.

<sup>29</sup> [www.needs-project.org](http://www.needs-project.org).

<sup>30</sup> See Excel files accompanying the Manual for Policy Makers of the Environmental Benefits in ENPI countries study, available at <http://www.environment-benefits.eu/index.php?mid=5&smid=1&cid=0>.

<sup>31</sup> Tol, R. (2005): The marginal damage costs of carbon dioxide emissions: an assessment of the uncertainties. In: Energy Policy 33.

<sup>32</sup> Bassi, S. et al. (2011): Benefit Assessment Manual for Policy Makers: Assessment of Social and Economic Benefits of Enhanced Environmental Protection in the ENPI countries. Available at <http://www.enpi-info.eu/library/content/benefit-assessment-manual-policy-makers-assessment-social-and-economic-benefits-enhanced-env>.

<sup>33</sup> For a discussion of the SCC changing over time, see for example Anthoff, D. (2007): Report on marginal external damage costs inventory of greenhouse gas emissions, NEEDS Delivery n 5.4 – RS 1b; Anthoff, D., Hepburn, C., Tol, R. (2009): Equity weighting and the marginal damage costs of climate change. In: Ecological Economics 68:3; Tol, R. (2005): The marginal damage costs of carbon dioxide emissions: an assessment of the uncertainties. In: Energy Policy 33.

## Qualitative assessment

The qualitative environmental impact assessment will be a combination of secondary data gathering and analysis and causal chain analysis. Adding this qualitative assessment to the quantitative one is crucial for several reasons. First, data availability on most of the topics is not sufficient to yield reliable results for any quantitative assessment, making qualitative accounts the only option. Secondly, it is the task of the qualitative analysis to put numbers and statements into perspective: If, for example, NO<sub>x</sub> emissions are particularly high in Egypt, this raises the question why this is the case and whether we need to worry about it? Finally, the qualitative approach can take into account geographical differences and draw links between different issues, such as agriculture, water, and ecosystems.

### 2.3.2 Overview of methodologies and sources

The following table lists the foreseen approach for each of the identified issues to analyse the baseline and effects of the DCFTA, and the main (types of) sources we plan to use. We also list suggested indicators – some of these will be the outcome of the quantitative assessment, others will be used in the qualitative assessment.

**Table 2.5 Approaches per topic and suggested indicators and sources**

Issue	Approach	Indicators	Sources
Air pollution	<ul style="list-style-type: none"> <li>Quantitative analysis: total, scale and composition effect of the DCFTA. Monetary valuation of effects;</li> <li>Qualitative assessment of main pollution sources and areas.</li> </ul>	<ul style="list-style-type: none"> <li>Emissions and emission changes in tonnes per pollutant;</li> <li>External costs of emissions / effects in €;</li> <li>Composition, scale and total effect in tonnes and €;</li> <li>If available: emission data per region (in tonnes or ppm).</li> </ul>	CGE model output; Emission Database for Global Atmospheric Research (EDGAR); <sup>34</sup> NEEDS project; <sup>35</sup> Environmental Benefits in ENPI countries study <sup>36</sup> ; Environmental Benefits study country report; <sup>37</sup> ; Other literature <sup>38</sup> .
Water	<ul style="list-style-type: none"> <li>Limited quantitative analysis of water use by aggregated sectors</li> <li>Qualitative assessment of water scarcity, water quality, and maritime pollution</li> </ul>	<ul style="list-style-type: none"> <li>Water use per sector in m<sup>3</sup>/year;</li> <li>Scale, composition and total effects of DCFTA in m<sup>3</sup>/year (based on high aggregation level);</li> <li>Water use in m<sup>3</sup>/person/year;</li> <li>Wastewater treatment (in %).</li> </ul>	CGE model output; Excel files accompanying the Manual for Policy Makers from the Environmental Benefits study <sup>39</sup> ; Environmental Benefits study country report; other reports and journalistic information. <sup>40</sup>

<sup>34</sup> <http://edgar.jrc.ec.europa.eu/index.php>.

<sup>35</sup> [www.needs-project.org](http://www.needs-project.org).

<sup>36</sup> <http://www.environment-benefits.eu/index.php?mid=5&smid=1&cid=0>.

<sup>37</sup> Bassi, S. (2011): Analysis for European Neighbourhood Policy (ENP) Countries and the Russian Federation on social and economic benefits of enhanced environmental protection: Egypt Country Report. Available at <http://www.environment-benefits.eu/pdfs/Egypt-ENPI-Benefit%20Assessment.pdf>.

<sup>38</sup> For example: Farid B. Chaaban (2008): Air Quality. In: Mostafa K. Tolba / Najib W. Saab (eds.) (2008): Arab Environment: Future Challenges. 2008 Report of the Arab Forum for Environment and Development. Available at [http://www.fao.org/fileadmin/user\\_upload/rome2007/docs/Arab\\_Environment\\_Future\\_Challenges.pdf](http://www.fao.org/fileadmin/user_upload/rome2007/docs/Arab_Environment_Future_Challenges.pdf); UN ESCWA (n.d.): Air Quality and Atmospheric Pollution In the Arab Region. Available at [http://www.un.org/esa/sustdev/csd/csd14/escwaRIM\\_bp1.pdf](http://www.un.org/esa/sustdev/csd/csd14/escwaRIM_bp1.pdf).

<sup>39</sup> Available at <http://www.environment-benefits.eu/index.php?mid=5&smid=1&cid=0>.

<sup>40</sup> See for recent developments on Public-Private Partnerships in wastewater treatment: IFC Advisory Services (2013): New Cairo Wastewater Treatment Plant is Egypt's First Public-Private Partnership, available at

Issue	Approach	Indicators	Sources
Waste	Qualitative description of recent waste management developments, including hazardous waste issues and GHG emissions from landfills, using quantitative data and describing most recent developments wherever possible.	<ul style="list-style-type: none"> <li>Municipal solid waste (MSW) generation in t/yr;</li> <li>(Hazardous) industrial waste generation in t/yr;</li> <li>MSW final destination in %;</li> <li>Methane emissions from waste (tonnes CH<sub>4</sub>/yr).</li> </ul>	Sweepnet Country Report on the Solid Waste Management in Egypt <sup>41</sup> ; Environmental Benefits study country report; Other recent reports and publications.
Climate change	<ul style="list-style-type: none"> <li>Quantitative analysis on climate change mitigation: Baseline and scenario total CO<sub>2</sub> emissions; monetary valuation; baseline GHG emissions;</li> <li>Qualitative assessment of main existing and expected impacts of climate change and adaptation activities, as well as relevant policies and MEAs.</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions and emission changes in ts/yr;</li> <li>Social cost of (changed) emissions in €;</li> <li>Baseline emissions of other greenhouse gases in tonnes of CO<sub>2</sub> equivalent.</li> </ul>	CGE model output; Literature on social cost of carbon <sup>42</sup> ; Environmental Benefits study country report; other recent reports and publications; World Development Indicators <sup>43</sup>
Eco-systems & bio-diversity	Qualitative account of main ecosystems and endangered species, causal chain analysis of indirect impact due to water, air pollution etc.	<ul style="list-style-type: none"> <li>Number of endangered species;</li> <li>Protected areas (in % of national territory).</li> </ul>	IUCN Red List <sup>44</sup> ; Environmental Benefits study country report (case study on coral reefs); other recent reports and publications.
Green economy	Qualitative summary of efforts to de-link economic development and pollution.	Development of energy use per capita and GDP (kg oil equivalent/capita or kg oil equivalent/ GDP).	Results from the analysis of air pollution and water issues; UN ESCWA report on green economy <sup>45</sup> ; World Development Indicators <sup>46</sup> ; Reports and other literature <sup>47</sup> .

[http://www.ifc.org/wps/wcm/connect/48e1bd0040f6e56c952bff25d54dfab3/StoriesOfImpact\\_EgyptNewCairoWastewater.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/48e1bd0040f6e56c952bff25d54dfab3/StoriesOfImpact_EgyptNewCairoWastewater.pdf?MOD=AJPERES). For the Renaissance dam: <http://www.al-monitor.com/pulse/originals/2014/01/egypt-ethiopia-renaissance-dam-negotiations-dead-end.html#>, <http://www.sudantribune.com/spip.php?article48702>.

<sup>41</sup> Sweepnet (2010): Country Report on the Solid Waste Management in Egypt. Available at <http://www.sweepnet.org/ckfinder/userfiles/files/country-profiles/rapport-Egypte-en.pdf>.

<sup>42</sup> E.g. Tol, R. (2005): The marginal damage costs of carbon dioxide emissions: an assessment of the uncertainties. In: Energy Policy 33.

<sup>43</sup> <http://data.worldbank.org/data-catalog/world-development-indicators>.

<sup>44</sup> [www.iucnredlist.org](http://www.iucnredlist.org).

<sup>45</sup> UN ESCWA (2013): Mapping Green Economy in the ESCWA Region – Version 1. Available at

[http://www.escwa.un.org/sites/gps/editor/Download.asp?table\\_name=gps\\_documents&field\\_name=id&FileID=9](http://www.escwa.un.org/sites/gps/editor/Download.asp?table_name=gps_documents&field_name=id&FileID=9).

<sup>46</sup> <http://data.worldbank.org/data-catalog/world-development-indicators>.

<sup>47</sup> For example, The Centre for Environment and Development for the Arab Region and Europe (CEDARE), in collaboration with the Egyptian Environmental Affairs Agency (EEAA) and the United Nations Environment Programme (UNEP) have prepared the Egypt Green Economy Success Stories as a complementary publication to the "Green Economy Scoping Study for Egypt" due to be released later this year. Available at [http://www.unep.org/greeneconomy/Portals/88/documents/advisory\\_services/GE-ESS-Report.pdf](http://www.unep.org/greeneconomy/Portals/88/documents/advisory_services/GE-ESS-Report.pdf).

## 2.4 Sector and horizontal issues analyses

In Phase 2 of the study, we will analyse up to four sectors or horizontal issues in more detail. The selection of sectors or issues follows from the Screening and Scoping exercise (outlined in chapter 4) and is done in consultation with the Steering Committee.

In these in-depth analyses, we will apply the same approach as with the social, human rights and environmental analyses. We start with a descriptive analysis of the current state and trends, followed by an analysis of how the DCFTA may affect these observed patterns and trends. Based on this, we assess the DCFTA implications along the three sustainability dimensions, looking at, for example, the competitive position of sector, employment, social and environmental issues, etcetera.

Below we present more details on what this implies for the analysis of a specific sector (section 2.4.1) or for the analysis of a specific horizontal issue (section 2.4.2).

### 2.4.1 Sector analyses

The in-depth analysis of a specific sector will follow a template consisting of four elements:

1. First, we provide a description of the sector. This includes an overview of the products and services from the sector, the production, trade and employment data, but also the competition, the main players on the market and the role of SMEs in the sector. We furthermore describe the up- and downstream relations in terms of products and sectors, and the trade relations including the main trade partners. An important element is the identification of competitive strengths of the sector and constraints limiting the growth of the sector. Finally we describe specific social and environmental issues;
2. Second, we analyse market access (trade barriers on imports and exports) in Egypt and the EU, both before and after the DCFTA;
3. Third, we assess the economic, social and environmental impacts of the DCFTA, taking into account the trends and issues identified in the first two sections;
4. Finally, we provide policy recommendations on flanking measures for this specific sector to mitigate possible negative effects of the DCFTA and enhance positive effects. .

### 2.4.2 Horizontal issues analyses

Examples of horizontal issues that could be analysed in detail are SPS, TBT and labour mobility. The structure of the analysis of an horizontal issue is less predetermined than for sectors. We will describe the concept and issues that are at play, and we will then compare the importance of the issue across sectors. Subsequently, we will look at how the DCFTA will change the situation, and report of the likely effects of these changes, possibly also looking at the sector level DCFTA impacts. The analysis will end with policy recommendations on flanking measures for this horizontal issue.

### 2.4.3 Methodologies and information sources

The specific approaches, indicators to be assessed and information sources to be used depend on the specific sectors and horizontal issues that will be selected at the end of Phase 1. The main information sources and methodologies are:

- Input obtained during the workshop in Cairo;
- Structured interviews with sector experts;
- Literature review;
- CGE results;

- Additional sector level data;
- Results from social and environmental analyses;
- Causal chain analysis.

## 3 Consultation plan and stakeholders

As part of this study, Ecorys will involve key stakeholders in Egypt as well as in the EU. We will undertake an extensive and complementary range of activities aimed at consulting with the various key stakeholders that are affected by the future DCFTA. The interaction between international and local experts, NGOs, business, national government officials, EU-officials and other stakeholders will lead to the transfer of knowledge and increase insights into the potential economic, social and environmental impacts of the DCFTA. This will help to ensure a better understanding of the consequences of the DCFTA and a clearer distinction between fact and fiction.

In this chapter we present our stakeholder consultation plan. First we explain how we identified and selected the relevant stakeholders, subsequently we analyse the civil society landscape in Egypt and provide an overview of the stakeholder consultation activities that we will carry out throughout the study. Specific attention is paid to the consultation of SMEs. The last section describes the risks associated with stakeholder consultations in Egypt.

### 3.1 Identification of relevant stakeholders

We have identified and selected a list of relevant stakeholders in Egypt and the European Union from the following sources:

- Our local partner in Egypt provided us with a large number of stakeholders, based on their sound knowledge of the local context;
- Suggestions were made by the EU Delegation in Cairo, which we contacted and involved in the study from the start;
- We identified relevant EU stakeholders based on our past experience with Trade SIA consultation processes, and identified a number of additional stakeholders that are especially relevant for Egypt;
- We are in close contact with the European Economic and Social Committee (EESC) on relevant stakeholder consultation activities that we could attend and on European stakeholders that are considered by EESC as relevant for this particular study.

This first identification exercise has led to a list of relevant stakeholder organisations for both the Egyptian and EU side. This list can be found in Annex A. It will be expanded and further fine-tuned during the project. The extent to which the organisations from the list will be involved in the study depends on their interest in the DCFTA and their willingness and time to actively participate in the study. It also depends on the outcomes of the first phase of the study, i.e. on the specific sectors and social, environmental or human rights issues that come out as likely to be most affected by the DCFTA.

### 3.2 Analysis of civil society landscape in Egypt

#### The situation in Egypt

The civil society in Egypt is large and vibrant, with a majority of organisations focussing on education, economic assistance, gender issues, environmental issues, and municipal welfare.<sup>48</sup>

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<sup>48</sup> EBRD Country Assessment Egypt, October 2012.

Egypt has more than 27,000 registered NGOs. This is a large number, however many have weak structures and limited financial resources.<sup>49</sup>

Although civil society has played a big role in bringing down the old regime during the 2011 revolution, many organisations now struggle with defining their role in the current transition period. Thus CSOs seem to have (had) a limited influence on the transition, for example because of the fragmentation of civil society sphere in terms of Islamist/secular, urban/rural, elite/grassroots and organised/spontaneous organisation types. Additional weaknesses of civil society as a whole include a lack of strategic thinking and collective action. Combined with a restrictive and shifting regulatory environment this has led to a waning influence of CSOs.<sup>50</sup>

Next to these internal and external challenges, CSOs have to deal with a difficult legal and regulatory environment. The legislative framework for CSOs is yet not in line with international standards. The Egyptian government has a great deal of power over CSOs; it is able to reject registration applications on the basis of threats to national security or order, and it regularly interferes with organisations' internal affairs or even dissolves CSOs. Furthermore CSOs are not allowed to receive foreign funding without government permission.<sup>51</sup> Without going into too much detail, the situation for foreign CSOs had become "precarious" in 2012 according to the 2012 ENP progress report.<sup>52</sup> The 2013 progress report mentioned that no progress was made regarding the working conditions for CSOs, whose work continues to be hindered by the NGO law.<sup>53</sup>

### Social dialogue

The Egyptian Trade Union Federation (ETUF) was established in 1957 and includes 23 trade unions and 3.8 million members according to 2012 data. However, even before the revolution of 2011, strikes and demonstrations were seen as the most effective way for employees to put pressure on both the employers and the government. After the revolution, two other umbrella organisations have been set up: the Egyptian Federation of Independent Trade Unions (EFITU) and the Egyptian Democratic Labor Congress (EDLC). These organisations however suffer from lack of financial resources and know-how, which affects their legitimacy and influence.<sup>54</sup>

The main employers' organisation is the Federation of Egyptian Industries. It was established in 1922 and is strongly state-controlled.<sup>55</sup>

### Involvement of stakeholders in this study

At this moment there does not (yet) appear to be a strong interest in and awareness of the DCFTA and its impacts. Negotiations have not yet started and only one preparatory meeting between the EU and Egypt has taken place in June 2013. The lack of interest and awareness is partly due to the political climate (transition nature of this and recent governments). Other reasons include the increased demand for protectionism from industry and the perception that there is little to gain from a DCFTA. Since tariffs have been largely eliminated under the existing EU-Egypt agreements on trade, Egypt essentially already has free market access to the EU for industrial and agricultural products, with some minor exceptions – therefore the gains from the DCFTA are less obvious.<sup>56</sup> In this context, the Trade SIA and in particular the stakeholder consultations could play an important

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<sup>49</sup> <http://www.irex.org/project/egypt-civil-society-support-program-ecss>.

<sup>50</sup> CCDP (2013), Civil society in transition: Facing current challenges in Tunisia and Egypt.

<sup>51</sup> Ibid.

<sup>52</sup> [http://ec.europa.eu/world/enp/docs/2012\\_enp\\_pack/progress\\_report\\_egypt\\_en.pdf](http://ec.europa.eu/world/enp/docs/2012_enp_pack/progress_report_egypt_en.pdf).

<sup>53</sup> [http://ec.europa.eu/world/enp/docs/2013\\_enp\\_pack/2013\\_progress\\_report\\_egypt\\_en.pdf](http://ec.europa.eu/world/enp/docs/2013_enp_pack/2013_progress_report_egypt_en.pdf).

<sup>54</sup> Abdalla (2012), Egypt's Workers – From Protest Movement to Organized Labor, A Major Challenge of the Transition Period. German Institute for International and Security Affairs, October 2012.

<sup>55</sup> Ulandssekretariatet (LO/FTF Council), Egypt – Labour Market Profile 2013.

<sup>56</sup> Input from EU Delegation in Cairo.

role by raising awareness and increasing the understanding of the upcoming DCFTA and its potential economic, social and environmental impacts.

### 3.3 Consultation activities and tools

Stakeholders will be consulted throughout the course of the study. We will use different tools and forms of interaction, which are briefly summarised below. An overview of the feedback and inputs received from stakeholders so far and how we have addressed these is available in Annex E. We will report on the results of each of the consultation activities in the technical interim and final report in the same way.

#### Website

During the Inception Phase we have developed a dedicated website for this study, which forms an essential part of the consultation process. The link to this website is: [www.trade-sia.com/egypt](http://www.trade-sia.com/egypt), a print screen is provided below. The content of the website is available in English.

Figure 3.1 Screenshot of the TSIA website



Visitors of the website can access the following information:

- News items about the activities of the project team and the progress made so far;
- Background information about the DCFTA, the TSIA, and the study team;
- Information about the planning of consultation activities (local workshop, public meetings in Brussels, etc.);
- Reports, presentations and minutes of meetings can be downloaded from the website. There will also be Arabic translations of the Executive Summaries of the reports available;
- Links to the social media channels (Facebook, Twitter and LinkedIn), to other TSIA websites, relevant websites of the European Commission and EU Delegations, national government websites, etc.;
- Contact information for questions and feedback.

### Newsletters

Based on the list of relevant stakeholders that we identified, we have developed a mailing list that includes NGOs, business associations, industry groups and special interest groups. Regular newsletters will be sent to these organisations, informing them about the project activities and inviting them to provide feedback on our reports, attend meetings and workshops, etc..

### Email address

A dedicated email address has been created so that it is clear to all stakeholders where they can send their questions or feedback on the reports. This mail address is: [tsiaegypt@ecorys.com](mailto:tsiaegypt@ecorys.com). The email address will be clearly stated on the website, in the newsletters, and on the social media.

### Social media

Updates about the study will be disseminated through a dedicated Facebook page, Twitter account and a professional group on LinkedIn. These updates will mostly refer to new posts on the TSIA website. The links to the social media are as follows:



<https://www.facebook.com/pages/TSIA-Egypt/274862222678629?fref=ts>



<https://twitter.com/TSIAEgypt>



<http://www.linkedin.com/groups/TSIA-Egypt-7469020?gid=7469020&mostPopular=&trk=tyah&trkInfo=tas%3A%20egy%2Cidx%3A1-1-1>

Because of the political situation in Egypt, the project team will stay in close contact with the Steering Committee and EU Delegation in Cairo with respect to the communications through these social media.

### Public meetings in Brussels

Two civil society meetings will be organised in Brussels to inform and obtain feedback from EU civil society and key stakeholders. During the meeting we will present and explain the (results of) work completed and ask for constructive criticism on the methodology used and outcomes generated. A first meeting has taken place on the 18<sup>th</sup> of March, after submission of the draft inception report (see also Annex E). A second public meeting will take place after submission of the draft final report. The stakeholders will receive (the links to) the reports one week prior to the meeting so that they have sufficient time to read them.

### Local workshop in Cairo

We will organise a workshop for Egyptian stakeholders in Cairo after submission of the draft interim technical report. Translators will be present during the local workshops for simultaneous translations in Arabic and English.

The contents of the workshop and the list of participants will be developed in close consultation with the Steering Committee. The project team aims to have about 30 participants present at the local workshop. A relatively restricted workshop is preferred because it allows for more discussion and thereby improves the usefulness of the event.

The programme of the workshop generally look as follows. The EU Delegation will be asked to open the workshop and update the audience on the status of the negotiations. Ecorys will then present the modelling results from the interim technical report. There will be local speakers on the issues or sectors that come out of the model as relatively most affected by the DCFTA. The most important aspect of the workshop is to provide ample room for discussion. The main objective for

Ecorys is to obtain feedback on reports and further inputs for the study, but also to raise awareness of the upcoming DCFTA negotiations and to identify key persons / organisations for later interviews for the sector studies.

### Ad hoc consultations

In addition to the consultation activities above, we will organise ad hoc consultations. This will include interviews, especially for the in-depth analysis in Phase 2 as well as for the qualitative analysis in Phase 1. The local partner will play a key role in these interviews. It can also include the attendance of relevant conferences, workshops, etc. of other organisations. For SMEs we will undertake a separate survey, as further outlined in the next section.

## 3.4 Consultation of SMEs

Involving SMEs in the study and assessing the DCFTA impact on these businesses is important as SMEs represent more than 90 percent of the companies in Egypt. SMEs contribute to 75 percent of total employment and to more than 80 percent of GDP.<sup>57</sup> Therefore, we will make sure that SMEs are sufficiently represented in our general stakeholder consultation process, including the local workshop in Cairo, the civil society meetings in Brussels and in online discussions on our social media.

However, the most important tool for obtaining knowledge about SMEs and the expected DCFTA impact on them is the SME survey. In the Trade SIA Morocco/Tunisia we have conducted a TSIA SME survey for the first time. We will use the lessons learnt from that survey to improve the quantity and quality of responses this time:

- One important lesson is related to the timing. Part of the relatively low response rate of the previous survey can be attributed to the fact that the survey was online in the Ramadan period, during which SMEs from Arabic countries are less likely to respond. Therefore, this time the survey will be launched as soon as possible after approval of the Inception Report and long before Ramadan. This way the survey is open for responses for a much longer time period and the response rate is expected to be higher;
- Another lesson is on the level of difficulty and relevance of questions. A large part of the respondents left the survey page halfway through the survey. Therefore we analysed the questions, their usefulness, and the responses per question, and subsequently redesigned the questionnaire and the order of questions. We also left out some irrelevant questions to shorten the survey.

For the SME survey, we will use the online survey tool of CheckMarket.<sup>58</sup> The survey link will be disseminated by DG ENTR through the partner network of Enterprise Europe Network (EEN). EEN has partners in the EU as well as Egypt. In total this network consists of about 600 private sector support organisations. These organisations are asked to forward the survey link to the SMEs in their region.

Figure 3.2 below shows a screenshot of the previous SME Survey in the context of the DCFTA EU-Morocco and EU-Tunisia.

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<sup>57</sup> EBRD Country Assessment Egypt, October 2012.

<sup>58</sup> <https://www.checkmarket.com/>.

Figure 3.2 Screen shot of the welcome page of the previous online SME survey



The new questionnaire for the SME survey can be found in Annex D. Immediately after approval of the Inception Report and the survey, we will design the online tool and disseminate the survey link so that the survey will be open throughout the largest part of the study. The survey will be made available in English and Arabic.

### 3.5 Risks to the stakeholder engagement plan

There are a number of risks for the TSIA consultation process, some of which stem from the nature of the civil society landscape in Egypt as described above and the current political situation in Egypt, and some of which are inherent to consultation processes in general. Table 3.1 below identifies the main risks and the mitigating measures.

Table 3.1 Risks to the TSIA consultation process and ways to mitigate them

Risks	Approach to mitigate risks
Lack of participation of CSOs in the consultation process, due to unawareness, fear for political sensitivity, the current political situation in Egypt, or other reasons.	The first step to address this risk is to increase awareness of the TSIA and the upcoming DCFTA negotiations more general. This includes a careful planning of the consultation process and presentation of a clear message on its mandate, objectives, full transparency of the process, etc. Dissemination activities described in section 3.3 (website, newsletters, etc.) will be an important tool for this. If this proves not to be sufficient, more targeted activities (personal mailings, telephone calls) will be considered. Early engagement with key stakeholders in the field should help in persuading other, initially hesitant stakeholders. The resources and

Risks	Approach to mitigate risks
	<p>networks of our local partner will be actively engaged throughout the study, and organisations like the EESC and the EU Delegation could also help to identify and communicate with stakeholders. Social media tools will allow stakeholders to speak freely, and at a time convenient to them. It will also allow to share information with a larger number of stakeholders.</p> <p>Translations of Executive Summaries of reports in Arabic and simultaneous translations during the workshop will increase the involvement of and communication with civil society.</p>
<p>Lack of capacity of stakeholders to actively engage in debate.</p>	<p>Although the lack of capacity cannot be solved by this study, this problem can at least partly be addressed in the following ways:</p> <ul style="list-style-type: none"> <li>• we will present the background of our study and preliminary results in a clear and understandable (i.e. non-technical) way, and as much as possible in the local language;</li> <li>• we will send information to relevant stakeholders as early as possible, to give them sufficient time to digest the information and prepare a response;</li> <li>• for targeting specific stakeholders, we will develop questionnaires that will help to develop their position;</li> <li>• we will employ a number of different media and tools to allow for broad participation;</li> <li>• together with the Delegation and the local consultant, we will identify key stakeholders like academics and prominent NGOs that can act as representatives of relevant stakeholders that are less vocal or have less capacity (see also next point). Where relevant, bilateral interviews will be conducted with them.</li> </ul>
<p>Underrepresentation of certain stakeholders, e.g. due to non-existence of representative organisations</p>	<p>If important stakeholders are underrepresented, we will adopt a mix of talking to independent experts (e.g. academics) and individual stakeholders. As part of our local consultation efforts we will encourage actively engaging such organisations in e.g. smaller events or through local publications via our partners.</p>
<p>Limited use of the TSIA website</p>	<p>We will encourage the use of the website through regular news updates via our mailing list and social media, and by encouraging our partners and relevant organisations (e.g. stakeholder organisations) to make reference to the website on their respective sites or in other publications. In addition we will use social media and specialised mailing lists to provide a platform for discussion and/or reach groups that may not be so easily reached via a website.</p>
<p>Uncoordinated or lack of response to flow of information</p>	<p>Two persons from Ecorys will be fully dedicated to managing the communication process of the civil society engagement.</p>



## 4 Literature, tools and references

As input to the Trade SIA, we have identified several references and relevant literature. A list of literature and websites identified is presented in Annex B. A distinction is made between materials relevant for Egypt in general, and materials or references important for the modelling specifically.

The modelling tools (e.g. CGE model) were discussed in Chapter 2 and the tools applied in the consultation process were described in Chapter 3.



# 5 Preliminary screening on key sustainability issues

## 5.1 Screening and scoping throughout the study

In line with the overall analytical framework of this Trade SIA, an elaborate screening and scoping exercise will be performed as part of the study at the end of Phase 1 (overall analysis). This analysis serves to identify in which areas the DCFTA under negotiation is expected to have significant impacts. Based on this identification, up to four sectors or horizontal issues (e.g. SPS, IPR, etc.) of expected significance under the DCFTA can then be selected for more detailed analysis in Phase 2 of the study.

Although in-depth screening and scoping will be done at a later stage, we have already conducted a preliminary screening exercise in anticipation of the broader exercise at the end of Phase 1. The purpose of this preliminary screening is to ensure that attention and resources are focussed on the main issues as early as possible. The preliminary exercise is also used to design appropriate modelling specifications for Phase 1.

## 5.2 Criteria used for screening and scoping

The screening and scoping exercise will mainly be based on the results of the overall analysis of impacts in Phase 1 from the CGE model, additional quantitative and qualitative analysis, and stakeholder inputs. The main criteria used for screening and scoping are listed in the table below. These criteria will be applied to select up to four sectors and or horizontal issues that will be analysed in more detail in Phase 2. The final selection of sectors and issues for in-depth analysis will be done in close consultation with the Steering Committee.

**Table 5.1 Selection criteria applied in screening and scoping exercise**

Number	Criterion	Main sources of information
Criterion 1	Initial importance for economy (GDP, employment, trade shares).	GTAP data.
Criterion 2	Economic impact from DCFTA.	CGE modelling; causal chain analysis.
Criterion 3	Social and environmental importance / impact.	CGE, additional social / environmental modelling; causal chain analysis.
Criterion 4	Stakeholder issues of special importance.	Stakeholder consultation; additional documentation.
Criterion 5	Strategic importance of sector/issue in the negotiations.	Steering Committee, negotiating teams.

Below we will shortly summarise the approach and rationale for each of the five criteria in the selection process.

### Criterion1: Initial importance for economy

The potential impact of a DCFTA on economic sectors differs with regard to the initial importance and position of this sector in the economy; e.g. a small change for an important sector (in terms of value added or employment) might cause more impact than a large change for a very small sector at national level. The initial importance of sectors for the economies under consideration, in this

case the Egyptian economy, is assessed by making use of output, employment and trade share figures (i.e. sector share in total value added, sector share in total employment, sector share in total exports). Such figures provide a first filter by indicating the relative importance of sectors – and hence for which areas even small (percentage) impacts from the DCFTA can have significant implications for the country or the region. The mirror image and risk of (over)analysing impacts in areas that are only of very small absolute size and hence of limited importance for the economy as a whole, is also avoided through this criterion.

For reasons of consistency, the sector aggregation that is presented in this section is similar to the sector aggregation that will be used in the remainder of the study (see section 0).

#### **Criterion 2: Economic impact from DCFTA**

This criterion assesses the expected economic impact on sectors or issues as a result of the DCFTA. This is done by making direct use of the outcomes of the analysis in Phase 1, mainly from the CGE model and causal chain analysis. The dynamic CGE model results will also ensure that the 'enabling nature' of certain catalysing sectors (such as transport) is taken into account. Combined with the first criterion this criterion provides clear insights in where the main (economic) impacts from the DCFTA are likely to occur.

#### **Criterion 3: Social and environmental impact**

This criterion assesses in which areas and sectors specific direct and indirect effects of the DCFTA on social (including human rights) and environmental issues are expected. Such effects can for example be impacts in sectors induced by changes in production structures (e.g. decline of sectors that employ many unskilled workers), or impacts in areas where specific issues are already at play.

The outcomes of the CGE model relating to social and environmental indicators (e.g. wages of unskilled labour, CO<sub>2</sub> emissions) as well as the additional quantitative and qualitative environmental and social analysis in Phase 1, focussed on airborne pollutants/GHG and poverty/income distribution, respectively, are used for this criterion.

#### **Criterion 4: Stakeholder issues of special importance**

This criterion aims to flag the issues of specific importance for the various stakeholders involved in the DCFTA process. This can include areas that are considered as important for various reasons by a large part of the stakeholder community and/or in the public opinion. In addition, it can include issues of special political or policy importance or issues of significance for the relations between the EU and Egypt.

Comments and feedback obtained from stakeholders, in particular civil society and experts through the consultation process is an important input for this assessment. An additional literature review (including information from the relevant feasibility studies, fact finding missions, action plans and progress reports) will complement these consultations.

#### **Criterion 5: Strategic importance of sector in the negotiations**

This criterion aims to identify the reality of the DCFTA negotiations and issues that are of specific importance to the actual negotiations. Suggestions, comments and feedback delivered by the main negotiators on specific issues (e.g. a specific product, sector, horizontal issue) that are of the greatest importance in the negotiation process are crucial and important inputs for this assessment.

## 5.3 Preliminary screening on key issues for Egypt

### Criterion 1: Initial importance for economy

Table 5.2 below shows the ten biggest sectors in Egypt in terms of their share in total value added (GDP). The data are 2007 figures taken from GTAP 8.0, updated to 2011. Together these ten sectors account for 71.1 percent of total value added.

The sector *Mining* and *Public and other services* are the two biggest sectors, with a 15.1 and 12.5 percent share respectively. Six sectors from the top 10 are services sectors. When looking at the value added of all service sectors together, we observe that more than half of Egyptian GDP is determined by services.

**Table 5.2 Top 10 sectors in terms of share in total value added in Egypt (2011)**

Nr.	Sector	Share in total value added (%)
1	Mining	15.1
2	Public and other services	12.5
3	Trade	8.5
4	Construction	6.8
5	Communications	5.4
6	Other transport services	5.2
7	Business and ICT	4.6
8	Vegetables, fruit and nuts	4.6
9	Finance and insurance	4.3
10	Grains and crops	4.0

Source: GTAP 8.0

Table 5.3 presents the ten most important sectors for Egypt in terms of bilateral exports to the EU, including the value of exports in million US dollars and the percentage share of the sector in total exports to the EU. The sectors shown below are together responsible for more than 80 percent of total Egyptian exports to the EU.

*Mining* and *Other transport services* are by far the most important sectors in the bilateral trade relations with the EU, with shares of 28.6 and 16.7 percent respectively. Other important sectors for Egypt are *Chemical, rubber, plastic products*, *Petro-chemicals*, and *Primary metals*.

**Table 5.3 Top 10 Egyptian exports to the EU, 2011.**

Nr.	Sector	% Share
1	Mining	28.6
2	Other transport services	16.7
3	Chemical, rubber, plastic products	7.6
4	Petro-chemicals	6.2
5	Primary metals	5.0
6	Textiles	4.0
7	Business and ICT	3.7
8	Communications	3.1
9	Other machinery and equipment	2.9
10	Air transport	2.7

Source: GTAP 8.0

Table 5.4 below shows the ten most important sectors for the EU in terms of exports to Egypt. Again, the export values in million US dollars and the export percentage shares are presented. These sectors represent about 80 percent of total exports from the EU to Egypt. *Other machinery and equipment* (25 percent share) and *Chemical, rubber, plastic products* (14.7 percent share) are by far the most important sectors for the EU. Other sectors that are important for the EU in the bilateral trade relations with the Egypt are *Petro-chemicals*, *Primary metals* and *Business and ICT*.

**Table 5.4 Top 10 EU exports to Egypt, 2011.**

Nr.	Sector	% Share
1	Other machinery and equipment	25.0
2	Chemical, rubber, plastic products	14.7
3	Petro-chemicals	8.6
4	Primary metals	7.6
5	Business and ICT	6.7
6	Wood, paper, publishing	5.5
7	Electronics, computers	3.2
8	Other processed food	3.1
9	Motor vehicles	3.1
10	Finance and insurance	2.5

Source: GTAP 8.0

The data shows that there is a lot of intra-industry trade between the EU and Egypt, as *Chemical, rubber, plastic products*, and *Petro-chemicals* and *Primary metals* show up high in the top 10 of both trade partners.

#### **Criterion 2: Economic impact from DCFTA**

This criterion will be analysed based on the assessment of economic effects made in Phase 1 of the study (Interim Technical Report).

#### **Criterion 3: Social and environmental impact**

This criterion will be analysed based on the assessment of social and environmental effects made in Phase 1 of the study (Interim Technical Report).

#### **Criterion 4: Stakeholder issues of special importance**

At this stage of the study we have received a few concrete inputs on issues of special importance for the DCFTA from the identified stakeholders:

- Vegetables and fruits, and in particular citrus fruits. Egypt is an important exporter of citrus fruits and its exports are expanding at a rapid rate; it is difficult for producers from the EU to compete with Egyptian citrus fruits.
- Several stakeholders have asked to pay special attention to the investment protection part of the future DCFTA, and the effect of that on human rights and the local political space.

After dissemination of this final Inception Report and in the course of Phase 1, more stakeholder issues of special importance will be collected through our consultation channels as described in Chapter 3.

#### **Criterion 5: Strategic importance of sector in the negotiations**

Based on inputs received from the Steering Committee, several issues of specific interest for the DCFTA negotiations have been identified in this preliminary phase.

Egypt already has an Association Agreement with the EU and on top of that there is a sectorial agreement on agricultural, processed agricultural and fisheries products, which provides tariff liberalisations for these sectors. Therefore, the Steering Committee has indicated during the Kick-off meeting that the largest impact of the DCFTA is expected in the area of *NTMs*, notably related to *public procurement, IPR, investments, GIs, competition, trade facilitation* and more generally on *economic governance* and on the *business climate*. Next to these horizontal issues, there is a number of sectors that are candidates for more in-depth analysis, namely *Textiles, Automotive industry, Pharmaceuticals, Agriculture, Fruits and Vegetables, and Services*. Also *Cotton* is mentioned as being important for Egypt.

During Phase 1 of the study, we will complement the above with information collected during the next Steering Committee meeting and with inputs from the EU Delegation and Egyptian government.

#### 5.4 Implications of preliminary screening

Although this is still a preliminary screening exercise and no assessment could yet be made for criteria 2 and 3, based on the above we can already list some implications for the next phases of this Trade SIA:

- Mining is a very important sector for Egypt, both in terms of GDP as well as for exports to the EU;
- When explaining the results from the quantitative modelling in Phase 1, sufficient attention should be paid to regulatory approximation;
- Also in Phase 2 the focus should be on potential impacts from regulatory approximation (mainly TBT and SPS) that can not be captured (entirely) by the quantitative modelling through qualitative analysis.



## 6 Planning

The table below presents the planning for the remainder of the study, which is agreed upon by both the Steering Committee and Ecorys during the kick-off meeting.

Activity	Leaders	Deadlines
Draft Inception Report	Ecorys	26 Feb 2014
Online publication of Draft Inception Report after approval by EC	Ecorys	7 March 2014
Send Draft Inception Report to Civil Society and/or summary (format to be defined with Ecorys)	EC and Ecorys	10 March 2014
Steering Committee meeting	EC and Ecorys	18 March 2014
Civil Society Dialogue	EC and Ecorys	18 March 2014
Minutes Steering Committee and Civil Society Dialogue	Ecorys	25 March 2014
Revised Draft Inception Report (final inception)	Ecorys	27 March 2014
Approval Inception Report	EC	3 Apr 2014
Draft Interim Technical Report	Ecorys	7 May 2014
Online publication of Draft Interim Technical Report after approval by EC	Ecorys	14 May 2014
Steering Committee meeting	EC and Ecorys	20 May 2014
Minutes Steering Committee	Ecorys	23 May 2014
Trade SIA local workshops in Cairo	Ecorys	1 - 10 June 2014
Minutes Trade SIA local workshops	Ecorys	<i>one week after each workshop</i>
Revised Interim Technical Report (incl. comments local workshops)	Ecorys	<i>10 days after workshops</i>
Approval Interim Technical Report (incl. comments local workshops)	EC	<i>two weeks after sending ITR</i>
Draft Final Report	Ecorys	02 Sep 2014
Online publication of Draft Final Report	Ecorys	09 Sep 2014
Send Draft Final Report to Civil Society and/or summary (format to be defined with Ecorys)	EC and Ecorys	09 Sep 2014
Steering Committee meeting	EC and Ecorys	AM 18 Sep 2014
Civil Society Dialogue	EC and Ecorys	PM 18 Sep 2014
Minutes of Steering Committee and Civil Society Dialogue	Ecorys	25 Sep 2014
Revised Draft Final Report	Ecorys	30 Sep 2014
Approval of Revised Draft Final Report	EC	7 Oct 2014
Delivery of Final Report (paper version)	Ecorys	17 Oct 2014
Approval Final Report (EC has 45 days for approval)	EC	01 Dec 2014



# Annex A: List of identified stakeholders

## European and international stakeholders

Category of stakeholders	Organisation
European Commission	<ul style="list-style-type: none"> <li>Steering Committee</li> <li>EU Delegation in Cairo</li> <li>European Economic and Social Committee</li> </ul>
Private sector and business representative organisations	<ul style="list-style-type: none"> <li>AeroSpace and Defence Industries Association of Europe</li> <li>Agriculture and Horticulture Development Board</li> <li>Association Européenne du Commerce de fruits et légumes de l'UE (EUCOFEL)</li> <li>Business Europe</li> <li>COTANCE, European Leather Industry Organisation</li> <li>Eurochambers</li> <li>EuroCommerce</li> <li>Eurocoton</li> <li>European Apparel and Textile Organisation EURATEX</li> <li>European Association for Bioindustries</li> <li>European association of dairy trade</li> <li>European Association of Mining Industries</li> <li>European Banking Federation</li> <li>European Branded Clothing Alliance</li> <li>European Chemical Industry Council</li> <li>European Construction Industry Federation</li> <li>European Federation of Pharmaceutical Industries and Associations</li> <li>European Generic Medicines Association (EGA)</li> <li>European Services Forum</li> <li>European Small Business Alliance</li> <li>Eurospace - Trade association of the European space industry</li> <li>Federation of the European Sporting Goods Industry</li> <li>International Trademark Association</li> <li>Latvian Chamber of Traders</li> <li>Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises</li> <li>Young Entrepreneurs for Europe</li> </ul>
Civil society organisations	<ul style="list-style-type: none"> <li>Arab Network for Environment &amp; Development</li> <li>Arab NGO Network for Development (ANND)</li> <li>Association internationale de Techniciens, Experts, Chercheurs</li> <li>CEEP - European Centre of Employers and Enterprises providing Public Services</li> <li>CNCD 11.11.11</li> <li>DIGITALEUROPE</li> <li>Ecologistas en Accion</li> <li>Euro Coop - European Community of Consumer Cooperatives</li> <li>Eurogroup for Animals</li> <li>European Committee for Standardization</li> <li>European Digital Rights</li> <li>European Environmental Bureau</li> </ul>

Category of stakeholders	Organisation
	<ul style="list-style-type: none"> <li>• European Organisation for Security</li> <li>• European Renewable Energy Council</li> <li>• FoodDrinkEurope</li> <li>• Friends of the Earth Europe</li> <li>• Human Rights Watch</li> <li>• Humane Society International</li> <li>• International Federation for Human Rights (FIDH)</li> <li>• International Fund for Animal Welfare</li> <li>• Oxfam International</li> <li>• Platform of European Social NGOs</li> <li>• The European Consumer Organisation</li> <li>• World Society for the Protection of Animals</li> <li>• WWF</li> </ul>
Social partners	<ul style="list-style-type: none"> <li>• industriAll European Trade Union</li> <li>• International Trade Union Confederation</li> </ul>
Other	<ul style="list-style-type: none"> <li>• European Policy Centre</li> <li>• European Training Foundation</li> <li>• Union for the Mediterranean</li> </ul>

## Stakeholders in Egypt

Category of stakeholders	Organisation
Government	<ul style="list-style-type: none"> <li>• Cabinet of Ministers</li> <li>• Central Administration of Plant Quarantine</li> <li>• Customs authority</li> <li>• Egyptian Accreditation Council</li> <li>• Egyptian Competition Authority</li> <li>• Egyptian Consumer Protection Agency</li> <li>• Egyptian Mineral Resources Authority</li> <li>• Food Safety Agency Management Unit</li> <li>• General Authority for Fish Resources Development</li> <li>• General Organization for Export &amp; Import Control</li> <li>• General Organization for Exports, Imports and Control</li> <li>• General Organization for Veterinary Services</li> <li>• Industrial Development Authority</li> <li>• Industrial Modernisation Center (IMC)</li> <li>• Ministry of Agriculture and Land Reclamation</li> <li>• Ministry of Communication and Information Technology</li> <li>• Ministry of Electricity and Energy</li> <li>• Ministry of Foreign Affairs</li> <li>• Ministry of International Cooperation</li> <li>• Ministry of Investment</li> <li>• Ministry of Irrigation and Water Resources</li> <li>• Ministry of Justice</li> <li>• Ministry of Manpower and Migration</li> <li>• Ministry of Petroleum and Metallurgical Wealth</li> <li>• Ministry of Planning</li> <li>• Ministry of Social Solidarity</li> <li>• Ministry of State for Environment Affairs</li> <li>• Ministry of State for Local Development</li> </ul>

Category of stakeholders	Organisation
	<ul style="list-style-type: none"> <li>• Ministry of Supply and Internal Commerce</li> <li>• Ministry of Tourism</li> <li>• Ministry of Trade and Industry</li> <li>• Ministry of Trade and Industry, Trade Agreements Section</li> <li>• Ministry of Transitional Justice and National Recovery</li> <li>• Ministry of Transportation</li> <li>• Organization for Standardization and Quality</li> </ul>
Private sector and business representative organisations	<ul style="list-style-type: none"> <li>• Alexandria Business Association</li> <li>• Alexandria Small Business Association</li> <li>• Confederation of Egyptian European Business Associations (CEEBA)</li> <li>• Egyptian Business Association (EJB)</li> <li>• Egyptian Businessmen's Association</li> <li>• Egyptian Junior Business Association (EJB)</li> <li>• Federation for Economic Development Associations (FEDA)</li> <li>• Federation of Egyptian Chambers of Commerce</li> <li>• Federation of Egyptian Industries</li> <li>• Federation of Medium and Small Industries Association</li> </ul>
Civil society organisations	<ul style="list-style-type: none"> <li>• Alliance for Arab Women</li> <li>• Arab Organization for Human Rights</li> <li>• Arab Women's Solidarity Association</li> <li>• Association for the Protection of the Environment</li> <li>• Egyptian Center for Economic and Social Rights</li> <li>• Egyptian Initiative for Personal Rights</li> <li>• Egypt's International Economic Forum</li> <li>• Egyptian National Competitiveness Council</li> <li>• Egyptian Organization for Human Rights</li> <li>• Masr El-Mahrousa</li> <li>• Misr El-Kheir Foundation</li> <li>• National Association for Protection of Environment and Green Egypt</li> <li>• Resala</li> </ul>
Social partners	<ul style="list-style-type: none"> <li>• Egyptian Democratic Labor Congress (EDLC)</li> <li>• Egyptian Federation of Independent Trade Unions (EFITU)</li> <li>• Egyptian Trade Union Federation (ETUF)</li> <li>• General Federation of Egyptian Trade Unions</li> </ul>
Research institutes / think tanks	<ul style="list-style-type: none"> <li>• Al Ahram Center for Political &amp; Strategic Studies</li> <li>• Cairo Institute for Human Rights Studies</li> <li>• Center for Political Research and Studies</li> <li>• Faculty of Economics &amp; Political Science, Cairo University</li> <li>• Ibn Khaldoun Centre for Development Studies</li> <li>• Information and Decision Support Center</li> <li>• The Egyptian Cabinet</li> <li>• The Egyptian Center for Economic Studies</li> </ul>
International organisations with offices / representations in Egypt	<ul style="list-style-type: none"> <li>• American Chamber of Commerce</li> <li>• Care International in Egypt</li> <li>• German Chamber of Commerce</li> <li>• ILO Regional Office Egypt</li> <li>• UNDP Egypt</li> <li>• UNIDO Egypt</li> <li>• USAID Egypt</li> <li>• World Bank Egypt</li> </ul>



## Annex B: Literature, tools and references

### General

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<http://ec.europa.eu/social/main.jsp?catId=329&langId=en>.

"Trade and employment: from myths to facts", ILO Office, Geneva:  
[http://www.ilo.org/employment/areas/trade-andemployment/WCMS\\_162297/lang--en/index.htm](http://www.ilo.org/employment/areas/trade-andemployment/WCMS_162297/lang--en/index.htm).

"Making globalisation socially sustainable", a joint WTO-ILO book providing analysis of social impacts of trade and investment, as well as on role of social protection schemes:  
[http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS\\_144904/lang--en/index.htm](http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_144904/lang--en/index.htm).

Website of the "Trade and Employment" Department of the ILO with links to the recent publications on impact of trade on employment.: <http://www.ilo.org/employment/areas/trade-andemployment/lang--en/index.htm>.

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#### *Model-related documents*

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### Useful links

Besides the literature sources, we have also made a first scan of relevant websites where we, as well as any other stakeholder to this study, can draw upon for more information.

Ecorys previous Trade Sustainability Impact Assessment websites:

- EU-Armenia: <http://tsia.ecorys.com/armenia/>;
- EU-Moldova: <http://tsia.ecorys.com/moldova/>;
- EU-Georgia: <http://tsia.ecorys.com/georgia/>;
- EU-India: <http://tsia.ecorys.com/india/>;
- EU-ASEAN: <http://tsia.ecorys.com/asean/>;
- EU-Ukraine: <http://tsia.ecorys.com/ukraine/>;
- EU-Central America: <http://tsia.ecorys.com/ukraine/>.

European Commission - The Directorate General for Trade: <http://ec.europa.eu/trade/>.

DG Trade - General information regarding TSIA's:

<http://ec.europa.eu/trade/analysis/sustainabilityimpact-assessments/>.

ETF Report "Union for the Mediterranean regional employability review" with data and information concerning socioeconomic situation in the countries of the region, features of the labour market, education level, skills of the labour force, employment policies etc.:

[http://www.etf.europa.eu/webatt.nsf/0/0DC0B50C32C6F10BC1257A7100386E78/\\$file/UfM%20regional%20employability%20review.pdf](http://www.etf.europa.eu/webatt.nsf/0/0DC0B50C32C6F10BC1257A7100386E78/$file/UfM%20regional%20employability%20review.pdf)

EU Neighbourhood Policy (ENP)/EuroMed relations:

- European Commission – General: [http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm);
- European Commission – Egypt: [http://eeas.europa.eu/egypt/index\\_en.htm](http://eeas.europa.eu/egypt/index_en.htm);
- European Union External Action Eastern Partnership:  
[http://eeas.europa.eu/eastern/index\\_en.htm](http://eeas.europa.eu/eastern/index_en.htm);
- 2013 ENP Progress report for Egypt:  
[http://ec.europa.eu/world/enp/docs/2013\\_enp\\_pack/2013\\_progress\\_report\\_egypt\\_en.pdf](http://ec.europa.eu/world/enp/docs/2013_enp_pack/2013_progress_report_egypt_en.pdf);
- ENP Action Plan for Egypt:  
[http://ec.europa.eu/world/enp/pdf/action\\_plans/egypt\\_enp\\_ap\\_final\\_en.pdf](http://ec.europa.eu/world/enp/pdf/action_plans/egypt_enp_ap_final_en.pdf);
- European Neighbourhood Info Centre-EuroMed: <http://www.enpi-info.eu/indexmed.php>;

- ENP Instrument - Arab Republic of Egypt National Indicative Programme 2011-2013:  
[http://eeas.europa.eu/enp/pdf/pdf/country/2011\\_enpi\\_nip\\_egypt\\_en.pdf](http://eeas.europa.eu/enp/pdf/pdf/country/2011_enpi_nip_egypt_en.pdf)
- The H2020 Initiative: <http://www.h2020.net/en/the-h2020-initiative.html>.

#### EU-Egypt relations:

- European Union External Action: [http://eeas.europa.eu/egypt/index\\_en.htm](http://eeas.europa.eu/egypt/index_en.htm);
- Delegation of the European Union to Egypt:  
[http://eeas.europa.eu/delegations/egypt/index\\_en.htm](http://eeas.europa.eu/delegations/egypt/index_en.htm);
- Political and economic relations:  
[http://eeas.europa.eu/delegations/egypt/eu\\_egypt/political\\_relations/index\\_en.htm](http://eeas.europa.eu/delegations/egypt/eu_egypt/political_relations/index_en.htm);
- Trade relations: [http://eeas.europa.eu/delegations/egypt/eu\\_egypt/trade\\_relation/index\\_en.htm](http://eeas.europa.eu/delegations/egypt/eu_egypt/trade_relation/index_en.htm)
- <http://ec.europa.eu/trade/policy/countries-and-regions/countries/egypt/>;
- Technical and financial co-operation:  
[http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/egypt/egypt\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/egypt/egypt_en.htm);
- ILO (2013) International Labour Conference, 102st Session, 2013 Report of the Committee of Experts on the Application of Conventions and Recommendations;
- [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_205472.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_205472.pdf).

#### Labour and ILO:

- Trade and labour: Making effective use of trade sustainability impact assessments and monitoring mechanisms, <http://ec.europa.eu/social/BlobServlet?docId=7220&langId=en>;
- ILO Assessing and Addressing the Effects of Trade on Employment:  
[http://www.ilo.org/employment/Whatwedo/Projects/WCMS\\_118053/lang--en/index.htm](http://www.ilo.org/employment/Whatwedo/Projects/WCMS_118053/lang--en/index.htm);
- ILO Trade and Employment: <http://www.ilo.org/employment/areas/trade-and-employment/lang--en/index.htm>;
- ILO Regional office for Africa: <http://www.ilo.org/addisababa/lang--en/index.htm>;
- ILO Decent Work Team: [http://www.ilo.org/global/meetings-and-events/regional-meetings/africa/arm-12/reports/WCMS\\_161396/lang--en/index.htm](http://www.ilo.org/global/meetings-and-events/regional-meetings/africa/arm-12/reports/WCMS_161396/lang--en/index.htm);
- ILO country profile Egypt: <http://www.ilo.org/safework/countries/africa/egypt/lang--en/index.htm>;
- Decent Work Indicators, concepts and definitions, First manual, ILO Office, May 2012:  
[http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms\\_183859.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_183859.pdf);
- Country profile of Egypt in the ILO database (NORMLEX) with links to the national legislation and comments adopted by the ILO supervisory bodies, including the ILO Committee of Experts (CEACR):  
[http://www.ilo.org/dyn/normlex/en/f?p=1000:11110:0::NO:11110:P11110\\_COUNTRY\\_ID:102915](http://www.ilo.org/dyn/normlex/en/f?p=1000:11110:0::NO:11110:P11110_COUNTRY_ID:102915).
- ILO, Union for the Mediterranean sign agreement to promote businesses, jobs and skills. It will strengthen the partners' capacities to foster productive employment and decent work in the Mediterranean region: [http://www.ilo.org/global/about-the-ilo/activities/all/WCMS\\_234249/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/activities/all/WCMS_234249/lang--en/index.htm)
- Decent Work Indicators, concepts and definitions, First manual, ILO Office, May 2012:  
[http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms\\_183859.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_183859.pdf).
- ILO, Application of International Labour Standards 2014. Report of the Committee of Experts on the Application of Conventions and Recommendations. Available at:  
[http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_235054.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_235054.pdf)

#### Multilateral Environmental Agreements:

- UNECE Environmental policies: <http://www.unece.org/env/cep/welcome.html>;
- EC Environment – Multilateral Environmental Agreements:  
[http://ec.europa.eu/environment/international\\_issues/agreements\\_en.htm](http://ec.europa.eu/environment/international_issues/agreements_en.htm).

Government websites:

- The Government of Egypt: <http://www.egypt.gov.eg/english/home.aspx>;
- Ministry of Foreign Affairs of the Republic of Egypt:  
<http://www.mfa.gov.eg/english/pages/default.aspx>;
- Ministry of Industry and Trade of the Republic of Egypt: <http://www.mfti.gov.eg>;
- Ministry of State for Environment Affairs of the Republic of Egypt: <http://www.eeaa.gov.eg>;
- Ministry of State for Local Development of the Republic of Egypt: <http://www.mold.gov.eg>;
- Ministry of Agriculture and Land Reclamation of the Republic of Egypt: <http://www.agr-egypt.gov.eg>.

## Annex C: Methodological note

This methodological note contains a proposal on the specifications of the CGE model that will be used for the trade policy modelling of the TSIA on EU-Egypt and EU-Jordan, including a description of the liberalisation scenarios and the underlying assumptions.

### Specifications of the CGE model

#### Country selection

We recommend to split out a maximum of ten countries from the CGE model. The following countries (or country groupings) are proposed to be split out for the CGE modelling results:

1. EU-28;
2. Egypt;
3. Jordan;
4. Morocco and Tunisia;
5. Rest of North Africa (Algeria, Libya);
6. Turkey;
7. GCC;
8. Middle East (excl. GCC and Iran)
9. Rest of Africa;
10. Rest of World (ROW).

#### Sector selection

The list of sectors used in the trade modelling of the TSIA EU – Egypt and EU – Jordan will be aggregated from the 57 GTAP sectors. Columns 4-6 of the table below show the suggested sector aggregation that will be applied in the quantitative CGE analysis.

Nr.	Abbrev.	Sector content (57 sectors)	Nr.	Abbrev.	Sector description (TSIA)
1	PDR	Paddy rice	1	GRN	Grains and crops
2	WHT	Wheat			
3	GRO	Cereal grains nec			
4	V_F	Vegetables, fruit, nuts	2	VOS	Vegetables, fruit & nuts
5	OSD	Oil seeds	3	OAF	Other agriculture and forestry products
6	C_B	Sugar cane, sugar beet			
7	PFB	Plant-based fibers			
8	OCR	Crops nec			
9	CTL	Bovine cattle, sheep and goats, horses			
10	OAP	Animal products nec			
11	RMK	Raw milk			
12	WOL	Wool, silk-worm cocoons			
13	FRS	Forestry			
14	FSH	Fishing	4	FSH	Fish products
15	COA	Coal	5	MNG	Mining
16	OIL	Oil			
17	GAS	Gas			
18	OMN	Minerals nec			

Nr.	Abbrev.	Sector content (57 sectors)	Nr.	Abbrev.	Sector description (TSIA)
19	CMT	Bovine meat products	6	MPT	Livestock and Meat Products
20	OMT	Meat products nec			
21	VOL	Vegetable oils and fats	7	VOL	Vegetable oils and fats
22	MIL	Dairy products	8	OPF	Other processed food
23	PCR	Processed rice			
24	SGR	Sugar			
25	OFD	Food products nec			
26	B_T	Beverages and tobacco products	9	B_T	Beverages and tobacco
27	TEX	Textiles	10	TEX	Textiles
28	WAP	Wearing apparel	11	WAP	Wearing apparel
29	LEA	Leather products	12	LEA	Leather products
30	LUM	Wood products	13	LUP	Wood, paper, publishing
31	PPP	Paper products, publishing			
32	P_C	Petroleum, coal products	14	P_C	Petro-chemicals
33	CRP	Chemical, rubber, plastic products	15	CRP	Chemical, rubber, plastic products
34	NMM	Mineral products nec	16	NMM	Ceramics, cement, etc.
35	I_S	Ferrous metals	17	MET	Primary metals
36	NFM	Metals nec			
37	FMP	Metal products	18	FMP	Fabricated metals
38	MVH	Motor vehicles and parts	19	MVH	Motor vehicles
39	OTN	Transport equipment nec			
40	ELE	Electronic equipment	20	ELE	Electronics, computers
41	OME	Machinery and equipment nec	21	OME	Other machinery and equipment
42	OMF	Manufactures nec	22	OMF	Other manufacturing
43	ELY	Electricity	23	UTI	Utilities
44	GDT	Gas manufacture, distribution			
45	WTR	Water			
46	CNS	Construction	24	CNS	Construction
47	TRD	Trade	25	TRD	Trade
48	OTP	Transport nec	26	OTP	Other transport services
49	WTP	Water transport	27	WTP	Water transport
50	ATP	Air transport	28	ATP	Air transport
51	CMN	Communication	29	CMN	Communications
52	OFI	Financial services nec	30	FIS	Finance and insurance
53	ISR	Insurance			
54	OBS	Business services nec	31	OBS	Business and ICT
55	ROS	Personal and recreational services	32	ROS	Personal and recreational services
56	OSG	Public Administration, Defense, Education, Health	33	OSG	Public and other services
57	DWE	Dwellings			

N.B. In TSIA EU-Jordan, sectors 43 to 57 are merged into one aggregate services sector.

### Base year

The CGE model will be based on the GTAP 8 dataset, which includes figures until 2007. This base year will be brought forward using actual IMF figures on trade and growth (i.e. it is not a linear projection, but an adjusted actual projection). The latest complete data for all country groupings and

sectors are available for 2011, which will be the base year in the CGE analysis, as has been done for the Trade SIA – Module 1 (Morocco and Tunisia).

### *Baseline scenarios*

The baseline scenarios constitute a very important element of the model specifications since it sets the benchmark based on which the impacts of the DCFTAs will be modelled. The baselines will include all concluded FTAs until now. In the following we shortly describe what the baseline scenario for Egypt and Jordan will look like.

#### **1. Egypt – baseline scenario**

- For the EU – Egypt scenario, a DCFTA between the EU – Jordan will be included in the baseline since the effect of a DCFTA on Egypt cannot be viewed in isolation of the DCFTA with Jordan (since negotiations most probably will take place during the same timespan). The potential DCFTA of the EU with Morocco and Tunisia will not be included;
- This baseline scenario includes the negotiated Association Agreement (signed in 2004) between the EU and Egypt<sup>59</sup>, as well as the Agreement on agricultural, processed agricultural and fisheries products between the EU and Egypt, which entered into force on the 1<sup>st</sup> of June 2010<sup>60</sup>;
- The Doha Development Agenda (DDA) is not included in the baseline.

#### **2. Jordan – baseline scenario**

- For the EU – Jordan scenario, a DCFTA between the EU – Egypt will be included in the baseline since the effect of a DCFTA on Jordan cannot be viewed in isolation of the DCFTA with Egypt (since negotiations most probably will take place during the same timespan). The potential DCFTA of the EU with Morocco and Tunisia will not be included;
- The Association Agreement (AA) with the EU (signed in 2002)<sup>61</sup> is included in the baseline, as well as the amendments on the AA from 2006 to achieve greater liberalisation of trade in agricultural products and processed agricultural products;<sup>62</sup>
- The Doha Development Agenda (DDA) is not included in the baseline.

### *Liberalisation scenarios*

The liberalisation scenarios for Egypt and Jordan are explained separately below. There are three channels of liberalisation that will be studied: (i) tariffs, (ii) services liberalisation and (iii) other NTMs. The liberalisation scenarios will be compared to the baseline scenarios to analyse the pure DCFTA effects.

#### **1. Egypt – DCFTA liberalisation scenario**

##### *(i) Tariffs*

The following tariff liberalisations will be modelled:

- Tariff reduction EU into Egypt: 80% liberalisation for agricultural sectors;
- Tariff reduction Egypt into the EU: 95% liberalisation for agricultural sectors.
  
- Tariff reduction EU into Egypt: 100% liberalisation for all remaining sectors;
- Tariff reduction Egypt into the EU: 100% liberalisation for all remaining sectors.

<sup>59</sup> [http://trade.ec.europa.eu/doclib/docs/2004/june/tradoc\\_117680.pdf](http://trade.ec.europa.eu/doclib/docs/2004/june/tradoc_117680.pdf).

<sup>60</sup> European Union, Official Journal of the European Union L106, Volume 41, 28 April 2010, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:106:0041:0055:EN:PDF..>

<sup>61</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:129:0001:0002:EN:PDF>

<sup>62</sup> <http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=1603>.

Please bear in mind that – as explained above – these liberalisations are with respect to the baseline scenario, which already includes tariff liberalisation for agricultural, processed agricultural and fisheries products from the 2010 Agreement.

No specific TRQs will be modelled. The remaining tariff lines will be calculated as part of the start of the modelling and will be supplied in a separate Excel document to the Commission.

The economic analysis should also identify possible tariff revenue implications as a result of tariff liberalisation.

#### *(ii) Services liberalisation*

The modelling of service level NTMs for the DCFTA EU – Egypt is based on the methodology developed for previous TSIs conducted by Ecorys, notably for the TSIs of the DCFTAs between the EU and Georgia/Moldova, EU – Armenia and EU-Morocco/Tunisia. Liberalisation in the services sector is based on a percentage reduction in Trade Cost Equivalents (TCEs) for a particular sector. A TCE is in essence the calculation of a non-tariff barrier into a tariff (number) equivalent. The reduction of TCEs is applied to services sectors 23 to 33 (as described in the sector aggregation table).

The modelling of service level NTMs for the TSIA EU – Egypt is based on the methodology developed for previous TSIs and a large EU-US NTM study conducted by Ecorys. Please find below the highlights of this methodology:

1. First, the baseline presence of NTMs in the respective service sectors is determined in terms of Trade Cost Equivalents (TCE). This value has been estimated as an average value for services by Prof. J. Francois based on OECD data by estimating an equation where import demand is a function of the size of the economy (GDP) and its income level (per-capita income). When this is adjusted by the import substitution elasticity on a national level, these coefficients provide an estimate of the existing barriers in services in terms of TCEs. This calculation results in an estimated presence of services NTMs of 40% for all sectors<sup>63</sup>;
2. Second, the level of services NTM reductions is estimated in coordination with the Steering Committee, modelling experts and the consultant. For Egypt, the level of NTM reductions in services sectors is suggested to be 3% for the EU-side liberalisations and 5% for the Egypt side liberalisations. These values are based on:
  - a. *A benchmark with respect to the DCFTA between the EU and Morocco/Tunisia;*
  - b. *A realistic comparison with WTO liberalisation ambitions described by the Most-Favoured-Nation clause;*
  - c. *Findings in the literature*<sup>64,65</sup>;
  - d. *Input from the Steering Committee.* Ecorys requests the Steering Committee to share the methodology with Ecorys that was applied in previous Trade SIs for determining the services NTM liberalisation percentages.

#### *(iii) Other NTMs*

For the modelling of liberalisation of other NTMs, we take into account the following assumptions:

1. The EU is focusing primarily on SPS and TBT;
2. The standards of Egypt need to approximate those of the EU because the EU is not going to lower its standards in the fields of SPS and TBT – at least not to an average somewhere in between.

<sup>63</sup> Francois, J; Hoekman, B; Woerz, J, 2007, *Does gravity apply to intangibles? Measuring openness in services.*

<sup>64</sup> Fontagné, L; Guillin, A; Mitaritonna, C, 2010, *Estimations of tariff equivalents for the services sectors*, CEPII, June 2010, available at: <https://www.gtap.agecon.purdue.edu/resources/download/5032.pdf>.

<sup>65</sup> Economist Intelligence Unit, *Country Risk Service (Egypt/Jordan)*.

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction, as Egypt approximates to the EU and not the other way around. The EU will also benefit from lower NTM levels in Egypt (albeit to a lesser extent than the other way around), because regulatory approximation also means further access for EU firms, even if EU standards are higher from the outset (with NTMs it is differences in standards that matter, not level of standards).

The level of other NTM reductions for the economic sectors in Egypt and the EU are based on similar base figures as for the EU – Jordan DCFTA. These liberalisation figures are presented below.

## 2. Jordan – DCFTA liberalisation scenario

### *(i) Tariffs*

The following tariff liberalisations will be modelled:

- Tariff reduction EU into Jordan: 80% liberalisation for agricultural sectors;
- Tariff reduction Jordan into the EU: 95% liberalisation for agricultural sectors.
  
- Tariff reduction EU into Jordan: 100% liberalisation for all remaining sectors;
- Tariff reduction Jordan into the EU: 100% liberalisation for all remaining sectors.

Please bear in mind that – as explained above – these liberalisations are with respect to the baseline scenario, which already includes liberalisation of trade in agricultural products and processed agricultural products from the 2006 Agreement.

No specific TRQs will be modelled. The remaining tariff lines will be calculated as part of the start of the modelling and will be supplied in a separate Excel document to the Commission.

The economic analysis should also identify possible tariff revenue implications as a result of tariff liberalisation.

### *(ii) Services liberalisation*

With respect to modelling the effects of services liberalisation, applying the same methodology in the case of Jordan as has been followed for other previous DCFTA SIAs conducted by Ecorys would not be feasible, as the preliminary analysis has shown there is insufficient information available to determine the appropriate service liberalisation cuts for the modelling. Therefore the analysis will be based on an in-depth qualitative examination of the current levels of liberalisation for services in Jordan and the potential implications of the DCFTA. This examination will be conducted by Ecorys on the basis of a methodology to be agreed with the Steering Committee and in close cooperation with the relevant Jordanian authorities.

### *(iii) Other NTMs*

For the modelling of liberalisation of other NTMs, we take into account the following assumptions:

1. The EU is focusing primarily on SPS and TBT approximation;
2. The standards of Jordan need to approximate those of the EU because the EU is not going to lower its standards in the fields of SPS and TBT – at least not to an average somewhere in between.

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction, as Jordan approximates to the EU and not the other way

around. The EU will also benefit from lower NTM levels in Jordan (albeit to a lesser extent than the other way around), because regulatory approximation also means further market access for EU firms, even if EU standards are higher from the outset (with NTMs it is differences in standards that matter, not level of standards).

Below, it is explained how the scenarios for Other NTM reductions are defined for both Egypt and Jordan.

## Methodology liberalisation figures Other NTMs for both Egypt and Jordan

### *Baseline values for Other NTMs*

As mentioned above, SPS and TBT are the focus in “other NTMs” alignment. Based on the Ecorys (2009) *NTMs in EU – US Trade and Investment* general equilibrium model and gravity modelling, baseline values for other NTMs in the sectors have been derived. The gravity results are recalculated into Trade Cost Equivalents, so these reflect the initial height of NTMs per sector. The baseline values can be found in Table 4.2 of the book publication<sup>66</sup>.

### *Sector liberalisation figures for other NTMs*

In order to link the data to the reality of the Egypt/Jordan negotiations, these baseline NTM values per sector are subjected to different liberalisation percentages. Using the extensive Ecorys (2009) database of NTMs (business survey with 5500 responses across the world), the importance of SPS and TBT issues in the overall NTMs is determined. The respondents of the business survey were asked for NTMs in their sector:

- (i) What **weight** they attach to the NTM in the sector (from no weight 1, to heavy weight 5);
- (ii) What the **actionability** (likelihood of removal) of the NTM is.

Since the focus of “other NTMs” in the TSIA is on SPS/TBT, the number of times that “SPS” was mentioned out of the total of NTMs in the relevant sector is calculated as a percentage of the total. This percentage is then weighed with the ‘importance’ criteria (i) and (ii) in order to obtain a weighed percentage of how important SPS/TBT NTMs are with respect to the total amount of NTMs in the sector.

In a next step, for every economic sector in Egypt and Jordan (except for the services sectors, in which no Other NTM reductions are modelled) is determined whether they are **heavily (high), lightly (low) or not at all (no)** influenced by SPS or TBT issues. The reality of the negotiations, i.e. whether SPS/TBT issues are actually actionable, acts as a ‘downgrade’ of the level of liberalisation possible in sectors affected by SPS/TBT issues. In case many SPS/TBT issues are identified in a certain sector, but the negotiators expect the likelihood of approximation to be low, then only a limited degree of liberalisation is realistic. Egyptian and Jordanese negotiators need to indicate the sensitive sectors. The Steering Committee has been asked to indicate the actionability of SPS/TBT issues in the selected sectors from an *EU perspective*, whereas the EU Delegation in Egypt and Jordan have been asked to indicate the actionability from the *Egypt/Jordan perspective*. The table below summarises these assumptions:

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<sup>66</sup> Ecorys (2009), *Non Tariff Measures in EU US Trade and Investment*.

		Level of presence of NTMs		
		High	Low	No
Actionability	High	Ambitious liberalisation	Limited liberalisation	No liberalisation
	Low	Limited liberalisation	No liberalisation	No liberalisation

This estimation technique leads to the following liberalisation figures for EU and Egypt/Jordan-side liberalisation<sup>67</sup>:

**1. Other NTMs affecting trade from the EU to Egypt/Jordan:**<sup>68</sup>

- a. 4% point reduction in TCE for the ambitious liberalisation scenario;
- b. 2% point reduction in TCE for the limited liberalisation scenario;
- c. 0% point reduction in TCE when there is no liberalisation foreseen;
- d. 2% point reduction in TCE for all agriculture and manufacturing sectors due to trade facilitation<sup>69</sup>.

**2. Other NTMs affecting trade from Egypt/Jordan to the EU**<sup>70</sup>:

- a. 16% point reduction in TCE for the ambitious liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = *de facto* 8% point reduction;
- b. 8% point reduction in TCE for the limited liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = *de facto* 4% point reduction;
- c. 0% reduction in TCE when there is no liberalisation foreseen;
- d. 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.

**3. For other nations towards Egypt/Jordan (exports and imports) we also model MFN spill-overs worth 25% of the liberalisation level with the EU.**

Next to the Ecorys (2009) NTM data that has been used to estimate the above liberalisation percentages, the values have also been cross checked with a range of studies that the project team has done in the past on FTA modelling and barriers in trade and investment, including Professor Joseph Francois academic work on this topic.

<sup>67</sup> Based on literature used in the Ecorys (2009) study and expertise gathered in previous TSIA. As explained above, reductions in TCEs are modelled as being higher on the EU-side than on the Egyptian/Jordanian side reflecting the greater capacity of Egyptian/Jordanian exporters to meet EU standards as a result of the DCFTA. This does not imply any liberalization of the underlying regulatory standards on the EU side.

<sup>68</sup> This is modelled as an NTM reduction at the Egyptian/Jordanian side.

<sup>69</sup> The two percent point trade reduction figure has been agreed with and proposed by the Commission during the inception phase of the EU – Georgia/Moldova and Morocco/Tunisia TSIA. It is considered a conservative estimate for NTMs and has been used in many past TSIA reports conducted by Ecorys. Most importantly, the TSIA EU – Georgia/Moldova, but also EU – India and EU – ASEAN and in particular also Morocco/Tunisia.

<sup>70</sup> For the EU, the sector experts will not be asked to rank SPS/TBT issues since the effects on EU sectors are expected to be small. These NTM reduction levels are modelled on the EU side.



# Annex D: SME survey

## SME Survey in the context of the DCFTA EU-Egypt and EU-Jordan

Language selection options: English, Arabic

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### About the study and purpose of this survey

The European Union (EU), Egypt and Jordan are currently preparing the negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Egypt and Jordan respectively. The aim of these future trade agreements is to lower barriers to trade between the countries involved and thereby increase trade and investment. Specifically for your business, this could imply a lowering of import tariffs that foreign companies have to pay on your export products, or a lowering of tariffs on the products you import. It could also mean that you will have to adjust your production process according to EU health and safety requirements.

The European Commission requested Ecorys to carry out a Trade Sustainability Impact Assessment to analyse what the effects of concluding this agreement might be for the EU and Egyptian and Jordanian economies. This study will serve as input for the negotiations.

Specifically, part of the study focuses on the impact of the DCFTA on small and medium sized enterprises (SMEs). The input of SMEs with experience or interest in the EU-28, Egypt and/or Jordan is of vital importance for this analysis. Therefore we would like to ask you to share your opinions and experiences by filling out this survey.

It will take some 10 minutes to fill out the survey. The information will be treated as strictly confidential and anonymous. Information will be used for the analysis, but no reference to the survey respondents will be made in reports. We would like to ask you to be as specific as possible in your answers. In case anything is unclear to you or you would like to receive additional information, please contact Corine Besseling ([corine.besseling@ecorys.com](mailto:corine.besseling@ecorys.com)). Please send back the answers before the 1<sup>st</sup> of August 2014. We thank you in advance for filling out the survey.

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1. In which country is your company located?

*Scroll down menu with Egypt, Jordan and the EU-28 Member States.*

2. In what sector does your company operate?

- Agriculture
- Manufacturing
- Services
- Other (please specify):

3. What is the number of employees in your company at this moment?

- 0-9
- 10-49
- 50-249
- 250-499

- More than 500

4. Did you know that the EU and Egypt / EU and Jordan are preparing the negotiations for a Deep and Comprehensive Free Trade Area?

- Yes
- No

5. Are you currently involved in trading internationally?

- (A5.1) Yes, we export products and/or services.
- (A5.2) Yes, we import intermediary/final products and/or services.
- (A5.3) Yes, we export products and/or services and import intermediary/final products and/or services.
- (A5.4) No.

*If the answer to Q5 is A5.1 or A5.3, go to Q11 if Egypt/Jordan is selected in Q1 or go to question Q16 if an EU Member State is selected in Q1.*

6. Are you planning to export in the near future?

- Yes
- No

*If the answer to Q6 is "Yes", go to Q8.*

7. Why not?

- We have not enough production capacity.
- There is no demand abroad for our products/services.
- The foreign competition is too fierce.
- Other:

*If the answer to Q5 is A5.2, go to Q24 now. If the answer to Q5 is A5.4, go to Q26.*

8. To which countries are you planning to export?

*"Tick the box" with multiple answers possible: Egypt, Jordan, EU28 Member States, Other. When selecting the latter, an empty text field appears so that they can fill it out themselves.*

9. Please indicate in the table below:

- a) which barriers you are expecting to face during the export process; and
- b) for these expected barriers, do you think that these might be addressed by the Free Trade Area?

Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by DCFTA?
Access to finance (including trade finance)	<input type="checkbox"/>	<input type="checkbox"/>
Access to raw materials	<input type="checkbox"/>	<input type="checkbox"/>
Administrative requirements (e.g. licences, other formalities)	<input type="checkbox"/>	<input type="checkbox"/>
Corruption/lack of law enforcement	<input type="checkbox"/>	<input type="checkbox"/>
Custom procedures at the border	<input type="checkbox"/>	<input type="checkbox"/>
Import duties of the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure in your country	<input type="checkbox"/>	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>	<input type="checkbox"/>

Potential barrier	Existing?	Barrier addressed by DCFTA?
Internal conflict/regional insecurity in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Lack of information on the foreign market	<input type="checkbox"/>	<input type="checkbox"/>
Language/culture of export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Other rules/regulations	<input type="checkbox"/>	<input type="checkbox"/>
Reliability of representatives/distributors in the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Restrictive government procurement in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Rules of origin	<input type="checkbox"/>	<input type="checkbox"/>
SPS – the health and safety standards to which you need to comply	<input type="checkbox"/>	<input type="checkbox"/>
Taxation system in your country	<input type="checkbox"/>	<input type="checkbox"/>
TBT – the safety and product requirements you would need to fulfil before exporting	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition (monopolies, etc.) in export destination country	<input type="checkbox"/>	<input type="checkbox"/>

10. Which of the following topics should be covered by the Deep and Comprehensive Free Trade Area according to you (tick max. 3 topics reflecting priority issues)?

*Tick the box:*

Topic to be covered by the DCFTA	
Technical regulations/standards	<input type="checkbox"/>
Sanitary measures for agricultural products	<input type="checkbox"/>
Freedom of opening a company and investment and capital movements and payments	<input type="checkbox"/>
Public procurement-call for tenders	<input type="checkbox"/>
Fair competition	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>
Customs	<input type="checkbox"/>
Environmental and social sustainable development	<input type="checkbox"/>
Transparency of regulations	<input type="checkbox"/>
Anti-dumping and anti-subsidy measures	<input type="checkbox"/>
Energy pricing	<input type="checkbox"/>
Cooperation between national administrations	<input type="checkbox"/>

*If the answer to Q5 is A5.2, go to Q24 now. If the answer to Q5 is A5.4, go to Q26.*

*(When Egypt or Jordan is selected in Q1, then the next question appears:)*

11. What share of your exports goes to the EU?

- (A11.1) 0% (my company only exports to other countries)
- (A11.2) 0-25%
- (A11.3) 25-50%
- (A11.4) 50-75%
- (A11.5) 75-100%

*If the answer to Q11 is A11.1, the next question appears, otherwise go to Q13:*

12. To which other countries do you export?

If the answer to Q5 is A5.2, go to Q24 now. If the answer to Q5 is A5.4, go to Q26.

13. To which country/countries in the EU do you export?

Tick the box (all EU-28 Member States).

14. Please indicate in the table below:

- a) which barriers are you facing when exporting to the EU; and
- b) for these existing barriers, do you think that these might be addressed by the Deep and Comprehensive Free Trade Area?

Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by DCFTA?
Access to finance (including trade finance)	<input type="checkbox"/>	<input type="checkbox"/>
Access to raw materials	<input type="checkbox"/>	<input type="checkbox"/>
Administrative requirements (e.g. licences, other formalities)	<input type="checkbox"/>	<input type="checkbox"/>
Corruption/lack of law enforcement	<input type="checkbox"/>	<input type="checkbox"/>
Custom procedures at the border	<input type="checkbox"/>	<input type="checkbox"/>
Import duties of the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure in your country	<input type="checkbox"/>	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>	<input type="checkbox"/>
Internal conflict/regional insecurity in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Lack of information on the foreign market	<input type="checkbox"/>	<input type="checkbox"/>
Language/culture of export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Other rules/regulations	<input type="checkbox"/>	<input type="checkbox"/>
Reliability of representatives/distributors in the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Restrictive government procurement in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Rules of origin	<input type="checkbox"/>	<input type="checkbox"/>
SPS – the health and safety standards to which you need to comply	<input type="checkbox"/>	<input type="checkbox"/>
Taxation system in your country	<input type="checkbox"/>	<input type="checkbox"/>
TBT – the safety and product requirements you would need to fulfil before exporting	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition (monopolies, etc.) in export destination country	<input type="checkbox"/>	<input type="checkbox"/>

15. Which of the following topics should be covered by the Deep and Comprehensive Free Trade Area according to you (tick max. 3 topics reflecting priority issues)?

Tick the box:

Topic to be covered by the DCFTA	
Technical regulations/standards	<input type="checkbox"/>
Sanitary measures for agricultural products	<input type="checkbox"/>
Freedom of opening a company and investment and capital movements and payments	<input type="checkbox"/>
Public procurement-call for tenders	<input type="checkbox"/>

Topic to be covered by the DCFTA	
Fair competition	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>
Customs	<input type="checkbox"/>
Environmental and social sustainable development	<input type="checkbox"/>
Transparency of regulations	<input type="checkbox"/>
Anti-dumping and anti-subsidy measures	<input type="checkbox"/>
Energy pricing	<input type="checkbox"/>
Cooperation between national administrations	<input type="checkbox"/>

(When one of EU countries is selected in Q1, then the next question appears:)

16. Are you exporting to Egypt?

- Yes
- No

If the answer to Q16 is "No", go to Q20.

17. What share of your exports go to Egypt?

- 0-25%
- 25-50%
- 50-75%
- 75-100%

18. Please indicate in the table below:

- a) which barriers are you facing when exporting to Egypt, and
- b) for these existing barriers, do you think that these might be addressed by the Deep and Comprehensive Free Trade Area?

Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by DCFTA?
Access to finance (including trade finance)	<input type="checkbox"/>	<input type="checkbox"/>
Access to raw materials	<input type="checkbox"/>	<input type="checkbox"/>
Administrative requirements (e.g. licences, other formalities)	<input type="checkbox"/>	<input type="checkbox"/>
Corruption/lack of law enforcement	<input type="checkbox"/>	<input type="checkbox"/>
Custom procedures at the border	<input type="checkbox"/>	<input type="checkbox"/>
Import duties of the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure in your country	<input type="checkbox"/>	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>	<input type="checkbox"/>
Internal conflict/regional insecurity in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Lack of information on the foreign market	<input type="checkbox"/>	<input type="checkbox"/>
Language/culture of export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Other rules/regulations	<input type="checkbox"/>	<input type="checkbox"/>
Reliability of representatives/distributors in the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Restrictive government procurement in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Rules of origin	<input type="checkbox"/>	<input type="checkbox"/>
SPS – the health and safety standards to which you need to	<input type="checkbox"/>	<input type="checkbox"/>

Potential barrier	Existing?	Barrier addressed by DCFTA?
comply		
Taxation system in your country	<input type="checkbox"/>	<input type="checkbox"/>
TBT – the safety and product requirements you would need to fulfil before exporting	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition (monopolies, etc.) in export destination country	<input type="checkbox"/>	<input type="checkbox"/>

19. Which of the following topics should be covered by the Deep and Comprehensive Free Trade Area according to you (tick max. 3 topics reflecting priority issues)?

*Tick the box:*

Topic to be covered by the DCFTA	
Technical regulations/standards	<input type="checkbox"/>
Sanitary measures for agricultural products	<input type="checkbox"/>
Freedom of opening a company and investment and capital movements and payments	<input type="checkbox"/>
Public procurement-call for tenders	<input type="checkbox"/>
Fair competition	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>
Customs	<input type="checkbox"/>
Environmental and social sustainable development	<input type="checkbox"/>
Transparency of regulations	<input type="checkbox"/>
Anti-dumping and anti-subsidy measures	<input type="checkbox"/>
Energy pricing	<input type="checkbox"/>
Cooperation between national administrations	<input type="checkbox"/>

20. Are you exporting to Jordan?

- Yes
- No

*If the answer to Q20 is "No" and the answer to Q5 is A5.2, go to Q24, otherwise go to Q26.*

21. What share of your exports go to Jordan?

- 0-25%
- 25-50%
- 50-75%
- 75-100%

22. Please indicate in the table below:

- a) which barriers are you facing when exporting to Jordan; and
- b) for these existing barriers, do you think that these might be addressed by the Deep and Comprehensive Free Trade Area?

Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by DCFTA?
Access to finance (including trade finance)	<input type="checkbox"/>	<input type="checkbox"/>
Access to raw materials	<input type="checkbox"/>	<input type="checkbox"/>
Administrative requirements (e.g. licences, other formalities)	<input type="checkbox"/>	<input type="checkbox"/>
Corruption/lack of law enforcement	<input type="checkbox"/>	<input type="checkbox"/>

Potential barrier	Existing?	Barrier addressed by DCFTA?
Custom procedures at the border	<input type="checkbox"/>	<input type="checkbox"/>
Import duties of the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure in your country	<input type="checkbox"/>	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>	<input type="checkbox"/>
Internal conflict/regional insecurity in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Lack of information on the foreign market	<input type="checkbox"/>	<input type="checkbox"/>
Language/culture of export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Other rules/regulations	<input type="checkbox"/>	<input type="checkbox"/>
Reliability of representatives/distributors in the export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Restrictive government procurement in export destination country	<input type="checkbox"/>	<input type="checkbox"/>
Rules of origin	<input type="checkbox"/>	<input type="checkbox"/>
SPS – the health and safety standards to which you need to comply	<input type="checkbox"/>	<input type="checkbox"/>
Taxation system in your country	<input type="checkbox"/>	<input type="checkbox"/>
TBT – the safety and product requirements you would need to fulfil before exporting	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition (monopolies, etc.) in export destination country	<input type="checkbox"/>	<input type="checkbox"/>

23. Which of the following topics should be covered by the Deep and Comprehensive Free Trade Area according to you (tick max. 3 topics reflecting priority issues)?

*Tick the box:*

Topic to be covered by the DCFTA	
Technical regulations/standards	<input type="checkbox"/>
Sanitary measures for agricultural products	<input type="checkbox"/>
Freedom of opening a company and investment and capital movements and payments	<input type="checkbox"/>
Public procurement-call for tenders	<input type="checkbox"/>
Fair competition	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>
Customs	<input type="checkbox"/>
Environmental and social sustainable development	<input type="checkbox"/>
Transparency of regulations	<input type="checkbox"/>
Anti-dumping and anti-subsidy measures	<input type="checkbox"/>
Energy pricing	<input type="checkbox"/>
Cooperation between national administrations	<input type="checkbox"/>

*(If the answer to Q5 is A5.2, the following questions will appear:)*

24. From which countries do you import?

*Tick the box exercise with Egypt, Jordan, and the EU28 Member States, Other. When selecting the latter, an empty text field appears so that they can fill it out themselves.*

25. Please indicate in the table below:

a) which barriers are you facing during the import process, and

b) for these existing barriers, do you think that these might be addressed by the Free Trade Area?

Please only tick those boxes that are relevant in your view.

Potential import barrier	Existing?	Barrier addressed by DCFTA?
Access to finance (including trade finance)	<input type="checkbox"/>	<input type="checkbox"/>
Access to raw materials	<input type="checkbox"/>	<input type="checkbox"/>
Administrative requirements (e.g. licences, other formalities)	<input type="checkbox"/>	<input type="checkbox"/>
Corruption/lack of law enforcement	<input type="checkbox"/>	<input type="checkbox"/>
Custom procedures at the border	<input type="checkbox"/>	<input type="checkbox"/>
Import duties in your country	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure in the country of origin	<input type="checkbox"/>	<input type="checkbox"/>
Intellectual property rights	<input type="checkbox"/>	<input type="checkbox"/>
Internal conflict/regional insecurity in country of origin	<input type="checkbox"/>	<input type="checkbox"/>
Lack of information on the foreign market	<input type="checkbox"/>	<input type="checkbox"/>
Language/culture of country of origin	<input type="checkbox"/>	<input type="checkbox"/>
Other rules/regulations	<input type="checkbox"/>	<input type="checkbox"/>
Reliability of representatives/distributors in the country of origin	<input type="checkbox"/>	<input type="checkbox"/>
Restrictive government procurement in country of origin	<input type="checkbox"/>	<input type="checkbox"/>
Rules of origin	<input type="checkbox"/>	<input type="checkbox"/>
SPS – the health and safety standards to which you need to comply	<input type="checkbox"/>	<input type="checkbox"/>
Taxation system in country of origin	<input type="checkbox"/>	<input type="checkbox"/>
TBT – the safety and product requirements you would need to fulfil before exporting	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition (monopolies, etc.) in your country	<input type="checkbox"/>	<input type="checkbox"/>

26. Do you think the Deep and Comprehensive Free Trade Area can help your company expand?

- A26.1 Yes
- A26.2 No
- A26.3 There will be both positive and costs/negative impacts of the DCFTA
- A26.4 Do not know

If the answer to Q26 is A26.2, go to Q28.

27. The potential benefits resulting from the DCFTA for my company are in the field of:

- More output/employment due to higher exports;
- Cheaper production costs through cheaper imports;
- Adjusting my standards more to EU requirements will also increase exports to other countries;
- Technology transfer;
- Possibility to move from lower to higher value added products/services;
- Other benefits:

If the answer to Q26 is A26.1, go to Q29 now.

28. The potential costs/negative impacts resulting for my company relate to:

- Increased competition for my products/services.

Increased production costs related to comply with new rules and regulations as part of the DCFTA.

Other:

*If an EU country is selected in Q1, then go to Q31. If Egypt is selected in Q1, then go to Q29. If Jordan is selected in Q1, then go to Q30.*

29. Would the Government of Egypt need to increase its export promotion activities as a result of the DCFTA?

No, sufficient export promotion services are provided.

No, more export promotion services would be needed but this can be provided by commercial companies.

Yes, we would especially need more financial support to export (e.g. insurance, export credits, subsidies).

Yes, we would especially need information on exporting to the EU/Egypt/Jordan/information on these local markets (e.g. trainings, websites, brochures).

Yes, we would especially need more support in meeting potential buyers of our products/services (e.g. through matchmaking events, trade fairs, etc.)

Yes, other:

*Go to Q31 now.*

30. Would the Government of Jordan need to increase its export promotion activities as a result of the DCFTA?

No, sufficient export promotion services are provided.

No, more export promotion services would be needed but this can be provided by commercial companies.

Yes, we would especially need more financial support to export (e.g. insurance, export credits, subsidies).

Yes, we would especially need information on exporting to the EU/Egypt/Jordan/information on these local markets (e.g. trainings, websites, brochures).

Yes, we would especially need more support in meeting potential buyers of our products/services (e.g. through matchmaking events, trade fairs, etc.)

Yes, other:

31. Have you been in contact with Enterprise Europe Network?

Yes

No

*If the answer to Q31 is "Yes", go to Q32, if the answer is "No", go to Q33.*

32. How do you know Enterprise Europe Network?

*(Multiple answers possible)*

I have received information about Enterprise Europe Network.

Enterprise Europe Network has found a potential business partner.

Enterprise Europe Network has provided financial support.

Other:

*Go to Q34 now.*

33. Why not?

- I do not know what it is.
- There is no local office.
- I do not see the benefits of Enterprise Europe Network.
- Other:

34. How do you experience the competition in your domestic market from companies that are larger than your company?

- They are much more competitive and have a larger market share than your company.
- They are a bit more competitive and have a somewhat higher market share than your company.
- They are equally competitive as your company and market shares are fairly equally distributed among market players.
- They are somewhat less competitive, but still have a larger market share compared to your company.
- They are somewhat less competitive and have a lower market share compared to your company.

35. How do you experience competition from foreign competitors?

- They are more competitive and their imports/sales of local affiliates constitute an important share of the market in my sector.
- They are equally competitive.
- They are less competitive.

36. If you would like to make any further comments on opportunities and barriers you face in international trade that are relevant to the DCFTA negotiations, or on this survey, you can indicate them below in English.

**Thank you!**

Thank you for filling out this questionnaire. Your answers are very much appreciated. To receive further information on the study on the DCFTA, please contact [corine.besseling@ecorys.com](mailto:corine.besseling@ecorys.com) or fill out your contact details below (not obligatory):

Name company:	
Name contact person:	
E-mail address:	

## Annex E: Input from civil society

Table E below shows the relevant stakeholder input and feedback that was received during the Inception Phase.

**Table E: Stakeholder input received in the Inception Phase**

Date	Name	Organisation	Comment	Ecorys response
<b>Email</b>				
18-03-2014	Mr Hendriks Danusevics	Latvian Chamber of Traders	Last days export to Russia and Ukraine (our neighbour countries) is reduced. Therefore we are looking for new markets. Please inform us for possible reducing of customs tariffs and differences in technical requirements for drinks, milk products and sweets export.	In our current Trade SIA study, we will indeed model the effects of tariff reductions and reductions in non-tariff measures at sector level. You will find these quantitative results in the Interim Technical Reports, which will become publicly available in May, and this may give some insight if new export opportunities are created for your products in these countries. However, note that we currently only look at the EU, Egypt and Jordan.  Let me inform you that we have carried out more Trade SIAs in the past on several EU neighbourhood countries, which may be interesting for you to look at. You will find all reports (including sector-specific information) on this website: <a href="http://tsia.ecorys.com">http://tsia.ecorys.com</a> .
21-03-2014	Mr Luc Hellebuyck	Eucofel	<i>(Mr Hellebuyck has sent Ecorys a lot of data and background information about citrus fruits)</i> Can you make a case 'oranges' in your report?	Thank you for the data related to the issue. We will take this information into account when we make the selection of sectors for in-depth analysis at the end of Phase 1 (in the interim technical report).
24-03-2014	Ms Lala Hakuma Dadci	AITEC	Have an Arabic version of the draft inception report available in order to allow local appropriation.	The Executive Summaries of both Inception Reports will become available online soon. Also the Executive Summaries of future reports and the SME survey will be translated into Arabic.
			Diversify your tools to reach a broad sample of CSOs (not only tweeter or Facebook but liaise with non-institutional NGOS in different ways) working with organisations that are already involved in DCFTAs issues and work on economic and social rights.	To reach a broad sample of CSOs, we will stay searching for representative stakeholders throughout the course of the study. Furthermore, our local partners will do bilateral interviews with representative stakeholders in both Egypt and Jordan. These consultants from Jordan and Egypt have a broad network in the countries, which will help to identify the right participants for the workshop. Also the EU delegation provides support in this respect. We have included your suggestions for Egyptian stakeholders on our list so that they will receive updates from now on. If you have more suggestions, we are very happy to receive them.
			Organise open and participatory workshops with CSOs based on open feedback on the content and impacts of the DCFTAs.	The local workshops will indeed be as open as possible. This means that we will pay attention to both positive and negative

Date	Name	Organisation	Comment	Ecorys response
				impacts, and leave enough room for local speakers and discussion. There will be no government representatives (we will have bilateral meetings with them), which will increase the willingness of participants to express their concerns.
			Postpone the workshop planned in June in Egypt while it is going to happen during the election period.	We have planned the workshops early June because of the Ramadan. The Commission is aware of your comment. A postponement of the workshop is for them to decide.
			Ensure that the questionnaires proposed in your evaluation are not biased (which is not the case for the SME stakeholders regarding “potential barriers” they would face when exporting to the EU) by proposing opened questions that do not suggest that the DCFTAs will necessary have a positive impact.	SMEs do get the opportunity to express their concerns on potential negative effects of the future DCFTA in questions 26 and 28. Furthermore, when they indicate that certain barriers exist and they do not think that these barriers will be addressed by the DCFTA accordingly, this is already a sign that flanking measures or special attention in the negotiations may be needed.
<b>Public meeting</b>				
18-03-2014	Mrs Lala Hakuma Dadci	AITEC	<ul style="list-style-type: none"> <li>We should keep in mind the sensitive context in Jordan and Egypt. It is not really democratic and there is a lack of freedom of expression. Involvement of civil society is difficult, because many stakeholders do not have information about the future negotiations.</li> <li>The stakeholder list in the Annex of the report includes a lot of institutional organisations, but a lot more organisations exist that focus on HR, economic models and social issues. There are also more business associations. She wonders how the stakeholders are chosen.</li> <li>She suggests that Ecorys should develop different consultation tools and adapt them more to reach broader civil society in order to balance the representativeness of the stakeholders selection.</li> </ul>	Ecorys replies that it is aware of the political situation. The stakeholder list is considered to be a living document, which will be further developed during the project. It is currently based on inputs from our local partner and the two EU Delegations. We are open to include more organisations, so please send your suggestions to us. To involve local stakeholders sufficiently, our general strategy is to include as much organisations as possible, so that they will all get informed. We target representative NGOs and academic experts to hear the voices of people that are less vocal by themselves.
			The questions from the SME questionnaire should be more balanced. There are questions on the barriers encountered when exporting to the EU and the extent to which these will be addressed by the DCFTA. There should be options for SMEs to indicate that the barriers will worsen because of the DCFTA. So Ecorys should work on the objectivity and orientation of the survey.	We will take into account your remark on the SME survey and check whether adjustments are needed. SMEs shall definitely get the possibility to point out negative impacts of a possible DCFTA if they wish to do so. <i>(see also our response to the SME survey above)</i>

Date	Name	Organisation	Comment	Ecorys response
18-03-2014	Ms Gaelle Dusepulchre	FIDH	<ul style="list-style-type: none"> <li>Regarding the consultation in Egypt, she would like to hear the typical methodology to be sure that we have genuine and free consultation. All the things that Ecorys proposed in the report are completely insufficient. These are the same channels as proposed for TSIA Tunisia. Ecorys should use the solution that was proposed in the EC's Operational Guidance on taking account of Fundamental Rights in Commission Impact Assessments of 2011 and TSIA Handbook. Ecorys should try to make some observations on the ground and consult with external stakeholders.</li> <li>She would like to draw attention on the importance to study the investment part of the DCFTA, and the effect of that on human rights. Also assess ISDS and take a look at business and human rights. Related to this, Ecorys should assess the way in which companies are implementing the international guidelines, and what kind of impact it has on human rights.</li> <li>Please take also into account the previous SIA that has been made for Mediterranean area and the report issued in 2007. This previous SIA concluded that without flanking measures there would be a dramatic impact on social issues, like unemployment, minimal wage, difficulties to procure fresh water, food, etc. The 2011 revolution was based on those problematic issues. In a conclusion from a committee (December 2013) you have a lot of observation in terms of consumer prices, unemployment, and recommendations.</li> <li>It is important to assess what have been the impact of previous agreement, and use it to describe how to mitigate negative impacts in the future.</li> <li>Ecorys always has the same policy recommendations, for instance to include in the DCFTA a chapter that encourages to apply the international guidelines. If Ecorys makes these recommendations it needs to know whether the guidelines are currently sufficiently implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Ecorys would like to emphasize that a lot of electronic consultation is done, which we expect to be useful as electronic channels played a big role in the revolution. We will also go to Egypt for the local workshop. We have a local partner that will be on the ground during the study, which will play a big role in the interviews in the country</li> <li>Regarding the investment part of the DCFTA; we could address it as a horizontal issue in Phase 2. We will take you comment on board for selection of issues at the end of Phase 1 of the study.</li> <li>There might be an ex-post analysis of the current agreement in the future, which is beyond the scope of our study. Also evaluation of other policies and initiatives goes beyond the scope of the study. But if we see obvious issues and lessons learnt, we will definitely take them on board. If you have any relevant input (studies, evaluations) that you could share with us, please feel free to send these.</li> </ul>
18-03-2014	Mr Luc	Eucofel	The EU food and vegetable sector is damaged by imports of oranges	Ecorys replies that vegetables and fruits could be one of the sector

Date	Name	Organisation	Comment	Ecorys response
	Hellebuyck		from Egypt. Every year, Egypt exports 1 mln tonnes or 50,000 trucks. Egypt is the biggest exporter of citrus fruits. Egypt offers its citrus fruits below cost price, so it is almost impossible to compete for EU producers. Spain and Italy are suffering from the low prices. Egyptian exports to other countries (outside the EU) are also negatively affecting EU exports to those countries. Also early potatoes from Egypt are very cheap. The EU is exporting seed potatoes to Egypt. Then they come back as potatoes. The market is very difficult.	studies in Phase 2 of the study. Ecorys would then also look at social and environmental issues, labour issues, and subsidies that are used to sell below cost price. It should be noted that with a DCFTA, the standards of Egyptian produces have to become equal to the standards of European producers, so it will become more difficult for Egypt to produce and export without complying with the relevant standards, thereby addressing some of the observed problems.
18-03-2014	Mr Pedro Narro	EESC	<ul style="list-style-type: none"> <li>• How can an impact assessment be conducted if it is not known to which extent Egypt and Jordan are coming closer to the acquis communautaire and manufacture in a different way? Furthermore, there are ongoing developments that could affect the DCFTA impact (like the 1 mln refugees that are currently in Jordan).</li> <li>• In Morocco there has been a lot of criticism concerning the DCFTA. Unfortunately these signals from civil society were not sufficiently included in the TSIA report, so he asks to include this in the report this time. Consultation with local civil society is weak. This should be improved. Furthermore, the capacity of CSOs in Jordanian society is limited as well as their influence.</li> </ul>	<ul style="list-style-type: none"> <li>• Ecorys agrees that a Trade SIA is not an easy assignment. One issue to keep in mind is that we isolate the impacts of the DCFTA, we assume that all other policies do not change. We compare the situation with and without a DCFTA.</li> <li>• Ecorys has never left out criticism in the reports, as the workshop minutes and other inputs received via email are always included in the annex of the report and where applicable in the main part of the report. Of course, we can always do more consultations, but a lack of civil society and capacity of organisations in the countries concerned is something we cannot solve within the scope of this project.</li> <li>• Ecorys mentions that we talked to the EU Delegation in both countries. They also admit that civil society is not fully aware of the DCFTA negotiations. We will pay special attention to target the right organisations. Therefore we also have our local consultants, to get the right local people involved.</li> </ul>
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