COMMISSION SERVICES' POSITION PAPER ON THE TRADE SUSTAINABILITY IMPACT ASSESSMENT OF THE FREE TRADE AGREEMENT BETWEEN THE EU AND ASEAN

1. INTRODUCTION

This paper sets out the Commission services' position on the Trade Sustainability Impact Assessment (SIA) of a Free Trade Agreement (FTA) between the European Union (EU) and the Association of South-East Asian Nations (ASEAN). Sustainable development is an overarching policy objective of the EU, as stated by the European Council in June 2006. It consists of three main pillars, namely economic, social, and environmental aspects. Trade SIAs serve to identify the potential economic, social and environmental impacts of a trade agreement and are an important tool for negotiators. In this context, the challenge is to ensure that trade contributes to sustainable development. This requires identifying, preventing, and/or mitigating potential conflicts between the above mentioned three pillars, as well as enhancing new or existing synergies.

This paper is publicly available on the following website:

http://ec.europa.eu/trade/issues/global/sia/studies_geo.htm#asean

The drafting process of the SIA was launched in January 2008 and the report was finalised in June 2009. The Trade SIA drew on a wide range of opinions from civil society and key experts. There were extensive public consultations on the report during the drafting including meetings, workshops, questionnaires and interviews.

The SIA was produced by an independent consultancy company, ECORYS s.a.. The final report of the Trade SIA has been technically approved by the Director General for Trade of the European Commission. The views expressed in the report are those of the Consultant. This paper sets out the Commission services' views on the findings and recommendations set out in the final report.

The paper is structured as follows:

Section 2	State of play of the EU – ASEAN FTA
Section 3	Overview of the consultants' findings
Section 4	Commission services' reactions to the recommendations made by the consultants

2. STATE OF PLAY OF EU ASEAN FTA

The economic rationale for an FTA with ASEAN was set out in a report[1] by the "Vision Group" of ASEAN Economic Ministers and the EU Trade Commissioner in May 2006. The Vision Group concluded that an FTA would have a major impact on trade, production and welfare compared with other trade liberalisation initiatives. Studies assessed benefits of 2% of ASEAN total GDP in 2020. The bulk of the gains (a substantial part of which would accrue to ASEAN) were associated with liberalisation in services. The ASEAN countries together make up the EU's 3rd largest trade partner outside Europe, their economies are growing fast, and they are an increasingly important market for EU exporters. However, they are protected by high tariff and regulatory barriers limiting EU manufacturers' possibilities to fully benefit from the potential of the ASEAN market.

[1] Report of the ASEAN-EU Vision Group: Transregional partnership for shared and sustainable prosperity, Hanoi, Vietnam, 10 May 2006

Negotiations for an EU-ASEAN FTA with seven ASEAN countries (those which are not least-developed countries) began on 4 May 2007. The EU negotiating directive excludes Cambodia and Laos as they already benefit from Everything but Arms and Myanmar due to its human rights situation. Progress with the negotiations was slow however and in March 2009 both sides agreed to a halt in negotiations to reflect on how to proceed.

The EU still believes that the ASEAN region holds out considerable potential for EU exporters and that it would be important to retain the ambition of eventually concluding free trade agreements with ASEAN countries. Competitors are increasingly gaining preferential access there and the EU risks being crowded out by others who have already concluded or are concluding trade agreements with ASEAN (e.g. Australia/New Zealand, Japan, China, Korea, India) or individual ASEAN Member States (e.g. Singapore's FTAs with the US, Japan or EFTA).. The current strategy endorsed by EU Member States, is to proceed on the basis of a country by country approach with those ASEAN countries that show willingness to conclude an ambition and comprehensive bilateral FTA with the EU.

FTA negotiations with Singapore started in early 2010, Vietnam has already expressed its interest and exploratory contacts are ongoing with Malaysia and Thailand. The EU will not, however, lose sight of the ultimate objective of concluding an agreement ASEAN but use these individual agreements as building blocks towards the regional agreement.

The Trade SIA will be an important input for the negotiations even if such negotiations are pursued in a bilateral format. Though the SIA analysed the impact of a trade deal between the EU and the ASEAN region, the study presents the necessary disaggregated information for an analysis of the impact of bilateral trade negotiations. The SIA itself provides detailed analysis on six countries of ASEAN (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam). Since they were not covered by the initial negotiations no individual country analysis was made for the three least developed countries of Cambodia, Laos and Myanmar. Lack of data for these countries and also for Brunei was another factor. In the study these four countries are referred to collectively as "other ASEAN." The present position paper will be complemented by individual annexes presenting the Commission services' position regarding issues specific to ASEAN countries with which it is entering bilateral negotiations once such negotiations are launched.

It should also be noted that the EU and the partner ASEAN countries typically negotiate partnership and cooperation agreements in parallel to FTAs. These agreements tend to offer a suitable alternative context for addressing issues which go beyond the strict realm of preferential trade agreements. Both these partnership and cooperation agreements and the FTAs would in the future form part of the common framework for bilateral relations between the EU and a given ASEAN country. There are thus alternatives to addressing certain issues in an FTA.

3. OVERVIEW OF THE CONSULTANTS' FINDINGS

The Trade SIA analysed the economic, social and environmental impacts of an ASEAN FTA in advance of policy decision making in order to include sustainable development goals and provisions in the planned Agreement. The study was carried out in three distinct phases:

Phase 1 – the Global analysis
Phase 2 – the in-depth study of sectors and horizontal issues (cereals and grains; textiles, clothing and footwear; motor vehicles and parts; financial services; fisheries; customs and trade facilitation; intellectual property rights; investment conditions; competition policy and preferential rules of origin plus two case studies on illegal logging and timber trade and the EU Biofuels policy)
Phase 3 – Policy recommendations and flanking policy measures.

A detailed overview of methodology and all project documents including the minutes of the public meetings are published online on: www.tsia.ecorys.com/asean/

This section provides an overview of the consultants' findings divided into the three areas: economic, social and environment. Section 4 outlines the Commission services' response to the consultants' specific recommendations.

i. ECONOMIC

Overall, positive impacts from an EU-ASEAN FTA are expected for both ASEAN and the EU, with the exception of some specific sectors. The study points out that ASEAN is going through a far reaching transformation with a shifting of competitive advantages across the region which is causing short term hardships to particular groups. An FTA is part of this process of increasing openness to trade but cannot be said to be the only cause of these negative impacts. Improvements resulting from the FTA are seen in the areas of national and household incomes, investment, trade flows and in specific sectors in both the EU and ASEAN.

The SIA develops three scenarios (limited, extended and extended +) which represent different levels of ambition with respect to tariff reduction, services liberalisation and removal of non-tariff barriers. The study shows that national income and GDP are expected to increase for both FTA parties in all three scenarios. On a national level the main trade measures (reduction of tariffs, liberalisation of services and removal of NTBs) will cause an increase in real income across all countries with the EU and Singapore showing the most in terms of income effects. Vietnam will benefit most from the removal tariffs and, after the EU, Thailand will gain most from removal of NTBs. Prices will increase modestly across all countries but these will be offset by wage increases.

Investment both from the EU and from within ASEAN is set to increase with tariff reductions. The cost of doing business in certain ASEAN countries and sectors is still quite high so further reforms will lead to substantial benefits. Investors will also be attracted if ASEAN continues with its integration and harmonisation agenda. In the EU, the study predicts increased investment in services and non-production related activities while investment in ASEAN would be mostly in the productive capacity.

Trade flows should increase substantially under an FTA within ASEAN and between EU and ASEAN. In the most ambitious scenario outlined by the consultants, export value is expected to increase by more than one percentage point for the EU and, among the ASEAN countries, between 8.3% (Malaysia) and almost 35% (Vietnam). Singapore stands to gain most in terms of increased trade. The EU is expected to regain market access in sectors where competition pressures have increased as a result of the FTAs concluded between ASEAN and other countries e.g. Australia.

In specific sectors integration between the two regions will mean that EU services and ASEAN manufacturing sectors will expand. Service sectors benefit under all three scenarios for the EU. On the negative side, for the EU, under the most ambitious scenario, there would be a reduction in output in the leather products, clothing and electronic equipment sectors with a corresponding drop in employment particularly in the leather sector. For ASEAN sector effects differ widely from country to country. Overall, gains are positive but most striking is Vietnam where there are substantial shifts between sectors with losses in some sectors but considerable gains in others. The other ASEAN group will be particularly affected in manufacturing.

Effects of the global economic and financial crisis – and possible consequences for the underlying assumptions and scenarios – have not been covered in the TSIA

ii. SOCIAL

According to the Trade SIA, the FTA is expected to have no significant overall employment, income or social effects in the EU, with the exception of some displacement of labour across sectors. In the textiles, clothing and footwear sectors output and employment will decrease. The decrease will be substantial for footwear. This is a small sector in the EU but concentrated in some Member States where companies are in direct competition with ASEAN manufacturers. Employment for skilled and unskilled labour will fall by around 17% under the most ambitious scenario.

On the ASEAN side, the TSIA expects to see the FTA, on-balance, contributing to an overall alleviation of poverty but this will depend on accompanying policy measures to ensure that the benefits of the FTA "trickle down" to the poor.

In principle, where the FTA leads to a reduction of tariffs and the liberalisation of formerly protected sectors of the economy, this should lead to reduced prices, and thus enhance the purchasing power of consumers. Price reductions on goods will in particular benefit poor urban consumers. Other short term poverty increases may occur in cereals, grains and fisheries sectors as young people, in particular, move to urban areas to find employment in other sectors.

The study expects to see increased employment opportunities, particularly for women, in the textiles, clothing and footwear industries which could also absorb workers from other sectors affected by structural transformation processes at work in ASEAN, in particular agriculture. Opening up of the financial services sector and increased access to insurance should contribute to poverty reduction and better social benefits but this will be contingent on ensuring that pro-poor measures are in place such as expanding access to micro-credit. There could be some indirect positive effects on education arising from the FTA with overall increases in wages for parents meaning more children can leave the labour market and go to school. Sectoral shifts should also increase needs and demands for education and (re)training. Increased involvement and socially responsible practices of EU companies in ASEAN should ensure better compliance with core labour standards and promote a more effective implementation of the Decent Work agenda of the ILO (which is also one of the key policy objectives of the EU), including through more modern and safer technologies and machinery, improved health and safety at the workplace, more productive employment opportunities in the formal sectors of the economy, and improved .

Wages for both skilled and unskilled workers are expected to increase because of the FTA, especially under an ambitious agreement. In some countries high-skilled wages will increase more leading to increasing levels of inequality. Women may also be affected by the increase in high skill employment opportunities which tend to be less open to women.

iii. ENVIRONMENTAL

In terms of carbon emissions and air quality, the TSIA concludes that the environmental impacts of the increased economic activity resulting from enhanced trade and investment foreseen under an FTA will be "slightly negative". The study also concludes that the FTA will only have relatively limited impacts on the sectors driving land-use change, deforestation and biodiversity loss (e.g. forestry, agriculture, biofuels, pulp and paper). It does however suggest that these issues should be closely monitored and that FTA should as much as possible be used for promoting more environmental friendly practices.

The TSIA also stresses that attention will need to be paid to the fisheries sector with a possible risk of overfishing in certain ASEAN countries, as well as to the increased risk of the introduction of invasive alien species. Attention will also be needed to ensure effective implementation of international agreements on the conservation and management of marine living resources and cooperation with Regional Fisheries Management Organizations. In terms of adverse environmental impacts of specific sectors, the study points in particular to textiles, clothing & footwear as well as to aquaculture.

On a more general note, the study notes that the environmental situation in ASEAN countries is generally vulnerable, due to pressures stemming from population and economic growth and resource depletion. While on the one hand, the FTA could enhance or accelerate such ongoing trends, to the extent that it facilitates adoption of improved standards and cleaner technologies, it could also help mitigate them.

4. COMMISSION SERVICES' VIEWS ON THE POLICY RECOMMENDATIONS MADE BY THE CONSULTANTS

This section outlines the Commission services' position on the analysis, views and recommendations expressed in the SIA. The recommendations are grouped into economic, social and environmental measures.

i. ECONOMIC

Despite the overall long-run economic benefits of a FTA, the consultants recommend that any negative economic, social and/or environmental impacts and adjustment challenges should be, inter alia, addressed by the ***phasing-in of tariff liberalisation*** rather than an immediate and complete tariff reduction across all sectors. The Commission services will assess the need to do so on a case-by-case basis. They recall that in existing EU FTAs, or those under negotiation, the liberalisation of tariffs is done over time and is usually reduced in a linear fashion (i.e. step by step over the allotted time period) making the adjustment more gradual. This allows for appropriate policy and legislative reform and the building up of competitiveness.

Further ***improvement of the business and investment climate***, including infrastructure development, reduction in red tape etc. will be needed to achieve the longer term effects envisaged in the study. This is true to a greater or lesser extent depending on the country concerned. At bilateral level EU and other donor funded programmes already address these issues for example in Thailand's EC Co-operation Facility and Cambodia's Multi-donor Trust Fund on Trade related assistance. However, while the EU can encourage steps in the right direction it is ultimately the respective ASEAN governments which will need to bring in the necessary legislation to bring about further easing of investment conditions.

Understanding and ***complying with rules and standards set within the national markets for public health and safety reasons (SPS) or to avoid trade deflection (rules of origin)*** is crucial for both parties to be able to actually benefit form the preferential access that the FTA would provide. The EU will ensure coherence between the different bilateral FTAs so as to maintain a level playing field and to allow for easier integration of the individual agreements into a region to region agreement in the future.

The majority of ASEAN countries have a component of trade related technical assistance within their country strategies where technical topics such as this are raised. For example the Philippines TRTA 2 programme supports capacity building of government agencies in the development of harmonised product standards and SPS regulations in conformity with internationally accepted standards and Vietnam's MUTRAP III tackles similar issues. SPS and RoO are also included in regional level programmes such as APRIS II.

Trade officials within the EU Delegations also regularly organise information sessions for business or hold meetings with their counterparts in ASEAN ministries. ASEAN countries often ask for updates on both these topics and the EU will continue to make dissemination of information on RoO and SPS a priority especially in light of the upcoming revision of the rules of origin.

The consultants raise the point of ***policy and legislative reform in ASEAN*** and note that in order to address specific geographically disparate effects and potential social exclusion effect of FTA, adjustment strategies should be aimed not just at national or sectoral levels, but may also need a regional policy focus. The EU will continue to use its bilateral and regional programmes to provide technical assistance to support ASEAN countries in their reform programmes. For example in Laos the EU co-finances with UNDP the International Law project which assists the Lao Government in transposing its international commitments into domestic legislation. In addition policy and legislative reform plays an important part in budget support programmes such as Laos' Support to the National Socio-Economic Development Plan; Vietnam's Support to Poverty Reduction and Cambodia's General Budget Support programme. The EU complements its co-operation programmes with policy dialogue at both national and regional level.

The consultants note that ***further regional integration in ASEAN*** (ASEAN Customs Vision) and addressing NTBs within ASEAN will enhance further the positive impacts of the FTA in terms of easier flows of goods, services and investments within and between the two regions. This in turn will enable foreign investors to use the region as a production or distribution base (regional production networks) and achieve economies of scale. The EU is, by its nature, a keen supporter of regional integration and under its ASEAN strategy until 2013 regional integration is one of the three main priorities. These priorities will be translated into ASEAN wide projects over the coming years. Commitment of ASEAN member countries is essential to give momentum to this process.

The study also recommends that ***competition issues*** be addressed. The negotiation of a comprehensive competition chapter covering both anti-trust, subsidy and transparency issues features prominently on the Commission's agenda going in the FTA negotiations launched by the *Global Europe* communication of 2006. TRTA projects may also include competition policy issues identified as priorities by the partner country for these programmes.

Competitiveness of SMEs and integration of the external and domestic sectors are other issues raised in the study. As well as country specific projects targeting SMEs (see point 4 above) the EU runs the Export Helpdesk database which gives comprehensive information to companies on how to import to the European Union. Many of the economic recommendations are being addressed under the EU's co-operation programmes with individual ASEAN member states, very often in close co-operation with other donor partners.

ii. SOCIAL

The consultants note that the FTA – in line with the EU's overall policy approach in the FTA negotiations - should include a ***trade and sustainable development*** chapter that includes commitments aimed at progressing towards specific social and environmental objectives. A trade & sustainable development chapter is indeed an essential feature of an EU FTA. Such a chapter should, for instance, contain provisions on core multilateral labour standards and the decent work agenda including in areas where core ILO conventions are not yet ratified. It should also incorporate common commitments to multilateral environmental conventions and sustainable fisheries. Furthermore, it should contain provisions with respect to upholding levels of domestic legislation and may include more specific language on the sustainable management of natural resources. A trade & sustainable development chapter should further establish a strong monitoring mechanism, building on public scrutiny through formal Civil Society involvement.

In this context, the Commission services recognise the importance of developing common commitments and encouraging high standards and levels of protection, while leaving to the parties the freedom to regulate according to their own collective preferences. Co-operation activities also have a role to play e.g. through policy-dialogue, on trade related global environmental issues, employment and social policies, human resources development, labour relations and social dialogue. The Commission services do not aim at harmonisation of social and environmental provisions with parties to trade agreements, but rather at progressing through dialogue and cooperation to make economic and trade-related endeavours sustainable in the long term.

Broad based involvement of the private sector and civil society in trade policy making and implementation is important for ensuring the agreements made truly reflect the interests of a society and takes into account sustainable development issues beyond narrow economic interest. Commission services aim to have a transparent and accountable trade policy based on consultations with all parts of civil society and to this end, already arrange regular civil society dialogues as well as targeted consultations of interested sectoral social dialogue committees in all aspects of its trade policy. In addition, a monitoring mechanism will be proposed within the FTA building on existing social dialogue structures and involving relevant stakeholders and civil society. These same actors will also be involved in cooperation and dialogue activities under the FTA and would take on roles on expert committees in specific sectors.

The consultant notes that the more ***flexible the EU and ASEAN labour markets***, the lower the ***short-run adjustment costs*** are expected to be. The study recommends measures to improve flexibility and aid to address short term adjustment needs. Some of these issues could, to the extent possible, be addressed under future EU's co-operation programmes with individual ASEAN member states for example through education and vocational training programmes.

The study recommends an ***assessment of the current social protection systems in place*** in the different countries as well as of the extent to which they can cope with substantial structural adjustments in specific sectors and areas in ASEAN and particular regions within the EU. This would allow for the flagging of potential marginalisation of certain groups and the development of a monitoring and evaluation system that could identify needs for specific policy interventions at short and long term.

The consultants identify two types of possible losers: on the one hand people working in those sectors or regions that are expected to experience declines, on the other hand people and organisations with vested interest that will likely resist changes that jeopardize their positions and income. Policy coherence is a priority for the EU. At bilateral level, concerns raised about possible losers from the adaptation needed once an FTA is functioning will be examined. Depending on the national priorities, the extent possible, efforts will be made to address some of these concerns under the development co-operation assistance for the countries concerned. This would be easier for less developed countries with a substantial aid programme, although the coverage of these programmes would not be comprehensive. Even if a country has no aid provided by the EU, dialogue and policy advice will still be available.

FTA impacts may be distributed unevenly across regions due to geographic concentration of certain affected sectors and/or general rural-urban migration. As suggested by the study, in the EU ***regional funds*** could be accessed to mitigate the impacts of the FTA in certain regions. In ASEAN, support could be considered via the bilateral co-operation programmes at national level identified as priorities by the partner countries.

Several ***ongoing and promising initiatives of international organisations*** are identified in the study with regard to social dialogue and the decent work agenda to which the EU could be associated. The European social agenda puts a strong emphasis on the EU's contribution to strengthening the social dimension of globalisation. Efforts towards promoting decent work for all in EU external and internal policies are part of this. The EU has actively supported the uptake of decent work as a global goal by the UN.

The consultant makes some effort to take into account the possible impact on decent work Even though it is clear that indicators in this area are not easy to find, these efforts could have been reinforced, in particular to incorporate possible impacts on social protection and child labour. More attention could also have been paid to the impacts on the informal employment.

The study further provides a valuable overview of the views and expectations of social partners and civil society, both in the EU and in ASEAN, with regard to a future EU-ASEAN FTA and its economic, social and environmental impacts. Social partners and civil society have in general a positive, open attitude to an EU-ASEAN FTA, provided that fair and equal rules ('*level playing field*') and accompanying policy measures help mitigate possible adverse effects and ensure a fair distribution of the benefits of trade. Flanking policy measures should be as broad as possible and not only cover social and employment policies, but also relate to issues such as IPR, rules of origin, trade facilitation and technical cooperation at sectoral level.

iii. ENVIRONMENTAL

The SIA study identifies only moderate overall effects of an FTA on environmental sustainability in the EU and ASEAN, although impacts in specific sectors and individual countries may be more significant. Such impacts themselves are hard to isolate as by-products of an FTA as there are ongoing pressures on the environment in ASEAN countries due to a variety of factors. While an FTA might enhance these ongoing trends, it could, at the same time, be used to help solve certain problems.

The consultants' first recommendation is to include a **trade and sustainable development chapter** in the FTA. This has been discussed above in section 4ii. As far as environmental issues are concerned such a chapter would include commitments to ensure the effective implementation of multilateral environmental agreements including commitments on fisheries governance. More specific issues, for instance in relation to the sustainable management of specific natural resources could also be included.

The consultants also recommend ***the incorporation of relevant environmental considerations and provisions in other chapters of the FTA***, for instance in relation to tourism, energy markets textiles and leather tanning, fisheries, etc. The Commission services agree with this suggestion and will further explore the scope of so doing. The exact formula will depend on individual circumstances in specific countries and sectors.

The EU supports ***rapid liberalisation of environmental goods and services,*** including, and very importantly, through addressing non-tariff barriers facing such goods and services. As the SIA study points out, trade and investment in innovative technologies can help mitigate various forms of pollution, health and safety threats.

Indirectly environmental damage from production processes, for example in the textiles industry, may be improved through more stringent government regulation. Most Asian countries are increasingly sensitive about the economic interests at stake, sustainable use of their natural resources and their image abroad, and are thus serious about investing in this process.

The consultants recommend that an ***FTA be co-ordinated with on-going environmental initiatives and programmes***. A case in point is the EU's SWITCH programme that aims to promote economic prosperity and poverty reduction in Asian countries through sustainable growth with reduced environmental impact by industries and consumers, in line with international environmental agreements and processes. Programmes such as these can support sustainable growth but are not a panacea – ultimately it is only governments that can address these issues adequately.

SWITCH aims to promote sustainable production (i.e. development of less polluting and more resource efficient (energy, water, raw materials) products, processes and services) and sustainable consumption patterns and behaviour in the Asia region, through an improved understanding and strengthened cooperation between Europe and Asia, notably by mobilizing the private sector, i.e. SMEs, retailers, producer, financial institutions and consumer organisations, along with relevant public sector authorities. Examples of the kinds of projects that have been financed under SWITCH include a project on cleaner production of batik in Indonesia and Malaysia; sustainable production of biomass industries in Malaysia and, by way of examples that could also be implemented in ASEAN countries, a project on environmental and safety performance in the electronics industry in China and a leather production project in Bangladesh.

Further information can be obtained on: http://www.switch-asia.eu/

The SIA study makes a number of specific suggestions on how the ***FTA can contribute to fighting illegal and unsustainable logging***, inter alia by reinforcing the EU's efforts to conclude and implement FLEGT Voluntary Partnership Agreements (VPAs) with countries in the ASEAN region. The Commission services will consider these valuable recommendations in more detail ahead of the FTA negotiations.

In the same vein, they will also have a more in-depth reflection on the useful recommendations made to ensure a ***more sustainable production of palmoil and biofuels*** in relevant ASEAN countries. Malaysia and Indonesia are members of the Roundtable on Sustainable Palm Oil (RSPO) and have subscribed to the social and environmental criteria it has developed. Compliance with these criteria needs to be improved. During negotiations with these countries the possibility of the using the FTA to ensure better compliance with these criteria will be examined. Attention will also be paid to compliance with the EU's sustainability criteria developed for biofuels, as set out in the Renewable Energy Sources Directive (RED) and the Fuel Quality Directive (FQD).

The consultant notes that while the broader environmental sustainability agenda of ASEAN cannot (and should not) be addressed by an FTA, the ongoing dialogue and cooperation between the two regions of which the FTA is in essence a part, could promote further integration of environmental issues into the policy making and cooperation process. Broader issues such eco labelling, green production and land use change could be tackled under future EU funded national co-operation programmes as well as the SWITCH programme as mentioned above.

iv. OTHER

There are additional recommendations made in the study that do not fall under the three main headings above.

The consultants note that in order to enhance understanding and support for the FTA and to ensure that economic actors are able to use the preferences accorded by it, ***active information dissemination and exchange*** on the exact agreement and what it means *de facto* for producers – especially for SMEs in EU and ASEAN will be necessary. The promotion of the benefits of an FTA will be an important activity accompanying each negotiation. The EU will organise meetings with various key stake-holders including government officials, the private sector including in particular SMEs and representatives of civil society including social partners, (sectoral) social dialogue committees and local NGOs. These same actors will also be involved in monitoring of the implementation of an FTA once it is in force as mentioned above.

A ***monitoring and evaluation system*** should be set to ensure continuous monitoring of the implementation and enforcement of the FTA as well as periodic evaluations to analyse the impact of the FTA. Such a well defined monitoring mechanism involving both public authorities and civil society needs to be built into the FTA. Existing European (sectoral) social dialogues should also be involved where relevant. This mechanism will serve not only to assess the implementation of the obligations set out in the FTA, but also to help conduct ex post assessments of the overall impacts of the Agreement. Progress in terms of economic, social and mitigation of environmental impact of the FTA can only be measured accurately if a baseline is established. Some work is starting with the ASEAN secretariat on monitoring via EU funded TRTA projects and these methods could be built on for monitoring the effects of each FTA on the regional integration process.

The consultants also recommend that, where possible, the ***FTA parties should cooperate with and within international organisations*** such as the International Labour Organisation, United Nations Environment Programme, World Trade Organisation, etc. as a means to address specific sustainability issues, establish closer convergence and find common ground between the two regions. The EU will continue to work closely with most major donors in ASEAN including World Bank, UN organisations, EU and other donors such as Australia. Many projects are co-financed by two or more donors. Areas where the expertise of other agencies will be relevant for bilateral FTAs include governance projects often co-financed with the UN and budget support programmes generally with World Bank. The EU also co-operates with the ILO on relevant issues. At present the EU funds the ILO Factory Improvement Programme and participates in ASEM events, including employment & labour ministerial meetings and social partner fora. DG TRADE finances ILO joint projects on decent work indicators and modelling.

5. CONCLUSION

Although the negotiating picture has changed since this study was commissioned, the end-goal of achieving a regional framework agreement with ASEAN countries remains in place. The bilateral FTAs now being launched with ASEAN countries are stepping stones in the right direction. Therefore, the SIA will continue to serve as an important reference for the negotiators country by country. It will be the source for complementary assessments (see for instance the Annex to this paper on Singapore), in which country specific impacts will be examined and corresponding recommendations will be made.

The list of overall policy measures detailed in the SIA is broad and some are outside the remit of the EU. The EU can work closely with ASEAN countries on a wide number of issues pertaining to an FTA and also make progress in many areas as part of international policy agendas, including on decent work and climate change, however, despite the significant aid flows this represents it is the governments of the respective countries who manage transition within their economies. The efforts of the EU, and the respective programmes of its Member States[2], to support national development plans must be accompanied by necessary legislation, effective bilateral and/or international cooperation activities and willingness to address the negative aspects of the FTAs and to establish safety nets for the adversely affected.

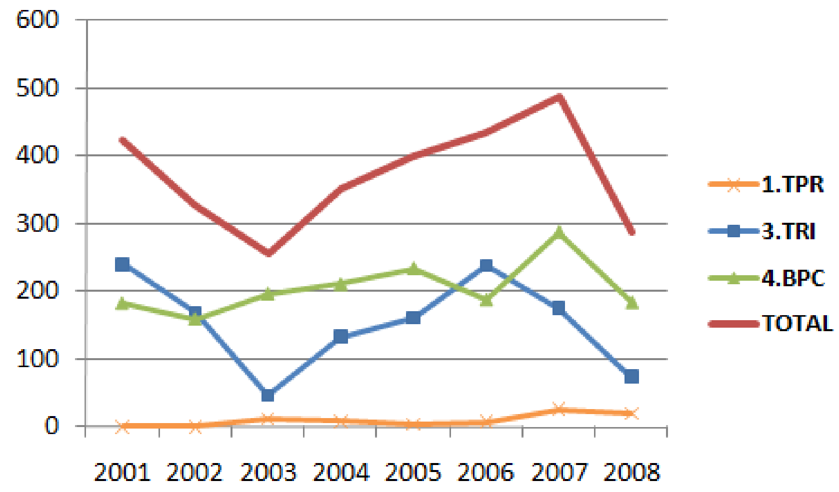
The EU will continue to work closely with its negotiating partners in ASEAN to ensure that the resulting FTAs make a positive contribution to the sustainable development of the countries concerned.

[2] See attached fact sheet summarising Aid for Trade flows in ASEAN (EU and EU Member States)

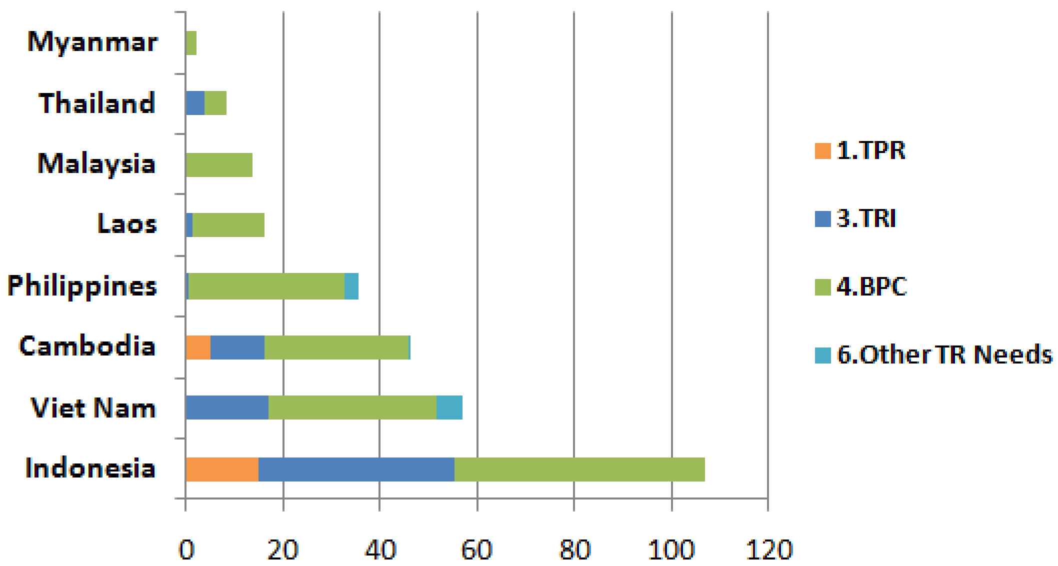
EU+EU MS Aid for Trade in ASEAN by Region, Country and Category (commitments by year in million €)

(million €)	2001	2002	2003	2004	2005	2006	2007	2008
1.Trade Policy and Regulation	0.9	0.1	12.2	8.8	4.1	7.9	26.1	20.4
3.Trade Related Infrastructure	240.6	168.5	46.4	133.1	161.4	238.9	175.4	74.2
4.Building Productive Capacity	182.7	159.3	196.9	210.7	234.1	187.8	287.2	184.0
6.Other Trade Related Needs								8.6
TOTAL	**424.1**	**328.0**	**255.4**	**352.7**	**399.7**	**434.6**	**488.7**	**287.2**

Source: OECD/DAC CRS



Source: OECD/DAC CRS



Source: OECD/DAC CRS