



Evaluation of the impact of trade chapters of the Euro- Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

Final Inception Report



CASE - Centrum Analiz Społeczno-Ekonomicznych
CASE - Center for Social and Economic Research

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July - 2019

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EUROPEAN COMMISSION

*European Commission
B-1049 Brussels*

**Evaluation of the impact of
trade chapters of the Euro-
Mediterranean Association
Agreements with six partners:
Algeria, Egypt, Jordan,
Lebanon, Morocco and Tunisia**

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EXECUTIVE SUMMARY

The Directorate General for Trade (DG TRADE) of the European Commission has commissioned an evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia to the Consortium consisting of CASE – Center for Social and Economic Research and Ecorys, supported by FEMISE (the Euro-Mediterranean Forum of Institutes of Economic Sciences). The purpose of the evaluation is to assess the effectiveness, efficiency, relevance and coherence of the trade chapters of the Association Agreements. In the rest of this report, the trade chapters of the Association Agreements will be referred to as Euro-Med free trade agreements (“Euro-Med FTAs”).

The Euro-Mediterranean Association Agreements were conceived to help achieve the objectives of the 1995 Barcelona Declaration, signed by 15 EU Member States and 12 Southern Mediterranean Countries (SMCs), including all six countries considered in this evaluation. The Declaration aimed at creating an area of shared prosperity in the Mediterranean region, which was to be achieved by sustainable socio-economic development, improved conditions of living, increased employment and closer regional cooperation and integration. The idea was to promote sustainable growth and improve living standards in SMCs as means to promoting stability and easing migratory pressures on Europe.

A key policy instrument to achieve the Barcelona objectives was an eventual establishment of a free trade area between the EU and the South Mediterranean partners, including with respect to trade between the South Mediterranean partners, through bilateral Euro-Med FTAs and FTAs to be concluded between the Mediterranean partners themselves. It is in this context that the new Association Agreements between each of the six SMCs and the EU were signed between 1995 and 2002 and entered into force between 1998 and 2006. The FTAs focused on liberalisation of trade in goods.

The main objectives of these FTAs were:

- (1) to promote trade and expansion of harmonious economic and social relations and to establish the conditions for the gradual liberalization of trade in goods, services, and capital between the EU and SM partner countries (i.e. promotion of Euro-Med trade);
- (2) to encourage intra-regional integration by promoting trade and cooperation both within the region and between it and the EU Community and its Member States (i.e. promotion of Intra-Med trade).

This Inception Report is the evaluation’s first deliverable. It provides an account of how the evaluation team intends to assess whether these objectives have been met, breaking down the overall assessment into the following evaluation questions, as stipulated in the Terms of Reference (ToR):

- The effectiveness and efficiency of the trade chapters of the Association Agreements in view of achieving its objectives;
- The relevance of the trade chapters of the Association Agreements regarding current trade issues faced by the EU and the six partner countries;
- The coherence of the trade chapters of the Association Agreements with the overall Euro-Med and European Neighbourhood policy frameworks, with the objectives of the Association Agreements and the objectives of current trade policy of the EU.

The main purpose of this Inception Report is to present the work conducted in the first phase of the evaluation. In terms of methodology, it also aims at updating information on how in terms of methodology the evaluation team intends to find answers to the abovementioned evaluation questions in the next phases of the assessment and identifying the specific tasks that will need to be completed.

Key achievements so far in the project are: refinement of the intervention hypothesis; detailed description of the FTAs; advanced review of the literature on the effects of the FTAs in the South Mediterranean partners; refinement of the methodological approach to the evaluation, in particular as far as the consultation strategy and economic analysis are concerned; and a preliminary review of issues that will be tackled in the analysis of sustainability impacts.

Next steps in the project include the parallel implementation of the core elements of the evaluation: public consultations, economic analysis and sustainability analysis, all of which lead into the preparation of the draft Interim Report.

The Inception Report is structured as follows:

- Section 1. Objectives and scope of the study;
- Section 2. Description of the Euro-Med FTAs;
- Section 3. Literature review;
- Section 4. General approach;
- Section 5. Evaluation framework;
- Section 6. Methodology;
- Section 7. Planning;
- Annex A. Bibliography;
- Annex B. Stakeholder List;
- Annex C. Newsletter template;
- Annex D. Overview literature review.

1. OBJECTIVES AND SCOPE OF THE STUDY

This section outlines the objectives and scope of the study. It also details the tasks that will be conducted as part of this study and provides an overview of the way the tasks are clustered in the work packages.

1.1. Objectives

According to the ToR, the purpose of this study is to evaluate the impact of the trade chapters of the Euro-Mediterranean Association Agreements (AA) with six Southern Mediterranean partner countries.

More specifically, this evaluation will address four Evaluation Questions:

- the extent to which the above objectives of the EU's FTAs with the six partner countries have been achieved, as well as the factors influencing (either positively or negatively) the achievements of those objectives, including identification of any unintended consequences (these elements refer to the criterion of Effectiveness in the EU's Better Regulation guidelines and toolbox);
- the extent to which the EU's FTAs with the six partner countries have been efficient with respect to achieving their objectives, i.e. what costs have been associated with the achievement of these objectives and whether they have been proportionate to benefits, what factors influenced these costs and benefits and their distribution across different stakeholder groups as well as whether there are any remaining inefficiencies and regulatory costs related to the FTAs (these elements refer to the criterion of Efficiency in the EU's Better Regulation guidelines and toolbox);
- the extent to which EU's FTAs with partner countries have been coherent with the Neighbourhood Policy and Association Agreements, Action Plans and Partnership Priorities and with current EU trade policy (these elements refer to the criterion of Coherence in the EU's Better Regulation guidelines and toolbox);
- the extent to which the provisions of the EU's FTAs with partner countries are relevant for addressing current trade issues faced by the EU and its partners (these elements refer to the criterion of Relevance in the EU's Better Regulation guidelines and toolbox).

The results of this evaluation will feed into a Staff Working Document of the Commission. The evaluation is expected to provide new insights in the manner in which the trade agreements have been implemented, their positive and negative effects and the lessons learned for the future. These lessons will help not only in the continued implementation of current FTAs (based on both country-specific lessons and lessons relevant across the region) but may also inform future negotiations.

1.2. Scope

The evaluation will focus on the impact of the trade chapters (FTAs) of the Euro-Med Association Agreements (referred to in the remainder of this study as Euro-Med FTAs), as well as of the supplementary trade-related protocols or agreements changing the FTAs. Although the provisions of each AA are not identical, they are similar in objectives, scope and approach, allowing for broader comparisons (see Section 2).

1.2.1. Geographical scope

This study assesses the impacts of the FTAs on the EU and the six Southern Mediterranean partner countries: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia-with a focus primarily on the six Southern Mediterranean partner countries. It will also consider the effects on third countries, including relevant partner countries, developing countries and LDCs.

1.2.2. Time period

The study will generally cover a time period from three years prior to the date the FTA came into force up to the latest data available, although longer periods may also be considered if appropriate. Given that the different Association Agreements came into force on different dates, this implies that the starting point for the evaluation period for each partner country is three years prior to the moment the AAs came into force, as presented in the table below. When

supplementary agreements in form of Protocols have been negotiated as top ups, their entry into force is also taken into account for the products covered.

Table 1.1 Signing and entry into force of Association Agreements with six Mediterranean partners

Country	Association Agreement signed	Association Agreement coming into force
Algeria	2002	2005
Egypt	2001	2004
Jordan	1997	2002
Lebanon	2002	2006
Morocco	1996	2000
Tunisia	1995	1998

Source: Based on CASE (2009).

Table 1.2 Signing and entry into force of Agricultural Protocols with three/six Mediterranean partners

Country	Agricultural Protocol signed	Agricultural Protocol coming into force
Algeria	n/a	n/a
Egypt	2009	2010
Jordan	2007	2006
Lebanon	n/a	n/a
Morocco	2010	2012
Tunisia	n/a	n/a

1.2.3. Tasks

Another important aspect of the scope is defining the research activities that will and will not be conducted. The ToR clearly outlines 17 tasks that have already started or will be done as part of this study. The table below provides an overview of these tasks. The first six tasks have been carried out in the inception phase. The remaining tasks are described in the next sections.

Table 1.3 Overview tasks of this study

Task	Description	Section of this report
1	Refine intervention hypothesis	5
2	Literature review	3
3	Description of the Euro-Med FTAs	2
4	Develop methodological approach	6 and 7
5	Create a website	Sent as separate document
6	Develop the consultation strategy	6
7	Implement the consultation strategy	6.1
8	Economic analysis, including: <ul style="list-style-type: none"> • Evolution of trade; • The implementation of FTAs; • Sector case studies. 	6.2
9	Impact analysis on EU competitiveness and EU SMEs	6.2
10	Impact analysis on consumers	6.2
11	Impact analysis on EU budget	6.2
12	Impact analysis on informal economy	6.2
13	Impact analysis on outermost regions	6.2
14	Impact analysis on social aspects, environmental aspects, human rights and third countries	6.3
15	Organising local workshops	6.1
16	Answering evaluation questions	5
17	Providing conclusions and recommendations	5

2. DESCRIPTION OF THE EURO-MED FTAS

2.1. Introduction

This section provides a concise but comprehensive description of the Euro-Med FTAs. This includes the context in which they operate, their institutional structures, their implementation and interaction with the overall Association Agreements, the respective Action Plans and recently agreed Partnership Priorities, as well as with other trade agreements between the EU and the Euro-Med countries and with other relevant policies.

This description will be updated during the next phase of the evaluation, when more information is gathered regarding the actual implementation of the six Euro-Med FTAs that are subject to this evaluation.

2.2. Context of the Euro-Med FTAs

Due to its geographical proximity and historically close cultural and economic ties, the Southern Mediterranean region has occupied an important place on the EU trade agenda for decades. Already since its early years, the EU developed special political and economic relations with its neighbouring countries in the Southern Mediterranean. Prior to the signing of the current EU Association Agreements and their associated trade chapters (i.e., FTAs) with Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia in the mid to late 1990s, these countries already benefitted from a partial or full removal of customs duties on many tariff lines (notable focus industrial focus and limited with respect to agricultural products) under the EU's General System of Preferences (hereinafter, GSP) and under the EU's Global Mediterranean Policy encompassing the EU-Mediterranean cooperation agreements dating from the 1970s.

2.2.1. Earlier Euro-Med trade agreements

Arrangements for trade preferences were included in various agreements and increased significantly between 1969 and 1972. In view of this increased number of different agreements with Mediterranean partner countries, the EU started to harmonise those bilateral agreements in its Global Mediterranean Policy. This process resulted in a series of Cooperation and Association Agreements with Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia, and a Trade Agreement with Israel, all concluded between 1975 to 1978. These agreements provided for duty-free market access for industrial goods to the EU and preferential market access for agricultural products. With respect to agricultural products, the EU applied a flexible approach vis-à-vis its Mediterranean trading partners, which covered different products for different countries. The agreements also provided for cooperation in various other sectors, such as economic, technical and financial cooperation. Economic cooperation also included cooperation in areas, such as environment, science, as well as training and technical assistance.¹

Between 1986 and 1988, the Euro-Med agreements were amended by Additional Protocols, which included extended trade preferences for agricultural products. As a next step, in the 1990s, the EU began to negotiate a series of new Euro-Mediterranean Association Agreements, with all Mediterranean countries. The establishment of the Association Agreements was part of the Barcelona Process, which was launched in November 1995 and aims at "*political stability and security*" (through political chapters), "*shared prosperity*" (through economic chapters), and "*understanding between cultures and exchanges between civil societies*" (through social chapters). The economic chapters of the Association Agreements largely concerned trade in goods, with a focus on industrial products and to a lesser extent liberalisation with regards to agricultural products.

Prior to the entry into force of the Euro-Med FTAs, under the GSP, out of approximately 10,300 tariff lines in the EU's Common Customs Tariff, the six SMCs already enjoyed duty-free market access on some 3,700 so-called *non-sensitive* products and a 3.5 percentage point reduction from the EU Most-Favoured Nation (MFN) duties on some 3,300 so-called *sensitive* products.

¹ The European Union's Relations with the Mediterranean, European Commission, Press Release, 6 December 1994, available at http://europa.eu/rapid/press-release_MEMO-94-74_en.htm (accessed 15 February 2019).

This was already on top of the duty-free access for some 2,100 products on imports of which the EU was already imposing zero MFN duty rates for all trading partners. More significantly, under the earlier EU-Mediterranean Cooperation Agreements signed in the 1970s, the EU had already granted to the SMCs significant preferential market access on a non-reciprocal basis. These agreements provided for duty-free access to the EU market for these partners on most industrial products (except some textile and clothing products²) and preferential access in terms of tariff elimination and/or reduction for agricultural and fishery products.

Overall, it is estimated that by the mid-1990s, on the eve of the signing of the Euro-Med FTAs, the EU was already granting duty-free market on more than half of tariff lines to the SMCs. However, tariff preferences granted under both the GSP and the EU-Mediterranean Cooperation Agreements on unprocessed and processed agricultural products, especially those which were covered by the EU's Common Agriculture Policy and deemed sensitive, were in general more limited.

Average remaining import tariffs are estimated to have ranged from 2 to 4% on industrial products and from 6 to 10% for agricultural products (see Table 2.1, Panel A). However, even within the industrial goods category, there were groups of products where EU import duties remained more significant. These included some products where SMCs had important production and appeared to have been internationally competitive, such as, for example, textiles and clothing. This was also the case with respect to many agricultural products.³ At the same time, while still moderately high in some cases, these preferential tariffs were already providing SMCs a considerable advantage with respect to MFN rates. For example, as far as industrial tariffs were concerned, the tariffs that SMCs were still facing were on average half, or less, than those applied by the EU on an MFN basis (see Table 2.1).

Table 2.1 Overview of evolution of EU and SMC tariffs 1995-2015

Panel A. EU tariffs charged on imports from the SMCs

EU Tariffs	1995						2015					
	AGR			IND			AGR			IND		
partner	AHS	MFN	PRF	AHS	MFN	PRF	AHS	MFN	PRF	AHS	MFN	PRF
MAR	8,0	9,9	8,1	4,0	7,1	4,0	0,1	7,6	0,1	0,0	4,5	0,0
DZA	4,3	5,4	6,4	1,9	5,3	1,8	3,8	9,8	1,9	0,0	3,4	0,0
EGY	8,5	10,2	10,0	3,2	6,5	3,3	0,2	7,5	0,1	0,0	4,3	0,0
JOR	9,1	11,1	9,6	2,6	6,1	2,7	0,0	7,9	0,0	0,0	4,2	0,0
LBN	6,9	8,7	7,7	3,7	7,1	3,9	0,3	7,3	0,2	0,0	4,2	0,0
TUN	6,8	8,6	8,5	3,8	7,1	3,8	3,9	7,3	2,7	0,0	4,5	0,0

Panel B. SMCs tariffs charged on imports from the EU

MED Tariffs	1995-2000						2015					
	AGR			IND			AGR			IND		
importer	AHS	MFN	PRF	AHS	MFN	PRF	AHS	MFN	PRF	AHS	MFN	PRF
MOR (1997)	32,3	32,3	-	18,7	18,7	-	8,0	20,4	7,6	0,3	9,6	0,2
DZA(1997)	23,2	23,2	-	21,9	21,9	-	19,8	22,3	7,1	6,1	16,8	6,1
EGY (1995)	33,0	33,0	-	21,8	21,8	-	21,7	30,7	2,7	1,3	10,0	1,4
JOR (2000)	34,9	34,9	-	21,9	21,9	-	10,7	21,9	1,7	2,1	10,0	3,3
LBN (1999)	14,4	14,4	-	11,8	11,8	-	6,0	10,0	7,4	2,1	5,0	2,8
TUN (1995)	31,9	31,9	-	29,3	29,3	-	16,6	23,3	3,6	0,1	12,2	0,0

² At that time, trade in textiles between the EU and developing countries was governed by the Multifibre Arrangement (MFA), under which the US and the EU assigned each developing country signatory assigned quotas of specified items which could be exported to the US and EU.

³ It is estimated, for example, that in 1995, average EU preferential import duties on imports from the SMCs of products such as fruit and nuts (HS08) were at or higher than 6%, for sugars and sugar confectionery (HS17) at around 5%, on vehicle products (HS87) close to 3% and for articles of apparel and clothing accessories (HS62) above 10%.

Note: Figures in the table present simple average duties calculated across all tariff lines where non-zero trade flows were observed in the given years for agricultural (AGR) and industrial (IND) products according to the WTO definitions of these categories. MFN rates are the average WTO MFN rates, PRF are the average preferential rates accounting for all the existing preferential tariff rates within preference schemes such as the GSP or the already existing FTAs. AHS denote the effectively applied rates, i.e. a combination of preferential rates and MFN rates whenever imports entered under this treatment even though preferences were available, i.e. accounting in a way for preference utilisation. Note that the case of agricultural products in 1995 imported by the EU from Algeria, where the average MFN rate is lower than the preferential rate (PRF), does not mean that individual MFN rates at the tariff line level were lower than preferential rates but that averages calculated across a range of agricultural products were lower. Source: Authors' calculations using UN TRAINS data accessed through the World Integrated Trade Solution (WITS).

2.2.2. The Barcelona Declaration and Euro-Med Association Agreements

Despite the EU having had already extended preferential or duty-free access to the SMCs in mid-1990s, there was still some scope for further liberalisation by the EU on the eve of signing of the Barcelona Declaration and establishment of the subsequent Euro-Med FTAs. Indeed, the main gains to trade were expected from the reduction of SMCs' own import duties, which until then were not disciplined by the existing cooperation agreements and were therefore relatively high. Indeed, as Table 2.1, Panel B, shows, on the eve of entry into force of the Euro-Med FTAs, average duties on imports from the EU ranged from 12% in Lebanon to 30% in Tunisia on industrial products and from 15% in Lebanon to 35% in Jordan on agricultural products.

The 1995 Barcelona Declaration, signed by the then 15 EU Member States and 12 SMCs, including all the six SMCs considered in this evaluation, aimed at creating an area of shared prosperity in the Mediterranean region, which was to be achieved by sustainable socio-economic development, improved conditions of living, increased employment and closer regional cooperation and integration. The idea was to promote sustainable growth and improve living standards in the Euro-Med partner countries as means to promoting stability and easing migratory pressures on Europe.

A key policy instrument to achieve the objectives of the Barcelona Declaration's objectives was the eventual establishment of a free trade area between the EU and the South Mediterranean partners, including with respect to trade between the Euro-Med partners, through bilateral Euro-Med FTAs and FTAs to be concluded between the Euro-Med partners themselves. It is in this context that the new Association Agreements between each of the six SMCs were signed between 1995 and 2002 and entered into force between 1998 and 2006 (see Table 1.1), replacing the pre-existing cooperation agreements.

While the Barcelona Declaration and the subsequent Euro-Med FTAs were signed with political, security, cultural, human, as well as economic and financial partnerships in mind, following the EU model of integration, a strong emphasis was put on economic liberalisation, integration and reforms, with trade to be one of the main forces driving these economic reforms. The trade chapters of the Association Agreements, referred to in this report as the Euro-Med FTAs, were, therefore, important operational and binding commitments.

The first main objective of these FTAs was the promotion and liberalisation of trade between the EU and Mediterranean countries in products directly covered by the agreement, as well as the establishment of conditions for the gradual liberalisation of trade in other areas not liberalised directly by these agreements but linked through economic ties to the liberalised sectors. The latter included trade in services, as well as foreign direct investment (hereinafter, FDI), and capital movement in general. The second key objective was, however, to promote intra-regional integration and cooperation in the Southern Mediterranean region.

The provisions of these individual FTAs were similar in objective, scope and approach, but not entirely identical in content, reflecting country specificities and sensitivities, as well as the slightly different periods in which they were negotiated and signed.⁴ These agreements belonged to the category of 'traditional' FTAs, focusing their binding commitments mainly on the reduction of remaining tariffs on trade of industrial products and, to a lesser extent, agricultural, fishery and processed food products. They were reciprocal but asymmetric in favour of the

⁴ For example, the Agreements with Algeria and Lebanon, signed in the early 2000s, only briefly mention competition policy and, unlike the ones signed in the 1990s, do not contain provisions on State aid.

partner countries. The EU has liberalised tariffs on all industrial products through these agreements at entry into force and with no transition periods. With respect to agricultural products, the EU has liberalised tariffs on around 80% of products. On the one hand, the SMCs also liberalised duties on industrial products, but benefited from a transition period between 12 to 15 years to do so progressively, which provided the SMCs with time to adjust. Most of these transition periods have ended, with a few exceptions remaining for Algeria and Egypt. On the other hand, their coverage of agricultural products liberalised by the SMCs under the Association Agreements is much more limited.⁵

These FTAs also referred to some non-tariff measures, such as technical barriers to trade (TBT) or sanitary and phytosanitary measures (SPS), but mainly expressed the need for transparency and cooperation, rather than stipulating concrete commitments. For example, most of these agreements mention that both parties to the agreement are required to take appropriate steps to promote the use by the given SMC of the EU's technical rules and standards for industrial and agri-food products and certification procedures, but, besides declarations of good will to conclude future agreements on these issues, no precise actions or commitments are specified.

These agreements also had so-called "rendez-vous clauses" to further negotiate on the liberalisation of services, negotiations were launched with some, but none have been concluded.

These FTAs also address some of the more 'modern' elements of the current EU trade policy agenda, such as trade in services, investment and regulations, but, again, rather in terms of outlining broad directions for future initiatives and ways of co-operation on these issues than in terms of binding commitments.⁶

Since the signing and entry into force of these FTAs, the EU and the SMCs agreed a number of specific Action Plans and Partnership priorities to guide and implement the Association Agreements. For example, in the case of Jordan, in the area of trade, the Action Plan encouraged a review and analysis of the Jordanian laws regarding labelling and the description of goods in order to facilitate a future alignment of the Jordanian legislation in this regard with EU law.

Furthermore, in line with the "rendez-vous" clauses for further negotiations on agricultural market access, the EU signed a number of additional agreements (as protocols to the Association Agreements) on further liberalisation of trade in agricultural and fish and fishery products (Jordan signed in 2007 and the Protocol retroactively entered into force in 2006; Egypt signed in 2009 and the Protocol entered into force in 2010; and Morocco signed in 2010 and the Protocol entered into force in 2012). These Protocols increased market opening on both sides, but liberalisation remains asymmetric in favour of the SMCs.

In addition, negotiations were held on dispute settlement mechanisms. Between 2009 and 2011, Protocols were signed with Tunisia, Egypt, Lebanon, Jordan, and Morocco. All those countries, with the exception of Egypt, ratified the Protocols and which have become applicable.

The Barcelona Declaration included a commitment to establish a free trade area across the entire Euro-Med region by 2010. Regional agreements, such as the Agadir Agreement (an FTA between Egypt, Jordan, Morocco and Tunisia, which was signed in February 2004 and entered into force in March 2007), are seen as building blocks in this process. The Regional Convention on pan-Euro-Mediterranean preferential rules of origin (hereinafter, PEM), signed in 2011 and

⁵ For example, in the case of the EU-Tunisia FTA, while Tunisia committed to remove all tariffs on industrial products, in case of the agricultural and fishery products it only committed to maximum customs duties and on quotas to which these apply on a relatively short list of its agricultural products (Protocols 2 and 3) and only made a broad commitment for a gradual removal of remaining agricultural duties in the future.

⁶ For example, in the case of Lebanon, a non-WTO/GATS member at the time of signing the agreement, the FTA stipulates that detailed commitments regarding trade in services were to be outlined by the country at a later stage and they were only to take effect following its final accession to the World Trade Organization (which has not happened as of yet).

ratified by all SMCs⁷, is an important step forward in promoting greater harmonisation and simplification of rules of origin (hereinafter, RoO) in the region.

With the transition periods of implementation of these FTAs granted to the SMCs being completed for Egypt, Tunisia, Jordan and Lebanon, and nearly completed for Algeria, and Morocco (due by 2020, and 2022 respectively), the EU has started the process of negotiating DCFTAs with selected SMCs. Currently, negotiations are ongoing with Tunisia (as of 2013) while negotiations with Egypt and Jordan have not been launched so far. With Morocco, negotiations were launched in 2013 and the most recent round took place in April 2014. Negotiations with Morocco were then suspended in order to accommodate Morocco's objective to carry out additional studies before continuing the negotiations. Exploratory meetings concerning the possibility to relaunch negotiations are currently taking place. With Tunisia, the first full round took place in Tunis in April 2016 and was followed by a technical round in February 2017 in Brussels. The second full round took place in Tunis in May 2018, the third in December 2018 in Brussels and the fourth in May 2019 in Tunisia.⁸

The goal of the DCFTAs is to integrate partner countries' economies with the EU's market to as great an extent as a non-EU Member State may in order to create new trade and investment opportunities. This is especially important since, as already mentioned, the Association Agreements did not contain sufficient provisions on issues for which importance to the EU and international trade has grown in recent decades, such as services, investment, regulatory convergence, public procurement or intellectual property rights. Given the reliance of the modern economy on international supply chains, services trade and FDI, the deep and comprehensive trade relations are to be achieved in these agreements by virtue of aligning partner country's trade-related legislation with international standards and, when relevant, with the relevant EU rules and regulations, in exchange for the positive effects in terms of market access and other economic benefits these create.

2.3. Euro-Med trade relations

In terms of direct bilateral trade flows, the EU is a critically important trade partner for Algeria, Egypt, Morocco and Tunisia and an important trading partner for Lebanon and Jordan (see Table 2.2). However, there are also the indirect trade flows characterising the international supply chain trade, which likely make these interdependencies even stronger.

Trade between the EU and the six partner countries has been steadily increasing in recent years in both directions, with an increase of 12.26% in goods imported into the EU from SMCs and an increase of 4.02% in EU exports to SMCs from 2016 to 2017. The EU's trade balance with the six-partner countries remains positive but decreased by 16% in that same time period.

Table 2.2 Trade and FDI with six SMCs (EUR billions), 2018

	EU Imports			EU Exports			
	Value	% of extra-EU	% of partner's total imports	Value	% of extra-EU	% of partner's total exports	FDI outward stocks (2017)
Algeria	20997	1.1	37,1	18913	1.0	22,6	14.9
Egypt	8502	0.4	15,0	19217	1.0	22,9	39.3
Jordan	300	0.0	0,5	3569	0.2	4,3	3.3
Lebanon	514	0.0	0,9	7216	0.4	8,6	2.0
Morocco	16072	0.8	28,4	23255	1.2	27,7	18.5
Tunisia	10148	0.5	18,0	11634	0.6	13,9	4.0
Total	57113	.	.	66234	.	.	82.0

Source: Own compilation based on data from the European Commission.⁹

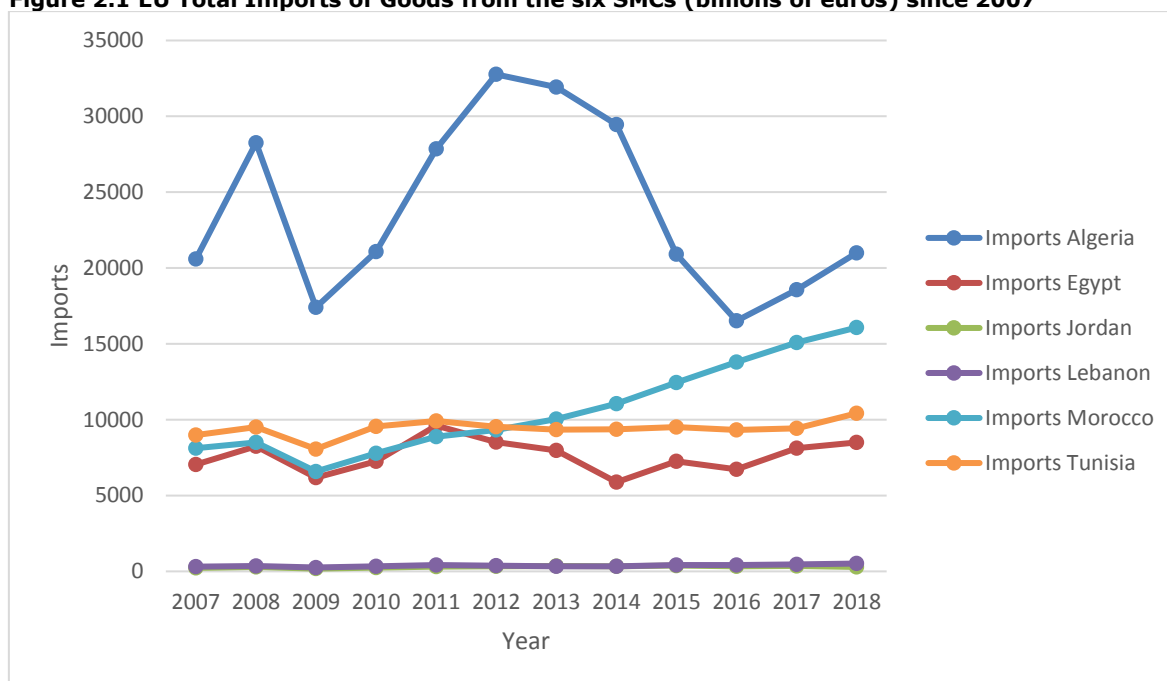
⁷ Consilium, Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin, overview of available at <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2010035&DocLanguage=en> (accessed 2 July 2019).

⁸ European Commission, Commission reports on latest negotiating round with Tunisia, available at <http://trade.ec.europa.eu/doclib/press/index.cfm?id=2023&title=Commission-reports-on-latest-negotiating-round-with-Tunisia> (accessed 21 June 2019).

⁹ Data retrieved from <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/regions/#euro-mediterranean-partnership>.

Out of the partner countries, the largest source of EU imports is Algeria, which also has seen wide swings in the value of its trade (see Figure 2.1), due mainly to a heavy concentration of imports in fuels and other natural resources subjected to commodity price swings. The next most important trade partners are Morocco, Tunisia and Egypt, where particularly Morocco has been steadily increasing its exports to the EU in the past 10 years.

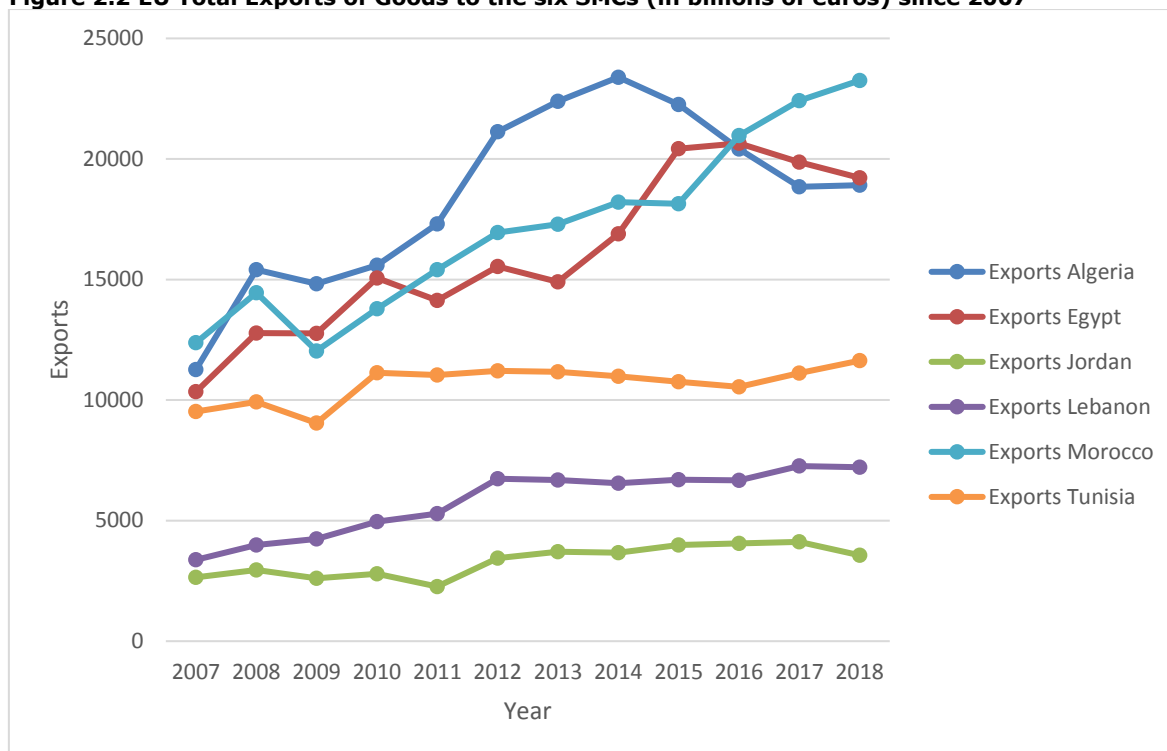
Figure 2.1 EU Total Imports of Goods from the six SMCs (billions of euros) since 2007



Source: European Commission (2019).

EU exports to the Euro-Med partner countries are less volatile and show positive growth rates over the past ten years. In terms of EU exports, Algeria has also traditionally been the largest trading partner, but decreasing values since 2014 (probably linked to the introduction of trade restrictive measures by the Algerian authorities) now places it after Morocco and Egypt.

Figure 2.2 EU Total Exports of Goods to the six SMCs (in billions of euros) since 2007



Source: European Commission (2019).

Table 2.3 shows the largest categories of goods imported by the EU from SMCs by two-digit HS Code. There are common products among the partner countries such as mineral products, machinery and appliances, textiles, transport equipment and foodstuffs, beverages and tobacco, suggesting these countries' relatively similar strengths and specialisation with regards to trade with the EU. A special case is again Algeria with 95.7% of its exports to the EU accounted for by mineral products, mainly gas and oil (Egypt's exports show a similar profile, although not as extreme as from Algeria). The rest of the partner countries have a more varied catalogue of exports to the EU.

Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

Table 2.3 Top 5 HS Sections of Goods Imported by the EU from each of the six SMCs

#	Algeria	% of total EU imports to Algeria	Egypt	% of total EU imports to Egypt	Jordan	% of total EU imports to Jordan	Lebanon	% of total EU imports to Lebanon	Morocco	% of total EU imports to Morocco	Tunisia	% of total EU imports to Tunisia
1	Mineral products	95.7	Mineral products	35.3	Products of the chemical or allied industries	36.4	Base metals and articles thereof	37.4	Machinery and appliances	22.9	Machinery and appliances	32.8
2	Products of the chemical or allied industries	2.9	Products of the chemical or allied industries	11.2	Textiles and textile articles	17.8	Foodstuffs, beverages, tobacco	12.3	Transport equipment	18.7	Textiles and textile articles	22.8
3	Machinery and appliances	0.3	Textiles and textile articles	10.3	Base metals and articles thereof	10.0	Plastics, rubber and articles thereof	10.4	Textiles and textile articles	18.5	Mineral products	7.0
4	Vegetable products	0.2	Base metals and articles thereof	9.8	Pearls, precious materials and articles thereof	7.6	Products of the chemical or allied industries	9.2	Vegetable products	12.7	Transport equipment	6.5
5	Base metals and articles thereof	0.2	Vegetable products	9.6	Vegetable products	7.5	Machinery and appliances	5.7	Live animals; animal products	5.5	Footwear, hats and other headgear	4.6

Source: Authors based on European Commission (2019).

The EU's exports to the Mediterranean region in 2017 were dominated by machinery and transport equipment in all countries (35.6% in Algeria, 34.8% in Egypt, 33.6% in Jordan, 37.7% in Morocco, and 35.1% in Tunisia) apart from Lebanon, where they took second (15.8%) place after mineral products (31.8%) (Table 2.4). Other main export categories included chemical products, mineral products and to a lower extent, textiles and foodstuffs.

Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

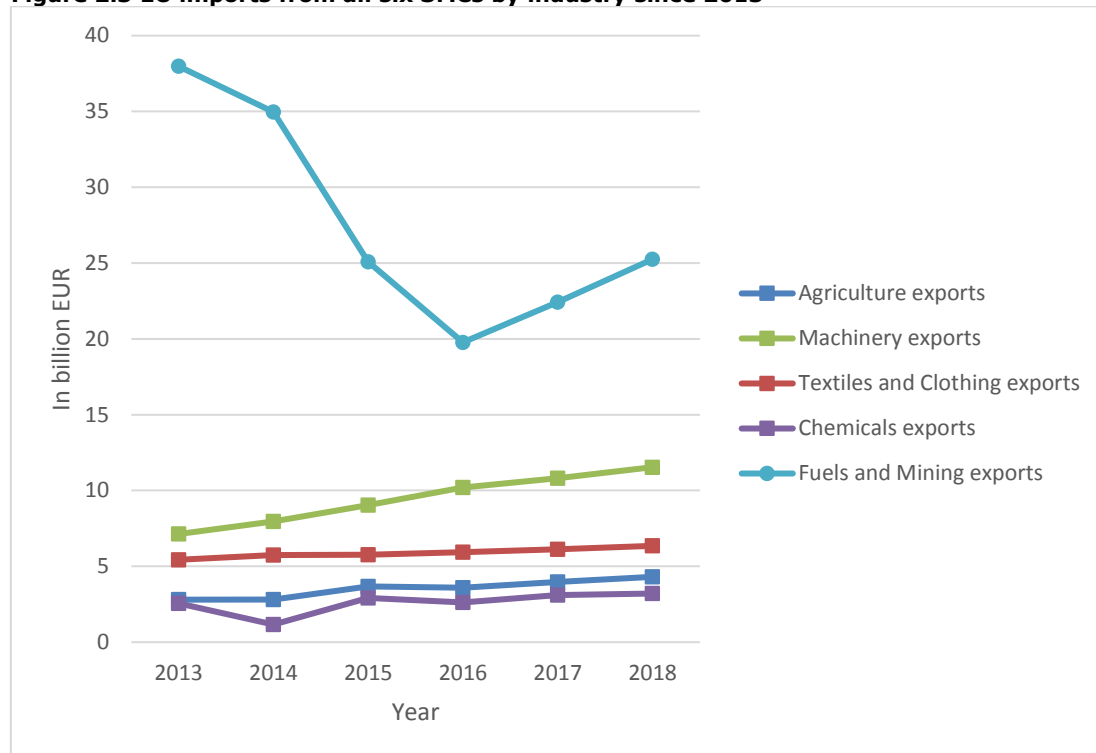
Table 2.4 Top 5 HS Sections of Goods Exported by the EU to each of the six SMCs

#	Algeria	% of total EU exports to Algeria	Egypt	% of total EU exports to Egypt	Jordan	% of total EU exports to Jordan	Lebanon	% of total EU exports to Lebanon	Morocco	% of total EU exports to Morocco	Tunisia	% of total EU exports to Tunisia
1	Machinery & appliances	23.2	Machinery and appliances	25.7	Machinery and appliances	20.3	Mineral products	33.2	Machinery and appliances	23.2	Machinery & appliances	25.9
2	Transport equipment	14.2	Products of the chemical or allied industries	12.6	Products of the chemical or allied industries	15.0	Products of the chemical or allied industries	12.4	Transport equipment	15.0	Textiles	15.8
3	Products of the chemical or allied industries	12.5	Mineral products	12.0	Transport equipment	11.5	Machinery and appliances	10.4	Mineral products	13.3	Mineral products	11.8
4	Base metals and articles thereof	8.8	Base metals and articles thereof	9.7	Foodstuffs, beverages, tobacco	9.6	Foodstuffs, beverages, tobacco	6.6	Base metals and articles thereof	9.2	Base metals	8.4
5	Mineral products	8.5	Transport equipment	8.8	Vegetable products	7.5	Live animals, animal products	5.6	Textiles and textile articles	7.9	Transport equipment	7.7

Source: Authors based on European Commission (2019).

Aggregated across the region, EU imports remain concentrated in low value-added primary goods, namely fuels and minerals. An interesting trend is the small, but steadily increasing, imports of machinery, which may be indicative of the gradual integration of the region with the EU's supply chains of these products through intra-industry trade (see Figure 2.3). This is corroborated by the large share of the same category of products in EU's exports to the region (see Figure 2.4).

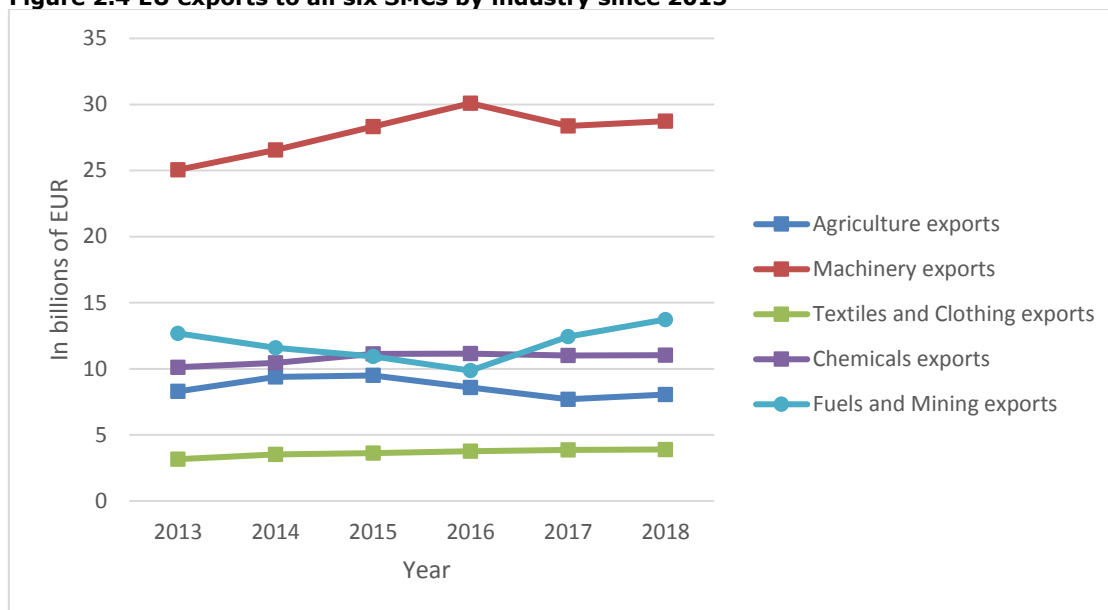
Figure 2.3 EU imports from all six SMCs by industry since 2013



Source: Authors based on European Commission (2019).

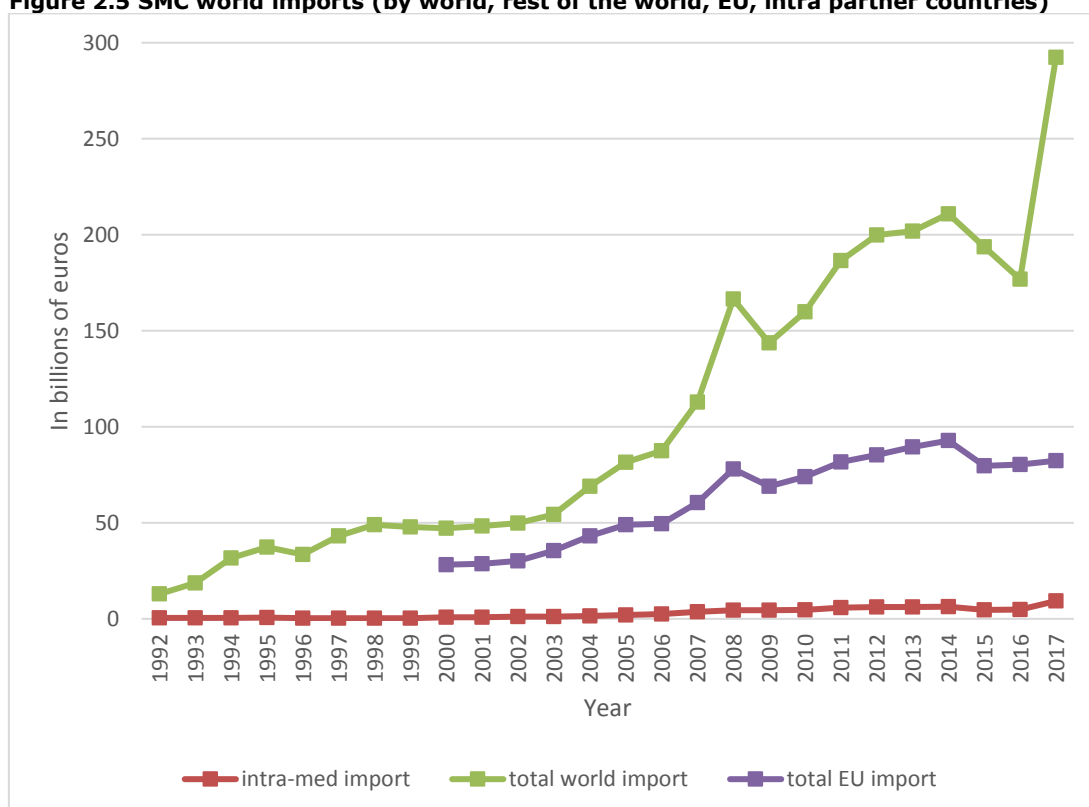
It is also interesting, however, that the EU is not the only or even the most dynamic, overall trading partner for the region. In fact, despite the implementation of the Euro-Med FTAs and related policy initiatives, SMCs' imports from other trading partners have been growing faster than those from the EU over the last ten years, while there was also no clear relative gain for SMCs to export to the EU compared to other trading partners (see Figures 2.5 and 2.6). These simple, but perhaps somewhat puzzling, trends already show some of the difficulties associated with discerning the impact of the Euro-Med FTAs in question only by looking at trade flows. A methodological approach able to separate the different influencing factors needs to be employed in order to better understand the impacts.

Figure 2.4 EU exports to all six SMCs by industry since 2013



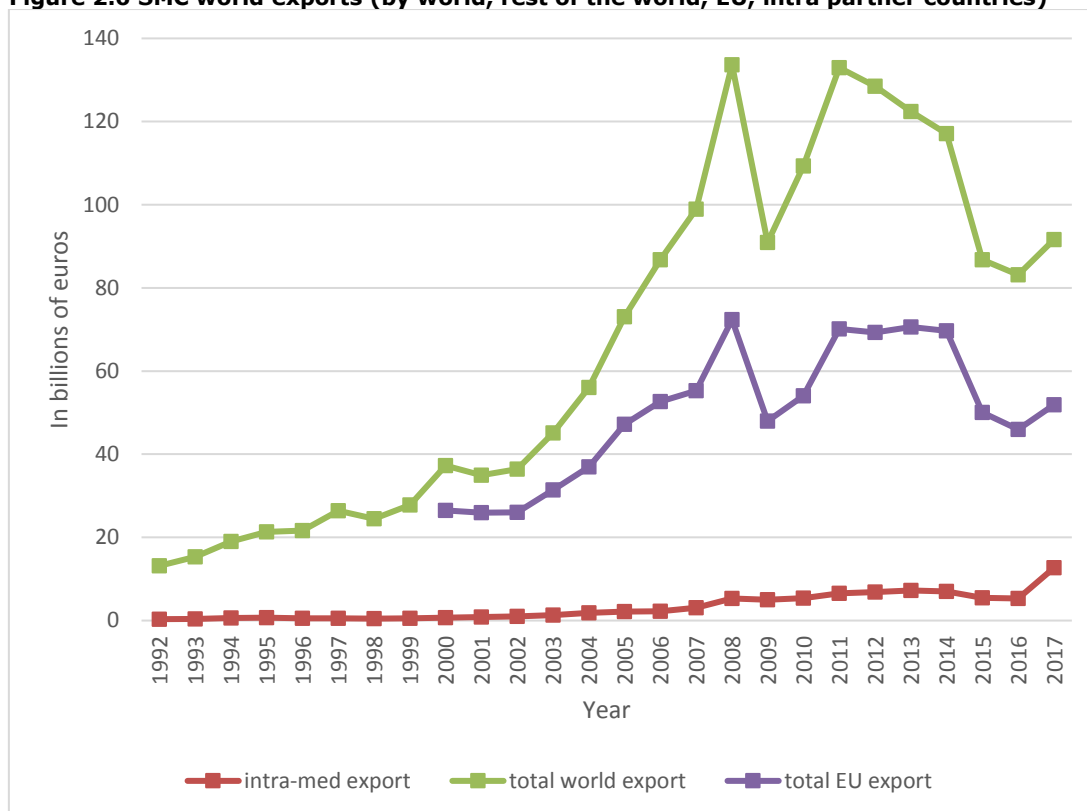
Source: Authors based on European Commission (2019).

Figure 2.5 SMC world imports (by world, rest of the world, EU, intra partner countries)



Source: Authors based on UN Comtrade (2019).

Figure 2.6 SMC world exports (by world, rest of the world, EU, intra partner countries)



Source: Authors based on UN Comtrade (2019).

2.4. Structure of the Euro-Med Association Agreements

This section provides an overview of the overall content of the Euro-Med Association Agreements, highlighting the trade chapters and relevant Annexes and Protocols. A detailed assessment of the trade chapters of the Euro-Med Association Agreements is then provided in Section 2.5 of this report.

2.4.1. Algeria

The EU-Algeria Association Agreement¹⁰ contains nine titles, six annexes and seven protocols, which are listed below:

Title I: Political dialogue

Title II: Free movements of goods

- Chapter 1 Industrial products
- Chapter 2 Agricultural, fisheries and processed agricultural products
- Chapter 3 Common provisions

Title III Trade in Services

- Reciprocal commitments
- Cross border supply of services
- Commercial presence
- Temporary presence of natural persons
- Transport
- Domestic regulation
- Definitions
- General provisions

¹⁰ *Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the People's Democratic Republic of Algeria, of the other part*, OJ L 265, 10.10.2005, p. 2-228, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22005A1010\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22005A1010(01)) (accessed 24 April 2019).

Title IV Payments, capital, competition and other economic provisions

- Chapter 1 Current payments and movement of capital
- Chapter 2 Competition and other economic provisions

Title V Economic cooperation

- Objectives
- Scope
- Methods
- Regional cooperation
- Scientific, technical and technological cooperation
- Environment
- Industrial cooperation
- Promotion and protection of investment
- Standardisation and conformity assessment
- Approximation of laws
- Financial services
- Agriculture and fisheries
- Transport
- Information society and telecommunication
- Energy and mining
- Tourism and the craft sector
- Cooperation in customs matters
- Cooperation on statistics
- Cooperation on consumer protection

Title VI Social and cultural cooperation

- Chapter 1 Workers
- Chapter 2 Dialogue in social matters
- Chapter 3 Cooperation in the social field
- Chapter 4 Cooperation in the fields of education and culture

Title VII Financial cooperation

Title VIII Cooperation in the field of justice and home affairs

- Institution-building and the rule of law
- Movement of persons
- Cooperation in the prevention and control of illegal immigration; readmission
- Legal and judicial cooperation
- Preventing and tackling organised crime
- Combating money laundering
- Combating racism and xenophobia
- Combating drugs and drug addiction
- Fight against terrorism
- Fight against corruption

Title IX Institutional, general and final provisions

Annex I: List of agricultural and processed agricultural products falling under HS chapters 25 to 97 referred to in Article 7 and 14

Annex II: List of products referred to in Article 9(1)

Annex III: List of products referred to in Article 9(2)

Annex IV: List of products referred to in Article 17(4)

Annex V: Implementing rules for article 41

- Chapter 1 General provisions
- Chapter 2 Cooperation and coordination

Annex VI: Intellectual, industrial and commercial property

Protocol 1: On the arrangements applying to imports into the Community of agricultural products originating in Algeria

- Annex 1
- Annex 2 Certificate of designation of origin

Protocol 2: On the arrangements applying to imports into Algeria of agricultural products originating in the Community

Protocol 3: On the arrangements applying to imports into the Community of fishery products originating in Algeria

Protocol 4: On the arrangements applying to imports into Algeria of fishery products originating in the Community

Protocol 5: On commercial trade in processed agricultural products between Algeria and the Community

- Annex 1 Community schedule

- List 1
- List 2
- List 3
- Annex 2 Algeria schedule
- List 1
- List 2

Protocol 6: Concerning the definition of the concept of “originating products” and methods of administrative cooperation¹¹

- Title I General provisions
- Title II Definition of the concept of ‘originating products’
- Title III Territorial requirements
- Title IV Drawback or exemption
- Title V Proof of origin
- Title VI Arrangements for administrative cooperation
- Title VII Ceuta and Melilla
- Title VIII Final provisions
- Annexes
 - Annex I Introductory notes to the list in Annex II
 - Annex II List of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status
 - Annex IIIa Specimens of movement certificate EUR.1 and application for a movement certificate EUR.1
 - Annex IIIb Specimens of movement certificate EUR-MED and application for a movement certificate EUR-MED
 - Annex IVa Text of the invoice declaration
 - Annex IVb Text of the invoice declaration EUR-MED
 - Annex V Specimen of the supplier's declaration
 - Annex VI Specimen of the long-term supplier's declaration
- Joint Declarations

2.4.2. Egypt

The EU-Egypt Association Agreement¹² contains eight titles, six annexes and five protocols, which are listed below:

Title I: Political dialogue

Title II: Free movements of goods

Basic principles

Chapter 1 Industrial products

Chapter 2 Agricultural products, processed agricultural products and fish and fishery products¹³

Chapter 3 Common provisions

Title III Right of establishment and services

Title IV Payments, capital, competition and other economic matters

Chapter 1 Payments and capital movements

Chapter 2 Competition and other economic matters

Title V Economic cooperation

¹¹ Protocol 6 concerning the definition of the concept of originating products and methods of administrative cooperation - Joint Declarations, OJ L 297, 15.11.2007, p. 3-116, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1115\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1115(01)) (accessed 25 April 2019).

¹² Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part, OJ L 304 30.9.2004, p. 39, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:02004A0930\(03\)-20160201](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:02004A0930(03)-20160201) (accessed 24 April 2019).

¹³ Amended by the Agreement in the form of an Exchange of Letters between the European Community and the Arab Republic of Egypt concerning reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products, the replacement of Protocols 1 and 2 and their annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part, OJ L 106, 28.4.2010, p. 39-40, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32010D0240> (accessed 24 April 2019).

Objectives
Scope
Methods and modalities
Regional cooperation
Education and training
Scientific, technical and technological cooperation
Environment
Industrial cooperation
Promotion and protection of investment
Standardisation and conformity assessment
Approximation of laws
Financial services
Agriculture and fisheries
Transport
Information society and telecommunications
Energy
Tourism
Customs
Cooperation on statistics
Money laundering
Fight against drugs
Fight against terrorism
Regional cooperation
Consumer protection

Title VI Cooperation in social and cultural matters

Chapter 1 Dialogue and cooperation on social matters
Chapter 2 Cooperation for the prevention and control of illegal immigration and other consular issues
Chapter 3 Cooperation in cultural matters, audiovisual media and information

Title VII Financial cooperation

Title VIII Institutional, general and final provisions

Annex I: List of agricultural and processed agricultural products falling within Chapters 25 to 97 of the harmonised system referred to in Articles 7 and 12

Annex II: Lists of industrial products originating in the Community to which are applicable, on importation into Egypt, the schedules for tariff dismantling referred to in Article 9(1)

Annex III Lists of industrial products originating in the Community to which are applicable, on importation into Egypt, the schedules for tariff dismantling referred to in Article 9(2)

Annex IV Lists of industrial products originating in the Community to which are applicable, on importation into Egypt, the schedules for tariff dismantling referred to in Article 9(3)

Annex V List of industrial products originating in the Community referred to in Article 9(4)

Annex VI Intellectual property rights referred to in Article 37

Protocol 1: Concerning the arrangements applicable to the importation into the European Community of agricultural products, processed agricultural products and fish and fishery products originating in the Arab Republic of Egypt¹⁴

Annex concerning the arrangements applicable to the importation into the European Community of agricultural products, processed agricultural products and fish and fishery products originating in the Arab Republic of Egypt

¹⁴ Amended by the *Agreement in the form of an Exchange of Letters between the European Community and the Arab Republic of Egypt concerning reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products, the replacement of Protocols 1 and 2 and their annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part*, OJ L 106, 28.4.2010, p. 39–40, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32010D0240> (accessed 24 April 2019).

Protocol 2: Concerning the arrangements applicable to the importation into the Arab Republic of Egypt of agricultural products, processed agricultural products and fish and fishery products originating in the European Community¹⁵

Annex concerning the arrangements applicable to the importation into the Arab Republic of Egypt of agricultural products, processed agricultural products and fish and fishery products originating in the European Community

Protocol 4: Concerning the definition of the concept of "originating products" and methods of administrative cooperation¹⁶

**Protocol 5: Mutual assistance between administrative authorities in customs matters
Common Declaration on Sanitary and Phytosanitary or Technical Barriers to Trade Issues¹⁷**

2.4.3. Jordan

The EU-Jordan Association Agreement¹⁸ contains eight titles, seven annexes and four protocols, which are listed below:

Title I: Political dialogue

Title II: Free movements of goods

Basic principles
Chapter 1 Industrial products
Chapter 2 Agricultural products
Chapter 3 Common provisions

Title III Right of establishment and services

Chapter 1 Right of establishment
Chapter 2 Cross-border supply of services
Chapter 3 General provisions

Title IV Payments, capital movements and other economic matters

Chapter 1 Payments and capital movements
Chapter 2 Competition and other economic matters

Title V Economic cooperation

Objectives
Scope
Methods and modalities
Regional cooperation
Education and training
Scientific and technological cooperation
Environment

¹⁵ Amended by the *Agreement in the form of an Exchange of Letters between the European Community and the Arab Republic of Egypt concerning reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products, the replacement of Protocols 1 and 2 and their annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part*, OJ L 106, 28.4.2010, p. 39–40, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32010D0240> (accessed 24 April 2019).

¹⁶ Amended by *Decision No 1/2015 of the EU-Egypt Association Council of 21 September 2015 replacing Protocol 4 to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part, concerning the definition of the concept of 'originating products' and methods of administrative cooperation* [2015/2435], OJ L 334, 22.12.2015, p. 62–64, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:22015D2435> (accessed 24 April 2019).

¹⁷ Amended by the *Agreement in the form of an Exchange of Letters between the European Community and the Arab Republic of Egypt concerning reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products, the replacement of Protocols 1 and 2 and their annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part*, OJ L 106, 28.4.2010, p. 39–40, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32010D0240> (accessed 24 April 2019).

¹⁸ Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, OJ L 129, 15.5.2002, p. 3–176, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22002A0515\(02\)&qid=1556120594200](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22002A0515(02)&qid=1556120594200) (accessed 24 April 2019).

Industrial cooperation
Investment and promotion of investments
Standardisation and conformity assessment
Approximation of laws
Financial services
Agriculture
Transport
Information infrastructures and telecommunications
Energy
Tourism
Customs
Cooperation on statistics
Money laundering
Fight against drugs

Title VI Cooperation in social and cultural matters

Chapter 1 Social dialogue
Chapter 2 Social cooperation actions
Chapter 3 Cultural cooperation and exchange of information

Title VII Financial cooperation

Title VIII Institutional, general and final provisions

Annex I: List of products referred to in Article 10(1)¹⁹

Annex II: List of products referred to in Articles 10(2) and 11(2)

Annex III: Lists of industrial products originating in the Community to which is applicable, on importation into Jordan, the schedule for tariff dismantling referred to in Article 11(3) and (4)

List A
List B
List C
List D
List E
List F
List G

Annex IV: List of industrial products originating in the Community referred to in Article 11(5)

Annex V: Community reservation list referred to in Article 30(1)(b) (right of establishment)

Annex VI: Jordanian reservation list referred to in Article 30 (2)(a) (right of establishment)

Annex VII: Intellectual, industrial and commercial property referred to in Article 56

Protocol 1: concerning the arrangements applicable to the importation into the Community of agricultural products originating in Jordan

Annex concerning the arrangements applicable to the importation into the Community of agricultural products originating in Jordan

Protocol 2: Concerning the arrangements applicable to the importation into Jordan of agricultural products originating in the Community

Annex concerning the arrangements applicable to the importation into Jordan of agricultural products originating in the Community, on the basis of the customs nomenclature of Jordan

Protocol 3: Concerning the definition of the concept of 'originating products' and methods of administrative cooperation²⁰

Title I General provisions

¹⁹ Amended by the *Agreement in the form of an Exchange of Letters between the European Community and the Hashemite Kingdom of Jordan concerning reciprocal liberalisation measures and amending the EC-Jordan Association Agreement as well as replacing Annexes I, II, III and IV and Protocols 1 and 2 to that Agreement*, OJ L 41, 13.2.2006, p. 3-40, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22006A0213\(01\)&qid=1556120594200](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22006A0213(01)&qid=1556120594200) (accessed 24 April 2019).

²⁰ Amended by 2006/508/EC: Decision No 1/2006 of the EU-Jordan Association Council of 15 June 2006 amending Protocol 3 to the Euro-Mediterranean Agreement, concerning the definition of the concept of originating products and methods of administrative cooperation Protocol 3 concerning the definition of the concept of originating products and methods of administrative cooperation, OJ L 209, 31.7.2006, p. 30-144, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22006D0508> (accessed 25 April 2019).

Title II Definition of the concept of 'originating products'
Title III Territorial requirements
Title IV Drawback or exemption
Title V Proof of origin
Title VI Arrangements for administrative cooperation
Title VII Ceuta and Melilla
Title VIII Final provisions
Annexes

Annex I Introductory notes to the list in Annex II
Annex II List of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status
Annex II(a) Addendum to the list of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status²¹
Annex IIIa Specimens of movement certificate EUR.1 and application for a movement certificate EUR.1
Annex IIIb Specimens of movement certificate EUR-MED and application for a movement certificate EUR-MED
Annex Iva Text of the invoice declaration
Annex IVb Text of the invoice declaration EUR-MED

Protocol 4: On mutual assistance between administrative authorities in customs matters

2.4.4. Lebanon

The EU-Lebanon Association Agreement²² contains eight titles, two annexes and five protocols, which are listed below:

Title I: Political dialogue

Title II: Free movements of goods

Chapter 1 Industrial products
Chapter 2 Agricultural, fisheries and processed agricultural products
Chapter 3 Common provisions

Title III Right of establishment and supply of services

Title IV Payments, capital, competition and other economic matters

Chapter 1 Current payments and movement of capital
Chapter 2 Competition and other economic matters

Title V Economic cooperation

Objectives
Scope
Methods and modalities

²¹ Added by *Decision No 1/2016 of the EU-Jordan Association Committee of 19 July 2016 amending the provisions of Protocol 3 to the Euro-Mediterranean Agreement establishing an Association 'between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, concerning the definition of the concept of originating products' and the list of working or processing required to be carried out on non-originating materials in order for certain categories of products, manufactured in dedicated development zones and industrial areas, and connected with generating employment for Syrian refugees and Jordanians, to obtain originating status* [2016/1436], OJ L 233, 30.8.2016, p. 6-38, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22016D1436> (accessed 25 April 2019), amended by *Decision No 1/2018 of the EU-Jordan Association Committee of 4 December 2018 amending the provisions of Protocol 3 to the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, concerning the definition of the concept of 'originating products' and the list of working or processing required to be carried out on non-originating materials in order for certain categories of products, manufactured in the territory of the Hashemite Kingdom of Jordan, and connected with generating employment for Syrian refugees and Jordanians, to obtain originating status* [2019/42], ST/3301/2018/INIT, OJ L 9, 11.1.2019, p. 147-177, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22019D0042> (accessed 25 April 2019).

²² *Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the Republic of Lebanon, of the other part*, OJ L 143, 30.5.2006, p. 2-188, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22006A0530\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22006A0530(01)) (accessed 24 April 2019).

Regional cooperation
Education and training
Scientific, technical and technological cooperation
Environment
Industrial cooperation
Promotion and protection of investment
Cooperation in standardisation and conformity assessment
Approximation of legislation
Financial services
Agriculture and fisheries
Transport
Information society and telecommunication
Energy
Tourism
Customs cooperation
Cooperation on statistics
Consumer protection
Cooperation in reinforcement of institutions and rule of law
Money laundering
Prevention and fight against organised crime
Cooperation on illicit drugs

Title VI Cooperation in social and cultural matters

Chapter 1 Dialogue and cooperation in the social field
Chapter 2 Cooperation in cultural matters, audiovisual media and information
Chapter 3 Cooperation for the prevention and control of illegal immigration and other consular issues

Title VII Financial cooperation

Title VIII Institutional, general and final provisions

Annex I: List of agricultural and processed agricultural products falling under HS chapters 25 to 97 referred to in Article 7 and 12

Annex II: Intellectual industrial and commercial property referred to in Article 38

Protocol 1: Concerning arrangements applicable to imports into the Community of agricultural products originating in Lebanon referred to in Article 14(1)

Protocol 2: Concerning arrangements applicable to imports into Lebanon of agricultural products originating in The Community

Protocol 3: On trade between Lebanon and the Community in processed agricultural products referred to in Article 14(3)

Annex I: Concerning arrangements applicable to imports into the Community of processed agricultural products originating in Lebanon

List 1

List 2

List 3

Annex II: Concerning arrangements applicable to imports into Lebanon of processed agricultural products originating in the Community

Protocol 4: Concerning the definition of the concept 'originating products' and methods of administrative cooperation

Title I General provisions

Title II Definition of the concept of 'originating products'

Title III Territorial requirements

Title IV Drawback or exemption

Title V Proof of origin

Title VI Arrangements for administrative cooperation

Title VII Ceuta and Melilla

Title VIII Final provisions

Annexes

Annex I Introductory notes to the list in Annex II

Annex II List of working or processing required to be carried out on non-originating materials in order that the product manufactured can obtain originating status

Annex II(a) List of working or processing required to be carried out on non-originating materials in order that the product manufactured referred to in Article 6(2) can obtain originating status

Annex III List of products originating in Turkey to which the provisions of Article 4 do not apply, listed in the order of Harmonised System Chapter and

Headings
Annex IV Specimens of movement certificate EUR.1 and application for a movement certificate EUR.1
Annex V Text of the invoice declaration²³
Annex VI Joint declarations

Protocol 5: On mutual assistance in customs matters

2.4.5. Morocco

The EU-Morocco Association Agreement²⁴ contains eight titles, seven annexes and five protocols, which are listed below:

Title I: Political dialogue

Title II: Free movements of goods

Chapter 1 Industrial products
Chapter 2 Agricultural products, processed agricultural products, fish and fishery products²⁵
Chapter 3 Common provisions

Title III Right of establishment and services

Title IV Payments, capital movements and other economic matters

Chapter 1 Current payments and movement of capital
Chapter 2 Competition and other economic provisions

Title V Economic cooperation

Objectives
Scope
Methods
Regional cooperation
Education and training
Scientific, technical and technological cooperation
Environment
Industrial cooperation
Promotion and protection of investment
Cooperation in standardisation and conformity assessment
Approximation of legislation
Financial services
Agriculture and fisheries
Transport
Telecommunication and information technology
Energy
Tourism
Cooperation in customs matters
Cooperation on statistics
Money laundering
Combating drug use and trafficking

Title VI Cooperation in social and cultural matters

²³ Amended by *Protocol to the Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the Republic of Lebanon, of the other part, to take account of the accession of the Republic of Croatia to the European Union*, OJ L 144, 1.6.2016, p. 3-10, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22016A0601\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22016A0601(01)) (accessed 25 April 2019).

²⁴ *Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part*, OJ L 70, 18.3.2000, p. 2-204, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A22000A0318%2801%29> (accessed 24 April 2019).

²⁵ Chapter 2 and Protocols 1 and 2 were amended by the *Agreement in the form of an Exchange of Letters between the European Union and the Kingdom of Morocco concerning reciprocal liberalisation measures on agricultural products, processed agricultural products, fish and fishery products, the replacement of Protocols 1, 2 and 3 and their Annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part*, OJ L 241, 7.9.2012, p. 4-47, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A0907\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A0907(01)) (accessed 24 April 2019).

- Chapter 1 Workers
- Chapter 2 Dialogue in social matters
- Chapter 3 Cooperation in the social field
- Chapter 4 Cooperation on cultural matters

Title VII Financial cooperation

Title VIII Institutional, general and final provisions

Annex 1: Products referred to in Article 10(1)

Annex 2: Products referred to in Article 10(2)²⁶

- List 1
- List 2
- List 3

Annex 3: Products referred to in Article 11(2)

Annex 4: Products referred to in Article 11(3)

Annex 5: Products referred to in Article 12(1)

Annex 6: Products referred to in Article 12(2)

- List 1
- List 2

Annex VII: Relating to intellectual, industrial and commercial property

Protocol 1: Concerning the arrangements applicable to the importation into the European Union of agricultural products, processed agricultural products, fish and fishery products originating in the Kingdom of Morocco²⁷

Annex: Concerning the arrangements applicable to the importation into the European Union of agricultural products, processed agricultural products, fish and fishery products originating in the Kingdom of Morocco

Protocol 2: Concerning the arrangements applicable to the importation into the kingdom of Morocco of agricultural products, processed agricultural products, fish and fishery products originating in the European Union²⁸

Annex Joint declaration

Protocol 4: Concerning the definition of the concept of 'originating products' and methods of administrative cooperation²⁹

- Title I General provisions
- Title II Definition of the concept of 'originating products'
- Title III Territorial requirements
- Title IV Drawback or exemption
- Title V Proof of origin
- Title VI Arrangements for administrative cooperation
- Title VII Ceuta and Melilla
- Title VIII Final provisions

²⁶ Annexes 2, 3, 4 and 6 were amended by the *Agreement in the form of an Exchange of Letters between the European Community and the Kingdom of Morocco concerning certain amendments to Annexes 2, 3, 4 and 6 to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part*, OJ L 70, 18.3.2000, p. 206-227, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A0318\(02\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A0318(02)) (accessed 25 April 2019).

²⁷ Chapter 2 and Protocols 1 and 2 were amended by the *Agreement in the form of an Exchange of Letters between the European Union and the Kingdom of Morocco concerning reciprocal liberalisation measures on agricultural products, processed agricultural products, fish and fishery products, the replacement of Protocols 1, 2 and 3 and their Annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part*, OJ L 241, 7.9.2012, p. 4-47, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A0907\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A0907(01)) (accessed 24 April 2019).

²⁸ Chapter 2 and Protocols 1 and 2 were amended by the *Agreement in the form of an Exchange of Letters between the European Union and the Kingdom of Morocco concerning reciprocal liberalisation measures on agricultural products, processed agricultural products, fish and fishery products, the replacement of Protocols 1, 2 and 3 and their Annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part*, OJ L 241, 7.9.2012, p. 4-47, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A0907\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A0907(01)) (accessed 24 April 2019).

²⁹ Amended by *Decision No 2/2005 of the EU-Morocco Association Council of 18 November 2005 amending Protocol 4 to the Euro-Mediterranean Agreement, concerning the definition of the concept of 'originating products' and methods of administrative cooperation*, 2005/904/EC, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22005D0904> (accessed 24 April 2019).

Annexes

- Annex I Introductory notes to the list in Annex II
- Annex II List of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status³⁰
- Annex IIIa Specimens of movement certificate EUR.1 and application for a movement certificate EUR.1
- Annex IIIb Specimens of movement certificate EUR-MED and application for a movement certificate EUR-MED
- Annex IVa Text of the invoice declaration
- Annex IVb Text of the invoice declaration EUR-MED
- Annex V Specimen of the supplier's declaration
- Annex VI Specimen of the long-term supplier's declaration

Joint declaration concerning the application of Protocols 1 and 4 to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part ("the Association Agreement")³¹

Protocol 5: On mutual assistance in customs matters between the administrative authorities

Annex to the protocol: Fundamental principles applicable to data protection

2.4.6. Tunisia

The EU-Tunisia Association Agreement³² contains eight titles, seven annexes and five protocols, which are listed below:

Title I: Political dialogue

Title II: Free movements of goods

- Chapter 1 Industrial products
- Chapter 2 Agricultural and fishery products
- Chapter 3 Common provisions

Title III Right of establishment and services

Title IV Payments, capital, competition and other economic matters

- Chapter 1 Current payments and movement of capital
- Chapter 2 Competition and other economic provisions

Title V Economic cooperation

- Objectives
- Scope
- Methods
- Regional cooperation
- Education and training
- Scientific, technical and technological cooperation
- Environment
- Industrial cooperation
- Promotion and protection of investment
- Cooperation in standardisation and conformity assessment
- Approximation of legislation

³⁰ Amended by 011/293/EU: *Decision No 1/2011 of the EU-Morocco Association Council of 30 March 2011 with regard to the amendment of Annex II of Protocol 4 to the Euro-Mediterranean Agreement between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part, containing the list of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status*, OJ L 141, 27.5.2011, p. 66–133, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22011D0293> (accessed 25 April 2019).

³¹ Added by Agreement in the form of an Exchange of Letters between the European Union and the Kingdom of Morocco on the amendment of Protocols 1 and 4 to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part, ST/10597/2018/INIT, OJ L 34, 6.2.2019, p. 4-7, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22019A0206\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22019A0206(01)) (accessed 25 April 2019).

³² *Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Tunisia, of the other part*, OJ L 97, 30.3.1998, p. 2-183, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A21998A0330%2801%29> (accessed 24 April 2019).

Financial services
Agriculture and fisheries
Transport
Telecommunication and information technology
Energy
Tourism
Cooperation in customs matters
Cooperation on statistics
Money laundering
Combating drug use and trafficking

Title VI Cooperation in social and cultural matters

Chapter 1 Workers
Chapter 2 Dialogue in social matters
Chapter 3 Cooperation in the social field
Chapter 4 Cooperation on cultural matters

Title VII Financial cooperation

Title VIII Institutional, general and final provisions

Annex I: Products referred to in Article 10(1)

Annex II: Products referred to in Article 10(2)

List 1
List 2
List 3

Annex III

Annex IV

Annex V

Annex VI

Annex VII: Relating to intellectual, industrial and commercial property

Protocol 1: On the arrangements applying to imports into the Community of agricultural products originating in Tunisia

Annex 1 Arrangements applying to imports into the Community of agricultural products originating in Tunisia³³

Annex 2 Designation of origin certificate³⁴

Protocol 2: On the arrangements applying to imports into the Community of fishery products originating in Tunisia

Protocol 3: On the arrangements applying to imports into Tunisia of agricultural products originating in the Community

Annex³⁵

Protocol 4: concerning the definition of the concept of 'originating products' and methods of administrative cooperation³⁶

Title I General provisions
Title II Definition of the concept of 'originating products'
Title III Territorial requirements
Title IV Drawback or exemption
Title V Proof of origin

³³ Amended by 2000/822/EC: Agreement in the form of an Exchange of Letters between the European Community and the Republic of Tunisia concerning reciprocal liberalisation measures and amendment of the Agricultural Protocols to the EC/Tunisia Association Agreement, OJ L 336, 30.12.2000, p. 93–109, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A1230\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A1230(01)) (accessed 24 April 2019).

³⁴ Added by 2000/822/EC: Agreement in the form of an Exchange of Letters between the European Community and the Republic of Tunisia concerning reciprocal liberalisation measures and amendment of the Agricultural Protocols to the EC/Tunisia Association Agreement, OJ L 336, 30.12.2000, p. 93–109, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A1230\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A1230(01)) (accessed 24 April 2019).

³⁵ Amended by 2000/822/EC: Agreement in the form of an Exchange of Letters between the European Community and the Republic of Tunisia concerning reciprocal liberalisation measures and amendment of the Agricultural Protocols to the EC/Tunisia Association Agreement, OJ L 336, 30.12.2000, p. 93–109, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A1230\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000A1230(01)) (accessed 24 April 2019).

³⁶ Amended by 2006/612/EC: Decision No 1/2006 of the EU-Tunisia Association Council of 28 July 2006 amending Protocol 4 to the Euro-Mediterranean Agreement, concerning the definition of the concept of originating products and methods of administrative cooperation, Protocol 4 concerning the definition of the concept of originating products and methods of administrative cooperation, OJ L 260, 21.9.2006, p. 1-110, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22006D0612> (accessed 24 April 2019).

Title VI Arrangements for administrative cooperation
Title VII Ceuta and Melilla
Title VIII Final provisions
Annexes
Annex I Introductory notes to the list in Annex II
Annex II List of working or processing required to be carried out on non-originating materials in order for the product manufactured to obtain originating status
Annex IIIa Specimens of movement certificate EUR.1 and application for a movement certificate EUR.1
Annex IIIb Specimens of movement certificate EUR-MED and application for a movement certificate EUR-MED
Annex IVa Text of the invoice declaration
Annex IVb Text of the invoice declaration EUR-MED
Annex V Specimen of the supplier's declaration
Annex VI Specimen of the long term supplier's declaration
Joint Declarations

Protocol 5: On mutual assistance in customs matters between the administrative authorities

Annex to the Protocol: Fundamental principles applicable to data protection

2.4.7. Social, environmental and human rights issues

The Trade Chapters of the Association Agreements do not contain any provisions explicitly related to social, environmental or human rights issues and do not provide for detailed chapters on trade and sustainable development, which have become standard in the EU's modern agreements, clearly indicating social and environmental commitments by the Parties. However, those issues are clearly referred to in the sections on cooperation of the Association Agreements and are subject to discussions in the Committees and Sub-Committees. The impact of the trade chapter of the agreements on social, environmental and human rights issues will be assessed during the implementation phase (see section 6.3).

With respect to human rights, it must be noted that all Agreements contain a clause defining respect for democratic principles and fundamental human rights as "*an essential element*" of the Agreement. The clause reads: "*Respect for the democratic principles and fundamental human rights established by the Universal Declaration of Human Rights shall inspire the domestic and international policies of the Parties and shall constitute an essential element of this Agreement*". This is significant because the consideration of the reference to human rights as an '*essential element*' allows all Parties to suspend and take countermeasures when human rights violations occur.³⁷

2.5. General structure and content of Euro-Med FTAs – commonalities and differences

Based on a comparative review of the trade chapters of the relevant Euro-Med FTAs, the features that are common to all trade chapters of the relevant Euro-Med FTAs are provided and assessed in this section.³⁸ Obvious differences and specificities are already highlighted in this section. The following section will then describe the specificities of the trade chapters of each respective Euro-Med Association Agreement.

2.5.1. Structure

In general, terms, all trade chapters of the six Euro-Med FTAs assessed as part of this evaluation have the same overall structure. Title II of the Agreements provides the rules

³⁷ In this regard, see Tobias Dolle, *Human Rights Clauses in EU Trade Agreements: The New European Strategy in Free Trade Agreement Negotiations Focuses on Human Rights – Advantages and Disadvantages, The Influence of Human Rights on International Law*, Springer, 2015.

³⁸ An informative side-by-side comparison of the relevant Association Agreements was prepared by the Commission in 2004: *Euro-Med Association Agreements, Implementation Guide*, Relex F, available at http://www.eeas.europa.eu/archives/docs/euromed/docs/asso_agree_guide_en.pdf (accessed 17 February 2019).

concerning the *free movement of goods* with a number of *Basic principles* and Chapters on *Industrial Products, Agricultural, fisheries and processed agricultural products*, and *Common provisions*. Title III then provides the rules concerning the *Right of establishment and services*.

Where concluded, the additional Agreements on agricultural, processed agricultural and fisheries products provide for a limited number of articles modifying the original agreements, as well as Annexes, which list the relevant HS codes of the products that are subject to further liberalisation.

2.5.2. Content

2.5.2.1. Basic principles

With respect to the *Basic principles*³⁹, all agreements provide that they aim at establishing a free-trade area over a transitional period lasting a maximum of twelve years starting from the date of entry into force of the respective agreements.

2.5.2.2. Free movement of goods

- **Industrial products**

In Article 7, all agreements first define the **scope** of the agreements. Two slightly different approaches can be identified. The Association Agreements with Jordan and Tunisia provide that the chapter on industrial goods applies to products originating in the EU and in Jordan/Tunisia “with the exception of the products referred to in Annex II to the Treaty establishing the European Community”. Annex II to the *Treaty establishing the European Community* listed the agricultural products subject to the Common Customs Tariff and is now contained in Annex I to the Treaty of the Functioning of the EU. The other Association Agreements (*i.e.*, those with Algeria, Egypt, Lebanon, and Morocco) state that the provisions of the chapter on industrial goods apply to products originating in the EU and the respective Mediterranean country that fall within Chapters 25 to 97 (thereby also excluding the agricultural products listed in Chapters 1 to 24) of the EU’s Combined Nomenclature and of the respective Mediterranean country’s Customs Tariff with the exception of the products listed in an annex.

Next, Article 8 addresses the issue of imports into the EU. Four out of the six agreements provide that imports into the EU of products originating in the Euro-Med country are to be allowed free of customs duties and of any other charge having equivalent effect. Only the Agreements with Jordan and Tunisia also provide that products originating in those countries are also to be without quantitative restrictions or measures having equivalent effect.

The Agreements then all provide for a provision detailing the process of tariff liberalisation for industrial goods, first noting the products that are subject to full tariff liberalisation (with references to the respective Annexes of the Association Agreements that provide the list of products) and then providing for the time schedule of tariff liberalisation.⁴⁰ This time schedule varies from Agreement to Agreement, taking account of the different needs and sensitivities of the partner countries. With respect to tariff liberalisation for the industrial goods listed in Annex 3, the EU-Algeria Association Agreement provides for the liberalisation over seven years after the Agreement’s entry into force, but already after three years for the EU-Morocco Association Agreement. The Agreements also provide for a review clause concerning the timetable for tariff liberalisation.

- **Agricultural, processed agricultural and fishery products**

While additional *Agreements on further reciprocal liberalisation on trade of agricultural, processed agricultural and fisheries products* were only concluded with three (*i.e.*, Egypt, Jordan, and Morocco) of the six relevant Euro-Med countries that are subject to this study,⁴¹ all

³⁹ Article 6 of the EU-Algeria Association Agreement, the EU-Egypt Association Agreement, the EU-Jordan Association Agreement, the EU-Lebanon Association Agreement, the EU-Morocco Association Agreement, and the EU-Tunisia Association Agreement.

⁴⁰ Article 9 of the EU-Algeria Association Agreement, Article 9 of the EU-Egypt Association Agreement, Article 11 of the EU-Jordan Association Agreement, Article 11 of the EU-Lebanon Association Agreement, Article 10 of the EU-Morocco Association Agreement, and Article 10 of the EU-Tunisia Association Agreement.

⁴¹ Article 10 of the EU-Egypt Association Agreement, the EU-Jordan Association Agreement, and the EU-Morocco Association Agreement.

Association Agreements already contain provisions on agricultural, processed agricultural and fisheries products.

With respect to processed agricultural products, the agreements show a varying degree of regulation and liberalisation, in particular providing rules on differentiation between agricultural components and industrial elements. Agreements with Jordan, Morocco and Tunisia have much more detailed rules, while the Agreements with Algeria, Egypt, and Lebanon only provide limited rules in the text of the Association Agreement as such but provide more detailed rules and the list of applicable products in respective Protocols annexed to the respective Association Agreements.

Turning to agricultural and fisheries products, all Agreements state that the EU and the Euro-Med countries are to progressively establish a greater liberalisation of their reciprocal trade in agricultural and fisheries that are of interest to both Parties. For those agreements with less detailed rules on processed agricultural products (*i.e.*, Algeria, Egypt, and Jordan), reference is also made to greater liberalisation of processed agricultural products, referring again to the respective Protocol.

- **Common provisions**

In terms of common provisions, all Association Agreements provide for a certain number of important principles and clauses aimed at ensuring the well-functioning and implementation of the Agreements.

All Agreements provide the following common provisions:

- Stand still clause

This clause provides that no new customs duties on imports or exports or charges having equivalent effect are to be introduced in trade between the EU and the respective partner country, nor are those already applied upon entry into force of this Agreement to be increased.

- Quantitative restrictions

Those agreements that have not yet referred to the prohibition of new quantitative restriction provide for such a prohibition in the common provisions.

- Bound rate

All Agreements also provide for the binding of tariff rates at a certain level, differentiating between the partner countries that were WTO Members at the time of the negotiations and conclusion of the agreements, and those that were not yet WTO Members. Algeria and Lebanon are not yet Members of the WTO but are conducting accession negotiations.

- No more favourable treatment

All agreements provide that products originating in the respective Euro-Med country are not to enjoy more favourable treatment when imported into the EU than that applied by Member States among themselves.

- Non-discrimination of a fiscal nature

All Agreements provide for identical rules on the non-discrimination of a fiscal nature, providing that the Parties are to refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party. The provisions further stipulate that products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation in excess of the amount of indirect taxation imposed on them directly or indirectly.

- Customs Union / Free Trade Areas

The Agreements note that they are not to preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade, except insofar as they alter

the trade arrangements provided for in the respective Agreement, but provide that consultations are to be held regarding such issues.

- Dumping / Subsidies and Countervailing measures

All Agreements contain provisions on dumping and implications thereof, again differentiating slightly between the Mediterranean countries that were WTO Members at the time of conclusion and those that were not, therefore referring either to the WTO and the WTO Agreement on Subsidies and Countervailing or to relevant GATT rules.

- Safeguards

With respect to safeguards, two types of provisions are present in the six Agreements relevant for the evaluation. The Agreements with Jordan, Morocco, and Tunisia provide for rather short provisions, noting that in cases where *"any product is being imported in such increased quantities and under such conditions so as to cause or threaten to cause: - serious injury to domestic producers or like or directly competitive products in the territory of one of the parties, or - serious disturbances in any sector of the economy, or - difficulties which could bring about serious deterioration in the economic situation of a region"*, the issue is to be referred to the Association Council. The Agreements with Algeria, Egypt, and Lebanon refer first to Article XIX of the GATT 1994 and the WTO Agreement on Safeguards, whose provisions are applicable except where otherwise stated. The parties resort to the Association Committee for the notification of safeguard investigations and for the examination of the situation with a view to finding a mutually acceptable solution, ahead of the decision to impose the definitive safeguard measures.

- Re-export

All Agreements provide identical rules on issues related to (1) re-export towards a third country against which the exporting party maintains, for the product concerned, quantitative export restrictions, export duties, or measures having equivalent effect, or (2) a serious shortage, or threat thereof, of a product essential to the exporting party, noting that appropriate measures may be taken, but in accordance with the rules on consultations.

- Consultation clause

All Agreements provide for a detailed consultation clause with dedicated rules relating to the various commitments contained in the provisions on trade in goods.

- Justification of certain measures / Non-discrimination

All Agreements underline that nothing in the Agreements is to *"preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, of the protection of health and life of humans, animals or plants, of the protection of national treasures possessing artistic, historic or archaeological value, of the protection of intellectual property or of regulations concerning gold and silver"*, but that such prohibitions or restrictions are, however, not to *"constitute a means of arbitrary discrimination or disguised restriction on trade between the Parties"*.

- Customs classification

All Agreements make reference to the rules for customs classification. While the Agreements with Tunisia and Morocco⁴² note that the Combined Nomenclature is to be used for the classification of goods in trade between the two Parties, the Agreements with Algeria, Egypt, Jordan, and Lebanon provide that the Combined Nomenclature of goods shall only be applied to the classification of goods for imports into the EU and that the respective customs tariff of the Euro-Med country is to be applied to the classification of goods for imports into the respective Euro-Med country.

⁴² It is noted that the Combined Nomenclature is not used for the classification of goods in trade between the EU and Morocco.

- Originating products

Finally, all Agreements provide that specific rules on originating products are contained in the respective Protocols.

2.5.3. Right of establishment and services

With respect to the *Right of establishment and services*, the Agreements show a greater degree of deviation. While the Agreements with Algeria and Jordan provide detailed rules on a multitude of issues, the other Agreements only provide general rules and references to the GATS.

- Reciprocal commitments

The reciprocal commitments largely refer to the MFN principle.

- Right of establishment

With regards to the right of establishment, the Agreements vary. The Agreement with Algeria and Jordan largely refer to MFN treatment (in the case of Algeria, however, the more favourable principle of national treatment applies to the so-called "post-establishment" of EU branch and subsidiaries). The Agreements with Egypt, Morocco, and Tunisia, respectively, provide that the respective Parties would "*consider*" or "*agree to*" *extending the scope of the Agreement to include the right of establishment of companies of one Party in the territory on another Party and the liberalisation of the supply of services by companies of one Party to service consumers in another Party*" and that the respective Association Council would make recommendations in that regard.⁴³ With respect to Lebanon, Article 30 of the EU-Lebanon Association Agreement directly refers to the respective GATS commitments, noting that the provision would only take effect on the date of the final accession of Lebanon to the WTO.

- Cross-border supply of services

The Agreement with Algeria refers to most-favoured nation treatment. The Agreements with Egypt, Morocco and Tunisia only provide for a general reference to the GATS: The Agreement with Jordan notes that the Parties are to "*use their best endeavours to allow progressively the supply of services by Community or Jordanian companies which are established in the territory of a Party other than that of the person for whom the services are intended*". The Agreement with Lebanon notes that the Parties are not, between the date of entry into force of the agreement and Lebanon's accession to the WTO, to take any measures or actions which render the conditions for the supply of services by the EU or Lebanese service suppliers more discriminatory than those existing on the date of entry into force of the Agreement.

- Temporary presence of natural persons

A provision on this issue only exists in the Agreements with Algeria and Jordan, respectively.

- Air transport, inland waterways and maritime sport

Provisions on these issues only exist in the Agreements with Algeria and Jordan, respectively. The Agreement with Tunisia only notes that the Association Council is to, once the Agreement is in force, examine the international maritime transport sector with a view to making appropriate recommendations for liberalisation measures.

- Domestic regulation

Provisions on these issues only exist in the Agreements with Algeria and Jordan, respectively.

⁴³ A more detailed assessment of the agreement to extend the scope of the agreements to include the right of establishment of companies of one Party in the territory on another Party and the liberalisation of the supply of services by companies of one Party to service consumers in another Party will be attempted for the implementation report.

- Definitions relevant for the title on services

An article with definitions relevant for the title on services is only provided in the Agreements with Algeria, Jordan, and Lebanon.

2.5.3.1. Payments, capital, competition and other economic provisions

- Current payments and movements of capital

All Agreements contain identical Articles on *Current payments and movements of capital*, providing that Parties are to allow that all current payments for current transactions are to be made in a freely convertible currency and that capital relating to direct investments in the Euro-Med country in companies formed in accordance with current laws can move freely. The Agreements also provide that the Parties are to consult each other with a view to facilitating, and fully liberalising when the time is right, the movement of the capital between the EU and the respective Euro-Med country. Finally, the Agreements provide that where one or more EU Member State or the respective partner country is in serious balance of payments difficulties, restrictions on current transactions may be adopted under a number of conditions.

- Competition

All Agreements provide for a detailed provision on competition, defining prohibited anti-competitive behaviour, but tasking the respective Association Councils with adopting the necessary rules for the implementation. However, the Agreements also allow the Parties to take appropriate measures in such cases of anti-competitive behaviour.

- State monopolies and public enterprises

The Agreements contain identical provisions on State monopolies and public enterprises, aimed at limiting their anti-competitive influence, providing a time-limit for necessary adjustments of the fifth year following the entry into force.

- Intellectual, industrial and commercial property

The Agreements contain identical provisions on the issues of intellectual, industrial and commercial property and Parties are to grant and ensure adequate and effective protection of intellectual property rights in accordance with the prevailing international standards, including effective means of enforcing such rights. The Agreements expressly provide that the implementation of these provisions is to be regularly assessed by the respective Parties.

- Public procurement

Finally, all Agreements provide for a clause committing to the objective of a reciprocal and gradual liberalisation of public procurement contracts.

2.5.4. Summary of important country-specificities

Based on the comparative review of the trade chapters of the relevant Euro-Med FTAs, significant deviations from the general structure of the trade chapters of the relevant Euro-Med FTAs are discussed in this section. As already, pointed out in the previous section, the Agreements are largely similar and, in many instances, provisions are even identical or nearly identical.

Notably, the EU has concluded additional *Agreements on further reciprocal liberalisation on trade of agricultural, processed agricultural and fisheries products* with three of the six relevant Euro-Med countries that are subject to this study (*i.e.*, Egypt, Jordan, and Morocco). These additional agreements provide for additional preferential market access in the areas of *agricultural, processed agricultural and fisheries products*, which has been rather limited in the original agreements.

It is also noted whether or not the respective country is a WTO Member. Non-WTO Members are not bound by the WTO Agreements and, in the Association Agreements with those countries, no reference to individual WTO Agreements is made, while in Association Agreements with WTO

Members, certain references can be found. Additionally, agreements concluded by a WTO Member, such as the EU, with a non-WTO Member, namely Algeria and Lebanon, are also delicate with regards to the WTO Member's obligations under the WTO's most-favoured-nation (MFN) obligation (see Article I:1 of the GATT), which requires that "*any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties*". WTO Membership requires aligning domestic laws and regulations with WTO obligations. In the two non-WTO Members, Algeria and Lebanon, rules may therefore differ. While both countries are conducting accession negotiations and should be aligning their laws in accordance with WTO rules, the most recent meetings of the respective WTO Accession Working Party took place in 2014 (Algeria) and 2009 (Lebanon), respectively.⁴⁴

A small number of specificities was already deduced and is provided below. The more detailed assessment of the implementation of the Association Agreements during the implementation phase will provide a more detailed overview of the differences between the Agreements, their evolution and their respective implementation.

2.5.5. Algeria

With respect to the tariff liberalisation for industrial goods, Article 8 and 9 of the Association Agreement provide that the EU ensures full liberalisation at the entry into force of the agreement. As for Algeria, liberalisation has to be granted, depending on the products, over a period that can go up to twelve years.

A number of provisions are drafted slightly differently, taking into account that Algeria is not yet a Member of the WTO.

The Association Agreement with Algeria (together with the EU-Jordan Association Agreement) provides for more detailed rules on services than the other Association Agreements, but mostly underlines the MFN principles. These two agreements are also the only ones that contain a provision on air transport, inland waterways and maritime sport services.

The EU and Algeria agreed, following negotiations in 2011, on slight changes to the reciprocal concessions on a limited number of agricultural products⁴⁵, but no additional *Agreement on agricultural, processed agricultural and fisheries products* has, so far, been concluded. It should be noted, however, that the level of agricultural market opening on the EU side was already substantial in the original agreement.

2.5.6. Egypt

With respect to the tariff liberalisation for certain industrial goods, Articles 8 and 9 of the Association Agreement provide for liberalisation at the entry into force for Egyptian exports to the EU and, depending on the products, over a period of up to fifteen years for EU exports to Egypt.

⁴⁴ See: WTO Accession Working Party Algeria, available at https://www.wto.org/english/thewto_e/acc_e/a1_algerie_e.htm#status (accessed 24 April 2019); WTO Accession Working Party Lebanon, available at https://www.wto.org/english/thewto_e/acc_e/a1_liban_e.htm (accessed 24 April 2019).

⁴⁵ Council Decision (EU) 2018/641 of 17 April 2018 on the position to be adopted on the behalf of the European Union within the EU-Algeria Association Committee as regards the modification of the conditions of application of the preferential tariffs for agricultural products and processed agricultural products set out in Article 14 of the Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the People's Democratic Republic of Algeria, of the other part, OJ L 106, 26.4.2018, p. 17-22, available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32018D0641> (accessed 2 July 2019).

On 9 October 2009, the EU and Egypt signed an *Agreement on agricultural, processed agricultural and fisheries products*, which entered into force on 1 June 2010.⁴⁶ This agreement provides for reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products and replaces Protocols 1 and 2 and their annexes and amendments to the EU-Egypt Association Agreement.

2.5.7. Jordan

With respect to the tariff liberalisation for certain industrial goods, Article 11(2) of the Association Agreement provides for liberalisation at entry into force for the EU, which was in 2002, and over a twelve-year period for Jordan.

The Association Agreement with Jordan (together with the EU-Algeria Association Agreement) provides for more detailed rules on services than the other Association Agreements, but mostly underlines the MFN principles. These two agreements are also the only ones that contain a provision on air transport, inland waterways and maritime sport services.

On 26 September 2007, the EU and Jordan signed an *Agreement on agricultural, processed agricultural and fisheries products*, which entered into force retroactively on 1 January 2006.⁴⁷ Today, all Jordanian agricultural products enter the EU duty free with the exception of virgin olive oil and cut flowers, which are subject to TRQs, while liberalisation on the Jordanian side for agricultural products from the EU is substantial, but not complete.

2.5.8. Lebanon

With respect to the tariff liberalisation for industrial goods, Article 11 of the Association Agreement does not provide for several different timeframes for the liberalisation and, therefore, provides for an overall liberalisation for industrial products over twelve years.

A number of provisions are drafted slightly differently, taking into account that Lebanon is not yet a Member of the WTO.

No additional *Agreement on agricultural, processed agricultural and fisheries products* has, so far, been concluded, but the level of agricultural market opening by the EU was already substantial in the original agreement. There is only about one tenth of EU imports in basic agricultural products that is not made under fully liberalised tariff lines.

2.5.9. Morocco

With respect to the tariff liberalisation for certain industrial goods, Article 11(2) of the Association Agreement provides for a liberalisation over three years, which was ultimately extended to twelve years.

⁴⁶ Council Decision of 9 October 2009 on the signing and conclusion of the Agreement in the form of an Exchange of Letters between the European Community and the Arab Republic of Egypt concerning reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products, the replacement of Protocols 1 and 2 and their annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010D0240> (accessed 16 February 2019).

⁴⁷ Agreement in the form of an Exchange of Letters between the European Community and the Hashemite Kingdom of Jordan amending the EC-Jordan Association Agreement, Official Journal of the EU, 5 August 2008, L 207/18, available at <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:207:0018:0023:EN:PDF> (accessed 17 February 2019).

On 13 December 2010, the EU and Morocco signed an *Agreement on agricultural, processed agricultural and fisheries products*, which entered into force on 1 October 2012.⁴⁸ This agreement provides for reciprocal liberalisation measures on agricultural products, processed agricultural products and fish and fishery products and replaced Protocols 1, 2 and 3 and their Annexes and amendments to the EU-Morocco Association Agreement.

2.5.10. Tunisia

With respect to the tariff liberalisation for certain industrial goods, Article 11(2) of the Association Agreement provides for liberalisation over twelve years.

No additional *Agreement on agricultural, processed agricultural and fisheries products* has, so far, been concluded.

2.5.11. Institutional framework of the Euro-Med FTAs

2.5.11.1. Institutional provisions in the FTA

The respective titles on *Institutional, General and Final Provisions* of the Euro-Med Association Agreements provide the general rules on the institutional framework of the Euro-Med FTAs.⁴⁹ In general, terms, the Association Agreements provide for a three-tiered institutional framework:

- 1 Association Council;
- 2 Association Committee; and
- 3 Subcommittees of the Association Committee.

The **Association Council** is the most important body established by the Association Agreements and, as prescribed in the Agreements, is required to meet at ministerial level once a year and when circumstances it require, on the initiative of its Chairman and in accordance with the conditions laid down in the respective Rules of Procedure.⁵⁰ The Association Councils are competent to examine any major issues arising within the framework of the Agreements and any other bilateral or international issues of mutual interest between the respective Parties. The Association Councils consist of the Members of the Council of the European Union and Members from the European Commission, on the one hand, and of Members of the Government of Euro-Med countries, on the other.⁵¹ In accordance with the provisions laid down in the respective Rules of Procedure, Members of the Association Council may arrange to be represented.⁵² Those Rules of Procedure are established by the respective Association Councils.⁵³

The Association Agreements then provide rules on the functioning and competences of the Association Council.⁵⁴ The Association Councils have, for the purpose of attaining the objectives of the Agreements, the power to take decisions in the cases provided for in the respective Agreements. Importantly, the decisions taken by the Association Councils are binding on the Parties, which are required to take the measures necessary to implement the decisions taken.

⁴⁸ Agreement in the form of an Exchange of Letters between the European Union and the Kingdom of Morocco concerning reciprocal liberalisation measures on agricultural products, processed agricultural products, fish and fishery products, the replacement of Protocols 1, 2 and 3 and their Annexes and amendments to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Kingdom of Morocco, of the other part, available at [https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:22012A0907\(01\)](https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:22012A0907(01)) (accessed 16 February 2019).

⁴⁹ Title VIII of the EU-Egypt, EU-Jordan, EU-Lebanon, EU-Morocco, and EU-Tunisia Association Agreements, and Title IX of the EU-Algeria Association Agreement.

⁵⁰ See, for instance, Article 78 of the EU-Morocco Association Agreement.

⁵¹ See, for instance, Article 79 of the EU-Morocco Association Agreement.

⁵² See, for instance, Article 79(2) of the EU-Morocco Association Agreement.

⁵³ See, for instance, the Rules of Procedure established under EU-Morocco Association Agreement: Decision No 1/2000 of the EU-Morocco Association Council of 9 October 2000 adopting its Rules of Procedure - Rules of procedure of the Association Committee, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550304368266&uri=CELEX:22000D1026\(05\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550304368266&uri=CELEX:22000D1026(05)) (accessed 16 February 2019).

⁵⁴ See, for instance, Article 80 of the EU-Morocco Association Agreement.

Furthermore, the Association Councils may also make appropriate recommendations. Finally, the Association Councils are required to draw up their decisions and recommendations by agreement between the two respective Parties.

On the basis of the powers conferred to the Association Council, the Agreements establish **Association Committees**, which are responsible for the implementation of the Agreement.⁵⁵ The Agreements allow the Association Council to delegate to the Association Committee, in full or in part, any of its powers.⁵⁶ Decisions by the respective Association Councils on their respective rules of procedure then regulate in greater detail the relationship between the Association Council and the Association Committee, delegating certain responsibilities to the Associations Committees.⁵⁷ The Association Committees meet at the level of senior officials and meetings are attended by staff of the EU's External Action Service, of the European Commission, and of the Council of the EU, on the one hand, and of representatives of the Euro-Med country Governments, on the other. Like the Association Councils, the Association Committees are also required to establish their respective Rules of Procedure. With respect to the functioning of the Association Committees, the Agreements provides that the Association Committees have the power to take decisions for the management of the Agreement, as well as in those areas in which the respective Association Council has delegated powers to it. The Association Committees are required to draw up their decisions by agreement between the respective Parties. Again, the decisions are binding on the Parties, which are required to take measures necessary to implement the decisions taken.

The Association Councils also act as the dispute settlement bodies of the various agreements. Parties may refer to the respective Association Council any dispute relating to the application or interpretation of the Agreements. The Agreements then provide further details on the dispute settlement procedures.⁵⁸

2.5.11.2. Sub-Committees

The Association Councils may decide to set up any working group or body necessary for the implementation of the Agreements. Most importantly, the Association Councils have established various Sub-Committees to implement the Agreements.

All Association Agreements have generally established the following Sub-Committees:

- Internal market;⁵⁹

⁵⁵ See, for instance, Article 81 of the EU-Morocco Association Agreement.

⁵⁶ See, for instance, Article 81(2) of the EU-Morocco Association Agreement or Article 81(2) of the EU-Tunisia Association Agreement.

⁵⁷ See, for instance, Article 13 of Decision No 1/98 of the Association Council between the European Communities and their Member States, of the one part, and the Republic of Tunisia, of the other part of 14 July 1998 adopting its rules of procedure - Rules of Procedure of the Association Committee (98/629/EC), OJ L 300, 11.11.1998, p. 20-24, available at https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=uriserv:OJ.L_.1998.300.01.0020.01.ENG (accessed 24 April 2019); Article 13 of Decision No 1/2000 of the EU-Morocco Association Council of 9 October 2000 adopting its Rules of Procedure - Rules of procedure of the Association Committee, (2000/656/EC), OJ L 273, 26.10.2000, p. 36-39, available at [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000D1026\(05\)&qid=1556099399778](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22000D1026(05)&qid=1556099399778) (accessed 24 April 2019).

⁵⁸ See, for instance, Article 86 of the EU-Morocco Association Agreement.

⁵⁹ The key decisions on the initial establishment of the Sub-Committees are: 2003/617/EC; 2007/835/EC; Decision No 3/2007 of the EU-Algeria Association Council of 29 November 2007 setting up subcommittees of the Association Committee and a working party on social affairs, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550308120621&uri=CELEX:22007D0835>; 2007/1/EC; Decision No 1/2007 of the EU-Egypt Association Council of 6 March 2007 setting up subcommittees of the Association Committee and a Working Group on Migration, Social and Consular Affairs, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550309104312&uri=CELEX:22008D0687>; Decision No 1/2003 of the EU-Jordan Association Council of 23 August 2003 setting up subcommittees of the Association Committee and a Working Party for Social Affairs, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550309061276&uri=CELEX:22003D0617>; 2012/652/EU; Decision No 2/2012 of the EU-Lebanon Association Council of 17 September 2012 setting up subcommittees of the Association Committee, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550308628717&uri=CELEX:22012D0652>; 2003/208/EC, Decision No 1/2003 of the EU-Morocco Association Council of 24 February 2003 setting up subcommittees of the Association Committee, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550304368266&uri=CELEX:22003D0208>; 2003/823/EC; Decision No 1/2003 of the

- Industry, trade and services;
- Transport, environment and energy;
- Research and innovation;
- Agriculture and fisheries;
- Justice and security;
- Human Rights, Democratisation and Governance and;⁶⁰
- Customs Cooperation.

Additionally, some Association Agreements provide for additional sub-committees to be established. For example, the text of the EU-Tunisia Association Agreement already provides for the establishment of sub-committees in the fields of social and cultural affairs, and economic and monetary questions. Some of the Agreements also established a *Working Party on Social Affairs*, under the EU-Jordan Association Agreement, the Parties established a *Sub-Committee on Regional Cooperation* and, under the EU-Egypt Association Agreement, the Parties established a *Working Group on Migration, Social and Consular Affairs*.

Of particular relevance for this evaluation will be the respective Sub-Committees on *Industry, trade and services*, *Customs Cooperation*, as well as the Sub-Committees on *Agriculture and fisheries*. The minutes and reports of the relevant meetings will provide important information and guidance during the implementation phase of the evaluation.⁶¹

2.6. Implementation issues

2.6.1. Utilisation rates

In order to determine the success of a particular trade agreement, the *preference utilisation rate* can be an important indicator. The *preference utilisation rate* is typically calculated as the 'value of utilised preferences' as a share of the 'value of preference-eligible trade', which is the sum of the 'value of utilised preferences' and the 'value of non-utilised preferences'.

Based on the most recent *Individual reports and info sheets on implementation of EU Free Trade Agreements*, published by the European Commission on 31 October 2018,⁶² the following utilisation rates for 2017 have been determined for the relevant SMCs:

EU-Tunisia Association Council of 30 September 2003 setting up subcommittees of the Association Committee, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550308966483&uri=CELEX:22003D0823> (accessed 16 February 2019).

⁶⁰ The Sub-Committee on Human Rights, Democratisation and Governance under the EU-Morocco Association Agreement was established by 2006/672/EC: Decision No 1/2006 of the EU-Morocco Association Council of 26 September 2006 creating a Subcommittee on Human Rights, Democratisation and Governance, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22006D0672> (accessed 17 February 2019).

⁶¹ See below in Section 2.6.2 a summary of recent developments within the relevant Sub-Committees based on the information provided in Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

⁶² Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

Table 2.5 Preference Utilisation rates in 2018 (if not indicated otherwise)

2017	Exports from SMCs to the EU ⁶³	Imports from the EU to SMCs ⁶⁴
Algeria	96%	N/A ⁶⁵
Egypt	96%	68%
Jordan	76%	76%
Lebanon	74%	58% (2017)
Morocco	98%	77% (2017)
Tunisia	93%	N/A

Source: European Commission (2019)⁶⁶.

Table 2.5 above already provides some indications of how operators make effective use of the various trade agreements. The preference utilisation rates indicate the extent to which trade flows between given trading partners make use of preferences under a preferential trade agreement. As for exports from the SMCs to the EU, preference utilisation rates are consistently high, with most SMCs showing a *preference utilisation rate* of more than 90% (*i.e.*, Algeria, Egypt, Morocco, and Tunisia), and only two SMCs (*i.e.* Jordan and Lebanon) showing a slightly lower rate. With respect to EU exports to the SMCs, the Commission has relied on data from the respective country and, due to lack of relevant data, preference utilisation rates were only calculated for Egypt and Lebanon, with the figure for Lebanon dating back to 2015. It appears that businesses in the SMCs are successfully able to take advantage of the preferential tariffs. Interestingly, it appears that, with respect to the two countries for which data is available, EU businesses had taken less advantage of the preferential market access. This is particularly the case with respect to Egypt, and, to a lesser degree, with respect to Lebanon. It should be kept in mind that the data may not fully be reliable or comparable. A more thorough analysis will be attempted for the implementation report.

2.6.2. Work in Sub-Committees

The documentation of the work in the respective Sub-Committees, as well as in discussion groups on issues such as sanitary and phytosanitary (SPS) or technical barriers to trade (TBT) measures, provides important information and insights for the evaluation of the Euro-Med trade agreements. For this Inception Report, available information covers the work in Sub-Committees mostly until the end of 2017, as only limited information was available, at the time of drafting, regarding developments during the course of 2018 given the fact that reports take some time to prepare.⁶⁷ More recent information will be taken into account during the implementation phase and analysed for the further reports.

As can be seen by the below summaries, there appear to be significant differences in the functioning of the Sub-Committees of the various Agreements, which is due to a multitude of factors, including the broader status of political relations between the EU and the respective partner country. A more detailed review and assessment, taking into account minutes and reports from the Sub-Committees, as well as further information, will be conducted during the implementation phase.

2.6.2.1. Algeria

During 2018, meetings of the Sub-Committee on Trade, Industry, and Services, Sub-Committee on Agricultural and Fisheries Products, and the Sub-Committee on Customs Cooperation were held. Detailed information was not yet available on all 2018 Sub-Committee meetings at the

⁶³ The preference utilisation rate of EU imports is based on Eurostat figures.

⁶⁴ Based on administrative data collected by the respective importing third country.

⁶⁵ Elaboration by DG Trade on statistics received from third countries. In case no statistics have been received, the value is marked as "N/A".

⁶⁶ Elaboration of DG Trade from EUROSTAT statistics.

⁶⁷ Some of the information on the work of the Sub-Committees in this section is largely based on the information contained in: Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

time of drafting of the Inception Report, but the report on the Sub-Committee on Trade, Industry and Services has been published.⁶⁸

At the October 2018 meeting of the Sub-Committee on Trade, Industry, and Services, the European Commission raised a series of market access barriers that Algeria has been introducing in the last few years, notably a temporary import ban on more than 800 products (introduced in January 2018) and a duty increase on a list of 129 products (also introduced in January 2018), as well as other outstanding concerns were discussed:

- Quantitative restrictions under a non-automatic licensing regime in force since January 2016, which, in 2018, applied to imports of completely built private vehicles;
- Legal restrictions applicable to foreign investments (e.g., the '49/51 Law', which established a 49% limit for foreign ownership of any company established in Algeria); and
- Other issues (e.g., the longstanding issue of ship-owners' disbursement accounts).

With respect to those trade barriers, three consultations at Senior Official level were held during 2018. In the Association Council Conclusions of May 2018, the parties expressed the wish that these consultations find a negotiated solution possibly by the end of 2018.

At the October 2017 meeting of the Sub-Committee on Customs Cooperation, discussions between the EU and Algeria focused on customs legislation and procedures, the revision of the PEM Convention, the fight against counterfeiting, as well as on information sharing regarding customs valuation. Also, in October 2017, at the Sub-Committee on Agricultural and Fisheries Products, several technical assistance programmes were discussed, as well as potential ways to reinforce EU technical assistance to Algeria in the field of conformity assessment. Algeria mentioned the will to request for more concessions within the Association Agreement, despite its inability to fulfil the current quotas at any meaningful level.

2.6.2.2. Egypt

During 2017, meetings of the Sub-Committee on Industry, Trade, Services, and Investment, the Sub-Committee on Agricultural and Fisheries products, and the Sub-Committee on Customs Cooperation were held.⁶⁹ No meetings of the sub-committees were held in 2018.

At the November 2017 meeting of the Sub-Committee on Industry, Trade, Services, and Investment, a number of trade issues were discussed:

- The delay by Egypt with respect to reducing and removing tariffs for passenger vehicles;
- The draft tax incentive scheme for the automotive industry;
- The envisaged Agreement on Conformity Assessment and Acceptance (ACAA);
- Egypt's efforts to bring its legislation in compliance with the EU's SPS rules;
- The future DCFTA prospects; and
- The ratification of the Dispute Settlement Mechanism Protocol.

At the November 2017 meeting of the Sub-Committee on Customs Cooperation, the EU and Egypt decided to organise a TAIEX workshop on rules of origin, as well as a workshop related to addressing fraud.

Also in November 2017, at the Sub-Committee on Agricultural and Fisheries products, several issues were discussed, including agri-food trade developments with the recent increase of Egyptian agri-food exports to the EU market, recent developments in the agricultural policies of both EU and Egypt, possible future cooperation on organic farming and GIs, and a review of the

⁶⁸ Sous-Comité Commerce, Industrie et Services EU-Algérie, Procès Verbal, Bruxelles, 10 Octobre 2018, available at http://trade.ec.europa.eu/doclib/docs/2019/june/tradoc_157911.pdf (accessed 2 July 2019).

⁶⁹ The information on the work of the EU-Egypt Sub-Committees in this section is largely based on the information contained in: Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, p. 134, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

impact of the EU technical assistance provided to Egypt in the sector of agriculture and rural development.

2.6.2.3. Jordan

During 2017, meetings of the Sub-Committee on Industry, Trade and Services, the Sub-Committee on Agriculture and Fisheries, and the Sub-Committee on Customs Cooperation were held. No meetings of the sub-committees were held in 2018.

At the December 2017 meeting of the **Sub-Committee on Industry, Trade and Services**, a number of trade issues were discussed:

- Implementation of the Rules of Origin scheme linked to the employment of Syrian refugees;
- The investment climate in Jordan; and
- Technical assistance and capacity building.

At the most recent meeting of the **Sub-Committee on Agriculture and Fisheries**, a number of trade issues were discussed, concerning, *inter alia*, the issue of Geographical indications (GIs).

At the December 2017 meeting of the **Sub-Committee on Customs Cooperation**, a number of customs issues were discussed:

- Modernisation of customs administration and simplification of customs legislation;
- The PEM-Convention; and
- Administrative cooperation on customs matters, including addressing irregularities and customs fraud.

2.6.2.4. Lebanon

The most recent meetings of the Sub-Committee on Industry, Trade and Services took place in October 2016 and March 2018. With regards to the latter, the Subcommittee was held under the cluster approach to subcommittees following the EU-Lebanon Partnership Priorities agreed in November 2016. Also, following from the Partnership Priorities, a technical Joint Working Group on Trade and Investment (reporting regularly to the Sub-Committee on Trade) was set up in 2017 and has met four times since its inception. The fourth meeting took place in July 2018. Under this format, parties discussed several topics such as rules of origin, cooperation in the pharmaceutical and agri-food sectors, intellectual property rights, as well as regulatory issues.

At the March 2018 meeting of the Subcommittee on Industry, Trade and Services, a number of trade issues were addressed:

- Trade integration with the EU and other trading partners;
- The future outlook of bilateral and regional cooperation in the revised PEM-Convention;
- Lebanon's WTO accession;
- Capacity-building in sectors that were identified by the Joint Working Group on Trade and Investment in July 2017 (i.e., pharmaceuticals, agri-food, and statistics);
- A number of specific trade-related measures (i.e., additional duties on imports of wine and spirits, and the suspension of the exemption of customs duties for petroleum products); and
- A number of specific issues, including non-trade related agricultural topics, such as Lebanon's geographical indications.

At the July 2018 meeting of the **Joint Working Group on Trade and Investment**, *inter alia*, the following trade-related issues were addressed:

- Rules of Origin;
- Projects of cooperation in the pharmaceutical sector;
- Access to the respective markets; and
- Participation of Lebanon in the European Enterprise Network.

2.6.2.5. Morocco

In view of the controversies in the overall political relations (see below in Section 2.6.5.5), as of early 2019, the most recent meeting of the EU-Morocco Sub-Committee on Industry, Trade, and Services had been held in December 2013 and the most recent meetings of the Sub-Committee on Agricultural and Fisheries Products and the Committee on Customs Cooperation had been held in 2015.⁷⁰

2.6.2.6. Tunisia

During 2017, meetings of the Sub-Committee on Agricultural and Fisheries Products and the Sub-Committee on Customs Cooperation and Taxation were held.

The **Sub-Committee on Customs Cooperation and Taxation** met in February 2017. Several issues were discussed covering both customs and taxation. On customs, the modernisation of Tunisia's customs administration, the evolution of the legislation of both Parties since the previous meeting, border management (especially the challenges encountered by Tunisia's customs authorities at the border with Libya), the fight against counterfeiting goods, methods of mutual administrative assistance, preferential origin, including a state of play of the revision of the pan-euro-Mediterranean preferential rules of origin. With respect to taxation, Tunisia informed about the reform of the taxation rules. In general, both Parties agreed on the need to support Tunisia's customs authorities in preparing projects relating to customs legislation, as well as modernisation.

The **Sub-Committee on Industry, Trade and Services** last met on 28 February 2019. A fruitful discussion took place on the respective evolution of trade flows, both sides' trade policies orientations and the importance of ensuring transparency and consultation with civil society. Questions related to market access were also intensively discussed, notably regarding the recent import-restrictive measures adopted by Tunisia in November 2018. Both sides discussed the EU trade related assistance recently implemented, as well as the relevant regional questions (i.e., related to the Union for the Mediterranean (UfM), the Agadir Agreement, and challenges related to the imminent finalisation of Pan Euro-Med Convention on rules of origin). Finally, a discussion on Tunisia's reforms with regard to investment and public procurement was held.

The **Sub-Committee on Agricultural and Fisheries Products met in December 2017**. Tunisia and the EU exchanged trade statistics on bilateral trade in agricultural and fishery products and updated each other on their agricultural and fishery policies. Tunisia expressed the wish for cooperation between the EU and Tunisia on quality policies, notably regarding organic agriculture and GIs. Both Parties discussed Tunisian requests for a reintegration to the Generalised System of Preferences, an additional olive oil quota and a possibility to renew a quota for eels. The EU raised several self-contained SPS issues, notably regarding the exports of apples, live plants, and poultry products from the EU to Tunisia. Tunisia touched on the issue of its fishery products returned by the EU and inquired about a possibility to export dairy products to the EU. The EU raised concerns about the increase of customs duties on some agricultural products, as well as on import restrictions on red meat and live animals.

2.6.3. Action Plans

As part of the EU's Neighbourhood Policies (hereinafter, ENP), the EU had developed *Action Plans* for the cooperation with its partners in the South (i.e., in the Mediterranean region) and in the East. The Action Plans are political documents providing the strategic objectives of the cooperation between the Mediterranean countries and the EU. Their implementation aims at building solid foundations for further economic integration to enhance trade, investment and

⁷⁰ See Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, pp. 145, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

growth in line with the objectives of regional economic integration. A number of Actions Plans were adopted in 2005 and covered a five-year timeframe.⁷¹

2.6.4. Partnership Priorities

More recently, the EU has focused on the definition of Partnership Priorities with the Euro-Med countries for the period from 2017 to 2020. So far, such priorities have been agreed with all countries relevant to this evaluation, except for Morocco, which is in the process of overhauling its partnership with the EU. The new *Partnership Priorities* were defined by mutual agreement in the context of the revised European Neighbourhood Policy and the EU's Global Strategy for foreign and security policy.

In view of the underlying rationale of the adoption of Partnership Priorities, namely a more targeted and jointly agreed cooperation informed by mutual interests, they might also have important implications for trade between the Parties and the respective rules contained in the Agreements. Since fostering economic growth and jobs is a priority common to many countries in the Middle East and North Africa (MENA) region, the *Partnership Priorities* approach is important to keep in mind when evaluating the effectiveness of the FTAs.

2.6.4.1. Algeria

At the Association Council of 13 March 2017, the EU and Algeria adopted their shared *Partnership Priorities*. The *Partnership Priorities* establish a renewed framework for political engagement and enhanced cooperation.⁷²

The *Partnership Priorities* in the context of EU-Algeria relations up to 2020:

- Political dialogue, governance, the rule of law and the promotion of fundamental rights;
- Cooperation, socio-economic development, including trade and access to the European single market;
- Energy, the environment and sustainable development;
- Strategic and security dialogue; and
- The human dimension, including cultural and inter-religious dialogue, migration and mobility.⁷³

The section on '*Cooperation, socio-economic development, including trade and access to the European single market*', provides, *inter alia*:

"The Association Agreement between the two parties provides a framework for stepping up trade and investment, and the parties should make the most of this agreement to help each other overcome the current economic downturn. The EU and Algeria therefore reaffirm their desire to make optimum use of the 2005 Association Agreement, complying fully with this and seeking to balance their respective interests. Joint evaluation of the Association Agreement is part of this ongoing process. (...)

The EU and Algeria will strengthen their dialogue on trade under the Association Agreement with a view to supporting a balanced high-added-value trading relationship and to reducing and progressively eliminating restrictions on trade in goods and services. In this connection, the parties will refrain from introducing any measure, other than those compatible with the provisions and procedures of the Association Agreement that might prove an obstacle to trade. The parties will consolidate their dialogue on trade-defence instruments and industrial cooperation tools (within the framework of Euro-Mediterranean industrial cooperation). The EU and Algeria also

⁷¹ See, for instance, the Action Plans for Morocco and Tunisia, available at: EU-Morocco <https://library.euneighbours.eu/content/eu-morocco-enp-action-plan>; EU-Tunisia: <https://library.euneighbours.eu/content/eu-tunisia-enp-action-plan> (accessed 16 February 2019).

⁷² Council of the EU, The European Union and Algeria adopt their *Partnership Priorities*, 13 March 2017, available at <https://www.consilium.europa.eu/en/press/press-releases/2017/03/13/eu-algeria/> (accessed 17 February 2019).

⁷³ The full text of the EU-Algeria *Partnership Priorities* is available at <http://data.consilium.europa.eu/doc/document/ST-3101-2017-ADD-1/en/pdf> (accessed 25 April 2019).

agree to use the Association Agreement to establish a dialogue on how best to attract foreign (and particularly European) investment. The EU reiterates its commitment to supporting Algeria's accession to the World Trade Organisation, in particular through the conclusion of a bilateral agreement in this framework".⁷⁴

2.6.4.2. Egypt

On 25 July 2017, the EU-Egypt Association Council endorsed the EU-Egypt *Partnership Priorities* for 2017-2020.⁷⁵ The aim of the partnership priorities is to address common challenges, to promote joint interests and to guarantee long-term stability on both sides of the Mediterranean. The EU-Egypt *Partnership Priorities* are guided by a shared commitment to the universal values of democracy, the rule of law and respect for human rights.

The *Partnership Priorities* cover three main areas:

- Egypt's sustainable modern economy and social development;
- Partners in foreign policy; and
- Enhancing stability.⁷⁶

In the section on 'Egypt's sustainable modern economy and social development', the Partnership Priorities provide:

"b) Trade and investment

The EU and Egypt are important trading partners. They are committed to strengthening the existing trade and investment relationship and to ensuring that the trade provisions of the EU-Egypt Association Agreement establishing a free trade area (FTA) are implemented in a manner that enables it to reach its full potential. While the EU has previously put forward the idea of a comprehensive Deep and Comprehensive Free Trade Agreement (DCFTA) initiative to both deepen and widen the existing FTA, the EU and Egypt will also jointly identify other suitable approaches to enhance trade relations".⁷⁷

2.6.4.3. Jordan

On 19 December 2016, the EU-Jordan Association Council adopted the *Partnership Priorities* and *Compact* adopted by written procedure.⁷⁸

The *Partnership Priorities* for EU-Jordan relations for the coming years include:

- Strengthening cooperation on regional stability and security, including counter-terrorism;
- Promoting economic stability, sustainable and knowledge-based growth, quality education and job creation; and
- Strengthening democratic governance, the rule of law and human rights.

More specifically, the EU-Jordan *Partnership Priorities* provide, *inter alia*:

"A strong and stable Jordanian economy supported by an additional relaxation of the trade regime between Jordan and the EU and an enhanced investment climate (through business environment reforms) will act as powerful incentives for job creation

⁷⁴ EU-Algeria *Partnership Priorities*, pp. 3-6, available at <http://data.consilium.europa.eu/doc/document/ST-3101-2017-ADD-1/en/pdf> (accessed 25 April 2019).

⁷⁵ Council of the EU, EU and Egypt adopt their partnership priorities, 25 July 2017, available at <https://www.consilium.europa.eu/en/press/press-releases/2017/07/25/eu-egypt-adopt-partnership-priorities/> (accessed 17 February 2019).

⁷⁶ The full text of the EU-Egypt *Partnership Priorities* is available at <https://www.consilium.europa.eu/media/23942/eu-egypt.pdf> (accessed 17 February 2019).

⁷⁷ EU-Egypt *Partnership Priorities*, p. 3, available at <https://www.consilium.europa.eu/media/23942/eu-egypt.pdf> (accessed 17 February 2019).

⁷⁸ Council of the EU, EU and Jordan adopted partnership priorities and compact, 19 December 2016, available at <https://www.consilium.europa.eu/en/press/press-releases/2016/12/20/eu-jordan-partnership-priorities-and-compact/> (accessed 17 February 2019).

for Jordanians; and Syrian refugees where applicable. The modernisation and diversification of the economy will be further enhanced by support to innovation-driven growth and knowledge sharing. In the same context, cooperation will intensify on improving employability, skills development and related educational reform, to promote the role of youth in the economy and society.

Enhancement of the existing Association Agreement through negotiation of a Deep and Comprehensive Free Trade Area (DCFTA) that includes addressing all market access challenges that hinder Jordan from fully benefiting from the opportunities under the Association Agreement, will also enhance Jordan's integration into the EU market and create new opportunities for trade, investment and development".⁷⁹

The *Compact* provides for mutual commitments by which the EU and Jordan will fulfil the pledges they made at the London Conference in February 2016 on supporting Syria and the region. The objective is to improve the living conditions both of Syrian refugees in Jordan as well as vulnerable host communities.⁸⁰

2.6.4.4. Lebanon

On 11 November 2016, the EU and Lebanon adopted their *Partnership Priorities* for the period from 2016 to 2020, as well as a *Compact*.⁸¹ The *Partnership Priorities* set up a renewed framework for political engagement and enhanced cooperation.

The *Partnership Priorities* in EU-Lebanon relations for the coming years include:

- Security and countering terrorism;
- Governance and the rule of law;
- Fostering growth and job opportunities; and
- Migration and mobility.⁸²

More specifically, the section on '*Fostering growth and job opportunities*' provides, *inter alia*:

"d. Trade / Agriculture / Industry: Lebanon and the EU also aim to strengthen their trade relationship. To this end, Lebanon and the EU will establish and regularly convene a joint working group to further facilitate trade and reduce existing non-tariff barriers for goods and services. This working group will start convening at the earliest.

There is a mutual interest in boosting the trade relationship by increasing the competitiveness of the industrial products, the services sector, and the agricultural and agro-food sector, including by improving the quality standards of Lebanese agricultural products, while mainstreaming the notion of sustainable consumption and production.

Work in this area will also help to mitigate the impact of the Syrian crisis on trade, as well as helping promoting investment in labour-intensive sectors, such as agriculture and industry. Opportunities provided by the Association Agreement should be thoroughly optimised with a view to ensuring benefits for both sides, and efforts will be made to further facilitate market access for Lebanese products to the EU and other markets. An enhanced cooperation and technical assistance on sanitary and phytosanitary standards will be instituted, including in cooperation with the Lebanese private sector, in order to adequately address these issues. In this way, Lebanon can increase exports of agricultural products and maximise benefits from existing market

⁷⁹ EU-Jordan *Partnership Priorities*, pp. 6-7, available at <http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf> (accessed 25 April 2019).

⁸⁰ The full text of the EU-Jordan *Partnership Priorities* and the *Compact* is available at <http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf> (accessed 17 February 2019).

⁸¹ Council of the EU, EU and Lebanon adopt partnership priorities and compact, 15 November 2016, available at <https://www.consilium.europa.eu/en/press/press-releases/2016/11/15/eu-lebanon-partnership/> (accessed 17 February 2019).

⁸² The full text of the EU-Lebanon *Partnership Priorities* and the *Compact* is available at <https://www.consilium.europa.eu/media/24224/st03001en16docx.pdf> (accessed 17 February 2019).

access opportunities, which includes fulfilling agricultural tariff-rate quotas (TRQs) in the Association Agreement.

*The EU will continue to encourage and support Lebanon towards membership of the World Trade Organisation (WTO) as well as to beneficial participation in the Agadir Agreement”.*⁸³

2.6.4.5. Morocco

Partnership Priorities have not been agreed with Morocco yet. Discussions are underway to overhaul the EU-Morocco partnership and establish the future framework of the relations.

2.6.4.6. Tunisia

On 15 May 2018, the EU and Tunisia agreed on their *Strategic Priorities* for 2018-2020,⁸⁴ which were adopted by the EU-Tunisia Association Council on 9 November 2018.⁸⁵

The EU and Tunisia will focus on:

- Inclusive and sustainable socio-economic development;
- Democracy, good governance and human rights;
- Bringing peoples together;
- Mobility and migration;
- Security and the fight against terrorism; and
- A special emphasis on youth as a transversal priority.

More specifically, the *Strategic Priorities* provide, in relevant part:

“The strategic priorities developed in this document translate the privileged partnership into practical terms for the period 2018 to 2020. The creation of future prospects for young people will be at the core of the actions of both sides. The focus will be placed on speeding up socioeconomic reforms including improvement of the business environment, and the conclusion of a deep and comprehensive free trade agreement (DCFTA). (...)

Both sides remain fully committed to the process of negotiations towards a Deep and Comprehensive Free Trade Agreement (DCFTA) and have agreed on a concrete action plan for 2018 to enable progress to be made with a view to accelerating the negotiations with a view to concluding them as soon as possible. The EU and Tunisia will continue to promote the modernisation of the Tunisian economy for the benefit of all, including the most disadvantaged regions and communities, and to boost job creation, particularly for young people. Both sides undertake to increase Tunisia’s economic integration in the European market as well as in the Maghreb region”.

2.6.5. Further country-specific implementation issues

A number of further country-specific implementation issues have already been identified on the basis of the EU report on the implementation of trade agreements, as well as additional research. A more detailed review of such issues and their impact will be conducted during the

⁸³ EU-Lebanon Partnership Priorities, p. 8, available at <https://www.consilium.europa.eu/media/24224/st03001en16docx.pdf> (accessed 25 April 2019).

⁸⁴ Council of the EU, EU-Tunisia Association Council, 15/05/2018, available at <https://www.consilium.europa.eu/en/meetings/international-ministerial-meetings/2018/05/15/tunisia/> (accessed 17 February 2019).

⁸⁵ Decision No 1/2018 of the EU-Tunisia Association Council of 9 November 2018 adopting the EU-Tunisia strategic priorities for the period 2018-2020 [2018/1792], ST/2604/2018/REV/1, OJ L 293, 20.11.2018, p. 39-45, available at https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=uriserv:OJ.L_.2018.293.01.0039.01.ENG (accessed 25 April 2019).

implementation phase and will include the feedback collected during the public consultation, as well as the input gathered during interviews with stakeholders in the six countries.⁸⁶

2.6.5.1. Algeria

The EU-Algeria Association Agreement was signed in April 2002 and entered into force in September 2005. In 2012, the EU and Algeria agreed to extend the transitional period for certain products (i.e., steel, textile, electronics, and automobiles) from 12 to 15 years.⁸⁷ The EU-Algeria free trade area is currently scheduled to be completed by September 2020.

Algeria is a member of the PEM-Convention, which was signed by Algeria in 2012 and, in January 2017, Algeria notified the EU of its ratification. Algeria is not yet a Member of the WTO. Algeria has started negotiating its accession to the WTO and, on 17 June 1987, the Accession Working Party was established. A 12th meeting of the Accession Working Party was held in March 2014, but no meeting was held since then.

As described above, the EU-Algeria trade agreement provides for some commitments on investment and services, however they are much less ambitious than those for goods. The EU and Algeria have not yet conducted negotiations on the revision of the Dispute Settlement Mechanism through an additional Protocol.

According to the EU's 2018 Implementation Report, since 2016, a number of specific market access issues have been growing in relevance:

- Non-automatic licensing for imports had been introduced since 2016 on a wide range of products (e.g., automobile vehicles, steel rebar and iron rod, wood, ceramics, foodstuffs). The regime was applied only to cars and was finally discontinued in January 2019. However, it was only discontinued because cars were then subject to an import ban;
- An import prohibition regarding 877 products (across all sectors) had been introduced in 2018. As from January 2019, the ban applies only to cars, but a large part of the 877 products is now subject to a set of new additional duties;
- An increase of customs duties for 129 additional products (including agricultural products) starting from January 2018;
- New additional duties (ranging from 30 to 200%) regarding a list of almost 1,100 products);
- Additional administrative requirements for exporters;
- An import ban regarding medicines for which a locally produced equivalent exists; and
- Various restrictions applied to foreign ship owners;

An important concern has been Algeria's restrictions on foreign investment, including relatively recent measures, such as the 49% foreign ownership limit that applies to all sectors. The cap remained unchanged in a recent, slightly more business-friendly revision.

⁸⁶ This section largely relies on information provided in Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

⁸⁷ This section largely relies on information provided in Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

2.6.5.2. Egypt

The EU-Egypt Association Agreement entered into force in 2004. Tariffs applied to all industrial products have been removed by Egypt. In January 2019, the transitional period for certain automotive imports expired, and, with respect to agricultural goods, 80% of Egyptian exports benefits from duty-free market access.

The Dispute Settlement Mechanism (DSM) Protocol was signed in November 2010 but has not yet been ratified. While negotiations had begun for the liberalisation of trade in services, they are currently suspended. Egypt signed the PEM-Convention on 9 October 2013 and notified its ratification on 1 June 2014.

In November 2011, the Commission received a mandate from the Council of the EU authorising negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with Egypt, as well as with Jordan, Morocco and Tunisia.⁸⁸ Negotiations with Egypt have not yet been launched.

The broader political and economic situation in Egypt has had strong implications for trade and investment. The EU's 2018 Implementation Report notes that, in recent years, the Government of Egypt had introduced a number of trade-restrictive measures and that, in 2016, an economic reform programme had been launched.⁸⁹

The EU's 2018 FTA Implementation Report makes reference to two Ministerial Decrees that pose problems for traders, namely an exporter registration scheme and pre-shipment inspections imposed on businesses importing certain goods into Egypt. The measures have been discussed in the relevant *fora*, including at the WTO, namely the WTO TBT Committee and in the WTO Council for Trade in Goods.⁹⁰

Additionally, the EU's 2018 FTA Implementation Report lists the following specific trade issues that the EU has identified with respect to Egypt:

- Arbitrary customs valuations by Egyptian customs authorities;
- The acceptance of origin declarations by importers;
- Labelling requirements in the textile and ceramic tiles sectors;
- Import prohibitions regarding certain motorcycles;
- A 'reference list' of countries authorised to export milk formula that only includes some EU Member States;
- SPS issues (mainly affecting wheat and beef/live cattle imports); and
- Egypt's envisaged tax incentives scheme for the automobile sector.⁹¹

⁸⁸ See: European Commission, EU agrees to start trade negotiations with Egypt, Jordan, Morocco and Tunisia, 14 December 2011, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=766> (accessed 4 March 2019).

⁸⁹ This section largely relies on information provided in Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

⁹⁰ Ministerial Decree No. 43/2016, Specific Trade Concern IMS ID: 505, WTO, available at <http://tbttims.wto.org/en/SpecificTradeConcerns/View/502>; and Ministerial Decree No.991 /2015, Specific Trade Concern IMS ID: 505, WTO, available at <http://tbttims.wto.org/en/SpecificTradeConcerns/View/502> (accessed on 4 March 2019).

⁹¹ Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, pp. 124-125, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

2.6.5.3. Jordan

The EU and Jordan Association Agreement entered into force in May 2002. In 2006, the EU and Jordan concluded an additional Agreement on Trade in Agricultural and Processed Agricultural Products and, by now, the EU has granted Jordan duty-free market access for nearly all agricultural products (except virgin olive oil and cut flowers, which are subject to TRQs), while liberalisation by Jordan is substantial, but not complete.

In November 2011, the Commission received a mandate from the Council of the EU authorising negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with Jordan, as well as with Egypt, Morocco and Tunisia.⁹² Negotiations have not yet been launched with Jordan and Egypt, as these countries have not been ready to do so.

The Dispute Settlement Mechanism Protocol was added to the Agreement in 2011. Jordan is a member of the PEM Convention, which it signed in 2011 and ratified in 2013.

The political and economic situation in Jordan is strongly impacted by the situation in neighbouring Syria. In response, the EU is supporting Jordan, as well as Lebanon, with a number of dedicated measures, including the simplification of the rules of origin applicable to Jordanian exports of certain products to the EU, agreed in 2016 and to apply until the end of 2030. In December 2018, the EU-Jordan Association Council agreed on a further Amendment to Protocol 3 of the EU-Jordan Association Agreement on this matter.⁹³

As noted above, on 19 December 2016, the EU-Jordan Association Council adopted the *Partnership Priorities and Compact* by written procedure.⁹⁴ The *Partnership Priorities*, inter alia, refer to the issue of regulatory coherence.

The EU's 2018 Implementation Report notes that Jordan was also working on approximating its standards to EU standards, including efforts by Jordan's Food and Drug Administration to align its domestic legislation with EU technical regulations and SPS standards.⁹⁵ It further notes that there were diverging views on Jordan's commitments regarding the import conditions for alcoholic drinks, which are attributed to a conflict between the original Association Agreement and the later Agreement on trade in agricultural, processed agricultural and fisheries products.

2.6.5.4. Lebanon

The EU-Lebanon Association Agreement was signed in June 2002 and entered into force in April 2006. The liberalisation of industrial products by Lebanon started in 2008 and was completed in 2015.⁹⁶ With respect to agricultural and processed agricultural products, the Agreement directly provided for duty-free market access to the EU for most products originating in Lebanon, with only 27 agricultural products still subject to a specific tariff treatment, mostly in the form of

⁹² See: European Commission, EU agrees to start trade negotiations with Egypt, Jordan, Morocco and Tunisia, 14 December 2011, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=766> (accessed 4 March 2019).

⁹³ See: Decision No. 1/2018 of the EU-Jordan Association Council of 4 December 2018, available at http://trade.ec.europa.eu/doclib/docs/2018/december/tradoc_157588.pdf (accessed 4 March 2019).

⁹⁴ Council of the EU, EU and Jordan adopted partnership priorities and compact, 19 December 2016, available at <https://www.consilium.europa.eu/en/press/press-releases/2016/12/20/eu-jordan-partnership-priorities-and-compact/> (accessed 17 February 2019).

⁹⁵ See Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, pp. 135-136, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

⁹⁶ This section largely relies on information provided in Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

TRQs. The liberalisation of agricultural and processed agricultural products by Lebanon has been more limited.

In 2010, the EU and Lebanon signed the Dispute Settlement Mechanism Protocol, which Lebanon ratified at the end of 2018. Lebanon has signed the PEM-Convention in 2014 and ratified it in 2017.

The political and economic situation in Lebanon is strongly impacted by the situation in neighbouring Syria. As noted above, on 11 November 2016, the EU and Lebanon adopted *Partnership Priorities* for 2016-2020, as well as a Compact. The Partnership Priorities set up a renewed framework for political engagement and enhanced cooperation. Following the commitments in the Partnership Priorities and Compact, a Joint Working Group (JWG) on Trade and Investment was established to address trade-related issues. As noted in the EU's 2018 Country Report on Lebanon as part of the EU FTA Implementation Report, the work of the Joint Working Group on Trade and Investment focuses on the following issues:

- Facilitating exports of agri-food and industrial goods to the EU;
- Improving competitiveness and productivity of the agro-food sector, as well as services;
- Statistics;
- SPS matters;
- SMEs;
- Business and investment climate.⁹⁷

2.6.5.5. Morocco

The EU-Morocco Association Agreement entered into force in 2000 between the EU and Morocco.

The transition period for Morocco to reduce its tariffs on industrial products to zero ended in March 2012. In 2010 the EU and Morocco signed an Agreement on Additional Liberalisation of Trade in Agricultural and Fisheries Products, which entered into force in 2012. Trade for industrial products is now fully liberalised, while market access for agricultural products also covers nearly all products, with only a few products still subject to TRQs on each side.

The Dispute Settlement Mechanism Protocol entered into force in 2012. Morocco signed the PEM-Convention on 18 April 2012 and ratified it on 6 May 2019.

Relations between the EU and Morocco were affected by two decisions of the EU's courts regarding the *Agreement in the form of an Exchange of Letters between the European Union and the Kingdom of Morocco concerning reciprocal liberalisation measures on agricultural products, processed agricultural products, fish and fishery product*. Even if trade flows continued to grow, these rulings had an impact on the relations between the EU and Morocco. The work of the Sub-Committee on Trade and other bodies established under the Association Agreement, which have not met since 2015 (most recent meeting of the Sub-Committee on Agricultural and Fisheries Products, while the most recent meeting of the Sub-Committee on Industry, Trade, and Services dates back till December 2013), has also been affected. Due to the broader context, the ratification process of the Agreement for the Protection of GIs, which is still pending, slowed down. In February 2018, in another case the Court ruled that the EU-Morocco Fisheries Agreement and its Protocol on fishing opportunities and financial contributions did not apply to the waters off the coast of the territory of Western Sahara.⁹⁸

⁹⁷ Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, pp. 141, available at <https://ec.europa.eu/transparency/reqdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

⁹⁸ Judgment of the Court (Grand Chamber) of 27 February 2018 (request for a preliminary ruling from the High Court of Justice (England & Wales), Queen's Bench Division (Administrative Court) — United Kingdom) - The Queen, on the application of: Western Sahara Campaign UK v Commissioners for Her Majesty's Revenue and Customs, Secretary of State for Environment, Food and Rural Affairs, Case C-266/16, available at <http://curia.europa.eu/juris/document/document.jsf?text=&docid=201366&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=14032483> (accessed 17 February 2019).

To address the situation, in accordance with the rulings of the Court of Justice of the EU, the EU engaged in negotiations with Morocco in order to amend the relevant protocols of the EU-Morocco Association Agreement in order to establish the legal basis for granting the tariff preferences laid down in the Association Agreement to products originating in Western Sahara. Likewise, in accordance with the rulings of the Court of Justice of the EU, the EU engaged in negotiations with Morocco to conclude a new Sustainable Fisheries Partnership Agreement. On 16 January 2019, the European Parliament gave its consent to the amendment of the EU-Morocco Association Agreement. On 12 February 2019, the European Parliament also expressed its support to the new EU-Morocco Sustainable Fisheries Partnership Agreement and Protocol. Both agreements have been adopted by the Council of the EU and subsequently ratified by Morocco.

In November 2011, the Commission received a mandate from the Council of the EU authorising negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with Morocco, as well as with Egypt, Jordan, and Tunisia.⁹⁹ The negotiations started in 2013 and, between 2013 and 2014, four rounds were held. Morocco proposed to suspend the negotiations for a DCFTA in 2014. During the suspension, Morocco intended to conduct impact assessments, as well as further internal consultations with stakeholders.

The DCFTA is supposed to expand the existing free trade area into new areas, as well as deepen it in a number of areas that have already been included, but not yet covered in depth. Negotiations were scheduled to include areas such as public procurement, disciplines on non-tariff measures, harmonisation of standards and regulations towards the EU *acquis*, SPS measures, intellectual property rights, consumer protection, competition, investment, trade in services and sustainable development.

According to the EU's 2018 Implementation Report, it appears that Moroccan authorities adopted a number of trade-restrictive measures:

- Morocco's recent Foreign Trade Law, with a strong focus on the protection of national production;
- Public procurement procedures that require an increased percentage of local components (notably as regards renewable energies);
- An increasing number of administrative procedures limiting effective market access in Morocco (notably in the sector of car parts).¹⁰⁰

2.6.5.6. Tunisia

In 1995, the EU and Tunisia concluded their Association Agreement, which entered into force in 1998. Already prior to the entry into force, Tunisia began implementing the Association Agreement in 1996. All tariffs referred to in the Association Agreement were entirely dismantled by 2008 and the EU-Tunisia free trade area was already entirely implemented two years ahead of the envisaged date.¹⁰¹ In 2008, the trade of industrial products was entirely liberalised, while market access for agricultural products remained more limited. With respect to fishery products,

⁹⁹ See: European Commission, EU agrees to start trade negotiations with Egypt, Jordan, Morocco and Tunisia, 14 December 2011, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=766> (accessed 4 March 2019).

¹⁰⁰ This section largely relies on information provided in Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

¹⁰¹ See Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

only one product on the EU side is still subject to a so called tariff rate quota, but Tunisia has not yet liberalised market access for fisheries.

The Dispute Settlement Mechanism Protocol entered into force in 2011. On 27 February 2019, a discussion took place at the most recent meeting of the Sub-Committee on Trade on the steps required from each side to make the system operational. The PEM-Convention was signed by Tunisia on 16 January 2013 and Tunisia notified ratification thereof on 1 January 2015.

In November 2011, the Commission received a mandate from the Council of the EU authorising negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with Tunisia, as well as with Egypt, Jordan, and Morocco.¹⁰² The negotiations on the DCFTA with Tunisia were launched in Tunis in October 2015 and the first full round of negotiations took place in Tunis in April 2016. One of the main objectives of the negotiations is to support economic reforms in Tunisia and to bring Tunisia's legislation closer to EU legislation in selected trade-related areas. The principles of asymmetry and progressiveness in favour of Tunisia will guide market access negotiations especially regarding agriculture, services and investment. Regarding regulatory approximation, it is for Tunisia to choose the sectors in which it wishes to align with EU rules.

Negotiations are carried out in a transparent manner not only on the EU side, but also on the Tunisian side. All EU initial proposals are public and civil society consultations are held regularly. Joint reports of each round are also published in the EU and in Tunisia. A fourth round took place in Tunis in Spring 2019.

Tunisia benefits from a '*special relationship*' with the EU. Since 2012, the EU and Tunisia cooperate in the context of a '*Privileged Partnership*', detailed in an ambitious Action Plan under the European Neighbourhood Policy (ENP). In 2016, the EU reaffirmed its support to Tunisia through a joint communication of the High Representative of the European Union for Foreign Affairs and Security Policy and the Commission on '*Strengthening EU support for Tunisia*'.¹⁰³ The communication detailed the areas in which EU support is to be provided in order to further sustained and inclusive development and advance needed structural reforms. The communication included a number of trade-related measures, as well as the launch of a '*Partnership for growth*' initiative. The measures include: 1) A possible early entry into force of the agreed EU trade concessions on agricultural market access of a future DCFTA on a temporary basis; 2) The possible advanced implementation of the new the Pan-Euro-Mediterranean (PEM) rules of origin; 3) Temporary flexibility for certain products; and 4) The setting up of a structured regulatory dialogue to facilitate and speed up the negotiation of an Agreement on Conformity Assessment and Acceptance (ACAA) of industrial products that still needs key legislation to be adopted (*i.e.*, laws on security of industrial and food products).

On 29 November 2018, without prior notice to private operators, Tunisia enforced a new restrictive measure requiring import authorisations for a very long list of products. The import authorisations should, in theory, be guided by objective technical specifications (*i.e.*, cahier des charges), but these have not yet been defined. In the absence of specific criteria, Tunisia's Ministry of Trade intends to evaluate and decide importation requests on a case-by-case basis. Quantitative restrictions are also being applied. The measure imposes *de facto* non-automatic import licences and appears to be a clear violation of Article 19 of the EU-Tunisia Association Agreement, which prohibits quantitative restrictions. The new measure has not been notified to the WTO and appears to be contrary to WTO provisions.

The 2018 EU FTA Implementation Report further notes that "protectionist tendencies" had appeared in recent years, noting a number of "open issues":

- Technical and administrative difficulties experienced by EU exporters of pharmaceutical products, as well as ceramic tiles and glass;

¹⁰² See: European Commission, EU agrees to start trade negotiations with Egypt, Jordan, Morocco and Tunisia, 14 December 2011, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=766> (accessed 4 March 2019).

¹⁰³ Strengthening EU support for Tunisia, Brussels, 29.9.2016 JOIN(2016) 47 final, available at https://eeas.europa.eu/sites/eeas/files/communication_from_commission_to_inst_en_v6_p1_859678-2.pdf (accessed 25 April 2019).

- Trade-restrictive customs procedures and technical controls in ports on a large list of products;
- Investment-related difficulties; and
- SPS issues concerning exports of apples, as well as of live plants, animals and poultry products.¹⁰⁴

2.7. Interaction with other Euro-Med agreements and initiatives

Apart from the *Agreements on agricultural, processed agricultural and fisheries products*, the other relevant agreements between the EU and the Euro-Med countries are the *Protocols on Dispute Settlement Mechanisms*. They have been concluded with several countries, including all those concerned by this study, apart from Algeria. Nevertheless, none of those Protocols is operational yet. This is an important step forward, in particular as negotiations for DCFTA's continue and lead to significantly broader and deeper agreements. The more those agreements go beyond WTO rules, the greater the relevance for structured dispute settlement mechanisms.

2.8. Conclusions

While the content of the six trade chapters of the Euro-Med Association Agreements that are subject to this evaluation is largely the same, it is already apparent that the implementation and status of trade relations vary to an important extent. This is due to a multitude of issues, including the overall political situation and external factors affecting the political climate. More specifically, the agreements vary due to the varying degree of additional negotiations and amendments to the agreements. In terms of liberalisation, this largely concerns the issue of phased liberalisation for the SMC countries, as well as the additional agreements on agricultural, processed agricultural and fisheries products that are in force with Egypt, Jordan, and Morocco.

Furthermore, the overall domestic political situation in the six SMC countries, as well the political situation in neighbouring countries, notably Syria, considerably affects trade capabilities, trade, and the capacity and focus to deepen trade relations with the EU. Recently, the formulation of *Partnership Priorities*, which also include references to deepening the trade agreements, might provide important renewed impulses to the Euro-Med trade relations.

Based on the above preliminary assessment and further research and consultations, the implementation of the six Euro-Med Association Agreements and its impact will be assessed in greater detail during the implementation phase of the project.

¹⁰⁴ See Commission Staff Working Document, Individual reports and info sheets on implementation of EU Free Trade Agreements, Accompanying the document, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements, 1 January 2017 - 31 December 2017, COM(2018) 728 final, p. 157, available at <https://ec.europa.eu/transparency/reqdoc/rep/1/2018/EN/COM-2018-728-F1-EN-MAIN-PART-1.PDF> (accessed 12 February 2019).

3. LITERATURE REVIEW

This section discusses the findings of the literature on the economic effects of Euro-Med FTAs and other literature on trade integration of the six SMCs which is relevant in the context of the Euro-Med FTAs. It is structured as follows:

- Firstly, the methodological approaches used most commonly in the economic literature on Euro-Med FTAs and SMCs' trade integration are discussed (Section 3.1);
- Secondly, results from several empirical papers focused on the region as a whole are discussed (Section 3.2);
- Thirdly, in an effort to capture the relevant country-level effects, where made possible by the respective authors, the results at the country-level are discussed¹⁰⁵ (Section 3.3);
- The concluding section summarises the findings and discusses limitations of the existing literature which can be addressed by the current study (Section 3.4).

3.1. A primer on approaches used most commonly in the literature

Descriptive and econometric analysis of historical trade flows

Descriptive statistical analyses are standard elements of many quantitative studies on the Euro-Med FTAs. They typically involve an analysis of trends of economic variables of interest in order to first identify the nature of developments (directions and magnitudes of changes) as well as a possible correlation between the different variables. Such analysis is often used as a stand-alone approach or one that supports econometric or computable general equilibrium (CGE) modelling. As foreshadowed in the description of the general evaluation approach, particularly in *ex post* studies, researchers have the benefit of knowing what actually happened to trade flows and other economic indicators.

The challenge is then to reliably attribute the observed parallel changes to the analysed FTAs and other concurrent developments which influence jointly or separately trade and economic growth of countries engaging in trade agreements. The presence or lack of beneficial impact of the FTAs on, first, trade and, then, economic growth may not be easily seen in the data or the changes seen may not be a result of the FTAs. What is broadly referred to as 'gravity modelling of trade' addresses some of these challenges and has been used on numerous occasions as a principal or supplementary tool of economic analysis of effects of these trade agreements. In its most general formulation, the gravity model – an analogy to the Newtonian theory of gravity in physics – relates the volume of bilateral trade flows to the economic size of trading countries as well as to measures of economic distance as usually captured by various indicators of bilateral and multilateral trade costs including, distance, various measures of cultural proximity, bilateral import tariffs as well as a host of measurable non-tariff measures.

Gravity models are based on certain theoretical assumptions, which find reflection in the inclusion of the different explanatory variables and functional forms of these models. Nevertheless, in contrast to the CGE approach, they use historical trade and protection data and statistical and econometric methods to estimate the significance, direction and magnitude of the various postulated relationships between trade and its different determinants predicted by the theory, including the effects of implemented trade policies. They are consistent with a number of different trade theories and they have relatively high empirical explanatory power. As such, they can be seen cognitively more flexible than CGE models and can facilitate both understanding of historical trends and separation of the effects of trade policy changes from other factors affecting trade volumes, such as in the case of the evaluation of Euro-Med FTAs in question.

Gravity models suffer from typical econometric problems such as the appropriate specification and inclusion of all relevant variables in order to avoid the problem of econometric endogeneity. Simplifying somewhat, endogeneity may occur if variables measuring phenomena such as, for example, non-tariff measures (NTMs), which may have an impact on trade and are at the same

¹⁰⁵ In cases when one study encompasses several Mediterranean countries, we present the results for each country separately.

time correlated with the investigated policy changes (e.g. reduction in tariffs, where NTMs are sometimes erected to counter-balance the effect of tariffs¹⁰⁶), are not included in the specification of the model. In such cases, biased results may be obtained, attributing either too little or too much to the investigated reduction in tariffs. Another shortcoming of gravity modelling is that it cannot directly assess the welfare implications or distributional aspects of trade policy changes – the estimated trade impacts are only broad proxies for potential welfare effects. But, combined with the CGE modelling, they are a useful tool of applied trade policy analysis. Their use can help address some of the criticism regarding the use of CGE models in assessments of trade agreements.¹⁰⁷

In our context specifically, integration of the MENA region has been as an economic challenge for a long time. Both intra-regional and extra-regional trade flows observed in the MENA region emerged as relatively lower against the backdrop of other regions characterised by similar geographical, historical or cultural proximity. Regional preferential trade policy initiatives in the mid-1990s (the GAFTA, greater Arab free trade area [1997] and the Agadir agreement [2004]) as well as the Euro-Med FTAs created hopes for improvement and a need for assessing their actual effects. This resulted in a series of empirical studies attempting to estimate the so-called trade potential which either could be realised (the ‘ex-ante’ strand of research) or the trade-related effects of these agreements which materialised since their implementation (the ‘ex-post’ strand of literature).

‘Trade potential’ can be defined as the level of trade predicted when one considers the region-specific characteristics, which can be accounted for in the model. By contrasting the such-obtained level to the actual (real) level of trade, one can assess whether the regions trade less with each other than regions with similar characteristics in the world do. In addition, such econometric approaches relate the level of the observed trade between regions (countries) to the regional (country-level) factors (such as all the variables which are expected to influence a region’s [country’s] capacity to trade, for instance: infrastructure, administrative costs, multilateral level of protection etc.) and to bilateral factors (e.g. inter-regional [inter-country] trade costs). In doing so they allow for the identification of the respective contributions of the identified factors to the registered level of trade and to project the future trade creation resultant from elimination in barriers to trade.

While the most basic form of the gravity equation includes factors related to geography and cultural factors, to achieve greater accuracy of trade creation estimates the model has undergone gradual evolution as to incorporate numerous other variables as possible determinants of trade patterns. A large number of studies focusing on SMCs proposed controls accounting for country-specific institutional settings (e.g. past or historic relationships, corruption control and governance issues, regulatory quality, etc.), cultural differences (e.g. language, religion, etc.), as well as indicator variables accounting for trade agreements (e.g. Al-Atrash and Yousef, 2000; Söderling, 2005; Ghoneim, Péridy, Gonzalez and Parra 2012; Péridy, 2012). Fixed product-, country- or country-year effects have also constituted common extensions of gravity models. In this context, despite the controversy surrounding the best econometric approach, the technique can provide valuable ex-ante projections and help attribute the observed trade effects to specific factors in ex-post assessments of past trade liberalisation efforts.¹⁰⁸

¹⁰⁶ NTMs can offer similar protection to local producers as tariffs while being less easily detectable.

¹⁰⁷ For example, reviewing the literature on the effects of NAFTA, (Grumiller, 2014) found that a considerable gap existed between CGE-based ex-ante projections and ex-post econometric evaluations with regard to NAFTA’s effects on welfare, wages and employment. He found that ex-ante models had a tendency to overestimate the benefits and to underestimate the costs of this trade agreement.

¹⁰⁸ One problem that has been associated with gravity equations’ specifications was the assumption that bilateral trade costs likely affect directly the bilateral trade flows, while the derivation of the theoretical gravity model indicates that region-specific (country-specific) price indices determine trade flows jointly with bilateral trade costs (Anderson 1979; Anderson and van Wincoop, 2003). This is why factors controlling for the overall trade costs borne by a region (country) on all its imports – the so-called multilateral resistance to trade – are nowadays included in the estimation to robustly compute the impact of trade costs determinants (such as trade agreements or other reductions in barriers to trade). This issue emerges as particularly salient with regard to SMCs, which in the period 1995-2010 have engaged simultaneously in several trade agreements (both intra- and inter-regional [with the EU and third countries such as the USA]) – indeed, the impact of these different trade arrangements needs to be carefully disentangled. Additionally,

CGE models

CGE models used in assessments of effects of trade policies combine a complete mathematical representation of what are thought to be all key aspects of economic activity within and between countries, based on mainstream macro- and microeconomic theory and its up-to-date empirical verifications. They integrate the theory and applied modelling approaches with the baseline data on the structure of economies, trade and trade policies and many other important aspects of economic activity, which are available at the time of the study. They have several features, which makes them attractive tools for assessments of effects of trade policies and comparing them with other influencing factors, but they also have some limitations, which need to be born in mind in the current context.

CGE models allow studying the effects of considered policy changes in an integrated multiple market-clearing framework (general equilibrium), usually encompassing several countries, sectors, and factor markets and incorporating the latest empirical estimates of parameters characterising supply, demand, consumption and various substitution effects. This means that the analysis of the effects of preferential trade agreements is consistent and complete. For example, the resulting demand and supply effects are consistent with each other and are a result of market clearing adjustments. The ensuing trade creation effects are consistent with the adjustments within the domestic industries (e.g. production, employment and wage effects) and the trade diversion effects are consistently accounted for across the different partners, including important price effects (such as those related to terms of trade, etc.). In addition, the impacts of cheaper imports of intermediate inputs on domestic producing sectors (competitiveness), public revenue implications of reduced tariffs or, indeed, environmental effects such as the emission of CO₂ due to altered production structure can also be assessed. CGE frameworks also allow for estimation of the size of overall economic effects, which integrate consumer and producer perspectives (welfare gains or losses).

CGE models are thus an implication of the underlying economic theory and baseline data rather than tools allowing its empirical verification. They have been used more often for *ex ante* predictions of the future effects of a set of economic policies, such as, for example, the Commission's Sustainability Impact Assessments of future or negotiated trade agreements (SIAs). Their use in *ex post* assessments is relatively rare. In a CGE analysis of effects of a trade agreement, the initial equilibrium, relative to which the expected changes are assessed, is calibrated to the initial periods when these respective FTAs entered into force and they show deviations from these initial baselines.¹⁰⁹ The approach provides a consistent framework for separating the effects of FTAs from all the other factors¹¹⁰ (which are held constant in a CGE simulation), but it does not benefit from the actual historical data showing what actually happened. It rather considers what we expect would happen based on the adopted CGE framework.

The CGE-based approach is considered by many as one of the best ways to gauge the impact of free trade agreements. Indeed, it allows to pinpoint the main sources of gains (and losses) following relevant liberalisation efforts since it decomposes welfare variation into subcategories such as trade effects or shifts in allocation of efficiency to name a few (the exact number and sources of the variation hinge on the specific hypotheses adopted for the purposes of modelling). On the other hand, the predicted effects rely heavily on the assumed model specification (functional forms and model closures) and the estimated parameters (e.g. elasticities). In addition, standard CGE models, which assume full employment (or no change in unemployment), do not usually allow to compute changes in unemployment levels (or,

the SMCs' ease of conducting trade with the rest of the world is shaped by regional (or country-specific) factors (such as infrastructure or administrative costs). The introduction of country-year fixed effects allows to control for some components of multilateral resistance. A significant body of research regarding the Euro-Med FTAs has relied on panel models incorporating the theoretical developments of Anderson and van Wincoop (2003)'s the multilateral resistance to trade: e.g. Péridy (2005a), Augier, Gasiorek, and Lai-Tong (2007), Ruiz and Villarubia (2007), Hagemeyer and Ciselik (2009), Pastore, Ferragina and Giovannetti (2009), Bensassi, Inma Martinez-Zarzoso, and Marquez-Ramos (2009, 2012) as well as Péridy (2012), and Jouini, Oulmane and Péridy (2016).

¹⁰⁹ Baseline year and the data used to calibrate the initial equilibrium of the model can also have crucial implications for results. This is why, when interpreting the results from the CGE models, it is very important to pay attention to the exact investigated scenarios as well as periods and data considered.

¹¹⁰ In addition, some studies which use this methodology to investigate the effects of actual trade policy changes (e.g. tariffs) introduce additional assumptions (shocks) regarding other related factors such as for example trade-related gains in total factor productivity. Sometimes these auxiliary effects dwarf the effects that can be attributed to trade policy changes proper.

alternatively, in the creation of new work places) indicating only adjustments in wages and those related to job re-allocation (between specific economic sectors and between different skill-level jobs) over short-term and medium-term. Combined with the fact that they do not usually allow for incorporation of foreign direct investments (FDIs), CGE models may emerge of limited use as far as delivering sector-level policy recommendations is concerned. These matters constitute methodological limitations, especially from the perspective of practical policymaking focussed on issues such as possibilities of workplace creation following the implementation of a trade agreement, without jeopardising the ex-ante status quo in sectors negatively influenced by rising levels of competition.

All relevant CGE studies had to overcome the same challenge of accessing appropriate databases, therefore the investigations were often conducted based on data retrieved from more than one source and studies conducted in different points in time used different base data. In this context, either the GTAP model and the accompanying database (or both) served as tools in research papers by e.g. Elbehri and Hertel (2004); Philippidis and Sanjuan (2006), Bchir, Ben Hammouda, Oulmane, and Sadni Jallab (2007), Evans et al (2006), and Dennis (2006). Apart from different versions of the GTAP database, Social Accounting Matrices (SAM) and MacMap Tariff databases were also important data sources, with Feraboli (2004), Konan and Maskus (2005), Evans et al (2006) as well as Feraboli and Trimborn (2009) relying on them for model calibration. As regards CGE models, apart from the family of models based on the GTAP model, three other static models were also deployed: MIRAGE (Bouet 2005; Bchir et al. 2007), GLOBE (Evans et al., 2006) and MAGNET (Boulanger, Kavallari, Rau, and Rutten, 2013). With regard to alternative approaches, Feraboli (2004) resorted to a dynamic CGE model based on Devarajan and Go (1998).

Data limitations

Jarreau (2011) and EMNES (2017) both observed that the application of either gravity or CGE modelling techniques has been limited by the paucity of reliable and comparable data in the case of the MENA region. Thus, majority of research papers and assessment reports tend to focus on the few economies, for which the data are more readily available. Indeed, studies centred on Algeria or Lebanon come across as rarer than those pertaining to the Egyptian, Moroccan, or Jordanian economies. As for CGE simulations in particular, they require that social accounting matrices (henceforth SAM) be used for reference year for all countries (regions) considered in a model (i.e., to account for the "initial" values of variables or the baseline scenario's assumptions) so that it can be calibrated appropriately. Specifically, formatted data are often limited, as in the GTAP project, which provides country-specific data for Morocco, Tunisia, Jordan, and Egypt, with the rest of the relevant economies aggregated at the regional level.

3.2. Review of findings across the region

Descriptive and econometric analysis of historical trade flows

One of the earliest relevant empirical quantitative studies (Al-Atrash and Yousef, 2000) set out to estimate the expected level of intra- and inter-regional trade integration of three regions: Mashreq, Maghreb and the Gulf Cooperation Council (GCC) countries. The authors argued that with the exception of the first group, the Arab countries appeared to under-trade with the outside world (both in terms of imports and exports). Additionally, judging by the outcomes for intra-regional trade, not only did the GCC and Arab Maghreb Union trade arrangements fail to promote greater cooperation in the region, but the Mashreq countries came across as more integrated not only with the outside world, but also within their trading blocks. Indeed, while the authors found that ASEAN¹¹¹ free trade agreement displayed significant positive effects, the results pertaining to the FTA with the EU¹¹² indicated that it likely decreased trade flows between the EU and Arab countries. Given the discrepancy between the impact of the FTAs considered in the study, the authors remarked that it was probable that factor mobility may have contributed to the outcome. However, the investigation encompassed a relatively short

¹¹¹ A [trade bloc](#) agreement by the [Association of Southeast Asian Nations](#).

¹¹² The authors do not specify precisely which trade arrangement they consider in their paper; the trade agreements in the period 1995-97 signed between the EU and the Arab countries include: Tunisia (1995), Morocco (1996), Jordan (1997), the Palestinian Authority (1997, an interim Association Agreements). For more detailed information, see CASE/CEPS (2009) p.23.

period (1995-97) and country sample failing to control for structural country-specific determinants which could have also affected the estimated effects.

Augier et al. (2004) was one of the first studies (and few to date) to focus not only on the impact of tariffs¹¹³ but also on the impact of rules of origin on patterns of textile sector exports between the EU and partner countries (including, among others, Turkey, **Jordan**, Israel, **Egypt**, **Tunisia**, **Morocco**) in the period 1995-98. The authors' key insight pertained to Europe's implementation of diagonal cumulation of rules of origin as a tool for mitigating the welfare-reducing influence of over-proliferated and overlapping rules of origin without stripping them of their fraud-preventing properties. Exploring the impact of the lack of cumulation in the textile industry in the Southern Mediterranean region, the authors raised two significant issues: firstly, the rules of origin may have, in the aggregate, restricted trade flows between non-cumulating countries by up to 80%; secondly – and perhaps more importantly from the perspective of trade policy calibration – FTAs¹¹⁴, via the elimination of trade barriers, likely increased intra-FTA trade flows while at the same time they could be putting up external barriers to trade via the application of constraining rules of origin.

The team's subsequent research (Augier et al., 2007) outlined the channels through which rules of origin could limit companies' choices regarding sourcing of intermediate inputs, thus contributing to trade distortions at sector-level. Based on the obtained evidence, the authors made a case that rules of origin, as a chief part of the crisscrossing FTAs, made it less probable that economies which did not participate in the same FTA would engage in bilateral trade. Augier et al (2007) also claimed that reduction of the distortionary effect could be achieved if a value-added rule (especially value-added tariffs) and full cumulation were respectively introduced and allowed.

Continuing on the theme of rules of origin, while their restrictive influence has been proven numerous times over in academic research, the recent socio-economic events have provided real-life proof of their own. Following the July 2016 announcement of the rules' simplification and aiming at facilitating the access to EU markets for **Jordan**¹¹⁵, the value of preferential market access schemes and thus their utilisation was expected to rise sharply. Yet, the latest findings of Brunelin, de Melo, and Portugal-Perez (2018) implied that the scheme had limited the beneficiaries to those entities located in designated special economic zones¹¹⁶, thereby hampering preferential market access and blunting the impact of the reforms. Based on an empirical comparison of Jordanian exports to the EU and the USA under their respective FTAs, the authors observed that the exports destined for the latter market had grown more dynamically over the last 15 years. The changes, they argued, indicated continuous under-utilisation of EU FTA-related preferences, especially in the Jordanian textiles and apparel sector. Specifically, in the high-preference and labour-intensive textile and apparel sector (with 15%-18% preferential margins for sales in the US market and 11%-12% for sales in the EU markets), utilization of preferences at the chapter level for sales in the US and EU markets were, respectively, 99.5% and 50%. Indeed, as a labour-intensive sector with relatively high EU MFN tariffs, apparel is a natural candidate standing to benefit in the short term from enhanced effective EU preferences through a relaxation of rules of origin requirements (Brunelin et al., 2018).

Soderling (2005)'s investigation provided the author with arguments supporting the hypothesis that even though the integration efforts between the EU and the Mediterranean emerged as mixed, most Mediterranean economies' export flows exceeded the modelled predictions. Specifically, **Algeria** and Syria over-exported to the EU, a result, which, the author noted, fell beyond the impact of the EU's trade policy as these countries' trade flows, remained dominated

¹¹³ Other variables included in the estimation: country-specific total production of textiles; country-specific total apparent consumption of textiles; relative unit values (to proxy the price terms); the bilateral MFN or preferential average tariffs between countries, the distance between the economic centre of gravity of the respective countries as well as controls for quotas between countries and regional trading arrangements or other affinities (e.g. a common language or a common border).

¹¹⁴ The whole study considers PTAs signed as a result of the Barcelona Process (1995).

¹¹⁵ The joint EU and **Jordanian** proposal of resolving the refugee crisis in Jordan included improvements to market access of Jordanian exports to the EU by simplifying the requirements set forth by rules of origin in the EU-Jordan Association Agreement (the EU-**Jordan** FTA).

¹¹⁶ The concept of limiting the geographical coverage of the scheme to designated economic zones came from the Jordanian government. The scheme has been further reviewed in December 2018 and the geographical criterion does not longer apply. The companies willing to benefit from the preferences under the scheme still do need to demonstrate however that they hire at least 15% of Syrian refugees.

by oil and gas exports. At the same time, the lack of growth in their non-traditional exports indicated that there remained a considerable scope for integration and growth. **Tunisian** exports also exceeded the predictions, an insight associated directly with the economy's improved export performance vis-a-vis **France, Italy, Belgium, and Spain**. On the other hand, while **Morocco** appeared to export at par with the modelled predictions, **Jordanian** and **Egyptian** economies emerged as significant under-performers. Soderling observed that in the studied period only **Morocco** and **Tunisia** implemented AAs with the EU (which could have accounted for the countries' relatively high integration with the trading partner). On the other hand, it failed to explain the two economies' performance among specific EU trade partners. This prompted an observation that such disparities could be attributed to reductions in trade barriers, which emerged as conducive to trade flows with the countries where appropriate networks had been established prior to policy interference.

Péridy (2005a) focused on a longer period (1975-2001) and researched trade flows between **Morocco, Algeria, Egypt, Jordan, Tunisia**, the EU, the USA, and the Gulf economies arguing that trade costs (specifically, distance and variables controlling for the presence of regional FTAs [with the EU and the USA respectively¹¹⁷]), while being significant determinants of MENA trade patterns, were overshadowed by the lack of complementarity among the region's economies¹¹⁸. The border effects, which compared a country's internal trade to its trade across borders, also came across as significant and economically important: the author noted that trade across MENA economies was likely 35 times lower than trade within each MENA country – a result, according to the author, indicative of a trade integration deficit within the area¹¹⁹. Indeed, the border effects for MENA trade partners were lower: specifically, the Maghreb countries recorded lesser effects than the Mashreq (**Egypt, Jordan, Lebanon**, Syria, and Palestine) economies. While still mirroring the effects of trade integration deficit, Péridy argued that the declining border effects with the EU reflected the first outcomes of the Euro-Med agreements. However, in subsequent research Péridy (2005c) found the impact of the Euro-Med agreements to be only weakly statistically significant – in fact, the reported results emerged as not robust.¹²⁰

Ruiz and Vilarrubia (2007) failed to produce evidence corroborating the supposedly positive impact of the Euro-Med AAs¹²¹ on the bilateral trade volume between the regions. However, as regards to SMCs' exports specifically, they appeared to have increased in the wake of signing of the agreements. The authors pointed out that the obtained non-result regarding bilateral trade flows could have been a direct reflection of the slow pace of implementation of the AAs' provisions and insufficient SMCs' market adjustments. Indeed, it appears that while the Euro-Med integration may have had an economically and statistically significant impact on trade flows, it was much weaker and less relevant as compared to the effects of agreements such as PAFTA, Mercosur, or NAFTA (Abedini and Péridy, 2008)¹²².

Cieslik and Hagemeyer (2009) argued that the AAs-related trade liberalisation with the EU had been effective in raising bilateral import flows from the EU, yet it had failed to contribute positively to the expansion of SMCs' exports to the EU. Based on their research¹²³, the authors noted that such outcomes reflected the presence of trade restrictions¹²⁴ (stemming from an

¹¹⁷ The dummy variable emerged as statistically significant at the 1% level in the static panelling (+0.38) approach while it turned out neutral in the dynamic panel.

¹¹⁸ A unit reduction of the lack of complementarity allowed MENA exports to increase by ca. 4.5%.

¹¹⁹ These effects emerge as relatively high, when considered vis-à-vis OECD economies for which the relevant estimate average at 2.24, (Péridy 2005b).

¹²⁰ The weakly positive results lost their statistical significance after the initial model had been re-calibrated.

¹²¹ Focused on trade flows between 102 economies in the years 1976-2005.

¹²² Subsequent evidence provided by CASE (2009) indicated that some progress had been achieved via the AA, PAFTA, and several other bilateral such as between **Morocco-Turkey**, and **Egypt-Turkey**. It appeared that the success had hinged on the smooth implementation of the AAs as far as tariff liberalisation of industrial goods and adoption of the Pan-European rules of origin had been concerned.

¹²³ Which encompassed 7 MENA countries (excluding Lebanon) and 196 partner economies during the period 1980 to 2004.

¹²⁴ The authors introduced the following variables in their model: distance (approximating trade costs), common language (Turkish and/or Arabic), common coloniser, colonial relationships between countries, common border (approximating trade costs), economic characteristics such as GDP and arable land, as well as controls for preferential trade agreements (the Euro-Med arrangements as well as the Agadir agreements, EFTA agreements, the Arab Maghreb Union, the Arab Cooperation Council, various bilateral agreements between MENA countries as well as bilateral agreements with the EU associated states (now

ineffective implementation of FTAs between the EU and MENA as well as other remaining trade costs) on MENA exports destined to the EU markets, making the EU the main beneficiary of the AAs and its exports of industrial products to the MENA region. Aside from the fact that, again, the assessment may have been carried out too early relative to the implementation of the AAs to discern any economic impact, the study highlighted two important issues: 1) the AAs had failed to spur any progress in trade liberalisation in agricultural goods (which constituted MENA's comparative advantage and untapped trade potential) which, when combined with agriculture-subsidising policies of the EU, prevented exploitation of trade-related gains and hampered MENA economic development; 2) trade liberalisation between MENA and the EU took form of a vertical "hub and spoke" model without horizontal intra-MENA trade liberalisation which may have had mitigated development in industrial activities across the region preventing, in the longer term, employment growth in the region.

Pastore et al. (2009)'s conclusions with regard to the effects of the Barcelona process aligned largely with previous studies (e.g. Ruiz and Vilarrubia 2007 and CASE/CEPS, 2009). Arguing that there remained a significant untapped trade integration potential in the area, the authors provided empirical evidence indicative of the fact that bilateral trade flows from **Egypt, Israel, Morocco, and Tunisia to Italy, Germany, Spain, and the UK** could be about 3.5-4 times below their potential value predicted by the intra-EU15 trade model. As opposed to the case of Central and Eastern European countries' trade patterns with the EU15, which appeared to rapidly converge to its potential, the gap between the Mediterranean countries and the EU15 came across as stable in time. Based on these insights, the paper argued that if ever the integration of the Mediterranean countries with the EU was to reach the same level as intra-EU15 integration over 1995-2002, their trade with the EU could in fact quadruple. On the other hand, it emerged that at the pace of predicted trade growth¹²⁵, it would take the Mediterranean countries up to 40 years to reach their potential trade levels (as observed in the intra-EU15 trade flows).

Bensassi et al. (2009)'s investigation, in contrast to some of the earlier literature¹²⁶, appeared to confirm the positive effects of the new FTAs on exports of MENA countries (**Algeria, Egypt, Morocco and Tunisia**) to the EU (**Germany, France, Italy and Spain**) in the years 1995-2008. The evidence suggested that these outcomes had been tied to the new rules of origin implemented between the two groups of countries. That insight aligned with the observed shifts in MENA countries' export structure, indicating that more of the products already exported were dispatched to EU markets. It thus seemed that the implementation of the new rules of origin could have allowed a more cost-effective deployment of better-quality intermediate goods manufactured in the region, consequently boosting the demand for them in the destination markets. Another study by Bensassi et al. (2012), relying on highly disaggregated sectoral data, confirmed their earlier results while indicating significant differences across the studied countries as far as the effects of the new FTAs were concerned. In fact, only the North African economies seemed to have experienced growth in the flow of exports directly associated with the implementation of the FTA¹²⁷. The authors suggested that the diversity of trade patterns of the investigated economies could have underlain the obtained results, with the North African countries trading primarily with the EU, while **Lebanon and Jordan** were more oriented towards their Middle Eastern partners.

Ghoneim et al. (2012)'s study was the first of a series which, apart from analysing factors related to shallow trade integration (reduction of tariffs), explored the aspects of deeper integration via elimination of NTBs. The SMCs' imports from their Euro-Med partners (rather than exports) appeared to be markedly hampered by trade costs, out of which tariffs emerged as particularly significant only in **Algeria and Tunisia**¹²⁸. As for deep integration, the NTBs, along with logistics performance costs, proved particularly imports-mitigating in the region as a whole (in this case **Algeria** also emerged as one of the greatest losers). Exports, on the other hand, appeared nearly unaffected by tariff changes, yet they remained hindered by logistics

new EU member countries) in Central and Eastern Europe and the NAFTA countries (Canada, Mexico and the US). The plurilateral agreements include the Arab Maghreb Union (AMU) and the Arab Cooperation Council (ACC).

¹²⁵ Consistent with the World Bank forecast GDP changes.

¹²⁶ Their results stood in stark contrast to the evidence gathered by, for instance, Augier et al (2004, 2007).

¹²⁷ Which impacted **Morocco** via the extensive trade margin, while Algeria, Egypt, and Tunisia were affected primarily via the intensive margin.

¹²⁸ both economies maintained high tariff levels.

costs, with the NTBs affecting them to a lesser extent. In light of the scant impact of tariff-related measures, the authors argued that boosting shallow integration could produce very limited gains¹²⁹. It was the deeper integration that could yield much more pronounced effects – as regards imports for example, the expected increases would range from ca. 25% in **Tunisia** to up to 60% in **Algeria**. These, the authors claimed, could be significantly reinforced via potential cuts in trade and logistics costs¹³⁰. Indeed, as evidenced by the most demanding scenario of trade integration, the combination of both tariff and NTBs elimination could provide an overall trade creation between the minimum of 24% (**Morocco**) to up to 83% (**Algeria**).

Péridy (2012)'s continued assessments of SMCs' trade patterns with the EU-27 indicated that the former had reached their export potential with the EU-27. This insight contrasted with his previous research (Péridy 2005a-c) and early works of Nugent and Yousef (2000) and Pastore et al. (2009)'s findings. Péridy (2012) remarked that the degree of attainment of the EU Euro-Med trade potential did not differ significantly from other preferential trade agreements he considered in the study¹³¹, all of which appeared to have used up all of their trade potential as well.

As for detailed results of the study, Péridy (2012)'s calculations indicated that the impact of regional trade arrangements was always statistically significant irrespective of the estimator applied. Coefficients on bilateral tariffs and NTB variables, which entered the model separately also emerged as having appositive and statistically significant impact. Calculating trade potential, defined as the ratios of the trade flows predicted by the model to those observed in reality, the author found that most of the concerned SMCs were trading at their trade potential. There were nevertheless differences across countries with Algeria, Morocco and Tunisia trading slightly above the potential (on average across the EU destinations) and Egypt, Jordan and Lebanon trading below the potential with Lebanon, the country with the largest gap, trading some 11% below the potential. In this context Péridy noted that trade flows could be further increased by specific policy reforms, such as reduction of NTBs (which remained much above the EU-average) as well as improvements in transportation and logistics¹³². The investigation also highlighted the importance of factor movements (referring to early attempts of Nugent and Yousef in the 2000s) supporting the complementarity hypothesis regarding the relationship between trade and migration. Péridy thus outwardly argued that migration could be perceived as an export-creating tool, since the MENA economies, by 'exporting' people to the EU also raised their trade outflows.

Ghoneim and Péridy (2013)'s results confirmed once again previous studies (e.g. Ghoneim et al. 2012 and Péridy 2012) as regards deeper integration via elimination of NTBs. Having computed average tariff equivalents of NTBs for the MENA countries (which ranged from 34% **in Tunisia** to 47% in **Lebanon** and which were much higher than remaining tariffs), the authors subsequently deployed them in gravity equations whose results suggested their economic and statistical significance in curbing MENA's trade potential¹³³, especially in **Egypt** and **Lebanon**. This suggested that the effects of lowering of tariffs within the FTAS have to be seen in the context of the effects of NTBs, which are not covered directly in the agreements and which often have impacts that are economically more significant.

An investigation carried out by Jouini et al. (2016) aimed to identify the determinants of diversification and sophistication of exports in North African countries (NACs). The authors re-confirmed the oft-argued economic importance of NTBs (e.g. Péridy and Ghoneim 2013; Ghoneim et al 2012; and Péridy 2012) and logistics chains (Ghoneim et al 2012 and Péridy 2012) via application of an alternative econometric approach¹³⁴. As for logistics chains

¹²⁹ the only exceptions being **Algeria** and **Tunisia**, where import increases were estimated to reach 59% and 42% respectively.

¹³⁰ In **Algeria** for instance, these cuts could result in additional 45% increase in imports.

¹³¹ Such as MERCOSUR, NAFTA and ASEAN+4 group.

¹³² Confirming Ghoneim et al. (2012)'s claim that amelioration of transportation and logistics could contribute significantly to exports' growth, the author indicated that a unit increase in logistics performance could have translated into a 2.76% rise in exports.

¹³³ The most prominent NTBs being quantitative restrictions, pre-shipment inspections and export-related measures.

¹³⁴ Estimation of a growth model as a Barro's regression (conditional convergence model) deploying panel data.

development, **Tunisia, Morocco, and Egypt**, despite performing above the NAC-wide average, still lagged behind the average for the developed and emerging economies¹³⁵. Moreover, Jouini et al. (2016) argued that policy of openness introduced in some of NACs in the last two decades via multilateral framework and on regional basis (e.g. GATT membership and Barcelona or Agadir trade agreements respectively) had encouraged diversification in the economies considered. Yet, in the NACs, the regional integration strategy required refocusing and recalibration towards trade in products carrying higher value added (thus raising production systems efficiency in these countries) and creating and managing regional value chains in activities with higher value added. Further pursuit of such policy openness reflected especially in (at least partial) elimination of NTBs would likely allow for deeper trade integration.

One measure of efficiency of FTAs is examination of an extent to which preference utilisation rates (PURs) on EU exports to EU partner countries, as provisioned by FTAs, are used in practice (Nilsson, 2016; Nilsson and Preillon, 2018). Using a methodology focusing on foregone duty revenues, Nilsson and Preillon (2018) estimate that in 2016 PUR for **Egypt** was 59%, and 52% **Morocco**, with that for **Lebanon** (as of 2015) equalling 73.5% (the 2016 average for all partner countries explored by the authors was 77.4%)¹³⁶. The European Commission recently hypothesised that the low levels of PUR in the South Mediterranean economies may be associated, at least to some extent, with the presence of free trade zones. For example, in Morocco, goods may enter free of duties, only to be processed and exported – in this process they are not accounted for under the Association Agreements. The latest figures reported by the European Commission indicate that the 2017 average PUR on imports into the EU from the eight countries amounted to 88.34%, with **Algeria and Egypt** reporting the rate of 96%, **Morocco** 98%, **Tunisia** 93%, **Jordan** 76% and **Lebanon** – 74%. As for **EU** exports the data available indicated that Lebanon's PUR was at the level of 58% (jn 2017); Egypt's was at the level of 68% while PURs for Jordan and Morocco were the highest, reaching, respectively, 76% and 77% (European Commission, 2019, see table 2.5 in Section 2.6.1 for details).

Mixed methods

Investigation carried out by CASE/CEPS (2009) used a host of different descriptive statistical and econometric techniques and looks into the issue of a relatively shallow (focusing on tariffs) and deep (extending liberalisation to NTBs, services and investment issues) types of integration. In general, the authors concluded that since the trade agreements initiated by the Barcelona Process in 1995¹³⁷ had remained not fully implemented at the time, these trade-related economic processes could not be directly associated with the arrangements themselves. At that time, there appeared very little evidence suggesting that the bilateral free trade between the EU and the Mediterranean partners could have been achieved by 2010. Generally, the authors observed the net outcome of integration spurred by the FTAs, which they classified as shallow or limited because of their principal focus of tariff reduction, were mixed and that the agreements contributed to both trade creation¹³⁸ and diversion¹³⁹. Six main conclusions regarding the effects of the EU-South Mediterranean integration emerged from the part of the study focusing on descriptive statistics:

- preferences in the EU market for SMCs had remained nearly constant in the 10 years preceding the study, which indicated that the core impact of the AAs could be found on the side of imports of SMCs' economies as the tariff elimination by these countries had kicked in. As the EU signed FTAs with other countries in the decade preceding 2009, the market access concessions extended to SMC exporters (derived from their preferential access to the EU market) were smaller than it would seem when comparing the preferential tariffs with MFN tariffs;

¹³⁵ As per the Logistics Performance Index computed by the World Bank (<https://lpi.worldbank.org/>).

¹³⁶ Recent figures reported by the European Commission indicate that the 2017 average PUR on imports into the EU from the eight countries amounted to 87%, with Algeria, Egypt, and Morocco reporting the rate of 97%, Tunisia – 94%, Jordan 75% and Lebanon – 70%. As for EU exports the only data available indicated that Lebanon's PUR was at the level of 58% Egypt's – at 44%.

¹³⁷ The report focused on the trade agreements signed as a result of the Barcelona Process (1995), specifically: Algeria (2002), Egypt (2001), Israel (1995), Jordan (1997), Lebanon (2002), Morocco (1996), Tunisia (1995), the Palestinian Authority (1995 – an interim Association Agreement), Turkey (EU-Turkey Customs Union 1995) – for an elaboration see CASE/CEPS (2009) p.23.

¹³⁸ Efficiency and welfare-enhancing, occurring whenever more efficiently produced imported goods replace less efficient domestically produced goods.

¹³⁹ Efficiency and welfare reducing, occurring whenever sources of supply switch away from more efficient non-partner countries to less efficient partners.

- positive changes in the SMCs' exports to the EU were outpaced by increases of export flows to the rest of the world (the probable explanation here being that the rest of the world's liberalisation pace was greater than that of the EU as well as the rest of the world growing faster in economic terms than the EU, which contributed to higher demand pull);
- nevertheless, the EU emerged as the natural trading partner for the Mediterranean region – CASE/CEPS (2009) remarked that this implied likely trade creation stemming from integration between regions at different levels of economic development (the so-called North-South trade). Yet, Israel and **Jordan**, for example, still traded more with the USA than the EU (due to preferences or historic ties);
- the SMCs appeared to import similar goods from the EU as they did from the non-preferential trade partners. In this context, the Euro-Med integration could potentially introduce some trade diversion. Yet, the SMCs' imports from the EU grew at a slower pace than their imports from other regions (which could be indicative of little trade diversion occurring in the last decade);
- there was evidence of heterogeneity in the number of tariff lines which had been wholly liberalised upon similar implementation times;
- regarding the utilisation of preferences by the trade partners: the study reported that likely more than 80% of exports came in duty free (split evenly between those with zero MFN tariffs and those with a zero preferential rate) except for **Jordan** (70%). Yet, up to 10% of exports (18% for **Jordan**) qualified as non-zero MFN despite the fact that they should have been treated as zero-tariff exports under the FTAs¹⁴⁰. After an in-depth analysis, it emerged that articles of apparel showed up in all cases (except for Israel and **Jordan**) as items having theoretically most duty-free (but, at times more than 10% paying duty, which could be associated with high costs of proof of origin)¹⁴¹.

The same study presented supplementary gravity modelling, to assess the impact at the time of the Euro-Med and other FTAs concerning the region. To account for trade creation and trade diversion effects the study introduced three types of indicator (dummy variables): one taking the value of one when both trading partners are members of the FTA to measure the additional trade effects within the FTA; one when only the exporter is the member of the FTA, to capture trade diversion effects and one when only the importer is a member of the FTA to better capture trade creation effects. The results of this part of this study can be summarised as follows:

- Regressions performed for individual countries revealed that the Euro-Med FTAs had no impact on trade in **Jordan** and **Morocco** contributed to growth of trade with the EU in the cases of **Egypt** and **Tunisia** and to a decline in trade in the cases of **Lebanon** and **Algeria** although in the latter two cases, as authors argued, were the most recently implemented agreements and therefore it could have been too early to robustly assess their impact on trade flows;
- The results of the regression measuring the impact of only one country (out of a pair of trading partners) being a member of the Euro-Med FTA yielded a positive and significant (both statistically and economically) for both exports and imports which suggests that there was little trade diversion; in fact the FTAs were estimated to have positive impacts on extra-FTA trade.

The CASE/CEPS (2009) report argued that the insignificant results pertaining to some of the Euro-Med FTAs could be associated with relatively low levels of preferences on the EU market granted by the FTAs, especially in the context of previous tariff cuts, as well as the relatively high remaining NTBs. Furthermore, the authors pointed out that the EU had preferential agreements with many other economies which eroded the value of preferences granted with in the Euro-Med FTAs. Among other reasons pinpointed by the analysis which could have contributed to the outcome were the factors associated with inadequate regional institutional structures, limiting the ability to profit from the agreements, and an uneven pace and scope of the trade integration across these countries.

¹⁴⁰ According to the authors this was common in situations where tariffs were very low and the costs associated with obtaining certificates of origin was relatively high.

¹⁴¹ Other products for which MFN tariffs were paid were mineral fuels and edible vegetables.

Similarly to Péridy (2012), Montalbano and Nenci (2014) also used standard gravity equations (together with other supplementary techniques) to account for the effects of Euro-Med FTAs and other factors and found that exports of the SMCs to the EU were on average (across the different EU partners) aligned with their trade potentials, although with some degrees of country heterogeneity. The largest gaps, especially for some countries, could be observed for **Algeria, Jordan, Lebanon** and to some extent for **Morocco** while **Egypt and Tunisia** recorder small gaps on average. The authors indicated also that there was a tendency of reducing the trade gap for **Egypt, Jordan**, with respect to the new EU member partners while the opposite was clear the case **Algerian** economy.

CGE models

As discussed above, CGE models are typically used for ex-ante analyses. In the Euro-Med FTA context, there is a number of older studies which were trying to estimate the economic effects of these agreements at the time these agreements were being negotiated or implemented. These are reviewed in the following country-specific section of this review. There is also a number of more recent studies which are trying to estimate the impacts of potential DCFTAs in the region. The latter are also relevant in the sense that they assess the remaining potential for trade integration which is associated with the remaining barriers, including the remaining tariffs, but mainly the various non-tariff measures that are subjects of these newer and more comprehensive agreements.

As far as the latter group of studies is concerned, using a CGE model, Boulanger et al. (2013) investigated three scenarios for the trade dynamics between the EU and North African Countries.¹⁴² The first scenario examined the effects of reciprocal liberalisation of remaining tariff and non-tariff measures between the EU and North African countries (Egypt, Morocco and Tunisia) and between the three countries themselves. The second scenario included the increases in broad public and private investment (translating into productivity gains in the three countries) which was part of the EU agenda within the foreseen DCFTAs. The third scenario assumed productivity gains via improvements of food chain efficiency focusing on private and public investments aimed at waste reductions in the three countries agricultural production, post-harvest handling etc. Each scenario considered had positive influence on countries' GDPs, with the average growth of 2.7% (scenario 1), 3.5% (scenario 2) and 2.3% (scenario 3) in 2020. These changes were estimated to be stimulated by boosts to productivity, effects of which emerged as more pronounced if the gains involved all sectors in the economy and were not limited to the agricultural sector. GDP growth was also supported by trade liberalisation (scenario 1) indicating that removal of NTBs was the key issue if further integration between the EU and the North African countries was to be had. This scenario also indicated that positive outcomes on economic growth could be intensified by combined policies acting to foster both productivity and trade flows. Secondly, the results confirmed that as the North African economies grew, less labour was demanded by the agricultural sector and real wages in this economic segment were likely to increase. Specific productivity of the sector reduced agricultural employment and wages (scenario 2) with likely negative impact on rural households. Still, there were positive effects to be had if productivity growth was combined with trade liberalisation (the latter was in line with the DCFTAs' objectives).¹⁴³

Most recently, summarising the results of CGE-based sustainability impact assessments (henceforth SIAs) of the effects of potential further reductions of trade barriers in the context of deep and comprehensive free trade agreements (DCFTAs) which are currently being negotiated by the EU with some of the SMCs, EMNES (2017) indicated that the collective results of CGE-based SIAs provided arguments suggesting that economic growth and wages' dynamics would

¹⁴² The scenarios are contrasted with the baseline, the Business-as-Usual (BaU) scenario, run for the period 2007-12 to project the model towards the current year (2013), and then up to 2020. The BaU was generated based on information on the expected growth of GDP and endowments (capital, labour, land, and natural resources) over time for all the countries (regions) in the world, and the productivity of those endowments.

¹⁴³ In addition, as regards the effects on food security investigated in the study, higher economic growth translated into greater demand for food followed by higher prices. Trade liberalisation did enhance food security and mitigated the increases in food prices, yet the dependence on and vulnerability to changes in the world market increased. Boosting agricultural productivity and reducing waste in food production, improvements in storage and handling could be considered as first actions limiting North African dependence on world food markets while reinforcing food security domestically by lowering prices and increasing consumption at household level.

likely remain unaffected in the EU, even if all liberalisation efforts were successfully carried out. Indeed, trade vis-à-vis the Mediterranean region could be expected to grow by a scant 0.1%, while the EU-wide effects would be even more negligible. Yet, considering the high trade dependence of the South-Med countries on the EU, the modelled effects in these economies turned out to be more pronounced: specifically, domestic GDP was estimated to grow, depending on the country considered, by 1-5% in short term while trade was expected to increase by 4-18%¹⁴⁴. Overall, this implies that the barriers remaining after the implementation of the Euro-Med FTAs are still economically significant, particularly for the SMCs.

3.3. Country-specific studies

Algeria

CGE-based studies focusing specifically on Algeria's FTA with the EU are rare in the literature¹⁴⁵. The only stock-taking identified at this stage is the one in the European Commission's Staff Working Document (2018), which is based on analysis of **descriptive statistics**, concludes that, since the EU-Algeria FTA entered into force, the development of trade relations between the two economies has been going in an overall positive direction; between 2004 and 2017 the value of trade between the EU and Algeria increased from EUR 24.8 billion up to EUR 37.4 billion despite the fact that Algeria's exports rely heavily on hydro-carbons and are distorted by fluctuations in world oil prices.

Egypt

The same Commission Staff Working Document (2018) highlighted considerable increase in the volume of trade in goods between the EU and Egypt since 2003¹⁴⁶: from EUR 10.1 billion in 2002 (one year prior to its entering into force) to EUR 27.9 billion in 2017, despite not always favourable political and economic conditions for trade in Egypt.

Hoekman and Konan (2001)'s **CGE-based investigation** was one of the first attempts at measuring the potential trade gains from deep integration for MENA economies, with Egypt chosen as a relevant early case study. The authors defined deep integration as a set of policies acting to reduce all trade costs beyond tariff barriers (including administrative and regulatory costs) as well as policies boosting competition in domestic services sectors. The paper compared the outcomes of a shallow agreement (similar to the actual Euro-Med arrangement focusing on tariffs then in place) to hypothetical liberalisation process aimed at deep integration. The authors made several simplifying assumptions aiming to include a vast array of NTBs into the modelling process: for example, they assumed that frictional costs associated with customs-related red tape to equal 5% of imports and elimination of these costs was designed to occur in a non-discriminatory manner with standards-related controls contributing to rent-creating costs of 10%.

The paper provided several simulations, which combined different degrees of liberalisation of non-discriminatory barriers, elimination of standards related NTBs and custom clearance costs. The outcomes of these exercises were compared to a baseline scheme of shallow integration, in which case trade diversion was found to cause a 0.14% welfare loss with respect to the benchmark level (1994). On the other hand, the scenarios assuming deeper integration turned out to generate between 4% and 20.6% gains in welfare (relative to the initial 1994-based levels) with the specific outcomes hinging on the scope of barriers eliminated. In the case of a

¹⁴⁴ For detailed country, results see: Euro-Mediterranean Network of Economic Studies (EMNES). (2017) Trade and investment in the Mediterranean: Country and regional perspectives. Evolution and impact of EU-MED trade integration in the South-Med, EMNES Studies No 2 p. 34.

¹⁴⁵ Jarreau (2011) and EMNES (2017) both observed that the application of either gravity or CGE modelling techniques has been limited by the paucity of reliable and comparable data in the case of the MENA region. Thus, majority of research papers and assessment reports tend to focus on the few economies, for which the data are more readily available. Indeed, studies centred on Algeria or Lebanon come across as rarer than, for example, those pertaining to the Egyptian, Moroccan, or Jordanian economies. As for CGE simulations in particular, they require that social accounting matrices (henceforth SAM) be used for reference year for all countries (regions) considered in a model (i.e., to account for the "initial" values of variables or the baseline scenario's assumptions) so that it can be calibrated appropriately. Specifically formatted data are often limited, as in the GTAP 6 project, which provides country-specific data only Morocco, Tunisia, and Egypt, with the rest of the relevant economies aggregated at the regional level.

¹⁴⁶ The average PUR for Egypt in 2017 stood at 96.7% (and 44% for EU exporters to Egypt).

unilateral reduction of barriers on trade in goods equivalent tariff (including 5% in red tape and 5% in standards-related costs), the gains for the Egyptian economy were estimated at 4% of the real GDP (these gains were derived purely from trade creation effects, since reciprocal liberalisation by Egypt's partners was not considered in the scenario). Provided an additional reciprocal removal of barriers on the EU market, the gains would grow up to 5.6% of GDP (via the improved market access). While the study argued for the SMCs to remove their NTBs both on unilateral as well as within the AAs framework, it needs to be observed that the reliability of these calculations¹⁴⁷ relied heavily on the initial estimates of the NTB-related costs. Overall, the study's results suggested a limited and negative effect of the trade chapter of the EU-Egypt AA.

Augier and Gasiorek (2003)'s **CGE-based approach** yielded vastly different outcomes to Hoekman and Konan (2001)'s study related to different assumptions underlying the modelling. Adopting the assumption of imperfect competition and increasing returns in the manufacturing sector among others, the authors obtained results, which led them to argue that implementation of Euro-Med FTAs (i.e. bringing a complete tariff reduction)¹⁴⁸ could result in an increase Egypt's welfare¹⁴⁹ by 6.3%. This would be however accompanied by an almost 70% reduction in industrial production, suggesting that the lowering of tariffs would have strong competition effect on the Egyptian industry and that the positive welfare gains would be mainly associated with better access to EU products, which would also be cheaper after the implementation of the FTA.

In an ex-ante **sustainability impact assessment (SIA)** of a Deep and Comprehensive Free Trade Area (DCFTA) between Egypt and the EU (Ecorys, 2014a), which combined several methodological approaches (a CGE model, social, environmental, sector-level and horizontal analyses as well as stakeholder consultations), it was estimated that the agreement would have positive effects on both parties¹⁵⁰ providing socio-economic gains beyond the ones which had been reaped with the elimination of tariffs in the previous AA. The DCFTA would not only improve the investment climate and market access but also provide a reform-friendly socio-economic environment in Egypt. Expected further trade gains would be primarily attributable to reductions of NTBs for goods; significant benefits were also expected to materialise as a result of spill-over effects in agricultural goods (for the Egyptian side). The main sectors which were likely to benefit from the DCFTA included: other machinery and equipment, air transport, and motor vehicles. At the same time, textiles, wearing apparel, business and ICT, as well as communications sectors were likely to contract. In the long run, Egypt stood to benefit from a 25% increase in both exports and imports¹⁵¹ and the EU would probably see a 47% growth of its exports to Egypt. Moreover, the DCFTA would likely benefit Egyptian wages, but the long-term effects for the low-skilled labour force could be potentially negative. The same emerged as true for the Egyptian average disposable income and poverty levels, with the latter expected to grow by 2 percentage points over the longer term. Importantly, while the overall implication of Ecorys' study suggested economically important effects (mainly from reforms regarding NTBs and other trade-related regulations), at the time when the investigation was carried out, the potential consequences of a DCFTA on human rights and the natural environment were unclear. These results, which relate to a potential future agreement, which in a way aims to complete the FTA studied in the current study, are relevant because, compared with other existing estimates of gains from the FTA shows the extent of liberalisation that was 'untapped' under the FTA.

¹⁴⁷ And any other regarding the NTBs.

¹⁴⁸ The paper considers also a scenario with trade-induced productivity changes and additional market access to the EU market effects. Here we however report only on the results of the tariff liberalisation scenario.

¹⁴⁹ How welfare is measured in CGE models is important for interpreting results. The measure cited here is the 'compensating variation' used by Augier and Gasiorek (2003) and expressed as % of GDP. In a nutshell, compensating variation is the amount of additional money an agent would need to reach their initial utility after a change in prices and other variables implied by the experiment.

¹⁵⁰ EUR 2.34 billion and EUR 0.6 billion for Egypt and the EU respectively, or 1.2% increase in GDP for the former and close to zero percent for the latter.

¹⁵¹ Specifically, a 50% increase in exports to the EU was expected.

Jordan

According to the European Commission's recent Staff Working Document (2018), since the EU-Jordan AA came into force, trade flows in goods between the two regions increased¹⁵² from EUR 2.4 billion in 2002 to EUR 4.5 billion in 2017. At the same time, Jordan's trade deficit with the EU has increased.

In the earliest study trying to disentangle the impact of the EU-Jordan FTA, Augier and Gasiorek (2003)'s **CGE-based approach**, which incorporated the assumption of imperfect competition and increasing returns in the manufacturing sector among others, results suggested that implementation of Euro-Med FTAs (i.e. bringing a complete tariff reduction)¹⁵³ could result in a decrease in Jordan's welfare by 0.9%. This would be also accompanied by 29% reduction in industrial production. In this study, Jordan is the only SMC experiencing both negative welfare and production effects.

Feraboli (2004)'s **CGE-based approach**, which assumed *perfect competition* and *constant returns to scale* across all sectors (in contrast to Augier and Gasiorek, 2003) implied that Jordan's domestic GDP's growth could be expected to increase by 0.04% with an accompanying 0.057% growth in welfare relative to the base. Further investigation by Feraboli and Trimborn (2008) focussed on two scenarios of tariff reductions and a subsequent 10% increase in VAT (from 2002 onwards) while controlling for parallel decreases in the government revenues¹⁵⁴. In this context, trade liberalisation appeared to lower prices for investment and consumption goods. Thus spurred, capital accumulation translated into higher steady state value of aggregate capital. At the same time, long-term inequality was unlikely to decrease, as Gini index went up not only as an immediate effect of trade liberalisation but also in simulations calibrated for a longer time span. Against this background, the effects related to welfare gains came across as deceptive: they were seemingly higher for low-income households, yet, in the longer term, the capital income of rich households could increase much more due to their exploitation of investment incentives.

The CASE/CEPS (2009) **study using mixed methods** indicated that the Euro-Med agreements' effect on trade with the EU emerged as statistically and economically neutral; Copenhagen Economics (2011)'s investigation brought further empirical confirmation of this: indeed, the AAs between the EU and Jordan had positive but slight effects¹⁵⁵. This outcome was reflected by **the non-parametric approach** yielding a statistically insignificant results on bilateral trade flows. The authors noted that the statistical insignificance of the results likely mirrored the fact that EU imports from Jordan had been hardly restricted due to the existence of prior preferential trade agreements¹⁵⁶ as well as the phasing-in of tariff reductions for Jordanian imports from the EU. As regards the asymmetric trade flows, EU exports to Jordan decreased by 17% and 42%¹⁵⁷, while imports to the EU increased by 72% and 4%¹⁵⁸.

EMNES (2017)'s approach **using the Solow growth model** for the period 1980-2014 aimed at exploration and disentanglement of the specific contribution of trade in goods and services to growth in Jordan¹⁵⁹. The analysis pointed out that trade in goods likely hampered growth¹⁶⁰, whereas services trade was found to bolster domestic economic performance¹⁶¹. In this context, the authors made a case that services emerged as a potential chance for Jordan's market expansion and creation of a comparative advantage. Furthermore, EMNES (2017) noted that Jordanian policy should act to reduce trade balance deficit by supporting the exporting sectors, with the special focus on agricultural and industrial sectors as far as pharmaceutical and

¹⁵² With the country's PRU at 75% in 2017.

¹⁵³ The paper considers also a scenario with trade-induced productivity changes and additional market access to the EU market effects. Here we however report only on the results of the tariff liberalisation scenario.

¹⁵⁴ The authors controlled for this development assuming lower government transfers to households.

¹⁵⁵ 11%, which was not statistically significant at the 1% level in the parametric approach.

¹⁵⁶ Associated with the Generalised System of Preferences (GSP).

¹⁵⁷ Using, respectively, parametric and non-parametric approaches.

¹⁵⁸ Using, respectively, parametric and non-parametric approaches.

¹⁵⁹ The model is estimated using the Fully Modified Ordinary Least Squares approach, which corrects for endogeneity of data and serial correlation.

¹⁶⁰ A unit increase in trade in goods working to decrease GDP by 0.22%.

¹⁶¹ Improving GDP by 0.28% with each 1% of change.

chemical products were concerned. Considering Jordan's domestic business environment, the researchers indicated that these goals could be achieved via encouragement of small and medium enterprises to export services and goods qualifying as competitive. On top of this, the FTA appeared as an important factor contributing to smooth execution of these objectives, assuming that it could be framed to really address the specific needs of the Jordanian exporting sectors.

While the DCFTA negotiations with Jordan have not begun at the time of writing of this report, the eventual signing remains one of the Partnership's declared Priorities. The **CGE-based trade SIA** related to the negotiations (Ecorys, 2014b) estimated that introduction of a DCFTA had the potential to provide Jordan with a 2.1% GDP; on the other hand, changes in the EU's GDP emerged as nearly null¹⁶². In the long term, Jordan's exports and imports were likely to increase by 5.3% and 4.8% respectively. Ecorys (2014b) confirmed the outcomes of gravity modelling discussed earlier inasmuch as pointing to elimination of NTBs as the main force behind the changes, with tariff cuts following closely behind. While both the EU and Jordan were expected to gain from growth in total trade, the latter's benefits from the DCFTA would extend to rises in wages (between 2% and 3%), slight decreases in consumer prices and a higher (by approx. 2%) average disposable income. Among other beneficial changes, Ecorys (2014b) named declining poverty rate and gender inequality, while the environmental impact, similarly to the case of Egypt, was mixed and eluded quantification¹⁶³. At sectoral level, the authors expected positive changes in Jordanian exports of, in particular, chemicals, rubber and plastics; at the same time the investigation indicated that imports of *most EU goods* would likely increase. On the downside, the DCFTA had potential to negatively affect the absolute values¹⁶⁴ of national incomes of certain third economies (i.e., Egypt, Turkey and Sub-Saharan states) while positively influencing others (such as Morocco and Tunisia).

Lebanon

Studies focusing specifically on Lebanon's FTA with the EU are scarce. At present, the only source identified included the Commission Staff Working Document (2018), which indicates that Lebanese trade in goods went up from the level of EUR 3.4 billion two years prior to the AA coming into force in 2002 to EUR 7.7 billion in 2017¹⁶⁵. The trade flows between the EU and Lebanon increased for services, and foreign direct investment, with the trade balance being positive on the side of the EU but quite negative in relation to Lebanon. This large imbalance has led to significant criticism by the Lebanese Government at the highest political level particularly in view of the economic impact the Syria refugee crisis had on the country.

Morocco

The same Commission Staff Working Document (2018) evaluation of the impact of the EU-Morocco FTA on trade was positive¹⁶⁶, pointing out to increases in trade volume. Indeed, in the period 2002¹⁶⁷- 2017 total trade flows between the two regions increased from EUR 14.3 billion to EUR 37.5 billion.

In the earliest study trying to disentangle the impact of the EU-Morocco FTA, Augier and Gasiorek (2003)'s **CGE-based approach** yielded results suggesting that implementation of Euro-Med FTAs (i.e. bringing a complete tariff reduction) could result in an increase Morocco's welfare by 13.2%. This would be however accompanied by a 64% reduction in industrial production, suggesting that the lowering of tariffs would have strong competition effect on Moroccan industry and that the positive welfare gains would be mainly associated with better access to EU products, which would also be cheaper after the implementation of the FTA.

¹⁶² In absolute terms it would translate into additional EUR 179 million and EUR 442 million to national incomes of the EU and Jordan respectively.

¹⁶³ The EU was not expected to benefit in any of these areas.

¹⁶⁴ In percentage terms, the impact on all third country GDPs is expected to be negligible.

¹⁶⁵ The Lebanese preference utilisation rate (henceforth PUR) stood at 70% in 2017, while the score for the EU in 2015 hit 74%.

¹⁶⁶ With the average Moroccan PUR estimated at 97% for all goods, agricultural products and non-agricultural products in 2017.

¹⁶⁷ Earlier data not available.

In their **CGE-based approach**, Elbehri and Hertel (2004) assumed, similar to Augier and Gasiorek (2003), imperfect competition in the domestic manufacturing industry, yet they also introduced constant returns to scale in agriculture and services sectors. This modification notwithstanding the authors argued that the terms of trade welfare effect was likely to be negative in absolute terms¹⁶⁸ with varied sectoral effects: light manufacturing and wearing apparel grew by 10.4% and 7.7% respectively while motor vehicles and wood products decreased by 39% by 23% respectively¹⁶⁹.

Dennis (2006) concluded that potential gains from lowering trade costs in MENA countries associated with their trade with the EU could be much greater than the gains from the elimination of costs associated with their trade with each other, with the EU being a much more important trade partner than other MENA economies. Using a **CGE model** and simulating a free trade area between MENA and the EU under the assumption of all import tariffs reductions on non-agricultural goods and cutting all agricultural tariffs by half¹⁷⁰, the author provided evidence that these trade facilitating changes, along with trade liberalisation effects, could translate into increases of GDP between 0.82% and 3.28%¹⁷¹ relative to the initial value and depending on the country in question. As for real GDP gains, Dennis (2006) estimated them at the level of 2.22% for the Moroccan economy, which was the highest score in the region. Real wages and economy-wide welfare gains were set to increase significantly as well, with Morocco gaining 5% and 1.88% in each category.

Philippidis and Sanjuan (2006) **CGE modelling** focused on the EU-Morocco and USA-Morocco FTAs. They made a case that, in the scenario assuming *imperfect competition* in manufacturing sectors and envisioning a full implementation of the FTAs as well as a bilateral removal of EU-Morocco tariffs in agriculture and food processing, Moroccan trade balance would decrease by 2.2% with economy-wide welfare effects growing by 0.14% in economic value compared to the baseline situation. If this scenario were accompanied by NTBs removal in agro-food sectors, the obtained results implied a 3.3% growth both in real per capita GDP and economy-wide welfare; under the most demanding scenario presupposing removal of all tariff and NTBs trade costs, the economic gains were the most significant, with both real per capita GDP growth and welfare gains of 12.2% relative to the default situation.

Copenhagen Economics (2011)'s **mixed-methods** investigation on the other hand suggested again an insignificance of the Barcelona Agreements; the authors calculated that that the AAs between the EU with Morocco had statistically insignificant¹⁷² trade effects¹⁷³. The outcome was corroborated by the non-parametric approach also used in this study which yielding a rather small, yet still statistically insignificant at 1% level change of a 2% in bilateral trade flows. Based on the latter approach, Copenhagen Economics (2011) made a case that while the EU's exports to Morocco may have been impacted by the agreements, there was little proof that the EU's imports had increased. According to authors, the dubious impact of these trade arrangements stemmed, at least in part, from the fact that the EU's imports from Morocco had been hardly impeded at that time due to the GSP being in place together with phasing-out of tariffs for Moroccan imports from the EU. As for the asymmetric trade flows, Copenhagen Economics (2011) indicated that the EU's exports to Morocco increased by 79%¹⁷⁴ and 59%¹⁷⁵, while imports to the EU declined by 35% and 37%¹⁷⁶.

¹⁶⁸ 660 million of USD relative to the baseline scenario.

¹⁶⁹ The assumptions of perfect vs imperfect competition seem an important factor determining the outcomes of the analyses – therefore investigations based on differing postulates regarding the economic environment should not be directly compared in terms of viability.

¹⁷⁰ With trade, improvements applied to all tradeables except for oil, gas, and petroleum products.

¹⁷¹ i.e., additional USD 1.8-7.2 billion.

¹⁷² At the 1% level.

¹⁷³ Approx. +6%.

¹⁷⁴ Statistically significant at 1% level both in parametric and non-parametric approaches.

¹⁷⁵ Insignificant in statistical terms, using, respectively, parametric and non-parametric approach.

¹⁷⁶ Insignificant in statistical terms, based on respectively, parametric and non-parametric approaches.

Ben Abdellah et al. (2013) assessed the effects of trade liberalisation with the EU on key sectors in Morocco deploying **a method related to CGE analysis**¹⁷⁷ with the baseline year 2004. They investigated three scenarios: 1) a uniform shock of 1% of aggregate GDP¹⁷⁸; 2) a 10% increase of exports of agri-food key sectors and 3) a 10% increase of exports of agri-food backward linkages. As for Scenario 1, all sectors were affected, with the results varying between 0.43% for petroleum and coal products and 1.22% for sugar. As for the price elasticity, the sector of public administration displayed the greatest value estimated to reach 0.34 while water emerged with the lowest (0.0). As for Scenario 2, the overall impact on the aggregate production of all sectors reached a 0.44% increase compared to the data of 2004 SAM. As for the domestic GDP, an increase corresponding to the variation of a 0.48% compared to the same 2004 SAM data emerged as possible. The increase in GDP of agri-food key sectors could in fact reach ca. 17.3% of the total impact in terms of GDP. Finally, as for Scenario 3, the results showed that the general results on both total production as well as GDP to be smaller than those of Scenario 2. The aggregate output of all sectors improved by 0.06% compared to the 2004 SAM. Still, the influence was limited on agri-food key sectors. The total GDP increases were estimated at 0.06% compared to 2004. Improvement of the GDP of the main agri-food sectors was estimated as very small, while the backward-linked agri-food sectors displayed an impact whose magnitude amounted to 23% on the aggregate GDP. In this context, the authors argued that the domestic government should aim towards complete trade liberalisation via the elimination of both tariff and NTBs as well as promoting Moroccan food processing industries¹⁷⁹.

CGE-based Trade SIA (Ecorys, 2013a) indicated that introduction of a DCFTA could bring potentially positive economy-wide effects for both parties (still, as far as GDP growth was concerned, the estimated increases emerged as important only for the Moroccan side [1.6%] whereas they were nearly null for the EU¹⁸⁰). NTBs elimination for the traded goods, their bilateral significant reductions for services trade, followed by spill-over effects (in case of Morocco) were reported as the chief drivers of the overall effect. In line with the results of the simulation, once the DCFTA would come into force, Morocco could benefit from an improved trade balance¹⁸¹, higher wages¹⁸², and greater purchasing power despite the fact that slight increases in consumer prices could not be ruled out completely¹⁸³. The DCFTA could bring positive changes at sector-level for the Moroccan economy, namely, in other machinery, fruits and vegetables, public and other services sectors; on the other hand, negative developments were likely to emerge in services sectors. As for employment-related effects, the CGE results indicated that the DCFTA would bring negligible aggregate results, however, these would be positive as far as creation of jobs, improvements in workers' rights, social protection, dialogue, and gender equality were concerned. At the time when the investigation was being carried out, the environmental effects were unclear.

Tunisia

In the earliest study trying to disentangle the impact of the EU-Tunisia FTA, Augier and Gasiorek (2003)'s **CGE-based approach** yielded results suggesting that implementation of Euro-Med FTAs (i.e. bringing a complete tariff reduction) could result in an increase Morocco's welfare by 18%. This would be however accompanied by a 65% reduction in industrial production, suggesting that the lowering of tariffs would have strong competition effect on Tunisia's industry and that the positive welfare gains would be mainly associated with better access to EU products, which would also be cheaper after the implementation of the FTA.

Dennis (2006), based on the results of **a CGE simulation**, concluded that potential gains from lowering trade costs in MENA countries associated with their trade with the EU could be much greater than the gains from the elimination of costs associated with their trade with each other, with the EU being a much more important trade partner than other MENA economies. Simulating a free trade area between MENA and the UE under the assumption of all import

¹⁷⁷ A Simulations for Social Indicators and Poverty using SAM.

¹⁷⁸ The sectoral impact of a shock equivalent to 1% of aggregate GDP on growth (measured as aggregate GDP) and the producer price index (PPI) of each of the productive sectors. The authors refer to a 1% change in sectoral supply. (see Ben Abdellah et al. 2013, p.50).

¹⁷⁹ In light of them having greater impact on aggregate GDP than primary industries.

¹⁸⁰ EUR 1.3 billion and EUR 1.4 billion gain to national income for Morocco and the EU respectively.

¹⁸¹ Approx. +15% in exports and +8% in imports.

¹⁸² Approx. increases between 1.6% and 1.9% in the long run.

¹⁸³ Approx. 0.4%.

tariffs reductions on non-agricultural goods and cutting all agricultural tariffs by half¹⁸⁴, the author provided evidence that these trade facilitating changes, along with trade liberalisation effects, could translate into increases of GDP between 0.82% and 3.28%¹⁸⁵ relative to the initial value and depending on the country in question. For the Tunisian economy, Dennis (2006)¹⁸⁶ concluded that trade facilitation improvements, along with trade liberalisation effects, could bring an increase of the real GDP gains amounting to 1.85% while real wages and economy-wide welfare gains were set to increase significantly as well, with the domestic economy gaining 7% and 1.72% respectively in these categories.

CASE/CEPS (2009)'s investigation focusing on Tunisia **using mixed empirical methods** indicated that, as opposed to other MENA economies, the country's FTA with the EU was significant, both in economic and statistical terms, with the specific coefficient reaching +0.28. As regards further investigations in the area of symmetrical bilateral trade flows, Copenhagen Economics (2011) argued that the EU-Tunisia AAs may have boosted trade by 42% since the AAs inception¹⁸⁷. Furthermore, the non-parametric approach yielded a statistically insignificant increase of 9% in bilateral trade flows. The study of export and import flows was indicative of the EU's exports destined for Tunisian markets growing by 81%¹⁸⁸ and 23%¹⁸⁹. On the other hand, the results regarding EU imports were mixed, indicating growth of 5% or a decrease of 10%¹⁹⁰. It needs to be noted that robustness of econometric investigations of trade flows in the MENA region is hampered by the paucity of accurate data time series.

With reductions in both NTBs and bilateral tariffs, the EU-Tunisia AA was evaluated as "mutually beneficial" and its overall impact was judged "positive"¹⁹¹ in the recent Commission Staff Working Document (2018), despite the adverse impact of the global financial crisis and difficulties faced by Tunisia both on the value of trade and trade balance. At the same time, it was noted that the AA in its current shape had apparently achieved its full potential and required upgrading so that it could continue to yield economically positive developments.

According to a **CGE-based** SIA investigating the potential impact of the negotiations regarding implementation of a DCFTA between the EU and Tunisia (Ecorys, 2013b), both regions stood to gain from the agreement; however, the sector-level results emerged as mixed. For example, while vegetable oils, vegetables and fruit, other machinery, electrical machinery and other transport equipment were likely to expand, growth in textiles, non-mineral products, petrochemicals, and leather goods would probably be hampered. Following the implementation of the DCFTA, gross domestic products of both the EU and Tunisia revealed to have a growth potential, albeit of a differing magnitude: specifically, while the EU-related effects emerged as negligible, the impact for the Tunisian GDP appeared sizable (+7%)¹⁹². Moreover, in the longer-term Tunisian exports and imports displayed significant growth potential¹⁹³, bringing about improvements in the country's overall trade balance. As for economic welfare effects, the study indicated that wages could be higher by, on average 10%, making the Tunisian purchasing power greater (despite the possibility of inflationary pressures). The DCFTA's effects on human rights and elimination of poverty was estimated to be limited, but positive; at the same time, the environmental impact of the EU-Tunisia agreement emerged as elusive.

EMNES (2017) reported ex-post results trade liberalisation **referencing a CGE model** prepared by ITCEQ (2016) and focused on what could be achieved within a future potential DCFTA between the EU and Tunisia in terms of services liberalisation. The outcomes indicated that lifting investment barriers and obstacles to cross-border services trade would likely benefit both the EU and Tunisia across all strata of the respective economies. Specifically, the authors estimated annual gains between 0.3 and 0.4 points of GDP growth in the period 2015-2030, with overall declines in the unemployment rate between 2.7% to 4.3% at the end of 2030.

¹⁸⁴ With trade, improvements applied to all tradeables except for oil, gas, and petroleum products.

¹⁸⁵ i.e., additional USD 1.8-7.2 billion.

¹⁸⁶ For the discussion of the assumption, see part on Morocco.

¹⁸⁷ The result was however statistically insignificant at the 1% level.

¹⁸⁸ Both economically and statistically significant at the 1% level using, respectively, parametric and non-parametric methods.

¹⁸⁹ Insignificant, using, respectively, parametric and non-parametric methods.

¹⁹⁰ Insignificant, obtained via parametric and non-parametric approach respectively.

¹⁹¹ The country's PUR at 94% in 2017.

¹⁹² + EUR 1.3 billion and EUR 2.5 billion respectively.

¹⁹³ By 20% and 19% respectively.

The ITCEQ (2016) report observed that the recorded magnitude of economic gains stemming from elimination of investment barriers in the services sectors (especially those which benefitted from a degree of protection) could translate into alleviation of costs borne not only by other economic sectors (especially those utilising the services in their production processes) but also by final consumers. In fact, elimination of the investment barriers could significantly spur on demand in the industrial and agricultural sectors as well as induce pro-competitive reforms in the services sector reforms in Tunisia. Indeed, the investigation provided evidence that the more Tunisian exports of services could benefit from easier access to EU markets, the more it would help resolve the problem of domestic unemployment. Yet, the discussion regarding the positive economic effects should be more nuanced, both by sectors and simulated policy. In fact, while the economy-wide employment effects were positive and reduction in unemployment was observed in majority of Tunisian services sectors, some of these sectors appeared to be affected more acutely than others by the simulated productivity shocks. Specifically, the study highlighted that some domestic services sectors would record increases in employment in comparison to the benchmark situation (such as business services, computer services or telecommunications or international transportation services) while other sectors, including postal and courier services and, most importantly, trade services, were likely to experience a more sluggish employment growth.

With reductions in both NTBs and bilateral tariffs, the EU-Tunisia AA was evaluated as beneficial for both partners with generally positive economy-wide effects¹⁹⁴ in the recent Commission Staff Working Document (2018), despite the adverse impact of the global financial crisis and difficulties faced by Tunisia both on the value of trade and trade balance. At the same time, it was noted that the AA in its current shape had apparently achieved its full potential and required upgrading so that it could continue to yield economically positive developments.

3.4. Summary and key limitations which can be addressed by the current study

To date, the empirical investigations assessing the economic importance of the Euro-Med FTAs have applied a **wide range of tools**, ranging from descriptive analysis of statistics, through relatively simple to sophisticated econometric approaches encompassing gravity models and nonparametric methods, to a wide variety of CGE-based approaches. Despite the rich toolkit (or perhaps because of it) **the empirical results provided to date have been mixed**. As with all econometric and CGE modelling exercises the results depend crucially on economic assumptions and their reflection in specific modelling choices (equation specifications) as well as data used. Many of the reviewed studies were implemented in different years and therefore had access to different data. Some of them concerned only some countries, making in most cases a comprehensive comparison across the different SMCs impossible.

With this caveat in mind, the two paragraphs below offer a brief summary of some of the most important findings to **highlight the extent to which the modelling outcomes were scattered, diverging, and - at times - contradictory**.

i) The majority of **gravity-based and other econometric** studies argued that the Barcelona Process was less effective than expected as regards the impact on trade between the EU and SMCs¹⁹⁵. Indeed, it was often argued that these countries likely under-traded with the EU and the outside world, either (or both) in terms of export and (or) imports (e.g. Al-Atrash and Yousef, 2000; Péridy 2005a, 2005c, Ruiz and Vilarrubia 2007, CASE/CEPS 2009, Péridy 2012, Montalbano and Nenci 2014). There emerged several potential reasons for this phenomenon:

- Inability to reap the gains of the FTAs due to institutional insufficiencies (detailed in many studies);
- Inadequate pace of implementation and insufficient SMCs' market adjustments (e.g. Ruiz and Vilarrubia, 2007);

¹⁹⁴ The country's PUR was at 94% in 2017.

¹⁹⁵ Bensassi et al. (2009)'s investigation was one of the very few arguing for positive outcomes of the Euro-Med FTAs on trade between the regions, with a later study by Bensassi et al. (2012) contradicting slightly the initial outcomes. Soderling (2005), too, argued that the dynamic of SMCs' exports exceeded the modelled predictions.

- the remaining trade barriers between the SMCs themselves and between the EU and SMCs (e.g. Al-Atrash and Yousef, 2000; Péridy, 2005a);
- greater pace of liberalisation in regions beyond the EU and SMCs, which likely redirected the SMCs' trade towards economies reporting greater demand for their products (CASE/CEPS 2009);
- restrictive rules of origin and lack of cumulation (e.g. Augier et al., 2004, 2007; Brunelin et al., 2018);
- too short a time between the empirical analysis and implementation of the FTAs; and
- investigations which compared shallow and deep integration processes argued for the importance of NTBs' elimination along with cuts in tariffs, with the former bringing greater increases in imports and exports between the EU and SMCs¹⁹⁶.

ii) As for the **CGE-based** approaches, the obtained results varied not only across the underlying model assumptions, but also across specific economies, thus defusing any attempt at a coherent summary. One common thread across the different studies however is that the effects of trade integration between the SMCs and the EU would be scant for the latter, while small but positive in economic terms for the former region (e.g. EMNES, 2017), although some negative predictions exist for some countries. Some results for example signal possible negative effects on industrial production in SMCs, due to the asymmetric nature of tariff reductions associated with Euro-Med FTAs (e.g. Augier and Gasiorek, 2003). Many CGE studies, including the SIA of the potential future DCFTAs with the region suggest relative high gains from trade liberalisation going beyond tariffs. There are also indications that the gains to be had from cutting trade costs in MENA countries associated with their trade with the EU would likely dwarf the gains stemming from elimination of the costs associated with the intra-MENA trade (e.g. Dennis, 2006).

The above discussion regarding the failures and shortcomings of the FTAs needs to also consider the fact that, focusing on lowering of tariffs of traded goods, these FTAs belong to the old generation of trade agreements. As such they likely no longer address the current socio-economic needs of producers and consumers functioning in international markets. Baldwin (2016) distinguishes between "old" and "new", global value chains-based, globalisation and related processes of economic divergence and convergence between countries at a global level. The emergence of global value chains (GVCs) and their intensification in the late 1990s and 2000s, characterised by ever more complex, multi-directional back-and-forth trade of parts, components, and services as well as cross-border investment and movement of personnel, has been fuelled by reductions in communication and trade costs. **From the perspective of the current study and thinking of lessons we can draw from the evaluated FTAs, it is the "new" globalisation and the socio-economic issues** discussed by Ayadi and Sessa (2017) that come across as more important.

Improving trade integration in the era of global value chains goes far beyond tariff reduction, although low tariffs are certainly a pre-condition to such integration. Reductions in all other trade related costs at borders and within countries' territories, facilitating foreign investment and links between investors and local firms, improving the performance of the services sectors which is a backbone for a value chain-based economy, as well as creating environment conducive for innovation and technology transfer and adoption are the other factors that play a key role in internationally fragmented value chains. Most of these issues have not been addressed in the FTAs being studied in this evaluation. However, in assessing the effects of tariff reductions and elimination of certain non-tariff measures **this study could focus on how, or whether, alleviation of these non-tariff trade-related costs translated into creation of an economically inclusive, innovative environment and facilitated (or not) participation of the SMCs in the 'new' globalisation.**

Overall, the findings suggest that considerable **value can be added by taking stock of the Euro-Med FTA-associated tariff reductions, trade developments, and their wider macroeconomic effects in one methodologically consistent framework encompassing public stakeholder consultations, and economic and sustainability analysis, harmonised as much as possible across the six countries and focusing on their relevance in the current context.** Apart from a more reliable assessment of the actual FTA-related trade effects this will allow identifying countries, sectors and sustainable development

¹⁹⁶ Jouini et al. (2016); Péridy and Ghoneim (2013); Ghoneim et al (2012); Péridy (2012).

areas in which the FTAs had more pronounced effects, identifying the main obstacles to profiting from the preferential market conditions (such as the remaining NTBs) and drawing lessons for future Euro-Med trade initiatives and beyond.

4. GENERAL APPROACH

This section describes key elements of the general approach of this evaluation and provides an overview of work packages constituting it.

4.1. Key cross-cutting elements of the general approach

4.1.1. Defining the intervention and the counterfactual: focus on FTA-related effects

In the case at hand, we are dealing with the so-called first-generation FTAs focusing principally on import tariff reductions on goods trade. But these FTAs have been introduced at different points in time, had different starting points (in terms of initial barriers) and differently phased implementation periods. They also influenced tariffs on different products in different SMCs to a different degree. It will be thus crucial to carefully define the actual trade liberalisation we are studying in this report (see also Section 2).

Also, in contrast to an ex-ante assessment, an ex-post analysis benefits from having actual data rather than having to rely on predictions of effects of hypothetical scenarios. For example, trade statistics readily tell us how much bilateral trade between the EU and the six individual SMCs has developed, trade in which sectors has expanded or not. In an ex-post evaluation, the main challenge is thus to evaluate to what extent the observed changes can be attributed to the FTA and separate them from the effects of other concurrent processes, such as for example trade, propelled by economic growth (inspired by changes in other non-trade sources) of the trading partners. Usually, computable general equilibrium (CGE), partial equilibrium (PE) and various statistical and econometric techniques, such as gravity modelling of trade or non-parametric approaches, are deployed to attribute the observed variation in trade to a host of driving factors posited by economic theory.

For all the impacts we observe, there needs to be an understanding on how the FTA may have led to the obtained results, e.g. was it related to specific provisions, to the way it has been implemented (or not). This is why the application of the different methods described below proves helpful. This will facilitate verification of the identified quantitative outcomes and will contribute to the quality of insights from this study.

4.1.2. Using a mix of methods and combining macro level assessments with meso- and micro- observations

Given that even with the state of the art quantitative and qualitative techniques it is very difficult to robustly assess what the situation would be without the FTAs or to attribute parts of the actually-observed changes to these FTAs, it is important to use a mix of methods for assessing the impacts.

Each of the methods we propose to use for the FTAs' evaluation have their strengths and weaknesses, and by combining different approaches, we are able to triangulate the findings and come to more reliable conclusions. For example, while a CGE model can help predict at a macro level how the trade volume and structure would look like absent the FTAs, these results can be put into perspective only by looking at the actual trade flows or observed use of preferences. In this manner, we can observe the actual implementation of these FTAs and try and link them to the size of preferential tariff margins as well as other relevant factors. Similarly, detailed sector case studies focusing on agriculture, textiles, motor vehicles and chemicals, as well as sustainability analyses focusing on labour and environmental issues, which will also build on insights from the CGE and PE analyses, can discern how trade preferences have worked in specific sectoral or sustainability contexts, including identification of common and/or particular effects. Finally, stakeholder consultations can first shed light into why some of these preferences were or were not used and, second, confront the effects that would be expected from the economic analysis with the actual experiences of main actors affected by these FTAs.

Linked to the mix of methods is also the analysis at different levels of economic activity, as this gives a better understanding of the impacts of the FTAs. Whereas the macro-level assessments (e.g. CGE modelling) help to identify the size and direction of the effects, a meso- or even micro-level analysis helps to understand how the FTAs have contributed to the achievement of policy objectives, if at all. For instance, for certain products, tariff preference margins are small,

and the tariff provisions have therefore limited effects. Or, for sectors with a lot of small and medium enterprises (SMEs), there might be less awareness of the FTA in place or how companies can make use of it: e.g. businesses may not know how they can comply with requirements for obtaining preferences (related to, for example, rules of origin) or perceive, rightly or not, that the costs of compliance outweigh the benefits.

4.1.3. Need for regional as well as national focus

In terms of reporting, aggregate as well as country-specific assessments will be provided. There is a need for a regional assessment (i.e. across the six SMCs) to understand the aggregate impact, as well as a need to compare differences in impacts between the different FTAs (e.g. why did the exporters of one country make better use of the preferences than those of another). At the same time, from a country perspective, it is important that the country-specific results be clear and persuasive, as the FTAs are bilateral agreements and, additionally, many stakeholders are interested in their consequences for their country. Given the high expectations of partner countries that the FTAs would have positive developments for their economies, it is crucial to understand *why* those expectations were eventually not met. The need for both an aggregate report as well as separate country reports is therefore well-understood. In the case of this study, the regional context, the impact on regional economic performance, is particularly important given that the Euro-Med FTAs had been designed as part of a scheme aiming at creation of a pan-regional free trade area, while intra-regional trade remains relatively low.

4.1.4. Involving local partners and regional experts

Assessing the impact in the partner countries requires a good understanding of the local context and taking on board the experiences of local stakeholders. The reports will be prepared in co-operation with local experts in each of the six countries who will facilitate contact with local stakeholders and will help conduct interviews, local workshops and case studies. In addition, the analytical and advisory team is built so that it includes regional experts.

4.2. Our approach: four different work packages

Our overall approach to this evaluation consists of 17 different tasks which we have divided into four inter-related work packages. Our approach and methodology for this study is summarised in the next sections for each of these work packages (see also Section 1.2.3). The work packages are introduced below.

The cross-cutting *Work Package 1 – Evaluation Framework* is based on the specific evaluation questions from the ToR.

The *Work Package 2 – Consultations* concentrates on development and implementation of a detailed public consultation strategy, including a dedicated website and social media campaign, a structured and targeted opinion survey, local workshops in each of the six partner countries and the EU, other targeted interviews, and focus groups on experiences in specific agricultural and industrial sectors covered in the respective sectoral case studies.

The third work package *Economic Analysis*, described somewhat above, aims to characterise in detail the reductions in trade barriers stipulated by the FTAs as well as to assess the extent of their implementation by taking stock of the existing literature and employing qualitative and quantitative descriptive analyses of historical data. In addition, a number of quantitative methods such as the CGE, partial equilibrium (PE) or descriptive statistics along with sectoral case studies concerning agriculture, textiles, motor vehicles and chemicals, will be used to reconcile changes in trade and other relevant economic aggregates with the FTA-related reductions in trade barriers.

Finally, the last *Work Package 4 – Sustainability Analysis*, will be informed by and complements the consultations and economic analysis to identify the most significant impacts on sustainable development, covering social, environmental and human rights effects.

5. EVALUATION FRAMEWORK

The evaluation framework for this evaluation is defined by four elements:

- the scope of the evaluation;
- the definition of the baseline scenario;
- the intervention logic; and
- the evaluation matrix.

The scope of the evaluation identifies what is evaluated, over what period and for which geographical area. This is based on the ToR of the study and presented in Section 1 of this report.¹⁹⁷

The baseline or counterfactual scenario is the situation if the FTA was not in place. This is important to define as it helps assess the size of the effects. It also helps to avoid that all observed changes over the evaluation period are attributed to the FTA. The ToR clearly specify that the baseline scenario would be that bilateral trade would fall under the following regimes: 1) EU exporters would export to SMCs under MFN tariffs and in line with WTO rules; 2) SMCs' exports to the EU would face a similar regime, although where relevant (depending on location, time and product) these exports could also fall under the GSP regime (see also Section 6.2.2).

The intervention logic and evaluation matrix have been further developed in the inception phase and are presented in the next two sections.

5.1. The intervention logic

An important element of the evaluation framework is the intervention logic: what were the objectives of the six FTAs, and through which channels would the FTAs help to achieve these objectives? This shows how the FTA would lead to certain intermediate results, which will lead to subsequent results and ultimately to the achievement of objectives. The EC already developed a preliminary intervention logic for the AA in its Roadmap for this evaluation.

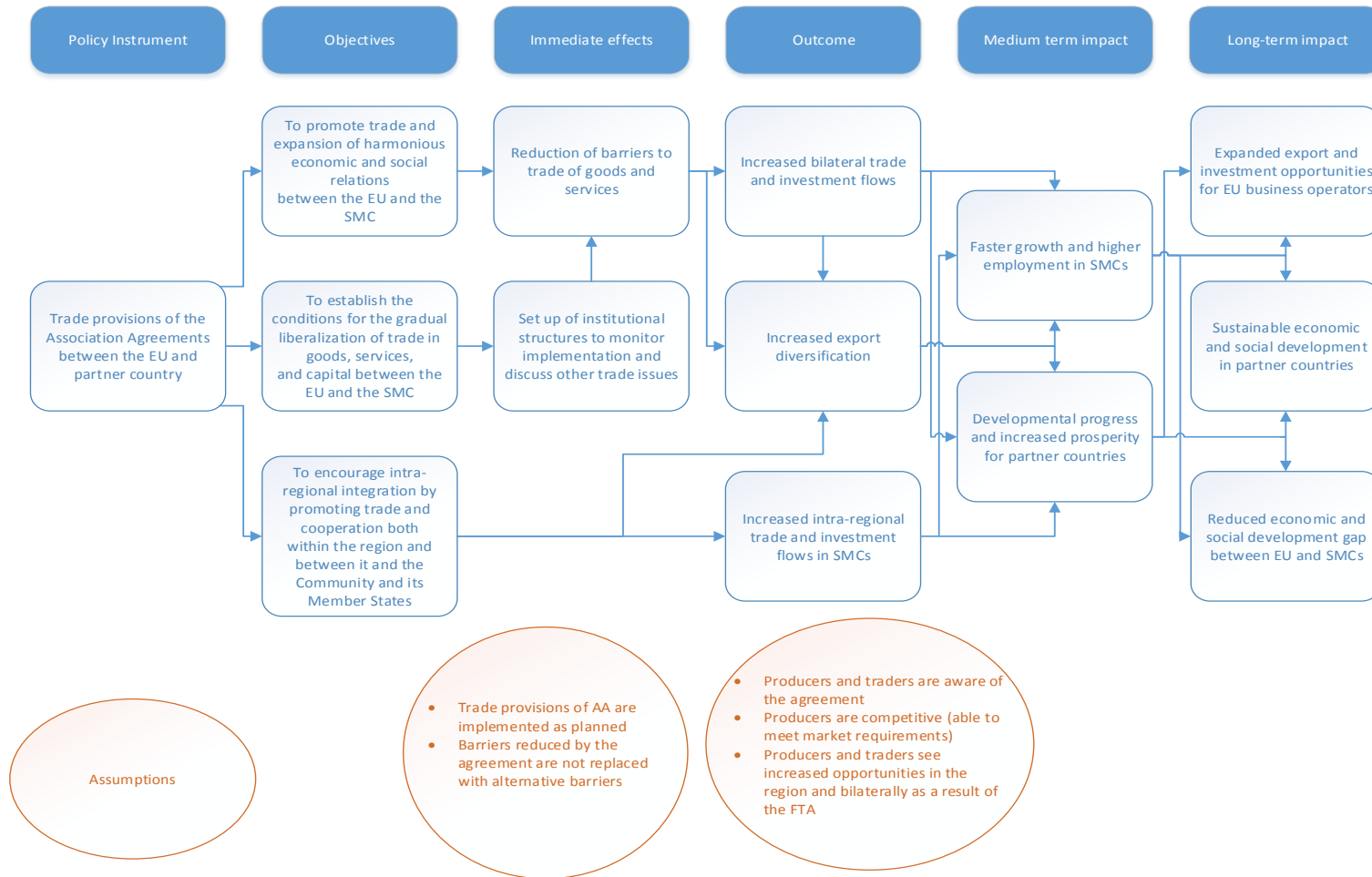
During the inception phase, we have refined this intervention logic. Part of this refinement includes the addition of some underlying assumptions of how one element would lead to the other. For example, for the elimination of trade barriers to lead to the economic integration between the EU and SMCs, the assumption is that companies in the SMCs are capable and want to increase their exports to the EU (or vice versa), and that there are no remaining barriers that prevent them from exporting.

During the evaluation, we will not only assess whether the expected results have been achieved, but also to what extent the implicit assumptions have held up in practice. We only do this for the first steps in the intervention logic (immediate effects and outcome level), as the assumptions at outcome level are more a topic of analysis for economic theory.

¹⁹⁷ The ToR foresees for instance an analysis according to the evaluation criteria effectiveness, efficiency, coherence and relevance. An analysis of 'EU added value' for the six trade agreements was considered as not necessary, due to *EU exclusive competence* for trade agreements set out in the EU treaties.

Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

Figure 5.1



5.2. The evaluation matrix

In terms of the focus of the evaluation, the ToR clearly define evaluation questions, grouped under four evaluation criteria: effectiveness, efficiency, coherence and relevance. These evaluation questions guide the analysis in the study, as these are the questions that ultimately need to be answered. For each of the evaluation questions, we define information needs that help to answer these questions. The intervention logic is important in the development of these information needs. This will be reflected in an evaluation matrix.

Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

Table 5.1 Evaluation matrix

Evaluation questions	Judgement criteria	Example of information needs	Sources/methods
<p>Effectiveness</p> <p>EQ1: To what extent have the objectives of the EU FTA's with the six partner countries have been achieved? What are the factors influencing the achievement of those objectives? To what extent are those factors linked to the EU intervention?</p>	<ul style="list-style-type: none"> The extent to which trade has expanded between the EU and each of 6 FTA partner countries; The extent to which harmonious economic relations have expanded as a result of the FTAs; The extent to which harmonious social relations have expanded as a result of the FTAs; The extent to which the FTAs have established the conditions for the gradual liberalisation of trade in goods, services and capital; The extent to which the FTAs have increased trade and co-operation in the Euro-Med region; The extent to which the FTAs have increased trade and co-operation between the Euro-Med region on the one hand and the EU and its member states on the other? 	<ul style="list-style-type: none"> Change in bilateral trade flows, in total and by sector between EU and partner country; Change in bilateral investment, in total and by sector between EU and partner country; Trends in introduction/removal of barriers; Implementation of the FTAs; Number of trade disputes/ conflicts over time; Number of type of additional trade-related agreements (e.g. on agriculture-related products); Extent to which institutional structures like sub committees and working groups have been able to address remaining barriers to trade; Change in bilateral trade and investment flows between Euro-med partner country and other Euro-Med partner countries. 	<ul style="list-style-type: none"> Trade flow analysis; CGE modelling; Gravity analysis; Desk study (e.g. MADB, WTO notifications, implementation reports); Sectoral analysis; Interviews; Survey; Workshop/CSD/ roundtables; Case studies.
<p>EQ2: Have the EU FTA's with the Euro-mediterranean countries given rise to unintended consequences? If so, which ones?</p>	<ul style="list-style-type: none"> No judgement criteria (descriptive). 	<ul style="list-style-type: none"> Impact of the FTAs on overall welfare; Changes in domestic policies as a result of the FTAs; Identification of unintended economic impacts in EU and/or partner countries; Identification of unintended social impacts in EU and/or partner countries; Identification of unintended environmental impacts in EU and/or partner countries; Identification of unintended human rights impacts in EU and/or partner countries; Identification of unintended consequences by stakeholder group (e.g. vulnerable groups, etc.); Identification of unintended economic, social, environmental and human rights impacts in third countries, with focus on developing countries and LDCs. 	<ul style="list-style-type: none"> CGE modelling; Case studies under sustainability analysis; Stakeholder consultations; Sectoral analysis.
<p>Efficiency</p> <p>EQ3: To what extent have the EU FTAs with the six partner countries been efficient with respect to achieving its objectives?</p>	<ul style="list-style-type: none"> Extent to which benefits outweigh the cost, overall and for specific groups; Extent to which remaining barriers could be reduced. 	<ul style="list-style-type: none"> Costs related to the implementation of the agreement like required investments and foregone tariff revenue (authorities); 	<ul style="list-style-type: none"> Desk study (e.g. TRTA, ministerial budgets; implementation reports); Survey;

Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

Evaluation questions	Judgement criteria	Example of information needs	Sources/methods
<p>To what extent are the costs associated with the FTAs proportionate to the benefits it has generated? What factors influence those costs and benefits? How proportionate were those costs borne by different stakeholder groups, taking into account the distribution of benefits? What are the main inefficiencies and unnecessary regulatory costs (Including administrative burden)? What is the potential for simplification?</p>		<ul style="list-style-type: none"> • Costs related to the use of the FTAs (tariff preferences, quota) of companies; • Identification of other (types of) costs and benefits; • Positive impacts and negative impacts compared (cost-benefit analysis) • Distribution of benefits and costs for different stakeholder groups; • The time needed to realise the objectives compared to original plan; • Remaining inefficiencies and regulatory costs; • The costs of the promotion of trade and cooperation in relation to the progress made in intra-regional integration both within the region and between it and the EU Community and its MS. 	<ul style="list-style-type: none"> • Sectoral studies; • Interviews (e.g. local MAP, business, NGOs); • CGE modelling; • Gravity analysis.
Coherence			
<p>EQ4: To what extent have the EU FTAs with partner countries been coherent with the Neighbourhood policy and Association Agreements, Action plans and Partnership Priorities and with current EU trade policy?</p>	<ul style="list-style-type: none"> • Extent to which objectives of EU FTAs align with those of the Neighbourhood policy and Association Agreements, Action plans and Partnership Priorities and with current EU trade policy? • Extent to which there are contradictions between the 6 FTAs and the Neighbourhood policy, Association Agreements, Action plans and Partnership Priorities and with current EU trade policy? • Extent to which there are synergies between the 6 FTAs and the Neighbourhood policy, Association Agreements, Action plans and Partnership Priorities and with current EU trade policy? 	<ul style="list-style-type: none"> • Number and type of contradictions; • Number and type of synergies. 	<ul style="list-style-type: none"> • Desk study of relevant documents; • Survey; • Interviews; • Other stakeholder consultations.
Relevance			
<p>EQ5: To what extent are the provisions of the EU FTAs with partner countries relevant for addressing current trade issues faced by the EU and its partners?</p>	<ul style="list-style-type: none"> • Extent to which current trade issues can be addressed on the basis of the current agreement; • Extent to which new or more ambitious provisions are needed to address current trade issues. 	<ul style="list-style-type: none"> • Identification of current trade barriers (not arising from non-implementation), by sector and type of barrier; • Extent to which tariff preferences or quota are used and problems encountered in their use; • Extent to which current trade barriers could be solved with current and/or more ambitious FTA. 	<ul style="list-style-type: none"> • Desk study (e.g. MADB, MAP, implementation reports); • Gravity analysis; • Sectoral analysis; • Stakeholder consultations.

6. METHODOLOGY

6.1. Consultation strategy

In this section, we present our approach to the stakeholder consultations, which will be conducted throughout the study. We start by discussing the stakeholder identification (6.1.1). In Section 6.1.2 and 6.1.3, we present the stakeholder consultation plan and the tools we will use. Section 6.1.4 elaborates on the dissemination activities.

6.1.1. Stakeholder identification

In order to have a balanced list of stakeholders, we have started identifying the relevant types and the relevant coverage (or interest /orientation) as follows:

1. different types of stakeholders, this will include government representatives and related government agencies, businesses (private sector, exporters, etc.), trade unions, NGOs, academia and think tanks;
2. different coverage areas: labour and social issues, human rights, environmental issues, sectoral (agriculture, textiles, machinery, chemicals, etc.).

Cross-cutting between the two criteria, stakeholders will be identified as for example: NGO for Human rights, or a private sector /exporter for agriculture.

The geographic dimension of the stakeholders will mainly be those in the Euro-Med Region.

As stakeholder identification is an ongoing process, we have drawn up a preliminary and non-exhaustive stakeholder list, which can be found in Annex B. The list has been set up as a running document and will be updated and expanded during the course of the study.

The stakeholder list is used to send out newsletters and invitations for the different types of consultation activities such as interviews and local workshops. Stakeholders that wish to be included can send an email to eu-mediterranean@ecorys.com.

6.1.2. Consultation plan

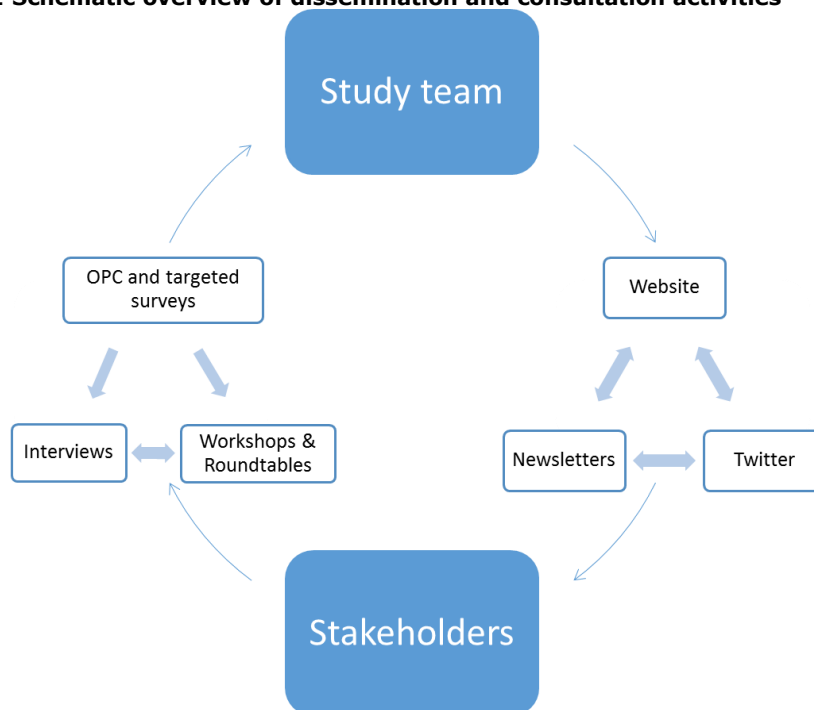
The stakeholder consultations consist of two main types of activities: consultation and dissemination activities.

The consultation activities are aimed at receiving information and feedback from all stakeholders. The information to be obtained from stakeholders could be one or more of the following: (1) feedback on the three draft reports (inception, interim and final report), (2) specific inputs for the sector selection and case studies; (3) participating in the survey; (4) participating in the local organised workshops for their countries; (5) any other inputs that stakeholders may wish to provide during the study. We encourage stakeholders to contact us at all times and phases of the study.

The dissemination activities are aimed at informing all stakeholders in a timely manner about the study. This includes: (1) providing background information on the study; (2) updates on the timeline, workshops and Civil Society Dialogues; (3) requests for input and feedback on the draft and final versions of the different study reports, including its overall findings, lessons learned and recommendations.

A schematic overview of these two main activities and the actors involved is presented in Figure 6.1.

Figure 6.1 Schematic overview of dissemination and consultation activities



The consultation activities consist of three main elements: the local workshops and roundtables, the open public consultation and targeted surveys, and the interviews. In addition, the dissemination activities will also provide the opportunity to provide more feedback. Together these activities will provide us with the required input for a balanced evaluation.

6.1.3. Consultation activities

Open public consultation and targeted surveys

The input gathering begins with the 12-week online public consultation. The questionnaire will be available in English, French, German and Arabic, with these options being visible in the opening page. Stakeholders are additionally able to select whether their responses will be applicable to one of the Euro-Med partner countries or the entire region. The public consultation has stakeholder-specific and topic-specific questions, which allows stakeholders to only answer those questions that are relevant to them.

Local workshops

The consortium will organise seven workshops in total, one in each of the six Southern Mediterranean partner countries and one in Brussels. These workshops will have a dual purpose of presenting and discussing the work conducted so far. The workshops will last for one day and be hosted at accessible locations open to around 50 participants. The workshops serve to share preliminary results and to receive feedback on these, as well as to gather additional input for the study.

A balanced number and type of participants will be targeted to ensure a good representation of the different types of stakeholders. Typically, the local workshop will include representatives from the government, private sector (including exporters and SMEs), civil society, labour unions, exporters associations, SMEs, academia and a good coverage of local media to increase visibility and the national interest.

In terms of the workshop agenda, we expect to have some preliminary findings at this stage to kick-start the discussions and to have guiding discussion points. Furthermore, locally recognised speakers will provide more information of the local context (economy, competitiveness, human rights, etc.) to attract turn-out and to get the conversation going during the workshop itself. Sufficient time will be made available for an interactive discussion with participants, and a discussion leader will ensure that the discussion will be balanced, and different views will be heard.

A proposed agenda for the agenda is presented in the table below.

Table 6.1 Proposed agenda for the workshops

Timing	Topic	Content	Responsible
08:30-09:00	<i>Registration of participants</i>		
09:00-09:15	Welcome	Rationale from EC perspective Rationale from local government perspective	EC Representative Study Team
09:15-10:30	Introduction	Aim of the study Process of study Methodology of the study Main interim findings	Study team
10:30-11:00	<i>Break and networking</i>		
11:00-12:30	Economic impacts of the FTAs	Presentation of interim results Discussion with participants	Study team with local expert
12:30-13:30	<i>Lunch and networking</i>		
13:30-15:00	Social and human rights impacts of the FTAs	Presentation of interim results Discussion with participants	Study team with local expert
15:00-15:30	<i>Break and networking</i>		
15:30-16:30	Environmental impacts of the FTAs	Presentation of interim results Discussion with participants	Study team with local expert
16:30-17:00	Wrap up and closing	Summarising key results of the workshop	Study team

Civil society dialogue

The Civil Society Dialogues of DG TRADE provide an additional opportunity to take to present preliminary findings and receive further inputs from civil society.

Interviews

For more detailed discussions with stakeholders, we will also conduct personal interviews. These help to obtain more detailed information on the impact of the trade chapters of the AAs. While the majority of interviews will be personal, in some occasions, these could take place in the form of group interviews (focus group discussion or small roundtables). The interviews will complement the economic and sustainability analysis. The interviews will be conducted with a balanced representation of the different type of stakeholders, including representatives of trade and industry associations, civil society and environmental agencies, academics and other (sector and/or local) experts. At least 15 stakeholders per trade partner will be conducted.

Open opportunity to provide feedback

There are several other ways in which stakeholders can interact with the evaluation team, notably through the website, our e-mail address and twitter (see under dissemination activities).

Next steps

The first steps in the consultations will be the launch of the OPC, asking stakeholders for suggestions on case studies through a newsletter (see next section) and preparatory steps for the interviews and workshops.

6.1.4. Dissemination activities

Different consultation tools will be used for the dissemination of information and to maximize our outreach. These include an e-mail account, newsletters, a dedicated website as well as a Twitter account. Through these multiple channels, we will reach out to stakeholders, keep them up to date and invite them to participate in the consultation activities that will be ongoing.

E-mail account

An e-mail account has been set up for this study at eu-mediterranean@ecorys.com. Through this account, correspondence with stakeholder will take place. It will be used to send out newsletters and be open for questions regarding the evaluation, as well as for requests to sign up to events or for the newsletters.

Newsletters

Newsletters will be sent out at key moments during the study, such as the publication of a report or after workshops have been held. Each newsletter will provide an overview of the state of the evaluation and include a summary of the (preliminary) results. The newsletters will also enable the study team to gather input from stakeholders and inform them about upcoming events and published reports yet can also be used to share relevant news from stakeholders. The template for the newsletter can be found in Annex C. It follows the look and feel of the website to create a coherent image of the ongoing study.

Social media

In order to initiate a social media campaign around this study, an existing Ecorys Twitter account is used which can be accessed through the following link: www.twitter.com/ecorystrade. Making use of an existing account has the benefit that it is already reaching a larger audience that is interested in hearing more about international trade. We plan on giving regular updates about the art of play of the study through this medium. Via this tool, we can not only inform stakeholders about the publication of the (draft) reports, the survey, or upcoming workshops or the Civil Society Dialogue, but also re-tweet tweets from e.g. the European Commission or European Parliament. Stakeholders can "follow" our account in order to view the posts the consultation team has made. In our Tweets, we will also make use of hashtags like e.g. #EU or #investment so that persons interested in or searching for these topics will be able to view the posts as well. The Twitter account will be active throughout the entire study period. In addition, DG Trade has offered to tweet or retweet updates on the study, to reach a wider audience.

We will closely monitor the awareness and interest of stakeholders in the study and may use other social media channels where relevant (e.g. Facebook, LinkedIn, etc.). Our local partners in the six countries as well as the EU Delegations can advise about possible additional channels which best suits the purpose of this study in the respective countries, and the way we can best use these.

Website

Building and maintaining a website to the evaluation is part of task 5. The aim of this website is to inform interested parties about the evaluation and to facilitate their contribution to it.

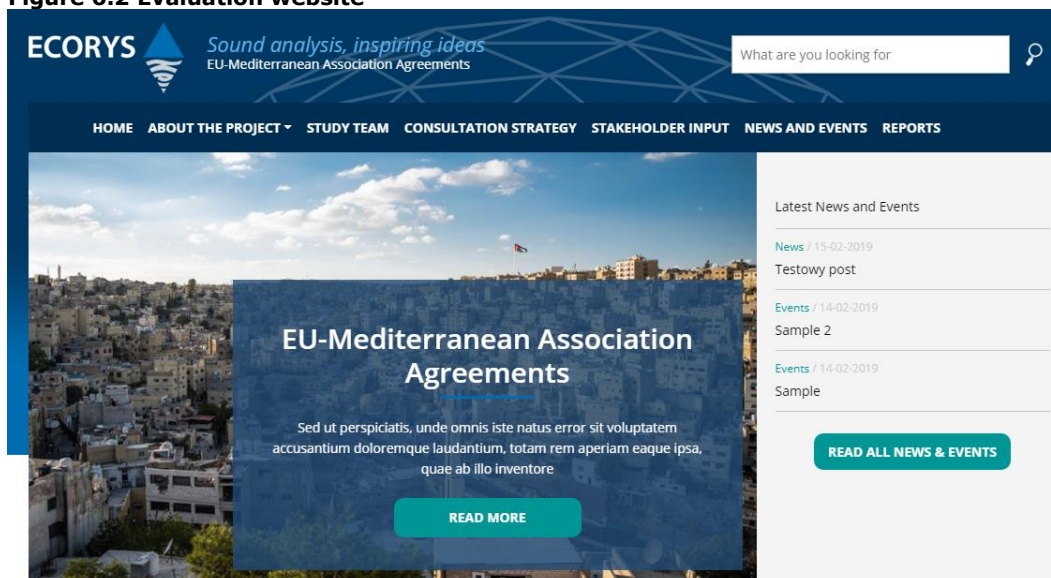
A draft version of the website has been developed and is now available in English. Once this version is agreed upon, the website will be translated in French and Arabic and the homepage of the website will be translated in Arabic as well as all other EU languages. The link to the website is www.fta-evaluation.com/eu-mediterranean.

The website contains the following main elements:

- Homepage;
- An introduction to the EU-Mediterranean Association Agreements;
- A section about the evaluation;
- An introduction to the study team and consortium partners;
- A section dedication to stakeholder input, including links to the surveys;
- News and events, for example about the workshops;
- Reports that can be downloaded;
- Contact details and contact form.

The website contains links to the survey related to the public open consultation and also to the multiple surveys targeted at different groups of stakeholders.

Figure 6.2 Evaluation website



About the project EU-Mediterranean Association Agreements

Welcome to the website of the evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements between the EU and six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia. These FTAs are part of the six wider Association Agreements signed between the EU and the partner countries. Ecorys, CASE and FEMISE jointly conduct this study for the European Commission.

This website serves as a resource for all aspects of this evaluation. Here, you will find background information on the trade chapters of the Association Agreements, news on the progress of the evaluation, and a consultation page where you can participate in surveys and learn about other ways in which you can contribute to the evaluation. Reports produced as part of this evaluation and other relevant documents will also be published on this website.

Next steps

We have prepared the website and first newsletter. The first dissemination activities will be focused on announcing the study and OPC, as well as requesting stakeholders' feedback on the sustainability case studies. Next through the website and newsletter, this will be done through the twitter account and direct contact with some key stakeholders.

6.1.5. Feedback on the roadmap

The publication of the roadmap for this impact evaluation was followed by a 4-week feedback period, which ended on the 18th of December 2017. Nine stakeholders sent their input, questions and in some cases position papers to be processed and included in the set-up of this consultation.

The stakeholders are varied (consisting of four NGOs, three business associations, one EU citizen and one anonymous contribution), as is their input. Several of these contributions were already implemented at ToR-level, such as the suggestions that the evaluation "include both direct and indirect consequences of the FTAs", "ensure the independence of the evaluators" and, importantly, that is "ensure broad and participatory consultations undertaken with civil society".

This focus on civil society is repeated in the feedback, where the following requests have been made:

"[T]he evaluation conductants do everything they can to include the organisations who have a proven track record on engaging on trade issues, (...) participated to panels on association agreements, DCFTAs and other related issues, and on social and economic rights in the region in general."

The CGE modelling needs to be complemented with thorough consultations.

One concern regarding the license system for importing products from one of the partner countries into the EU and the effects this is having on the European industry.

One concern regarding the remaining non-tariff barriers affecting EU dairy exports.

Include trade facilitation for development as a consideration.

These comments have been taken into account in our approach where they relate to methods, the opinions on impact/remaining issues will be taken into account during the analysis.

6.2. Economic analysis

The different tasks related to evaluation of the state of implementation of the FTAs at hand as well as the qualitative and quantitative assessments of their economic effects are all grouped under Work Package 3 *Economic Analysis*.

The package combines elements of:

- review of existing studies and reports (a preliminary version presented in Section 3);
- description of FTAs and analysis of their implementation (a preliminary version presented in Section 2);
- analysis of the evolution of Euro-Med trade flows as well as the main macroeconomic indicators such GDP growth, sectoral production and employment, and country-wide labour market developments;
- description and interpretation of the computable general equilibrium (CGE) and partial equilibrium (PE) modelling exercises used to discern the trade effects of the Euro-Med FTAs and to assess their broader economic effects;
- Analysis of factors that can help explain and put in the context the CGE/PE modelling results and as well as factors determining the degree to which SMCs could use the opportunities stemming from the FTAs;
- sectoral case studies of enablers and bottlenecks in achieving FTA objectives in specific sectors; and
- analysis of certain specific economic effects of Euro-Med FTAs, such as the impact in competitiveness of the EU's SMEs, consumers in the EU and partner countries, EU budget, as well as informal economy and outermost regions.

The remainder of this section elaborates on approaches to selected specific tasks, which will be completed within this work package.

6.2.1. Characterising the nature of Euro-Med FTAs and the subsequent trade and macroeconomic developments

As elaborated in Sections 2 and 3 of this report, it is estimated that by the mid-1990s, on the eve of signing the Euro-Med FTAs, the EU was already granting duty free access on a wide range of tariff lines to the SMCs. There was still some scope for further liberalisation by the EU on the eve of signing of the Barcelona declaration and establishment of the subsequent Euro-Med FTAs but the main gains were expected from the reduction of SMCs' own import duties which, until then, were undisciplined by the existing cooperation agreements, were relatively high (see Table 2.1 in Section 2). The fact that the actual reduction of import tariffs was to occur in the SM countries can however also be interpreted as being in favour of EU exporters.

From an economic perspective, the value of a preferential market access conditions stipulated by the Euro-Med FTAs and their resulting economic effects depends crucially on:

- the so-called *preference margins* to which partner countries are entitled within the FTAs which in turn depend on the bilateral tariffs charged as well as tariffs charged on imports from third countries;
- the amount of *existing trade or the potential for such trade* to be created¹⁹⁸;

¹⁹⁸ If two countries already trade a lot, an additional reduction in bilateral trade barriers is likely to have a significant impact. Similar may be the case of two countries which do not currently trade a lot (e.g. because of high trade barriers) but which have complementary strengths (comparative advantages) or production structures.

- the *presence of any non-tariff measures* and other factors (e.g. institutional or capacity factors) potentially affecting bilateral trade flows and the way they are addressed by the considered agreement, such as, for example, the rules of origin determining eligibility for these preferences or trade-related technical or institutional assistance.¹⁹⁹

In particular, an important context for assessing the impact of goods trade liberalisation within these Euro-Med FTAs are the initial, or 'benchmark', market conditions with respect to which these new trade concessions were granted. This is because it is these benchmark conditions, together with the granted FTA concessions, that constitute the above-mentioned 'preferential margins' underpinning the new market access opportunities of these FTAs and determining economic effects for both producers and consumers. In this context, the first important element to consider are the general levels of protection in the EU and SMCs at the time of entry into force of the Euro-Med FTAs. In the case of the WTO members,²⁰⁰ these are the market access conditions granted on a most-favoured nation (MFN) basis by the EU and SMCs to other WTO members. Importantly, these conditions can evolve over time either in the context of the implementation of the WTO agreements, or as a result of unilateral liberalisation or, as a reflection of protectionist leanings.²⁰¹

Second, when the FTAs entered into force, the six SMCs had already enjoyed significant preferences with regard to access to EU markets, granted under the generalised System of Preferences (GSP) and Euro-Med co-operation agreements established in the 1970s; in the context of the expected outcomes of the present study these will necessarily need to be taken into account.

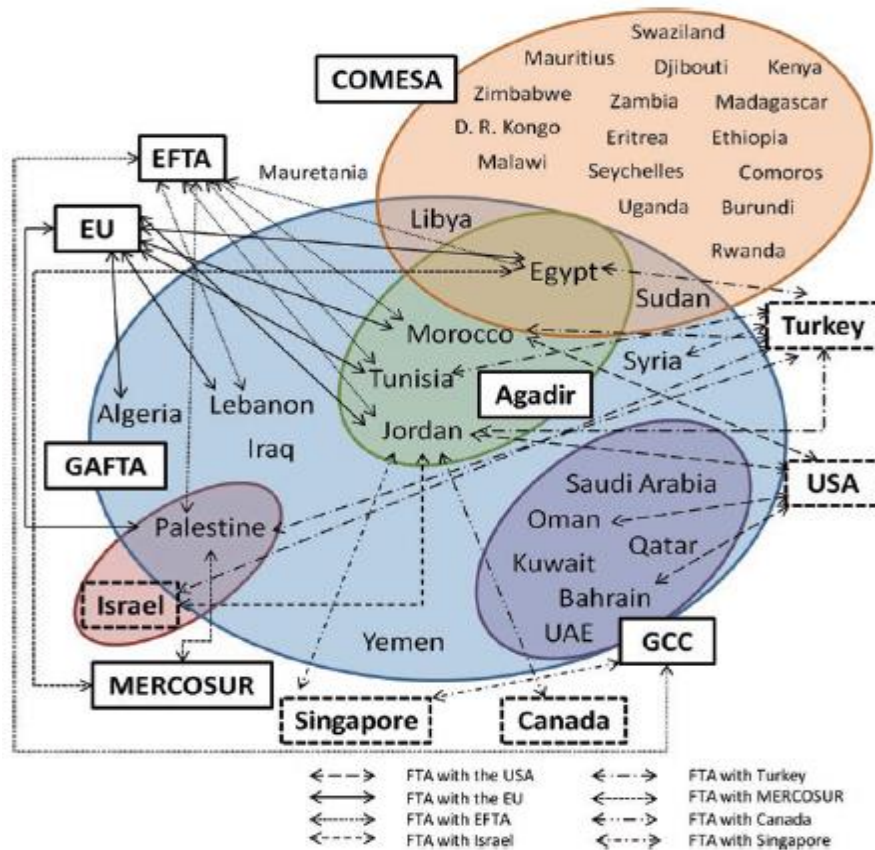
Third, there remains the overall context of the many other FTAs signed by the EU and SMCs with third countries such as for example the United States. These FTAs set market access conditions for third country firms (and thus also for EU and SMCs' firms) which compete in the EU and SMCs and determine consumers' access to certain groups of products. As discussed above, they also affect the balance of trade creation and diversion. A number of such agreements were signed by both the EU and SMCs both before and after the Euro-Med FTAs entered into force and they will need to be accounted for when assessing the effects under study (Figure 6.3).

¹⁹⁹ See e.g. Inama and Jachia (2013).

²⁰⁰ Algeria and Lebanon are still not WTO members.

²⁰¹ Raising levels of protection may be consistent with the legal WTO commitments if, for example, tariff increases do not exceed the bound levels set by the WTO agreements.

Figure 6.3 The “Spaghetti Bowl” of trade agreements in the region



Source: Zorob (2018).

Last but not least, there is the overall macro and micro-economic context, including macroeconomic growth trends, macroeconomic cycles, crisis periods, and political events which had economic implications or, indeed, microeconomic and structural developments that affect economy-wide competitiveness levels (such e.g. better infrastructure or economic institutions) but which may be unrelated directly to the implementation of the FTAs but which, nonetheless, need to be taken into account in an assessment of the Euro-Med FTAs' effects.

Next steps—collection of data and descriptive statistical and qualitative analysis

One of the principal tasks of the economic team will be collection of available trade and tariff data to construct wherever possible appropriate time series for bilateral trade with the EU of each of the SMCs in the period under study. This data will be then used in descriptive statistical analysis to show the evolution of the tariff preference margins and trade flows in key sectors of the economy.²⁰² Key other economic trends such GDP and employment developments will also be covered. One question that could be elaborated here is whether the Mediterranean countries have done better or worse than other developing or emerging countries in the aftermath of implementation of the FTAs.

Descriptive statistical analysis is a standard element of any quantitative study. It usually involves an analysis of trends of economic variables of interest to first identify the nature of developments (directions and magnitudes of changes) as well as a possible correlation between the different variables. In the context of this study, we would for example expect trade between

²⁰² The exact sector aggregation will depend on data availability but should correspond closely to the sectors studied in the case study part: agriculture, textiles, motor vehicles and chemicals. To best support the interpretation of the CGE and PE results, the principal product aggregation used for this analysis will follow that used for the CGE and PE modelling while other aggregations based on the UN Harmonised System of trade classification (HS) will allow exploration of developments at a more detailed product level. Since MIRAGE uses the GTAP database, we expect the CGE modelling to follow GTAP product classification or any aggregation of the GTAP classification. There is a concordance to map HS products to GTAP classification. GTAP and HS approaches with therefore be consistent and complementary with each other.

the EU and the SMCs to visibly increase following the implementation of the Euro-Med FTAs and for this to be reflected in faster economic growth in the signatory countries. This could be compared with similar developments in a group of similar selected countries which did not have such agreements (i.e. a control group).

Existing trade and tariff data from, respectively, UN COMTRADE and UN TRAINS databases, will be used to describe the evolution of imports and exports as well as the evolution of bilateral import tariffs and preferential tariff margins in selected specific product categories since the beginning of the implementation of the Euro-Med FTAs.

6.2.2. Estimating trade and other economic effects of the Euro-Med FTAs using a CGE and PE analysis

Conceptually, the economic outcomes of preferential market access can be thought of as a combination of two types of effects: *trade creation* and *trade diversion*.²⁰³ To the extent that an FTA effectively lowers import duties, trade creation is the substitution of domestic production for cheaper imports from partner countries. This effect is generally seen as economically beneficial.²⁰⁴ Trade diversion can be thought of as the reduction in imports from countries that are not members of the FTA and reorientation towards imports from partner countries. To the extent that these imports are diverted from an actually cost-efficient partner to less efficient ones, they generate negative economic effects. However, if preferential liberalisation occurs in the context of other already existing preferential schemes (as is usually the case, e.g. existing FTAs with other regions) redirection of trade towards the members of the new FTA can actually yield positive results (i.e. correction of the existing diversion effects).

The economic efficiency of a given FTA is thus the overall balance of these positive and negative effects on prices and quantities of produced, consumed and traded products. CGE modelling provides a consistent framework for this kind of analysis and helps isolating the effects of tariff changes on trade flows, production and welfare from any other effects, although the results of the model depend on its concrete specification as well as the calibrated parameters. Some of the estimated effects may be thus an implication of the assumed model, rather than the studied FTAs.

Modelling International Relation in Applied General Equilibrium (MIRAGE) model dedicated to trade policy analysis and developed by the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) in Paris, France was chosen for the CGE analysis by the European Commission. Modelling results stemming from this model will serve as the key analytical input in the evaluation carried out for the purposes of this project. MIRAGE is a relatively standard CGE model but, depending on its version, it also incorporates several more advanced features, including elements of dynamics, product differentiation by quality and origin and imperfect competition as well international capital movements. It has been used in the context of analysis of the EU and other countries' (and regions') policies on several occasions, including most notably in the context of EU's Sustainability Impact Assessments.

As indicated by the Commission, for the purposes of this evaluation, a static version of MIRAGE with a standard neo-classical closure will be deployed. This implies that capital stocks will be assumed as fixed within domestic economies and that national labour markets will be assumed to clear under the condition of fixed unemployment.²⁰⁵ In terms of policy data, MIRAGE incorporates measures of bilateral trade protection included in CEPII's MacMap database which is part of the GTAP Data Base and which provides an exhaustive and consistent measures of trade protection, encompassing ad valorem tariffs as well as ad valorem equivalents of tariff rate quotas (TRQs). The GTAP database 9.2 will be used and the CGE will be applied for Egypt, Jordan, Morocco and Tunisia, as the database does not cover Algeria and Lebanon individually.

For each scenario, each of which will consider the policy changes implied by the given Euro-Med FTA, simulations using the MIRAGE model are expected to yield the effects with respect to different trade flows (total, bilateral by sectors), sectoral outputs, consumer prices, different

²⁰³ The concepts of trade creation and trade diversion were originally posited by Viner (1950) and are still a popular conceptual framework for considering the effects of regional economic integration.

²⁰⁴ This assumes that exports from partner countries are the result of market forces, i.e. are not subsidised or distorted in other ways and does not go in any depth into the distributional issues.

²⁰⁵ But capital and labour reallocations to different sectors of the economy will be possible.

kinds of country-wide wages (e.g. for skilled and unskilled workers), employment across sectors, impact on tariff revenues, CO2 emissions as well macroeconomic effects GDP and economic welfare.

A PE (partial equilibrium) model, partly developed in-house by the EU, shall be deployed in case of Algeria and Lebanon. This model will rely on UN Trade data at the HS 6-digit level, because the GTAP, as pointed out above, does not have disaggregated data for these two countries.

As far as the counterfactual used to assess the effect of the FTAs is concerned, the CGE and PE modelling will consider a hypothetical scenario of suspension of the FTAs today.²⁰⁶In the counterfactual, the EU will be treated as a MFN trading partner by all six countries (i.e. the tariff rates will be increased to those that would apply if these countries treated the EU as an MFN rather than FTA partner). The partner countries' treatment by the EU will take into account their potential eligibility for the GSP treatment. The GSP regulation of 25 October 2012 applying from 31 December 2013 reformed the then GSP and the beneficiary status was removed for countries that had another preferential trade agreement with the EU in place, including the 6 SMC partners in question. Furthermore, it removed GSP beneficiary status for upper or upper-middle-income level countries and set strict conditions for the special incentive arrangement for sustainable development and good governance (GSP+).²⁰⁷ Hence, during the lifetime of the agreements, the GSP status of these partner countries has evolved but as explained above we suggest looking at how the reformed GSP would apply today as a counterfactual:

- Algeria and Lebanon are both upper-middle-income countries (2019 World Bank update based on 2017 data) and have been so for the last three years, therefore under the current GSP regulation they would not be beneficiaries and would have to export to the EU under MFN terms;
- Tunisia, Morocco and Egypt are lower-middle-income countries; and would be able to benefit from GSP – general arrangement;
- Jordan is an upper-middle-income country based on 2017 data but was a lower-middle-income country in 2016. In order to graduate from GSP, the country would have to be an upper-middle-income country for three consecutive years, which is not the case. Therefore, also for Jordan GSP status will be used as the basis.

Next steps –description of CGE and PE results

As such, the CGE and PE modelling results provided by the Commission are expected to constitute an all-encompassing framework for evaluation of economic effects of the Euro-Med FTAs. The description of the modelling results will focus on:

- Bilateral, regional and overall trade effects;
- Sectoral output effects to understand the extent and nature of structural change associated with the FTAs;
- Effects on sectoral employment and on wages by skill level in order to isolate the social impacts of FTAs;
- Impacts on CO2 emissions and on prices and quantities of traded products which are of particular importance from an environmental point of view, to characterise the impact on environment to set the stage for the environmental part of the Sustainability Analysis;
- Price effects concerning specific products to understand the impact on consumers and intermediate industrial users;
- Revenue effects to understand the impact on trading countries' budgets;
- GDP and welfare effects to understand the overall impact of these agreements;
- Impacts on third countries, particularly other developing and least developed countries (LDCs).

²⁰⁶ While there is the potential for evolution of the preferential tariff margins over time, a dynamic ex-post analysis with an equilibrium model (both partial and general) is conceptually difficult and would force the modelling to focus on more aggregated data. Furthermore, an evaluation of various regimes or years would inflate the number of results and potentially blur their meaning.

²⁰⁷ Countries eligibility for GSP+ depends on a detailed assessment would need to be undertaken of economic vulnerability criteria as well as of ratification and implementation of 27 international conventions related to human rights and labour rights, environment and good governance, - the outcome of which cannot be prejudged. Moreover, none of the countries benefited from GSP+ before. Therefore, we this scenario is disregarded in the modelling exercise.

6.2.3. Analysis of impact on the most important products and reasons for their success

Descriptive statistical and CGE and PE analyses described above will be used to pinpoint the most important or most dynamic products and sectors in terms of trade and production changes, informing, and making a link to the sectoral case studies described in Section 6.2.6. Together with insights from case studies this analysis should help the study to shed light on the underlying reasons for success of the most successful products.

6.2.4. Analysis of factors that can help explain modelling results and as well as factors determining the degree to which SMCs could use the opportunities stemming from the FTAs

Our CGE/PE modelling framework makes several assumptions to be able to clearly isolate and assess the overall economic significance of the most important effects of the FTAs. These are useful in establishing a benchmark as to what effects on trade and other economic variables would be expected from the FTAs, but the actual changes in these indicators observed since coming into force of these agreements may be quite different, for several reasons. This can be explained by the actual conditions in the affected markets deviating from model assumptions. In addition, important circumstances (such as e.g. the ability to take advantage of the FTAs) as well as important changes that have been occurring in the meantime (e.g. innovation and productivity developments) and which are assumed away in the modelling, may have played an important role. These developments are therefore an important context for interpreting the modelling results and understanding the CGE/PE results. This section of the report will elaborate on the following such additional factors.

6.2.4.1. Examination of indicators of export diversification and complexity

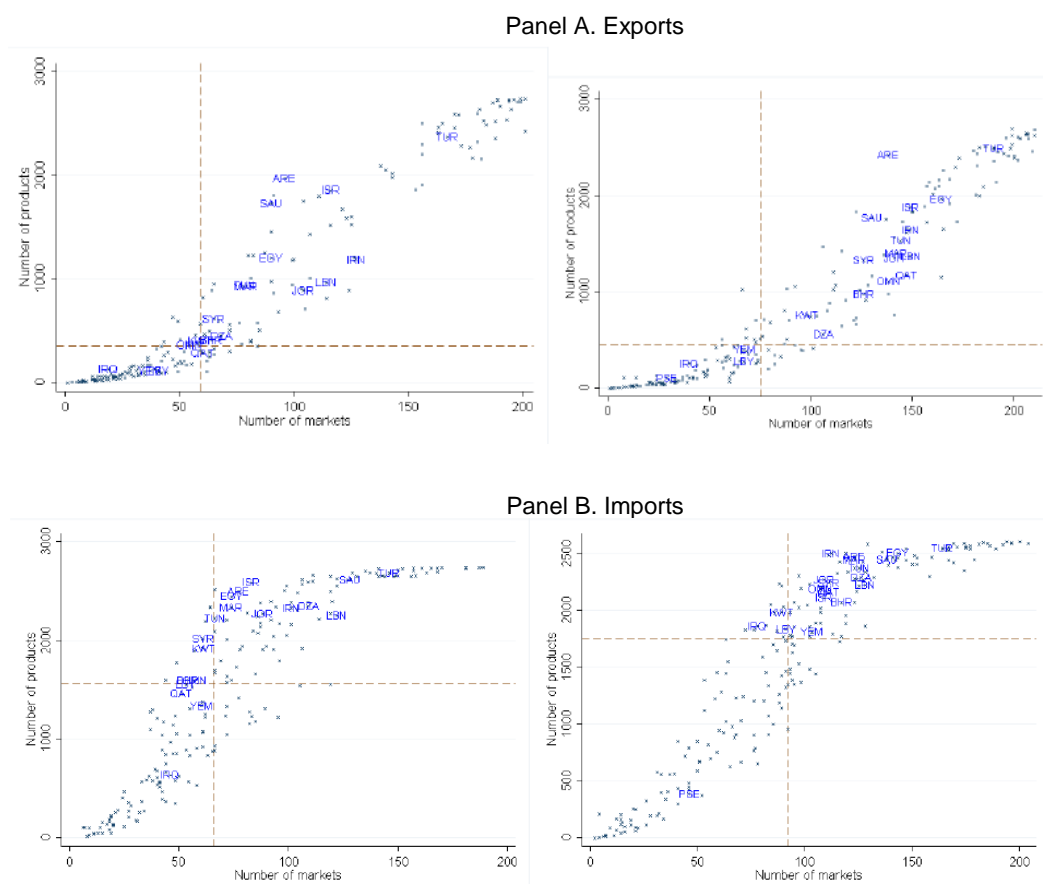
There are strong indications that diversification could be linked to economic development. For example, the methodology presented in the Atlas of Economic Complexity developed by the Centre for International Development at the University of Harvard²⁰⁸, and summarised in Hidalgo and Hausmann (2009), provides evidence that diversification of exported products, together with their complexity, are correlated with a country's level of income, and that deviations from this relationship are predictive of future growth. This is because the diversity and complexity of production and exports are reflective of the range of skills embodied in a country-specific human capital; indeed, richer countries produce and export a wider range of more unique products. Cadot et al. (2011) also find that the number of exported products and the number of destinations to which a country is able to export, are important measures of competitiveness and quality of integration with international markets. On the import side, the degree of diversification of imports of intermediates can be a good proxy for a country's producers' ability to draw on a wide range of advanced inputs. It is thus important to consider how the Euro-Med FTAs may have affected diversification and complexity of exported products.

Next steps –analysis of diversification and sophistication

Detailed trade data at product level retrieved from UN Comtrade and other data sources will be utilised to calculate a number of indicators of diversification at the beginning of implementation of the FTAs as well as now. This step of the analysis will discuss the evolution of the diversification profiles of the relevant countries in terms of numbers of products exported and markets served (e.g. looking at the so-called intensive and extensive margins of trade), along the lines of Kowalski et al. (2015) (see also Figure 6.4 below). While focusing specifically on the six SMCs, the analysis will distinguish between diversification in trade between the EU and SMCs and among the SMCs' trade with third countries.

²⁰⁸ See: <http://atlas.cid.harvard.edu/>.

Figure 6.4 Changes in number of exported and imported intermediate products between 1998 and 2011, Middle East and North Africa



Kowalski et al. (2015).

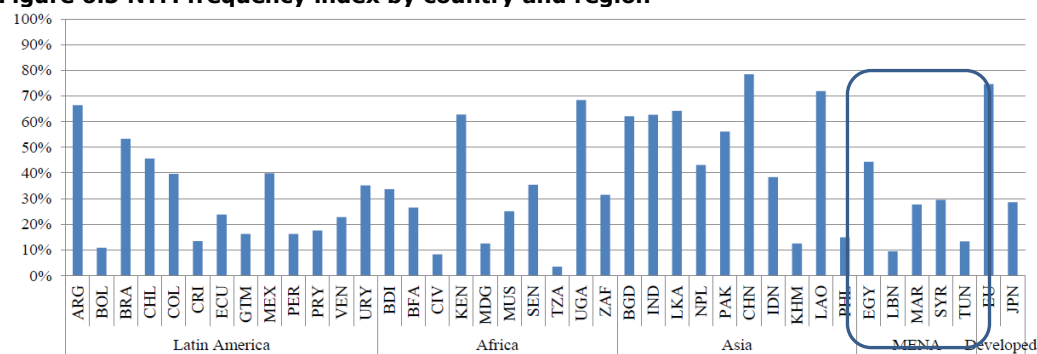
The analysis will be accompanied by an investigation of the evolution of complexity and sophistication of export and import baskets using the Product Space (PS) method as well as related concepts. This methodology maps the competitive production of an economy by looking at the composition of its export basket and compares it to the export baskets and level of economic development of other countries in the world (Hidalgo, Klinger, Barabási, & Hausmann, 2007). It concludes that the composition of a country's exported goods can partially define its chances to develop – that is, the more a country's export basket resembles that of the most developed economies, the higher its probability to climb the development ladder.

This analysis, which will involve a comparison with other developing and emerging economies, will allow to assess to what extent the evolution of exports and imports of the six SMCs indicates a positive transformation of their productive capacities and thus improved economic growth prospects (see also Péridy et al., 2016).

6.2.4.2. The role of non-tariff measures NTMs

While the Euro-Med FTAs contain some provisions on non-tariff measures (NTMs) such as technical barriers (TBT), sanitary and phyto-sanitary (SPS) measures or customs procedures, these focus mainly on information sharing and cooperation. However, several studies, such as, e.g., Kee, Nicita and Ollareaga (2006), CASE (2009), Ghoneim et al. (2012), Péridy and Roux (2011), Péridy and Ghoneim (2013), have shown that the tariff ad-valorem equivalents, which translate the effects of different non-tariff measures into price effects, indicate much higher impacts of NTMs on Euro-Med trade than tariffs. Also, while the documented NTMs in the SMCs seem important, there is evidence that NTMs may be actually more prevalent and more trade-restrictive in developed markets, such as the EU, which apply more stringent technical standards, SPS measures and inspection formalities as compared to the selected SMCs (Figure 6.5).

Figure 6.5 NTM frequency index by country and region



Note: The frequency index shows only the percentage of products at HS 6-digit level to which one, or more, NTMs are applied, where NTMs documented include those from five chapters A-E of UNCTAD’s NTM classification: Sanitary and Phytosanitary (SPS), Technical Barriers to Trade (TBT), Pre-shipment Inspection, Price Control and Quantitative Restrictions. Other indicators of NTM prevalence and nature are also available.

Source: Original Figure 2 from Gourdon (2014) who used CEPII’s NTM-MAP data. In the work carried out in the interim stage of this evaluation, the coverage will be updated and extended to other SMCs covered by this evaluation, subject to data availability.

This cross regional pattern of NTMs provides an important context and motivation to characterise the possible impact of NTMs on the ability of the EU and SMCs to reap the benefits of the Euro-Med FTAs. To do this we are proposing to use the existing literature and available data sources to characterise their evolution during the implementation of the FTAs and most recently.

Next steps—characterisation of NTMs during the implementation of the FTAs

One of the significant problems related to the assessment of NTM trade-effects is the availability of data and their comparability across countries and time. In this study, we will first review the literature and take stock of the main developments on this front, since the publication of the extensive review of NTMs in the South Mediterranean region in the context of Euro-Med integration by CASE (2009). The review will broadly follow the ambitious list of NTMs in the original study covering some of the more conventional NTMs such as standards, SPS and customs-related measures.

In addition, the study will review the information contained in UNCTAD’s Global Database on Non-Tariff Measures—the most comprehensive source of comparative data on NTMs—as well as on some datasets derived from it, such as the CEPII’s NTM-MAP, which provides ready-made indicators quantifying the incidence of NTM’s using UNCTAD data.

6.2.4.3. Special focus on the impact of Euro-Med preferential rules of origin

In our assessment, preferential rules of origin (RoO) deserve a dedicated treatment in the current context. Origin is the 'economic nationality' of goods traded in commerce. They establish the conditions, which must be met by a product if it is to be considered eligible for preferential access to FTA partner’s market. The EU preferential rules of origin distinguish between goods wholly obtained in a non-EU country and goods sufficiently transformed in a non-EU country. Rules of origin ensure that preferential treatment under a FTA is granted to products that are either wholly obtained or sufficiently transformed in a country (in order to avoid that third country’s products, not benefitting from the preferential treatment, do not enter the EU market under preferential conditions). Rules of origin are integral elements of FTAs. They can be different from one agreement of a country to another and some are more restrictive than others. Particularly in the world of increasingly fragmented and proliferating international supply chains, where products from countries outside of the FTA can serve as inputs to products of partner countries, RoO can have negative consequences for both extra- and intra-FTA value chain formation. Cadestin, Gourdon and Kowalski (2016) have, for example, recently estimated that RoO in certain FTAs could in fact undo about one third of the positive trade effect of these agreements, and this effect was particularly strong for trade in intermediate products, i.e. it emerged as important for international supply chain formation.

RoO can be generally characterised as conditions, which must be fulfilled for products to be considered originating and hence entitled to the preferential treatment foreseen in the agreement. The matter is particularly complex in the case of products requiring imported inputs for their production. Usually, these inputs must undergo sufficient processing; under the rules specified in an FTA this is considered to be the case either when the product obtained is classified in a tariff category which differs from that in which the inputs are classified (change in tariff classification), or when the product has acquired a minimum local value (value content) or when a specific processing technique was used (technical requirements). Moreover, an important element of RoO contained in FTAs are also the so called cumulation rules determining from which trading partners inputs can be sourced without undermining eligibility for preferences within the FTA (e.g. whether Tunisian products containing inputs from Morocco qualify for preferential entry under the EU-Tunisia FTA).

The Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention) had as its objective the introduction of common rules of origin in the whole Pan-Euro-Mediterranean area (EU, EFTA States, Turkey, the countries which signed the Barcelona Declaration, the Western Balkans, Ukraine and the Faroe Islands) in order to facilitate trade within that region and its economic integration with the EU. This Convention entered into force in 2012. Although the PEM Convention is an international treaty on its own, it becomes applicable only when origin protocols of the free trade agreements are being replaced by a reference to this Convention.

This convention presents a key interest of allowing for the application of diagonal cumulation between the Contracting parties. The rules of origin included in this convention are, however, outdated and essentially the same preferential rules that have been applied by the EU since 2005 with the Mediterranean countries.

A revision process of the rules of origin is ongoing in view of modernising them and aligning them to the rules applicable in more recent EU Free trade agreements. The ratification of the Convention by all Contracting countries and the completion of its revision are pending at the time of writing of this report.

Next steps—characterisation of RoOs during the implementation of the FTAs

In this study, given the importance of the RoOs in the context of reaping the benefits of the FTAs in question, we will utilise the most recent literature regarding the classification and assessment of restrictiveness of RoO to review the original RoO protocols of the Euro-Med FTAs and any relevant amendments since their respective years of implementation, including, most notably, the impact of the Pan-Euro-Mediterranean preferential rules of origin. The analysis here will focus strictly on cumulation based on the existing literature (e.g. Cadestin, Gourdon and Kowalski, 2016; and Gourdon, Kowalski and Gutierrez (2019)). Through the interviews undertaken in the public consultation part of the evaluation, we will also be able to obtain information on whether or not RoO are an obstacle for companies (including also from the point of view of administrative burden).

6.2.4.4. Analysis of evolution of the role of trade in services and FDI between the EU and each partner

While neither services nor FDI are explicitly covered by operational and binding provisions of the Euro-Med FTAs, they certainly affected foreign establishment and trade of services in the region through their effects on conditions of production and trade of covered goods. It is indeed estimated that increases shares of the value of goods traded across borders are associated with services embodied in them (the so-called 'Mode 5 of services trade') but services are also indispensable in co-ordinating international supply chains and in transporting physical products across borders (e.g. logistics).

Next steps—overview of FDI and services trade developments

We will provide some background statistics and information on the extent to which the Euro-Med FTAs may have influenced, separately, FDI and services trade using existing IMF, OECD, UNCTAD and World Bank data.

6.2.5. Impact on Competitiveness and SMEs

Impact on EU competitiveness

This task will assess the impact of the Euro-Med FTA on EU competitiveness. We define competitiveness as the set of institutions, policies and other factors that enable value creation by businesses, thereby supporting high and increasing living standards on a sustainable basis. To measure competitiveness, we can consider competitiveness outcomes, which include, among others, aggregate productivity, export performance, foreign direct investment, performance of firms, employment and job creation, and costs and prices²⁰⁹. Competitiveness drivers could be measured using a large number of indicators, ranging from the World Bank Doing Business index over the EU Justice scoreboard to the number of airline routes (measuring the business environment, the efficiency of the justice system, and air connectivity, respectively).

An indication of the how competitiveness can be measured is provided by various international and national competitiveness reports, such as, for example, the World Economic Forum Global Competitiveness Report. However, due to the large number of indicators presenting such an assessment of EU Competitiveness, both for the current situation and as a baseline, would not only overwhelm the trade impact assessment, but would also have little to no value. The reason is that competitiveness is influenced by a wide range of factors and developments and that consequently changes in broad competitiveness indicators cannot be systematically traced to the Euro-Med FTAs.

We thus propose a targeted approach that identifies specific areas of attention, based on the results of the CGE modelling and an analysis of trade data. These areas of attention will then be further explored through our sectoral case studies and our stakeholder consultations. Areas of attention will be mostly specific economic sectors for which the CGE modelling suggests a strong impact. Furthermore, our data analysis will also explore trade diversification and complexity (see Section 6.2.4.1). While this analysis will not be able to identify causality in the same way CGE modelling does, it will nevertheless identify specific product categories in which major changes took place or that otherwise are noteworthy.

For example, CGE modelling might suggest that the machinery and transport equipment sector is benefiting from the Euro-Med FTA. We will thus further explore this sector through stakeholder consultations and our sector case studies. Interviews might – hypothetically – reveal that the Euro-Med FTA was instrumental in attracting French automotive investment to Morocco. And that these investments raised the competitiveness of the French automotive industry in the same way German automotive FDI in Eastern Europe raised the competitiveness of the German automotive industry in the late 1990s. This example also illustrates the strength of our approach. While this would be an important impact of the Euro-Med FTA, broad indicators of EU competitiveness – typically measured across all countries and industries – would not be able to capture it.

Impact on EU SMEs

The evaluation will also provide a discussion of the impact of the Euro-Med FTA on EU SMEs, in line with the operational guidance for assessing SME impacts (the SME test). The Euro-Med FTAs offered significant opportunities to EU SMEs. Directly, by reducing trade barriers between the EU and the six countries, and by inducing harmonization and integration across all six countries. Opportunities are also created indirectly, as increased trade between the EU and the six countries offers opportunities to SMEs in the value chains of larger or multinational enterprises. At the same time there are also challenges, as SMEs might lack the awareness or the resources to fully utilize the trade agreement. Consequently, this task will not only attempt to assess to what extent EU SMEs were able to exploit the opportunities afforded to them by the trade agreement, but also the challenges they face in utilizing the trade agreement.

While structural statistics on EU SMEs are readily available, no statistics are available on SME exports and imports to and from the six countries. However, some general information on SME exports and imports in the EU is available. We will have to rely on stakeholder consultations as the prime source of information on the impact on SMEs. In light of the issue that SMEs might be less well-represented in business associations and might be less willing to respond to surveys,

²⁰⁹ These include the cost of labour, real estate, utilities, among others, and are essentially encompassing what is sometimes called price or cost competitiveness.

we will target our stakeholder consultations. Of importance are thus the CGE modelling results, which identify sectors with significant impact. We will combine this information with statistics on the prevalence of SMEs in specific sectors, to the extent sector classifications can be matched and data is available at a specific sectoral level.²¹⁰

Based on this data-driven screening of sectors we will further explore through our sectoral case studies and stakeholder consultations, to identify specific impacts on SMEs. This will include an exploration of what the challenges are, in terms of market access restrictions, administrative burdens and requirements, among others. In those sectors where an impact on SMEs seems likely we will make a concerted effort to reach out to SMEs, through SME associations or by seeking out individual SMEs.

6.2.6. Sector case studies

We will conduct sector case studies to allow for more in-depth analysis. Four sectors that are relatively important in bilateral trade have been selected for the case studies: agriculture, chemicals, machinery and transport equipment, and textiles and clothing. Each sector is analysed for a selection of the six Southern Mediterranean partner countries (see Table 6.3, 6.4, 6.5 and 6.6 for an overview of the selected SMCs per sector case study).

The analytical approach to all sector case studies will be structured and implemented in a similar fashion, while simultaneously taking into account sector-specific conditions. In this structure, each case study starts with an outline of the current situation in the sector for the selected subset of the six countries, as well as for the EU. It will provide an overview of relevant quantitative and qualitative information on the sector. The quantitative data covers the economic structure of the sector, trade and investment figures, and the relative importance of SMEs, and employment while qualitative data entails information on competitiveness, value chains, challenges and opportunities, and a brief overview of relevant sectoral policies. Moreover, this part involves more micro-level data on key players in the sector, including the most important and largest companies, and sectoral stakeholders, such as related public authorities and business associations. Overall, this section provides insight into whether the current structure of the sector is beneficial for export and attracting FDI.

The next part of the case studies identifies and analyses potential enablers and obstacles in sectoral market access, by studying the import and export requirements and the extent to which the FTA affects the market access. Specifically, we zoom in on issues that partner countries encounter in their desire to export to the EU – including both the issues that the FTA addresses and those that remain – and on issues with utilizing preferences and the administrative burden that utilization imposes.

The third part focuses on identifying elements that can explain the impact of the FTA, combining the results of the economic analysis presented in the previous sections with more qualitative information. Among these elements are aspects of the trade agreement, flanking measures and policies, reforms and business climate conditions. This analysis offers an understanding as to how the FTA actually influenced the sector (costs and benefits), regardless of its initial purposes and in conjunction with other factors, such as wider liberalization patterns in the EU and trade deals of Mediterranean countries with other partners. This section therefore takes a close look at the intervention logic and assesses whether results observed are in line with expectations, and if results are not as expected, find explanations for this. Furthermore, this section highlights best practices in maximizing benefits and minimizing negative impacts of the FTA elements. The analysis is based on an integration of information retrieved in previous sections and information on wider market conditions.

The final part of the sector case studies offers an overview of lessons learned and formulates policy recommendations. These policy recommendations come in two forms: either as sector-specific recommendations for potential modernization or amendments to the trade agreement, or as flanking measures, aimed at enhancing benefits and minimizing negative impacts and costs. Overall, the case-study approach incorporates the following analytical questions for all four sectors:

²¹⁰ This is not always the case, given the detailed breakdown of agricultural commodities in the GTAP classification.

Table 6.2 Aspects to cover for all four sectors

Phase of case study	Aspects to analyse
Sector Competitiveness and Structure	<ul style="list-style-type: none"> • Availability of necessary natural resources and climate; • Accessibility of infrastructure, transportation routes and logistical hubs; • Intensity of use of energy and water in the sector, and impact of the corresponding costs and availability of these inputs on the competitiveness; • Description of the domestic market structure; • Presence of SMEs as compared to presence of big business, and its effect on B2B links; • Presence of good B2B links on the market, and its impact on export potential, supply chains, business lobbies and marketing potential; • Presence of B2B links with EU businesses; • Government investment and FDI in the sector, and to what effect; • Presence of adequate market surveillance, and its impact on export abilities; • Availability of market statistics, and its ability to analyse & adapt the market; • Overall competitiveness of the sector, and the relative effect of fixed and variable input costs on the competitiveness; • Labour market analysis: impact of the labour market on the sector, level of general and sector-specific skills of the labour force, availability of sector-specific skills development and impact of labour costs on competitiveness; • Impact of fixed currencies on export market's competitiveness; • Description of alternative costs and measures influencing competitiveness; • Presence of sector-specific special measures impacting on the sector's imports or exports; • Description of the overall business and investment climate.
FTA Import-Export requirements	<p>Key Tariff and Non-Tariff-Measures, and differentiation based on:</p> <ul style="list-style-type: none"> • Covered by FTA provisions or stemming from a lack of FTA implementation; • NTBs not covered by FTA, but still impacting its effective implementation; • Horizontal or sector-specific laws and regulations, enablers and obstacles related to business and investment climate; • Presence of restrictions or incentives for investment, specifically FDI; • Presence of requirements/restrictions for trade, such as permits or authorisations, or incentives for trade, such as trade facilitation; • Challenges in meeting import/export requirements; • Presence of barriers in public procurement markets; • Presence of technical expertise to meet required standards, and presence of expertise and quality infrastructure to respond to changing standards: <ul style="list-style-type: none"> - New initiatives/assistance projects to meet/overcome challenges. • Burden of proof to benefit from preferential quotas/conditions, and possible impact on export rates; • Non-FTA external conditions impacting trade.
Wider Market Conditions and FTA impact	<ul style="list-style-type: none"> • Openness of the EU market in a specific sector, and the ability of Euro-Med to compete with EU Member States and other markets on the EU market in this sector; • Comparison between SMC's access to the EU and the access of other EU trade partners; • Comparison between trade and economic ties between the Euro-Med partners & EU, and between Euro-Med and other countries; • Development of openness of the EU market since the FTA's adoption, and its impact on the Euro-Med partners; • Impact of political instability on the market.

Sector-specific characteristics

Next to these generic indicators, the picture of the state and structure of the four selected sectors is not completely accurate and relevant, if sector-specific characteristics are not taken into account. Therefore, the case studies include certain sector-specific indicators per sector. This results in the following outline per case study:

Table 6.3 Analytical indicators textiles and clothing sector

Textiles and clothing	
Countries involved in the sector case study	
Country	Egypt, Jordan, Lebanon, Morocco and Tunisia
Sector Competitiveness and Structure	
General analytical indicators	Quantitative and qualitative data outlining the economic structure of the sector, such as trade and investment figures, relative importance of SMEs, competitiveness, value chains, challenges and opportunities, and a brief overview of sectoral policies. Also, analysis of key players in the sector: the most important companies, public authorities and business associations.
Sector-specific indicators	The following sector-specific indicators are added for the textiles and clothing sector: <ul style="list-style-type: none"> • Production and trade in the different stages of the clothing value chain (e.g. cotton, textile fabric, making up); • Extent to which textile and apparel producers meet European consumer demands in quality, demand and speed; • Demand for good logistics, and possible introduction of policies supporting this; • Role of integrated value chains, and possible introduction of policies supporting this; • Role of innovation, and possible introduction of policies supporting this; • Degree of overall sector competitiveness compared to other EU trade partners; • Impact on trade from the rule of origin requirements.
FTA Import-Export Requirements	
General analytical indicators	Identifying potential enablers and obstacles in sectoral market access, role of FTA in this.
Wider Market Conditions	
General analytical indicators	Identifying regulatory elements that can explain the potential benefits and costs of the FTA, such as aspects of the trade agreement, flanking measures and policies, reforms and business climate conditions.
Lessons learned & Policy recommendations	
General analytical structure	This section provides an overview of lessons learned and formulates policy recommendations. Policy recommendations come in two forms: <ul style="list-style-type: none"> • Suggestions for modernization or amendments to the trade agreement; • Proposing flanking measures, aimed at enhancing benefits and minimizing negative impacts and costs.

Table 6.4 Analytical indicators agriculture

Agriculture	
Countries involved in the sector case study	
Country	Egypt, Lebanon, Morocco and Tunisia
Sub-sectors	Agriculture is a broad concept. More specifically, this study zooms in on three of the sector's subsectors. We look at fruit & vegetables and animal-based products for the entire subset, while for Morocco we also add the PAPs market.
Sector Competitiveness and Structure	
General analytical indicators	Quantitative and qualitative data outlining the economic structure of the sector, such as trade and investment figures, relative importance of SMEs, competitiveness, value chains, challenges and opportunities, and a brief overview of sectoral policies. Also, analysis of key players in the sector: the most important companies, public authorities and business associations.
Sector-specific indicators	The following sector-specific indicators are added for the agricultural sector: <ul style="list-style-type: none"> • Extent to which agricultural producers meet European consumer demands, and possible introduction of policies supporting this; • Degree of overall sector competitiveness and compliance with market and marketing standards, and possible introduction of policies supporting this; • The content of requirements related to SPS, and possible introduction of policies supporting this; • Factors hindering or facilitating exports (such as weaknesses/strengths in logistics, promotion, organisation of the food chain etc.); • Extent to which agricultural producers provide value-adding indicators, such as organic or GI labels), and possible introduction of policies supporting this.
FTA Import-Export Requirements	
General analytical indicators	Identifying potential enablers and obstacles in sectoral market access, role of FTA in this.

Agriculture	
Wider Market Conditions	
General analytical indicators	Identifying regulatory elements that can explain the potential benefits and costs of the FTA, such as aspects of the trade agreement, flanking measures and policies, reforms and business climate conditions.
Lessons learned & Policy recommendations	
General analytical structure	This section provides an overview of lessons learned and formulates policy recommendations. Policy recommendations come in two forms: <ul style="list-style-type: none"> • Suggestions for modernization or amendments to the trade agreement; • Proposing flanking measures, aimed at enhancing benefits and minimizing negative impacts and costs.

Table 6.5 Analytical indicators machinery and transport equipment sector

Machinery and Transport Equipment	
Countries involved in the sector case study	
Country	Algeria, Egypt, Morocco and Tunisia.
Sector Competitiveness and Structure	
General analytical indicators	Quantitative and qualitative data outlining the economic structure of the sector, such as trade and investment figures, relative importance of SMEs, competitiveness, value chains, challenges and opportunities, and a brief overview of sectoral policies. Also, analysis of key players in the sector: the most important companies, public authorities and business associations.
Sector-specific indicators	The following sector-specific indicators are added for the machinery and transport equipment sector: <ul style="list-style-type: none"> • Impact of overall industrial policy on trade; • Impact of industrial conditions and business climate on trade; • Level of integration in value chains; • Impact of TBTs on trade.
FTA Import-Export Requirements	
General analytical indicators	Identifying potential enablers and obstacles in sectoral market access, role of the FTA in this.
Wider Market Conditions	
General analytical indicators	Identifying regulatory elements that can explain the potential benefits and costs of the FTA, such as aspects of the trade agreement, flanking measures and policies, reforms and business climate conditions.
Lessons learned & Policy recommendations	
General analytical structure	This section provides an overview of lessons learned and formulates policy recommendations. Policy recommendations come in two forms: <ul style="list-style-type: none"> • Suggestions for modernization or amendments to the trade agreement; • Proposing flanking measures, aimed at enhancing benefits and minimizing negative impacts and costs.

Table 6.6 Analytical indicators chemicals sector

Chemicals	
Countries involved in the sector case study	
Country	Algeria, Egypt, Jordan and Tunisia.
Sector Competitiveness and Structure	
General analytical indicators	Quantitative and qualitative data outlining the economic structure of the sector, such as trade and investment figures, relative importance of SMEs, competitiveness, value chains, challenges and opportunities, and a brief overview of sectoral policies. Also, analysis of key players in the sector: the most important companies, public authorities and business associations.
Sector-specific indicators	The following sector-specific indicators will be added for the chemicals sector: <ul style="list-style-type: none"> • Domestic legal technical requirements; • Degree to which compliance with REACH-regulation is met.
FTA Import-Export Requirements	
General analytical indicators	Identifying potential enablers and obstacles in sectoral market access, role of the FTA in this.
Wider Market Conditions	
General analytical indicators	Identifying regulatory elements that can explain the potential benefits and costs of the FTA, such as aspects of the trade agreement, flanking measures and policies, reforms and business climate conditions.
Lessons learned & Policy recommendations	
General analytical structure	This section provides an overview of lessons learned and formulates policy recommendations. Policy recommendations come in two forms: <ul style="list-style-type: none"> • Suggestions for modernization or amendments to the trade agreement; • Proposing flanking measures, aimed at enhancing benefits and minimizing negative impacts and costs.

Provisional overview of literature and data per case study

This section presents a preliminary overview of literature and data, which will be used for the sector case studies. However, it is important to note that this list is provisional and will be expanded as the project progresses.

Table 6.7 Overview literature per case study

Sector	Institution	Title	Year
Country-specific data	National statistics office	<ul style="list-style-type: none"> Algeria: National Office of Statistics; Egypt: Central Agency for Public Mobilization and Statistics; Jordan: Department of Statistics; Lebanon: Central Administration of Statistics; Morocco: HCP; Tunisia: National Institute of Statistics. 	
	Eurostat	<ul style="list-style-type: none"> Database on 'Southern European Neighbourhood Policy countries'. 	
	International Centre for Trade and Sustainable Development	<ul style="list-style-type: none"> Study on Agricultural Policies, Trade and Sustainable Development in Egypt. 	2017
	Journal of Applied Economics	<ul style="list-style-type: none"> The impact of FTAs on MENA trade in agricultural and industrial products. 	2016
	World Economic Forum	<ul style="list-style-type: none"> The Future of Jobs and Skills in the Middle East and North Africa. 	2017
	Atradius	<ul style="list-style-type: none"> Atradius Country Reports: Middle East and North Africa. 	2018
Sector-specific data	World Integrated Trade Solution	<ul style="list-style-type: none"> Trade Statistics on all relevant sectors. 	2016-2017
	International Monetary Fund	<ul style="list-style-type: none"> Trade Statistics for all relevant countries. 	
	World Trade Organization	<ul style="list-style-type: none"> World Trade Statistical Review 2018. 	2018
	World Trade Organization	<ul style="list-style-type: none"> African Perspectives on Trade and the WTO Domestic Reforms, Structural Transformation and Global Economic Integration. 	2016
	Foods (Academic Journal)	<ul style="list-style-type: none"> A Review on the Rising Prevalence of International Standards: Threats or Opportunities for the Agri-Food Produce Sector in Developing Countries, with a Focus on Examples from the MENA Region. 	2018
	United Nations	<ul style="list-style-type: none"> FAOSTAT. 	2018
	Eurostat	<ul style="list-style-type: none"> COMEXT Foreign Trade Database. 	2017
	European Commission	<ul style="list-style-type: none"> Market Access Database (MADB). 	2019
Legal texts	European Union	<ul style="list-style-type: none"> Euro-Mediterranean Association Agreement for all six Euro-Med countries. 	Various
Stakeholders	Various possible stakeholders	<ul style="list-style-type: none"> Mena Business Council; Association of the Mediterranean Chambers of Commerce and Industry (ASCAME). <p>Textiles & Clothing:</p> <ul style="list-style-type: none"> International Textile Manufacturers Federation – Global; Egyptian Chamber of Textile Industries (ECTI) – Egypt; Cotton Egypt Association – Egypt; AMITH – Morocco; Textile and Apparel Federation (FTTH) – Tunisia. <p>Agriculture:</p> <ul style="list-style-type: none"> Food and Agriculture Organization of the United Nations – global; National Agrifood Products Federation (FENAGRI) – Morocco; Fruits and Vegetables Producers and Exporters Association (APEFEL) – Morocco; 	-

Sector	Institution	Title	Year
		<ul style="list-style-type: none"> Lebanon's Farmers' Association – Lebanon; l'Union Tunisienne de l'Agriculture et de Peche (UTAP - Association for Agriculture and Fishery) – Tunisia; Agricultural Export Council – Egypt. <p>Machinery & Transport Equipment:</p> <ul style="list-style-type: none"> Association of Equipment Manufacturers – global; Egyptian Auto Feeders Association (EAFA) – Egypt; Moroccan Association for Automotive Industry and Trade (AMICA) – Morocco; Tunisian Automotive Association (TAA) – Tunisia. <p>Chemicals:</p> <ul style="list-style-type: none"> International Council of Chemical Associations (ICCA) – Global; Federation of Egyptian Industries – Egypt. 	

Next steps

We will start with the sector case study on textiles and clothing. The first phase will focus on desk study and getting relevant stakeholders to participate in the OPC. This will be followed by more targeted consultations (interviews, roundtables) with the relevant stakeholders.

6.3. Sustainability Analysis

6.3.1. Focus of the sustainability analysis

The analysis of impacts of the FTAs on sustainable development and human rights will complete the impact analysis. This part of the evaluation is divided into four areas: social impact, environmental impact, human rights impact and impact on third countries. Based on the ToR and similar studies, these four areas of impact cover many different elements. For the human rights analysis, we have also taken into account the guidelines of the EC (see Box 6.1).²¹¹ The aspects that we will focus on are the following:

- Social impact: effects on employment, wages, household incomes, labour standards and working conditions, health & safety, social protection, social dialogue, poverty reduction, gender-related issues, and vulnerable groups;
- Environmental impact: effects on waste, energy use and mix, air pollution, natural resources (water resources, agricultural fertilisers, land use, soil, and livestock, forests/forest resources, fisheries/fish resources, wildlife resources) and the greening of the economy (incl. trade in environmental goods and services);
- Human rights impact: effects on economic, social and cultural human rights, with an emphasis on the right to work and worker's rights, the right to food, the right to water, the right to a healthy environment and cultural rights; Impact on developing countries and Least Developed Countries (LDCs): trade diversion and trade creation, and possible resulting economic, social, environmental and human rights effects of this.

²¹¹ Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives, available at http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc_153591.pdf.

Box 6.1 Assessment of the impact of the FTAs on human rights

The guidelines of the EU for analysis for impacts of human rights take as a starting point that EU policies and external action need to comply with the Charter of Fundamental rights, as well as with human rights obligations under international law. To identify the rights on which the analysis will focus, an important selection criterion is the direct versus the indirect impacts, where the focus will be on those areas which are more directly trade-related and likely to be directly affected by the FTA. In the context of this evaluation, we consider this a key criterion, as there will have been many other factors affecting the human rights situation in the six countries given the time span of the evaluation.

Civil, political, economic, social, cultural and core labour rights are all considered, but especially in the context of these more traditional trade agreements, which have a strong focus on tariff reduction, the economic, social and cultural rights (including the core labour rights) are most likely to be affected. Within this group, the right to work and worker's rights, the right to food, the right to water, the right to a healthy environment and cultural rights, are more likely to be directly affected by the FTAs. Other rights in this category are the right to social security, housing, health and education, where there could be a link with the FTA, mostly linked to changes in government revenue, but this link is more indirect. It should be noted that next to the selection criterion of direct versus indirect effects, there are other elements to take into account. These are the size of the effects, the nature of the right affected (i.e. whether it is an absolute right), or the relevance of the impact on specific stakeholder groups. The next steps of the analysis (especially the stakeholder consultations and CGE modelling results) will provide more information on this, which could still lead to adjustments in the focus of the human rights analysis.

6.3.2. Outline of the approach of the sustainability analysis

There will have been many changes in the four areas identified above over the evaluation period. The key challenge is to identify what role the FTA played in these developments. To keep the focus on FTA-related impacts, we will use a three-step approach:

1. Identification of impacts, based on FTA texts, economic analysis and literature review;
2. Selection of case studies, focusing on the most significant impacts;
3. Conduct case studies.

The analysis can only be done after some of the other tasks are completed, notably the economic modelling. During the inception phase, we have undertaken part of step 1. The remaining aspects of step 1, as well as steps 2 and 3 will be addressed in the next phases of the study.

Step 1: Identification of impacts- scoping exercise

The first step of the analysis entails the identification of impacts. Here we distinguish potential impacts that directly stem from the text of the FTAs, impacts that can be identified on the basis of the economic modelling, and impacts that we know of as a result of the literature review related to sustainability impacts. While the first focuses on the direct effects of the agreements, many sustainability impacts will stem from the economic impact of the FTA, which we refer to as indirect effects. An example of such more indirect effect could be increased imports of environmental goods due to decreased tariffs, potentially contributing to a better environmental situation, or it could be related to the effect of price changes on income distribution. These indirect effects are identified on the basis of the CGE and PE results and the literature review.

Identifying sustainability impacts from the texts of the FTAs

The text provisions of the FTAs provide a starting point for the identification of the direct impacts on social and environmental issues, human rights, and third countries. As indicated in Section 2, while the current generation of EU Trade agreements include a chapter on Trade and Sustainable Development, this is not the case in these FTAs.

In addition, it should be kept in mind that the FTAs are part of the broader Association Agreements. In these AAs, there is specific attention to sustainability issues (e.g. co-operation on environmental and social issues, economic cooperation to support efforts to achieve sustainable economic and social development). However, since this study only evaluates the impacts of the trade chapters of the AAs, the impact from other parts of the AA will not be investigated.

One element worth highlighting is that the FTAs allow the SMC countries, as exceptional measures of limited duration, to increase (or reintroduce) custom duties. This is only allowed if these measures apply “to new and infant industries or to sectors undergoing restructuring or experiencing serious difficulties, particularly where those difficulties entail severe social problems.”²¹²

In addition, the agreements allow for prohibitions or restrictions on imports, exports or goods in transit (unless they concern a means of arbitrary discrimination or a disguised restriction on trade between the Parties) if they are “justified on grounds of public morality, public policy or public security, of the protection of health and life of humans, animals or plants, of the protection of national treasures possessing artistic, historic or archaeological value, of the protection of intellectual property or of regulations concerning gold and silver.” Thus, the agreements allow for a multitude of factors of relevance for sustainable development to be taken into account.

Finally, we note that the preamble of the agreements covers the entire agreements, and is therefore also relevant for the trade chapters. In the preamble, the Parties affirm the importance they attach to the respect for human rights, democratic principles and political and economic freedoms.²¹³

In general terms, the FTAs do provide the opportunity to introduce temporary measures or maintain certain trade-restricting measures on the grounds of sustainability-related considerations. On the other hand, the FTAs do not pose any commitments on the parties to revise their policies on social, human rights or environmental issues. Based on these considerations, it is not to be expected that the FTAs have a direct impact on sustainability. Rather, the impact would be more indirect, stemming from the economic impacts brought about by the agreement, such as increased trade.

Identifying sustainability impacts from the economic modelling

The results of the economic modelling will provide a first indication of impacts of the FTAs. These analyses will provide some indicators that immediately provide information on the four areas of this work package, such as impact on wages or sectoral employment (social), CO₂ emissions (environment), and economic effects on third countries. In addition to these direct observations, the results will also help to identify possible indirect effects. For example, if these analyses show that a sector has significantly expanded, this can have important sustainability impacts, e.g. if the sector has high female employment, or produces a lot of waste.

In order to identify these indirect effects, we will start with the identification of the economic changes at the sectoral level. Where the impact on the sector is large, we can make the link with sustainability information. This can be quantitative information (e.g. data on energy use, CO₂ emissions, trade flows with developing countries for a specific sector), but also more qualitative information (e.g. information on labour conditions or specific region-related issues). The combination of these pieces of information will help in scoping the impacts and identifying the most significant impacts. The end product of this exercise is an overview of the type of impacts (relating to the four areas, see 6.3.1), the direction of impacts (positive or negative) and the size of impacts.

At the time of drafting of the report, we have received the first modelling results, but not yet for most of the above-mentioned indicators. This part of Step 1 will therefore be completed in the next phase.

Identifying sustainability impacts from the literature

The third element of step 1 is reviewing the literature in order to determine to what extent sustainability impacts of the agreements have been investigated before and where evidence of an FTA-related impact can be seen. Literature on the sustainability-related impact of the Euro-Mediterranean FTAs is scarce. We have expanded the literature search to also cover the findings on the four impact areas from trade liberalisation more general. Most of the identified literature focuses on social and environmental impacts, which indirectly also provide information on

²¹² See, for instance, Article 14 of the EU-Tunisia Association Agreement.

²¹³ In the case of Morocco and Tunisia, there is no reference to democratic principles in the preamble, but in Article 2.

human rights impact (e.g. the link of a change in employment to the right to work, the link of changes in CO2 emissions to the right to a healthy environment). A more elaborated overview of the findings of the literature identified is included in Annex D.

The main results of the literature review up until now can be summarised as follows.

With respect to the social impact, economic theory predicts a positive impact of trade liberalisation. The FTAs are expected to lead to economic growth, which in turn is expected to have a positive impact on employment, government revenue and relative prices. However, this literature focuses on long-term impacts, while in the short run, there can be transitional effects. For example, an FTA will affect sectors differently, leading to a sectoral reallocation of labour. This reallocation does not happen automatically and can lead to transitional costs and a negative social impact.

The focus of the identified literature is on employment and incomes. For both aspects, the literature finds limited or even negative impacts of trade liberalisation between the EU and the SMCs. Zorob (2017) finds that increased competitive pressure on industries and labour markets appears to have contributed to an increase in existing wage gaps. This finding is in line with Alcidi & Al (2017), who find that Egypt was able to benefit from trade expansion in sectors that are more intensive in skilled labour. On the other hand, positive income effects are also identified. Cherkaoui, Khellaf and Nihou (2011) find that in Morocco, trade liberalisation has led to lower prices for agricultural and manufactured products and higher wages, resulting in a real household income increase of around 2.7%.

In terms of employment, Dadush and Myachenkova (2018) find that the per capita income growth in the SMC region (based on an analysis for Algeria, Egypt, Morocco and Tunisia) over the last ten years has not been enough to lead to a sufficient acceleration of employment and to meet the challenges of youth unemployment and the inclusion of women in the labour market of these countries. In a study on Egypt, Gignoux and Suwa-Eisenmann (2017) find that regions most exposed to trade liberalisation have had lower employment growth rates. In addition, workers mobility toward expanding sectors has been low.

Alcidi & Al (2017) note that trade liberalisation can also result in increased levels of FDI, but the resulting employment effects are difficult to identify and seem to vary by country (e.g. depending on the sectoral focus of FDI). This study can complement this work, with a focus on ex-post assessment, and further exploring the forces at play that can explain these findings.

With respect to human rights impact, the literature on the link between trade and human rights is still under development. There is some overlap with the literature on social impacts where it concerns employment (right to work) and labour conditions (labour rights). We have identified some literature looking at role of trade (agreements) on gender equality, the right to food (food security) and on water, but this literature largely focuses on ex ante assessments. The ex ante literature suggests that the FTA could potentially have an impact on these issues and this study could shed further light on this.

With respect to the environmental impact, the literature review finds that FTAs may generate positive or negative environmental impacts (directly or indirectly) on certain specific environmental issues (e.g. CO2 emissions, air pollution, water), depending on the period, type of model and approach used²¹⁴. Only few studies succeed in quantifying impacts related to trade specifically with the EU, which also complicates reaching firm conclusions on the direction and severity of impacts. The focus of these studies is on energy use and CO2 emissions, the role of environmental regulation and trade in environmental goods.

With respect to CO2 emissions, the conclusions from the literature are mixed. Baghdadi, Martinez-Zarzoso and Zitouna (2013) find that the "emissions pollution gap is 22% lower for pairs of countries involved in Euro-Mediterranean Agreements than for similar pairs of countries not involved in RTAs." Dogan and Aslan (2017) conclude differently and find that energy consumption resulting from trade increase has a negative impact on environment given higher CO2 emissions. Also, Hafeez et al. (2019) find that, especially in lower and middle income countries, emissions can increase as a result of FTAs, as those countries can get involved in

²¹⁴ For a broader review of environmental impacts of EU FTAs see a recent study by the European Parliament (2018).

pollution-intensive economic activities. The fact that changes in the sectoral composition also affect the environmental situation is also confirmed in several ex ante studies. This could be a topic worth further exploring, also taking into account the results of the CGE modelling (which will give both the total effect on CO₂ as well as sectoral changes).

Ramzy and Zaki (2018) look at the role of national environmental legislation and find that the compliance with environment-related legislation positively impacts the volumes of trade. With clearer regulations, governments stimulate innovation and minimise the negative effects of higher fixed abatement costs in international trade.

With respect to trade in environmental goods,²¹⁵ we identified studies related to renewable energy and organic production. The FTAs can play a role in facilitating the trade of these goods, thereby improving the access to these products (more/better supply and/or lower prices (EC, 2019)), which in turn can make a positive contribution on sustainable development. Increased demand for these products also stems from an increased demand for sustainable products (UNCTAD, 2017), suggesting that increased imports of these products cannot be fully attributed to the FTA. In addition, Ait Ali A. et al. (2019) note that differences in regulation, as well as shortcomings related to infrastructure, can limit the possibilities for bilateral trade in renewable energy. As noted above with social and human rights impacts, it is clear that trade in environmental goods does not only depend on the FTA, but also other forces such as the regulatory environment, the available technologies and the demand for these products.

With respect to impacts on third countries, there is theoretical and empirical literature on the effects on trade creation and trade diversion, although this literature does not focus specifically on the Euro-Med region. According to Freund (2010), there is no evidence that implementation of regional agreements is associated with trade diversion from third countries to regional members. Another effect identified in the literature on third countries is the contagion effect: FTAs lead to new FTAs, as countries not included in the original FTA intend to reduce discrimination created by the existing FTAs (see e.g. Baldwin and Jaimovich (2012)).

Step 2: Selection of case studies

Based on the overview of impacts identified in step 1, we will make a selection of case studies. "Case studies" here means a focus study on a sub-topic within the impact analysis. The key selection criterion will be the size of the impacts. Although we will not be able to assess the impacts quantitatively, we can assess them in a more qualitative way, using a five-point scale (significant negative impact, slightly negative impact, no impact, slight positive impact, significant positive impact). We will also clearly identify the source of the assessment (e.g. literature, economic modelling, stakeholder suggestions). Stakeholder inputs will be requested in a newsletter, the website, and through twitter.

It is likely that we will analyse the impacts with a specific sectoral focus, given that many effects in the literature are linked to changes in the sectoral structure of the economy brought about by the FTA. For those sectors that seem to be heavily impacted by the FTA based on the economic modelling, we will investigate whether there are any social, human rights or environmental impacts, or important third country links.

In the final selection of case studies, we will take into account the need to cover all four impact areas, and to have a good regional spread of case studies. Similar to the sector analysis, some issues may be analysed for several countries.

Step 3: Conducting case studies

Regarding the methods used for the case studies, these case studies will largely be based on qualitative analysis (desk research, interviews, other types of stakeholder consultations), where quantitative information will be used to the extent available and relevant. In some specific cases, we could also apply quantitative analysis. For example, in the case of tariff reductions on products that are particularly relevant from a social or environmental perspective, we could analyse the effects, by analysing in more detail the evolution in trade flows, or by using partial equilibrium analysis.

²¹⁵ Please note that there is no consensus on what is an environmental good (see for example Sugathan (2013)) In the context of this study, we will use the WTO "Friends list".

7. PLANNING

In this section we present a revised overview of the timing of future work as well as a schedule for the next meetings, milestones and deliverables, as well as a detailed planning of the coming phases of the study. The study team has divided the project timeline in three phases: the inception phase, the interim phase and the final phase. Each of these phases is described below.

7.1. Timing of future work

Inception phase – finalisation of methodology

The main goal of the current inception phase was to further develop and fine-tune the proposed methodology, based on further desk research and discussions within the consortium, information and feedback received from the Steering Committee.

In the area of consultations the bulk of the on-going work in the inception phase was related to the development of the stakeholder consultation strategy, including elaborating on the specific research questions to be answered, establishing preliminary lists of stakeholders in individual countries, and describing how the specific consultation activities such as the on-line consultation, the targeted survey, local workshops and sector focus groups will be carried out. During this phase a web page dedicated to this evaluation and a social media campaign are prepared. (For more details see Section 6.1)

An important element of the inception phase was also the development of the methodology which will later be used to identify economic effects of the FTAs. A detailed review of existing studies and reports was completed (see also Section 3). This helped specify more precisely what kind of additional descriptive statistical analysis will be used to support the analysis of the CGE and PE results provided by the Commission (see also Section 6.2).

In this phase, the methodological approach to the sustainability analysis has only advanced to a certain extent, with a first analysis of the texts of the agreement and a literature review. A final selection of case studies is still pending and will be finalised after receiving the first stakeholder inputs and more indicators from the CGE modelling. Meanwhile, the sustainability analysis team has been invited to comment on the literature review and on the development of methodology for the economic analysis. This gave an opportunity to reflect on how consultations and economic analysis can inform the identification of specific sustainability effects which will be studied at a greater depth in the sustainability case studies at the project implementation stage.

The interim phase phase– the main analyses

The main part of the evaluation work will be conducted in the interim phase. As far as stakeholder consultations are concerned, on-line public consultations will be conducted, as well as a large part of the interviews. Local workshops and sectoral focus groups will be prepared in co-operation with local consultation teams in each of the six SMCs and in Brussels. The workshops will take place towards the end of the interim phase or at the beginning of the final phase (i.e. after the draft Interim Report has been prepared in early Autumn 2019). Throughout the study, stakeholders will be kept informed and invited to share their inputs and feedback through the website, newsletters, and social media channels. Draft summary reports on all consultation activities will also be prepared, including a preliminary discussion of how the results of consultations will feed into economic analysis, sectoral studies, as well as the sustainability analysis.

As far as economic analysis is concerned, in this phase, a comprehensive appraisal of the main elements of the Euro-Med FTAs as well as the degree of their implementation will be undertaken by our economic and legal experts. At the beginning of this phase, a stocktaking of the results from the CGE and PE modelling provided by the Commission will be conducted in order to identify and understand the mechanisms underlying key impacts stemming from this analysis, and to grasp their implications for the focus of the supporting quantitative analysis. This initial analysis of modelling results will inform the final setup of descriptive statistical analyses which will serve both as a means of giving context to some of the CGE/PE results as well as a means of deepening the analysis in areas where the CGE/PE results do not provide sufficient insights (e.g. on actual historical developments specific less aggregated product categories or trading partners). This will be accompanied by sectoral case studies, which will provide concrete insights into the effects on key industries and will serve as real points of reference for the interpretation of both the CGE/PE and statistical/econometric components of economic analysis.

An additional block of economic analysis will draw on both the core economic and sectoral analysis and will shed more light on certain specific effects of Euro-Med FTAs, such as the impact on competitiveness of the EU's SMEs, consumers in the EU and partner countries, EU budget, as well as informal economy.

In the interim phase, about 3-6 sustainability case studies selected on the basis of the importance of the Euro-Med FTA effects will be conducted for each partner country and the EU²¹⁶. This will require co-ordination between the different sustainability themes but also with the work carried out in the consultation and economic analysis blocks.

The results of the interim phase will be summarised in the interim technical report which will summarise progress made in all work packages and all work streams within these packages, including difficulties encountered and solutions proposed in order to overcome them.

Final phase – incorporation of feedback and insights from consultations, fine tuning of analysis and elaboration of conclusions and recommendations

The final phase will concentrate on completion of consultations (notably the outstanding local workshops), any outstanding substantive economic analysis, incorporation of feedback on the interim report from the Commission, as well as on comparison and harmonisation of insights from the different works streams. In particular, in this phase considerable effort will be taken to take final stock of public consultation results and to incorporate them into the assessments coming from the economic and sustainability assessments. Finally, this period will also be used to shape the results from the different work streams and align them with the overall evaluation goals, in particular to elaborate on the answers to specific evaluation questions and on conclusions and recommendations for the future EU's Euro-Med trade policy and beyond.

7.2. Timetable of deliverables

Section 7.1 detailed the activities that will take place in the different phases. The table below presents an overview of the meetings, milestones and deliverables.

Table 7.1 Timetable of deliverables

Activity	When		Deadline
INCEPTION PHASE			
Kick-off meeting (SCM1)	Month 1	Week 3	14 January 2019
Steering Committee Meeting 2	Month 3	Week 11	15 March 2019
Revised Inception Report	Month 5	Week 22	30 May 2019
INTERIM PHASE			
12-week OPC	Month 3-5	Week 24-35	June 2019
Final selection of sustainability case studies	Month 4	Week 16	July 2019
Progress meeting	Month 6	Week 25	July 2019 (TBD)
Draft Interim report	Month 8	Week 35	30 September 2019
Steering Committee Meeting 3	Month 9	Week 38	September 2019 (TBD)
Civil Society Dialogue 2	Month 9	Week 38	September 2019 (TBD)
Revised Interim Technical Report	Month 10	Week 40	October 2019
FINAL PHASE			
Workshops Morocco/Tunisia/Jordan/Lebanon Brussels/Algeria /Egypt	Month 9-10	Week 36-45	Mid Sept-Mid November
Draft final report	Month 12	Week 51	20 December
Steering Committee Meeting 4	Month 13	Week 56	23 January 2020
Revised Final Report	Month 14	Week 60	21 February 2020

²¹⁶ Some case studies may cover more than one country or issue.

7.3. Risks

The implementation of this study depends on the successful mitigation of a number of risks that have been identified. The table below provides an overview of these risks and mitigation strategies.

Table 7.2 Risks and mitigation strategies

	Risks	Approach to mitigate risks
1	Results from the CGE/PE model can be interpreted in multiple ways	This study does not perform a CGE analysis itself but will use the CGE results provided by the client. It is important that there is sufficient exchange of information on the methods and results, so this can be presented in a transparent way in the report. Currently dialogue on this is taking place. We will also balance the results of the abstract analysis with more specific analysis relying on the sector case studies.
2	Availability of data	Obtaining complete statistics can be challenging, as we already observe that specific datasets can be limited to specific sectors or specific countries. Hence, the information obtained from datasets will be complemented with existing literature, information provided by experts and results from the stakeholder consultations.
3	Reliability of available data	Obtaining reliable statistics is notoriously difficult even if this assessment will to a large extent deal with trade and tariff statistics. Compiling a consistent time series trade data at a detailed product level and matching them with data on market access conditions (tariffs, preferential margins) and collecting comparable information on non-tariff measures, such as standards, SPS measures or other NTMs may prove difficult. Where relevant we will expand on the strengths, limitations and benefits of the various databases in these fields and we will put the data into perspective. Finally, we will always try to complement our quantitative analysis with more qualitative approaches to obtain as complete a picture as possible which also helps to validate the findings.
4	Lack of capacity or resources of stakeholders to actively engage in debate	Although the lack of capacity cannot be solved by this study, this problem is addressed in the following ways: We pay attention to outreach through the website, newsletters, twitter, and possibly other ways; We present the background of our study and preliminary results in a clear and understandable (i.e. non-technical) way in the local language; We send information to relevant stakeholders as early as possible, to give them sufficient time to digest the information and prepare a response; If needed, we will develop questionnaires for certain stakeholders that will help to develop their position (e.g. if they need to consult their members).
5	Unbalanced mix of stakeholders	If important stakeholders are under-represented, 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 actively encourage the engagement of such organisations via our local partners which are present in each country. The EUD also provides advice on these matters. In addition, using social media will allow us to reach a large number of stakeholders.
6	Limited use of the project website, Twitter account and newsletter	We will encourage the use of the website, newsletter and Twitter by referring to these different options on all platforms. We will also encourage our partners and relevant organisations (e.g. stakeholder organisations) to refer to the platforms on their respective sites or in other publications.
7	Conflicting results from economic analysis, sector case studies and consultations	It is important that there is sufficient exchange of information on the methods and results, so this can be presented in a transparent way in the report. In this way, potential differences between the results of the economic analysis, sector case studies and consultations can be clarified.

ANNEX A: BIBLIOGRAPHY

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ANNEX B: STAKEHOLDER LIST

Algeria

EU Delegation in Alger
European Economic and Social Committee
Arab Bank for Economic Development in Africa
Arab Fund for Economic and Social Development
Arab Maghreb Union
Arab Monetary Fund
Bank for International Settlements
Food and Agriculture Organization
International Atomic Energy Agency
International Bank for Reconstruction and Development (World Bank)
International Chamber of Commerce
International Civil Aviation Organization
International Confederation of Free Trade Unions
International Development Association
International Finance Corporation
International Fund for Agricultural Development
International Hydrographic Organization
International Maritime Organization
International Monetary Fund
International Organization for Standardization
International Telecommunication Union
Islamic Development Bank
Multilateral Investment Geographic Agency
Nonaligned Movement
Organization for the Prohibition of Chemical Weapons
Organization for Security and Co-operation in Europe (partner)
Organization of American States (observer)
Organization of Arab Petroleum Exporting Countries
Organization of the Islamic Conference
Organization of the Petroleum Exporting Countries
Universal Postal Union
World Customs Organization
World Intellectual Property Organization
International Criminal Court (signatory)
International Criminal Police Organization
International Olympic Committee
International Organization for Migration
International Federation of Red Cross and Red Crescent Societies
International Red Cross and Red Crescent Movement
League of Arab States
United Nations
United Nations Conference on Trade and Development
United Nations Educational
Scientific and Cultural Organization
United Nations High Commissioner for Refugees
United Nations Industrial Development Organization
World Health Organization
World Meteorological Organization
Algerian Post
Algerian Telecom
Algerian Tourism
Council of the Nation is the upper house of the Algerian Parliament
Council of the Nation of Algeria
Ministry of Agriculture and Rural Development
Ministry of Commerce
Ministry of Culture
Ministry of Energy and Mining
Ministry of Finance
Ministry of Fisheries and Marine Resources
Ministry of Industry and Investment Promotion
Ministry of Interior and Local Governments
Ministry of Justice
Ministry of Labour, Employment and Social Security

Ministry of Land-use Planning and Environment
Ministry of Housing and Urban Development
Ministry of Post, Information Technology and Communication
Ministry of Public Health
Ministry of Public Works
Ministry of Religious Affairs and Endowments
Ministry of Tourism and Handicraft
Ministry of Transport
Ministry of Water Resources
National Agency for the Promotion of Foreign Trade
National Center for Environmental Development
National Meteorology Office
National Tourism Office
National Waste Agency
People's National Assembly
Algerian Chamber of Commerce and Industry
Annaba Chamber of Commerce and Industry
Chamber of Commerce and Industry of Constantine
Chambre de Commerce et d` Industrie du Dahra
Oran Chamber of Commerce and Industry
Memcha Chamber of Commerce and Industry
Tafna Chamber of Commerce & Industry
Association Algérienne Enfance et Familles d'Accueil Bénévoles
Association Handicapés Moteur
Association Nationale de Volontariat Touiza
Association Nationale des Echanges entre Jeunes
Association pour la Jeunesse Innovatrice et l'Environnement
Association pour la promotion de la lecture enfantine – Le Petit Lecteur –
Rassemblement Actions Jeunesse
Réseau Algérien pour la Défense des Droits de l'Enfant NADA
Union Générale des Travailleurs Algériens (UGTA)
US-Algeria Business Council
Association nationale de lutte contre la corruption
Association Santé Sidi El Houari
Collectif des Familles des disparu(e)s en Algérie
Fondation pour la Promotion de la Sante et le Developpement de la Recherche
NAGY Research Algeria
Office National des Statistiques
Top level Mena
Cercle de réflexion sur l'Entreprise (CARE)
centre de recherche en économie appliquée pour le développement (CREAD)
Fonds des Nations Unies pour la Population
International Finance Corporation
International Migration
ONU Femmes, Entité des Nations Unies pour l'Égalité des Sexes et l'Autonomisation des Femmes
UNICEF
United Nations Refugee agency
US Embassy in Algeria
WWF
Confédération Générale des Entreprises Algériennes
Association Nationale des Exportateurs Algeriens (ANEXAL)
Confédération Forum des Chefs d'Entreprise

Egypt

Steering Committee
EU Delegation in Cairo
European Economic and Social Committee
AeroSpace and Defence Industries Association of Europe
Agriculture and Horticulture Development Board
Association Européenne du Commerce de fruits et légumes de l'UE (EUCOFEL)
Business Europe
COTANCE, European Leather Industry Organisation
Eurochambers
EuroCommerce
Eurocoton
European Apparel and Textile Organisation EURATEX
European Association for Bioindustries
European association of dairy trade
European Association of Mining Industries
European Banking Federation
European Branded Clothing Alliance
European Chemical Industry Council
European Construction Industry Federation
European Federation of Pharmaceutical Industries and Associations
European Generic Medicines Association (EGA)
European Services Forum
European Small Business Alliance
Eurosace - Trade association of the European space industry
Federation of the European Sporting Goods Industry
International Trademark Association
Latvian Chamber of Traders
Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises
Young Entrepreneurs for Europe
Arab Network for Environment & Development
Arab NGO Network for Development (ANND)
Association internationale de Techniciens, Experts, Chercheurs
CEEP - European Centre of Employers and Enterprises providing Public Services
CNCD 11.11.11
DIGITALEUROPE
Ecologistas en Accion
Euro Coop - European Community of Consumer Cooperatives
Eurogroup for Animals
European Committee for Standardization
European Digital Rights
European Environmental Bureau
European Organisation for Security
European Renewable Energy Council
FoodDrinkEurope
Friends of the Earth Europe
Human Rights Watch
Humane Society International
International Federation for Human Rights (FIDH)
International Fund for Animal Welfare
Oxfam International
Platform of European Social NGOs
The European Consumer Organisation
World Society for the Protection of Animals
WWF
industriAll European Trade Union
International Trade Union Confederation
European Policy Centre
European Training Foundation
Union for the Mediterranean
Cabinet of Ministers
Central Administration of Plant Quarantine
Customs authority
Egyptian Accreditation Council
Egyptian Competition Authority
Egyptian Consumer Protection Agency

Egyptian Mineral Resources Authority
Food Safety Agency Management Unit
General Authority for Fish Resources Development
General Organization for Export & Import Control
General Organization for Exports, Imports and Control
General Organization for Veterinary Services
Industrial Development Authority
Industrial Modernisation Center (IMC)
Ministry of Agriculture and Land Reclamation
Ministry of Communication and Information Technology
Ministry of Electricity and Energy
Ministry of Foreign Affairs
Ministry of International Cooperation
Ministry of Investment
Ministry of Irrigation and Water Resources
Ministry of Justice
Ministry of Manpower and Migration
Ministry of Petroleum and Metallurgical Wealth
Ministry of Planning
Ministry of Social Solidarity
Ministry of State for Environment Affairs
Ministry of State for Local Development
Ministry of Supply and Internal Commerce
Ministry of Tourism
Ministry of Trade and Industry
Ministry of Trade and Industry, Trade Agreements Section
Ministry of Transitional Justice and National Recovery
Ministry of Transportation
Organization for Standardization and Quality
Alexandria Business Association
Alexandria Small Business Association
Confederation of Egyptian European Business Associations (CEEBA)
Egyptian Business Association (EJB)
Egyptian Businessmen's Association
Egyptian Junior Business Association (EJB)
Federation for Economic Development Associations (FEDA)
Federation of Egyptian Chambers of Commerce
Federation of Egyptian Industries
Federation of Medium and Small Industries Association
Alliance for Arab Women
Arab Organization for Human Rights
Arab Women's Solidarity Association
Association for the Protection of the Environment
Egyptian Center for Economic and Social Rights
Egyptian Initiative for Personal Rights
Egypt's International Economic Forum
Egyptian National Competitiveness Council
Egyptian Organization for Human Rights
Masr El-Mahrousa
Misr El-Kheir Foundation
National Association for Protection of Environment and Green Egypt
Resala
Egyptian Democratic Labor Congress (EDLC)
Egyptian Federation of Independent Trade Unions (EFITU)
Egyptian Trade Union Federation (ETUF)
General Federation of Egyptian Trade Unions
Al Ahram Center for Political & Strategic Studies
Cairo Institute for Human Rights Studies
Center for Political Research and Studies
Faculty of Economics & Political Science, Cairo University
Ibn Khaldoun Centre for Development Studies
Information and Decision Support Center
The Egyptian Cabinet
The Egyptian Center for Economic Studies
Friedrich-Ebert-Stiftung
Hanns-Seidel-Stiftung

Center for Future Studies
Economic Research Forum (ERF)
Egyptian Council for Foreign Affairs (ECFA)
Signet Institute
Egyptian Center for Public Policy Studies
American Chamber of Commerce
Care International in Egypt
German Chamber of Commerce
ILO Regional Office Egypt
UNDP Egypt
UNIDO Egypt
USAID Egypt
World Bank Egypt
American University in Cairo
The Micro, Small and Medium Enterprises Development Agency (MSMEDA)
Support to implementation of strategies to foster Micro, Small and Medium Enterprises (MiSMESIS)
development in Egypt
October University of Modern Sciences and Arts (MSA)
EZZ Steel
Egyptian Exporters Association – ExpoLink (EEA)
ABU QIR Fertilizers and Chemicals Industries (nitrogen fertilizers)
Al-Mansour Automotive (automobiles)
Arab American Vehicles (automobiles)
Arab Contractors (construction materials)
BiscoMisr (baked products)
Challenger Ltd (oil, gas)
Corona (confectionery, chocolate)
Egyptian Natural Gas (oil, gas)
Egy-Tech Engineering (automobiles)
Juhayna (beverages, yogurt)
Alhamd for Export of Fresh Fruits and Vegetables
AITarek Company
Agroalex Group
Egytrade
ElBashayer for Export
Life Chemicals Group
Egyptian and Agriculture Service and Trade
Fresh Foods company
Euromisr Fruit
Association of Mediterranean Chambers of Commerce (ASCAME)

Jordan

European Economic and Social Committee
AeroSpace and Defence Industries Association of Europe
Agriculture and Horticulture Development Board
Association Européenne du Commerce de fruits et légumes de l'UE (EUCOFEL)
Business Europe
COTANCE, European Leather Industry Organisation
Eurochambers
EuroCommerce
Eurocoton
European Apparel and Textile Organisation EURATEX
European Association for Bioindustries
European Association of Dairy Trade
European Association of Mining Industries
European Banking Federation
European Branded Clothing Alliance
European Chemical Industry Council
European Construction Industry Federation
European Federation of Pharmaceutical Industries and Associations
European Generic Medicines Association (EGA)
European Services Forum
European Small Business Alliance
Eurosace - Trade association of the European space industry
Federation of the European Sporting Goods Industry
International Trademark Association
Latvian Chamber of Traders
Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises
Young Entrepreneurs for Europe
Arab Network for Environment & Development
Arab NGO Network for Development (ANND)
Association internationale de Techniciens, Experts, Chercheurs
CEEP - European Centre of Employers and Enterprises providing Public Services
CNCD 11.11.11
DIGITALEUROPE
Ecologistas en Accion
Euro Coop - European Community of Consumer Cooperatives
Eurogroup for Animals
European Committee for Standardization
European Digital Rights
European Environmental Bureau
European Organisation for Security
European Renewable Energy Council
Food Drink Europe
Friends of the Earth Europe
Human Rights Watch
Humane Society International
International Federation for Human Rights (FIDH)
International Fund for Animal Welfare
Oxfam International
Platform of European Social NGOs
The European Consumer Organisation
World Society for the Protection of Animals
World Wildlife Fund (WWF)
industriAll European Trade Union
International Trade Union Confederation
European Policy Centre
European Training Foundation
Union for the Mediterranean
Customs Department
Jordan Enterprise Development Corporation
Jordan Standards and Metrology Organization
Jordan Food and Drug Administration
Ministry of Agriculture
Ministry of Energy and Mineral Resources
Ministry of Industry and Trade
Ministry of Planning and International Co-operation

Ministry of Public sector Development
Ministry of Transport
Jordan investment Commission (JIC)
National Fund for Enterprise Support (NAFES)
Amman Chamber of Commerce
Amman Chamber of Industry
AmCham Jordan
Association of Banks in Jordan
Business and Professional Women's' Association
Business Development Centre (BDC)
Dead Sea Products Manufacturers Association
Development & Employment Fund (DEF)
El Hassan Business Park
King Hussein Business Park
Garment Design & Training Services Center (GSC)
Information Technology Association
IRADA
Irbid Chamber of Industry
IFC
Jordan Chamber of Commerce
Jordan Chamber of Industry
Jordan Europe Business Association (JEBA)
Jordan Exporters and Producers Association for Fruit and Vegetables
Jordan Exporters Association
Jordan Federation of Investment Associations
Jordan Forum for Business and Professional Women (JFEMA)
Jordan Furniture Exporters & Manufacturers Association (JFEMA)
Jordan Garments, Accessories and Textile Exporters Association (JGATE)
Jordan Hotel Association (JHO)
Jordan Innovation Centres Network
Jordan Intellectual Property Association (JIPA)
Jordan International Trading Centre (ITC)
Jordan Investors Association
Jordan Olive Products Exports Association (JOPEA)
Jordan Pharmaceutical Association (JPA)
Jordan Stone and Tile Exporters and Producers Association
Jordanian Association of Pharmaceutical Manufacturers & Medical Appliances (JPAM)
Jordanian Businessmen Association
Jordanian Exporters Association
Queen Rania Center for Entrepreneurship
The A/E Business Council
The French Jordanian Chamber of Commerce CAFRAJ – Ubifrance
The Jordanian Free Zones Investors Association
Young Entrepreneurs Association – Jordan
Arab Women Organisation of Jordan
Civil Society Development Centre
Community Media Network
Jordan Environment Society
Jordanian Forum for Human Rights
Jordanian Hashemite Fund for Human Development
The Jordan Society for Sustainable Development
The Jordanian National Commission for Women
The National Society of Consumer Protection
General Federation of Jordanian Trade Unions
International Trade Union Confederation, Amman office
The General Trade Union of Workers in Textile, Garment & Clothing Industries
Academy of Change for Democracy and Development Studies
Alrai Center for Studies
Al-Ummah Centre for Studies & Development
Amman Centre for Human Rights Studies
Center for Strategic Studies
Danish Refugee Council | DRC
Hashemite University
Jordan Economic & Social Council
Jordan Institute of Diplomacy
Middle East Study Centre/Jordan

The Academic Centre for Political Studies
Friedrich-Ebert-Stiftung
Konrad-Adenauer-Stiftung
Hanns-Seidel-Stiftung
Wana Institute
Amman Group for Future Dialogue
Arab Renaissance for Democracy and Development
Middle East Scientific Institute For Security
Arab Institute for Security Studies
Al Quds Center for Political Studies
The Royal Institute for Inter-Faith Studies
The Arab Thought Forum
The Royal Scientific Society
American Chamber of Commerce in Jordan
Care International in Jordan
ILO Regional Office for Arab States, Beirut
UNDP Jordan
UNIDO Jordan
USAID Jordan
World Bank Jordan
Jordan Strategy Forum (JSF)
Islamic World Academy of Sciences (IAS)
Zarqa Chamber of Industry
Open Society Foundation (Amman Office)
Building Markets
Crown Prince Foundation
JEDCO
Entreprise Jordan
Higher Council for Science and Technology

Lebanon

The Delegation of the European Union in Lebanon
Arab Bank for Economic Development in Africa (BADEA)
Arab Fund for Economic and Social Development (AFESD)
Arab Monetary Fund (AMF)
Food and Agriculture Organization (FAO)
Group of 24 (G24)
Group of 77 (G77)
International Atomic Energy Agency (IAEA)
International Bank for Reconstruction and Development (IBRD)
International Chamber of Commerce (ICC)
International Civil Aviation Organization (ICAO)
International Development Association (IDA) – World Bank
International Finance Corporation (IFC)
International Fund for Agricultural Development (IFAD)
International Maritime Organization (IMO)
International Mobile Satellite Organization (IMSO)
International Monetary Fund (IMF)
International Organization for Standardization (ISO)
International Telecommunication Union (ITU)
International Telecommunications Satellite Organization (ITSO)
Inter-Parliamentary Union (IPU)
Islamic Development Bank (IDB)
Multilateral Investment Guarantee Agency (MIGA)
Non-Aligned Movement (NAM)
International Criminal Police Organization (Interpol)
International Federation of Red Cross and Red Crescent Societies (IFRC)
International Labour Organization (ILO)
International Olympic Committee (IOC)
International Red Cross and Red Crescent Movement (IFRC)
League of Arab States (LAS)
Organisation internationale de la Francophonie (OIF)
Organization of Islamic Cooperation (OIC)
Organization of American States (OAS)
Permanent Court of Arbitration (PCA)
United Nations (UN)
United Nations Conference on Trade and Development (UNCTAD)
United Nations Development Program (UNDP)
United Nations Educational, Scientific, and Cultural Organization (UNESCO)
United Nations High Commissioner for Refugees (UNHCR)
United Nations Industrial Development Organization (UNIDO)
United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)
Universal Postal Union (UPU)
World Health Organization (WHO)
World Meteorological Organization (WMO)
World Tourism Organization (UNWTO)
World Bank Lebanon
Prime Minister's Office
Ministry of Agriculture
Ministry of Economy and Trade
Ministry of Environment
Ministry of Foreign Affairs and Emigrants
Ministry of Industry
Ministry of Interior and Municipalities
Ministry of Public Health
Ministry of Social Affairs
Ministry of Tourism
Port of Beirut
The Investment Development Authority of Lebanon (IDAL)
The Lebanese Standards Institution - Libnor
Association of Lebanese Industrialists (ALI)
Beirut Rafic Hariri International Airport
Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon (CCIB)
Chamber of Commerce, Industry and Agriculture in Sidon and South Lebanon (CCIAS)
Chamber of Commerce, Industry and Agriculture of Tripoli and North Lebanon (CCIAT)
Chamber of Commerce, Industry and Agriculture of Zahle And Bekaa (CCIAZ)

Internal Security Forces (ISF)
Lebanese Customs
Lebanese Franchise Association (LFA)
ABAAD-Resource Center for Gender Equality
Arcenciel
Beyond Refrom and Development
CitiAct (Citizen Activism)
Civil Campaign for Electoral Reform (CCER)
Civil Society Knowledge Center
Civil Society Movement
Civil Society Organizations
CRTD A Collective for Research and Training on Development-Action
Daleel Madani: Civil Society Directory
Greenpeace
Heart for Lebanon
Lebanese Businessmen Association (RDCL)
Lebanese Institute for Social & Economic Development (ILDES)
Lebanese Center for Policy Studies
Lebanese Development Network
Lebanese NGO Forum
Lebanese Transparency Association
Mada Association
Middle East Strategic Perspectives
Nahnoo
The Lebanese Foundation for Permanent Civil Peace
UNESCO Lebanese National Commission
Help Lebanon
Lebanese Association for Food Safety (LAFS)
Lebanese Association for Nutrition and Food Sciences (LANFS)
Lebanese Autism Society
Lebanese Center for Active Citizenship
Lebanese Society for Educational and Social Development (LSESD)
Young Men's Christian Association (YMCA) Lebanon
Youth Network for Civic Activism
Modern Heritage Observatory
Center for strategic studies
Centre d'études pour le monde arabe moderne
Civil Center for National Initiative
Lebanese Center for Policy Studies (LCPS)
Friedrich-Ebert-Stiftung
Konrad-Adenauer-Stiftung
Friedrich-Naumann-Stiftung
Carnegie Middle East Center
AUB, Issam Fares Institute
Amnesty International Lebanon
Anna Lindh Foundation
Anna Lindh Euro-Mediterranean Foundation for Dialogue between Cultures
Heinrich Boell Foundation Middle East Office
Human Rights Watch
Middle East Policy Council
Australia - Department of Foreign Affairs and Trade (Development Cooperation Division), formerly AusAID
Austria - Austrian Development Agency - ADA[2] The Austrian Development Cooperation,[3]
Austria Wirtschaftsservice Gesellschaft (aws)[4]
Agence Française de Développement (AFD)
Canada - The Canadian International Development Agency (CIDA)
Denmark - Danish International Development Agency (DANIDA)
European Union – EuropeAid Development and Cooperation
France - Expertise France, Department for International Cooperation and Agence Française de Développement (AFD)
Germany - Federal Ministry for Economic Cooperation and Development, Kreditanstalt für Wiederaufbau (KfW), and Deutsche Gesellschaft für Internationale Zusammenarbeit
Italy -Ministry of Foreign Affairs: Italian Development Cooperation Programme
Japan – Japan International Cooperation Agency (JICA) and Japan Bank for International Cooperation (JBIC)
Kuwait - Kuwait Fund for Arab Economic Development

Netherlands - Ministry of Development Cooperation[26] (has its own minister but is a part of the Ministry of Foreign Affairs) and The Netherlands Foreign Trade and Development Agency (NFTDA)
Norway - Ministry of Foreign Affairs: International Development Program and Norwegian Agency for Development Cooperation (Norad)
Saudi Arabia - Saudi Fund for Development (SFD)
Spain - Spanish Agency for International Development Cooperation (AECID)
Sweden - Swedish International Development Cooperation Agency (Sida)
Switzerland - Swiss Agency for Development and Cooperation (SDC)
United Kingdom - Department for International Development (DFID)
USA - USAID Lebanon
American University of Beirut (AUB)
Lebanese American University (LAU)
Lebanese University
University Saint Joseph
Al Kataeb Party
Amal Movement
Armenian Revolutionary Federation (Tashnag)
El Marada
Free Patriotic Movement
Future Movement (Al Moustaqbal)
Hezbollah
Lebanese Forces
Lebanese National Bloc
National Liberal Party
Sabaa
Syrian Democratic Party

Morocco

COM, DG Trade (Steering committee + relevant others)
COM, DG EMPL
EC, EEAS
European Economic and Social Committee
European Training Foundation (ETF)
The European Union Delegation to the Kingdom of Morocco
Organisation Arabe pour le Développement Industriel et Métallurgie
Chambre de Commerce Franco-Arabe
National U.S.-Arab Chamber of Commerce
Argentine-Arab Chamber of Commerce
Australia-Arab Chamber of Commerce & Industry Inc.
Austro-Arab Chamber of Commerce
Chambre de Commerce Belgique-Luxembourg-Pays Arabes
Arab-Brazilian Chamber of Commerce
Arab-British Chamber of Commerce
Czech-Arab Chamber of Commerce
Arab-German Chamber of Commerce and Industry (GHORFA)
Arab-Hellenic Chamber of Commerce and Development
The Joint Arab-Irish Chamber of Commerce
Arab-Italian Chamber of Commerce
Joint Kenya-Arab Chamber of Commerce and Industry
Arab-Swiss Chamber of Commerce and Industry
Maltese-Arab Chamber of Commerce, Industry and Agriculture
Arab-Portuguese Chamber of Commerce and Industry
China-Arab Joint Chamber of Commerce
General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries
Association of the Mediterranean Chambers of Commerce and Industry (ASCAME)
Union du Maghreb arabe d'apiculture
Union Africaine de Transport
Confédération internationale des syndicats arabes
BEAF
European Apparel and Textile Organisation - EURATEX
Agricultural and Agri-food Trade
European Farmers and European Agri-Cooperatives
International Employers' Organisation (IEO)
BusinessEurope
Eurochambres
European Services Forum
European Trade Union Confederation (ETUC)
International Trade Union Confederation (ITUC)
European Association of Craft and Small and Medium-Sized Enterprises (UEAPME)
European Economic and Social Committee (EESC)
Centre for Research on Multinational Corporations (SOMO)
Transnational Institute
Committee of Agricultural Organisations in the EU (COPA);
General Committee for Agricultural Cooperation in the EU (COGECA)
International Institute for Sustainable Development (IISD)
UNCTAD
Migrations & Développement - Organisation de Solidarité Internationale (Association Franco-Marocaine)
National Democratic Institute
Organisation internationale pour les migrations
Organisation Islamique pour l'Éducation, les Sciences et la Culture (ISESCO)
Global Rights
Fédération Internationale de Droits de l'Homme
Euro-Mediterranean Human Rights Network
UN Office of the High Commissioner for Human Rights - UN OHCHR
Oxfam International
WWF (World Wildlife Fund)
Regional Activity Centre for Cleaner Production (CP/RAC)
Human Rights Watch
BEUC (European Consumer Organisation)
ANEC (the European consumer voice in standardisation, defends consumer interests in the process of standardisation and certification)
Western Sahara Resource Watch

Ministère de l'Economie et des Finances
Ministère de l'Industrie, du Commerce et des Nouvelles Technologies
Ministère des Affaires Étrangères et de la Coopération
Ministère de la Justice et des libertés
Ministère de l'Habitat, de l'Urbanisme et de la politique de la ville
Ministère de l'Agriculture et de la Pêche Maritime
Ministère de l'Équipement et du Transport
Secrétariat d'état pour l'investissement
Ministère de la Santé
Ministère de la Communication
Ministère de l'Énergie, des Mines, de l'Eau et de l'Environnement
Ministère de l'Emploi et de la Formation Professionnelle
Ministère du Tourisme
Ministère de la Solidarité, de la Femme, de la Famille et du Développement Social
Ministère de l'Artisanat
Ministère chargé des Relations avec le Parlement et la société civile
Secrétariat Général du Gouvernement
Haut Commissariat au Plan
Conseil Economique et Social
Conseil National des Droits de l'Homme
Office National de Sécurité Sanitaire des Produits Alimentaires (ONSSA)
Mission Permanente du Maroc auprès de l'Union Européenne (Bruxelles)
Mission Permanente du Royaume du Maroc auprès de l'Office des Nations Unies et des autres
Organisations Internationales (Genève)
Conseil de la Concurrence
Agence de Développement Social
Agence Marocaine de Coopération Internationale
Observatoire National du Développement Humain
Initiative Nationale pour le Développement Humain
Instance Nationale de la Probité, de la Prévention et de la Lutte contre la Corruption
Fédération des Chambre Marocaines de Commerce, d'Industrie et de Services
Confédération Générale des Entreprises au Maroc (CGEM)
Fédération des Chambres d'Agricultures du Maroc
Union Marocaine de l'Agriculture
Fédération des Chambres d'Artisanat
Fédération des Chambres des Pêches Maritimes
Professional Grouping of Moroccan Banks (PGMB)
Union Marocaine des Banques
Association des Centres d'Appels et des Services Informatiques Offshore au Maroc
Association des Femmes Chefs d'Entreprises du Maroc
Fédération des Nouvelles Technologies de l'Information, des Télécommunications et de l'Offshoring
Association des Avocats du Maroc (ABAM)
Association des Jeunes Avocats du Maroc
Association Union des Avocats au Maroc
Ordre des Avocats du Maroc
Union Marocaine des Associations des Chantiers
Union Marocaine du Travail (U.M.T.)
Union Générale des Travailleurs du Maroc (U.G.T.M.)
Confédération Démocratique du Travail (C.D.T.)
Union Nationale du Travail au Maroc (U.N.T.M.)
Euro-Cham Morocco - Union of European and Moroccan Chambers of Commerce and Industry in
Morocco
Chambre Allemande de Commerce et d'industrie au Maroc
Chambre de Commerce Belgo-Luxembourgeoise au Maroc
Chambre Espagnole de Commerce, d'Industrie et de Navigation de Casablanca
Chambre Française de Commerce et d'Industrie du Maroc
Chambre de Commerce Britannique au Maroc
Chambre de Commerce Italienne au Maroc
Chambre de Commerce Suisse-Maroc
Chambre du Commerce et Industrie Tchéco-Marocaine
American Chamber of Commerce in Morocco
Chambre de Commerce Internationale - Maroc
Jeune Chambre Internationale Maroc
Fondation Orient Occident
Association Démocratique des Femmes du Maroc
L'Union de l'Action Féminine

Association Marocaine pour la Solidarité et le Développement
Association Marocaine des Droits de l'Homme
Organisation Marocaine des Droits de l'homme
Amnesty Maroc
Groupement d'Etudes et de Recherches sur la Méditerranée
Association Marocaine de Lutte Contre la Corruption « Transparency Maroc»
Centre Marocain Interdisciplinaire des Etudes Stratégiques et Internationales
Fédération Nationale des Associations de Consommateurs du Maroc
Confédération des Associations de Consommateurs du Maroc (CAC-Maroc)
Espace Associatif
Forum des alternatives Maroc
WWF-MedPo - Maroc
Groupe de Travail
Arab NGO Network for Development
ATTAC / CADTM Maroc
Réseau des Associations de Développement de Sud-Est (RADOSE, Errachidia)
Association des Enseignants des Sciences de la Vie et de la Terre Maroc (AESVT Maroc)
Association des Amis du Parc national d'Ifrane (ASSAPNIF, Azrou)
Réseau Associatif pour le Développement et la Démocratie (RAZDED, Zagora)
Association Homme et Environnement (HEE, Berkane)
Association Talassemmane pour l'Environnement et le Développement (ATED, Chefchaouen)
Association de Développement Local de Chefchaouen (ADL)
Association Amis de l'Environnement (AAE, Oujda)
Association du Gharb pour la Protection de l'Environnement (AGPE, Kenitra)
Association IDIL pour le Développement et l'Ecotourisme (AIDET, Boulmane)
Association Femmes Bladi pour le Développement et l'Ecotourisme (FBDT, Sefrou)
Réseau Marocain Euromed des ONG / ASEET (National)
Espace de Solidarité et de Coopération de l'Oriental (ESCO, Oujda)
Association de la Protection de l'Environnement a la Wilaya de Tétouan (APEWT)
AZIR pour l'Environnement (Al Hoceima)
WWF MedPO Bureau du Maroc (Rabat)
Fondation Abderrahim Bouaabid des Recherches et Etudes
Centre de Recherche et d'Etudes Sociales (CERSS)
Institut Royal des Etudes Stratégique (IRES)
Centre d'Etudes Sociales, Economiques et Managériales (CESEM)
Centre Marocain de Conjoncture
Centre Marocain d'Etudes Juridiques
Ecole de Gouvernance et d'Economie de Rabat
Institut Royal des Etudes Stratégiques
Centre Marocain de Production Propre (CMPP)
Konrad-Adenauer-Stiftung
Hanns-Seidel-Stiftung
Heinrich-Böll-Stiftung
Amadeus Institute
Fondation Friedrich Ebert (F.F.E.)
EBRD (European Bank for Reconstruction and Development)
Banque Mondiale
ILO / Decent Work Team in Rabat
UNESCO Chain in Environment
ISCAE Groupe
UNECA
AMDIE
ASMEX
ASMAEX
Administration des douanes et impots indirects
Administration des douanes et impots indirects
Administration des douanes et impots indirects
Administration des douanes et impots indirects
EACCE
PORTNET
Policy Centre for the new South (previous OCP Policy centre)
office de changes
Observatoire Marocain de la compétitivité Logistique (OMCL)
Agence Marocaine de Développement de la Logistique
ompic
Commission Nationale de Controle de la Protection des Données à Caractere Personnel CNDP

BAD
EIB
ONUDI
universite Mohamed V
CAP RSA
universite Cadi Ayyad
Anima president
Africa center for training, consultations and communication
ISCAE
Centre regional d'investissement Casablanca-settat

Tunisia

Agence Américaine Pour Le Développement International (U.S.A.I.D.)
Agence de Promotion de l'Industrie (API)
Agence de Promotion des Investissements Agricoles (APIA)
Agence Française de Développement
Agence Nationale de Promotion de la Recherche Scientifique
Agence Nationale de Protection de l'Environnement
Agence Nationale des Energies Renouvelables
Agence Nationale pour l'Emploi et le Travail Indépendant
Agence Nationale pour la Maîtrise de l'Energie
Agence Pour La Promotion Des Relations Economiques Italo-Tunisiennes
Agence Tunisienne de la Formation Professionnelle (ATFP)
Arab NGO Network for Development (ANND)
Association « La campagne » (association pour le développement rural)
Association Alternative
Association Amal pour un développement durable et; équitable
Association centre arabe Afrique pour les droits humains
Association centre du Caire pour les Etudes sur les droits de l'homme Tunis
Association centre Tunis pour la migration et l'asile
Association Conseil tunisien pour les Réfugiés et les Migrations
Association d'agriculture durable
Association d'encadrement et de soutien aux Entrepreneurs
Association d'ingénierie de l'économie et de gestion appliquée
Association de citoyenneté et des droits de l'homme
Association de Coopération en Tunisie
Association de défense des droits et les libertés
Association de développement Jugurtha
Association de développement régionale d'économie sociale et de symbiose Ecologique
Association de Développement sans Frontières
Association de promotion de l'Emploi et du Logement
Association de promotion du développement démocratie et des droits de l'homme
Association des Diplômés des instituts supérieurs de commerce
Association des diplômés des instituts supérieurs de commerce
Association des directeurs commerciaux et de Marketing de Tunisie
Association des droits fondamentaux et libertés publiques
Association des Economistes Tunisiens (ASECTU)
Association des Investisseurs Européens en Tunisie
Association des Tunisiens des Grandes Ecoles (ATUGE)
Association Développement des affaires de tuniso-libyennes
Association Droits et citoyenneté
Association du bien être pour le développement et la défense des droits de l'homme
Association du développement et d'animation rurale
Association du travail artisanal de développement du centre national technique
Association Fidélité au développement et aux droits de l'homme
Association Forum de l'Economie Islamique
Association Forum des idées politiques et économique
Association forum des jeunes pour la citoyenneté et la Créativité
Association Forum ITSMF TUNISIA
Association groupe Initiative pour la compétitivité à l'international
Association haqi pour la promotion de la culture des droits de l'homme
Association les Amis de l'environnement
Association méditerranéenne des Soutien des Affaires
Association Mouvement Tunisie-Ecologie
Association Observatoire tunisien de l'économie et du développement
Association OEconomie
Association pour l'accès au financement et à la compétitivité de l'artisanat rural
Association pour la promotion du marché financier
Association pour le développement international
Association pour promouvoir la recherche scientifique
Association pour une Tunisie propre et vertes
Association Professionnelle Tunisienne des Banques et des Etablissements Financiers
Association Réseau des droits des libertés et de dignité
Association Réseau Entreprendre Tunis
Association Réseau tunisien de défense des droits sociaux
Association Réseau tunisien de l'économie sociale
Association sciences et environnement

Association Tari9i
Association Tunis numérique
Association tunisienne d'appui au travail
Association tunisienne d'initiative
Association Tunisienne de Communication et technologie
Association Tunisienne de Développement des Entreprises et Services Economiques
Association tunisienne de développement Durable
Association Tunisienne de développement économique et sociale *IFRIQIYA*
Association Tunisienne de développement social
Association Tunisienne de Développement Touristique
Association Tunisienne de l'accompagnement de l'investisseur ATAI
Association tunisienne de l'éducation environnementale et du développement durable
Association tunisienne de la coopération pour l'investissement et l'emploi
Association tunisienne de la femme pour le développement durable
Association Tunisienne de la Franchise
Association Tunisienne de la Promotion de l'Economie Sociale et Solidaire "Promess"
Association tunisienne de la santé et de L'environnement
Association tunisienne de sauvegarde et de valorisation du patrimoine naturel
Association Tunisienne des Amis de la Méditerranée
Association Tunisienne des Auditeurs Internes
Association tunisienne des études scientifiques sur la population et la migration et la santé
Association Tunisienne des Professionnels de Marketing
Association tunisienne éveil d'hygiène et de la protection de l'environnement
Association tunisienne pour Informer le Consommateur et Rationaliser la Consommation
Association tunisienne pour l'emploi et l'émigration -Espace Méditerranéen
Association Tunisienne pour la diffusion d'une culture des droits de l'homme
Association Tunisienne pour la promotion de l'économie Islamique
Association Tunisienne pour la promotion de l'économie Islamique
Association tunisienne pour la promotion des jeunes promoteurs
Association tunisienne pour la protection de la propriété industrielle
Association tunisienne pour la protection des droits fondamentaux
Association tunisienne pour le développement humain et de la Formation
Association tunisienne pour le dialogue et la fraternité et de coopération entre les peuples
Association TUNISO- MEDITERRANEENE
Banque Africaine Pour Le Développement (B.A.D.)
Banque Centrale de Tunisie
Banque Européenne pour le Reconstruction et le Développement (BERD)
Bureau Du Haut-Commissariat Des Nations Unies Pour Les Réfugiés (H.C.R.)
BusinessEurope
Centre D'information Des Nations Unies (C.I.N.U.)
Centre d'information, de formation, d'études et de documentation sur les associations IFEDA
Centre de Jeunes Dirigeants (CJD)
Centre de la Ligue des Etats Arabes à Tunis
Centre de Promotion des Exportations (CEPEX)
Centre de Recherche et Technologies de l'Energie
Centre international pour le développement en Tunisie
Centre of Mediterranean and International Studies (CEMI)
Cercle des économistes de Tunisie
Chambre de Commerce et d'Industrie de Tunisie
Chambre de commerce et d'Industrie Tuniso-Polonaise
Chambre de commerce tunisienne financière collective
Chambre Nationale des Conseils Fiscaux de Tunisie
Chambre Nationale Des Femmes Chefs D'entreprises
Chambre Nationale des Industries Pharmaceutiques en Tunisie
Chambre Nationale des Minoteries de Tunisie
Chambre Syndicale Des Architectes d'Intérieur
Chambre Syndicale des Commerçants d'Artisanat
Chambre Syndicale Des Conseillers Agricoles
Chambre Syndicale des Conseillers en Exportation
Chambre syndicale des grandes surfaces
Chambre Syndicale Nationale de l'Informatique et de Bureautique
Chambre Syndicale Nationale de Montage Informatique
Chambre Syndicale Nationale des Centres d'Appels et Relation Client
Chambre Syndicale Nationale des Energies Renouvelables
Chambre Syndicale Nationale des Installateurs d'Equipements de Communication
Chambre Syndicale Nationale des Publinets

Chambre Syndicale Nationale des Services à Valeur Ajoutée (représentant les entreprises de services vocaux, SMS, MMS, etc.)
Chambre Syndicale Nationale des Sociétés de Service et d'ingénierie Informatique (SSII)
Chambre Tuniso-Allemande De L 'Industrie Et Du Commerce
Chambre Tuniso-Belgo-Luxembourgeoise de Commerce et d'Industrie
Chambre Tuniso-Britannique de Commerce et d'Industrie
Chambre Tuniso-Française de Commerce et d'Industrie (CTFCI)
Chambre Tuniso-Italienne De Commerce Et D'Industrie
Chambre Tuniso-Néerlandaise de Commerce et d'Industrie
Club tunisien des exportateurs
Comité Européen Economique et Social
Comité pour l'Annulation de la Dette du Tiers Monde -Tunisie (CADTM)
Commission Economique Pour L'Afrique (C.E.A.)
Committee of Agricultural Organisations in the EU (COPA)
Confédération des Entreprises Citoyennes de Tunisie (CONNECT)
Confédération Générale Tunisienne du Travail (CGTT)
Conseil de la Concurrence
Conseil Economique et Social
Conseil National des Droits de l'Homme
Conseil National du Commerce Extérieur
Conseil National pour les Libertés en Tunisie
Délégation de l'Union européenne en Tunisie
EC, DG Agriculture
EC, DG Sanco
EC, DG Trade (Steering committee + relevant others)
EMERGENS
ENDA inter-arabe
Eurochambres
European Apparel and Textile Organisation (EURATEX)
European Association of Craft and Small and Medium-Sized Enterprises (UEAPME)
European Services Forum
European Trade Union Confederation (ETUC)
Faculté d'économie de l'université de Tunis, el Manar (prof Bourzela)
Fédération Générale des Ports et Dockers
Fédération Internationale des Droits de l'Homme
Fédération Nationale de l'Agriculture Biologique
Fédération Nationale de l'Agroalimentaire
Fédération Nationale de l'Artisanat
Fédération Nationale de l'Electricité et de l'Electronique
Fédération Nationale de l'Imprimerie
Fédération Nationale de la Chimie
Fédération Nationale de la Mécanique
Fédération nationale des Associations Environnementales et du développement durable
Fédération Nationale des Femmes Agricultrices
Fédération Nationale des Petits Métiers
Fédération Nationale des Technologies de l'Information et de la Communication (TIC)
Fédération Nationale des Transports
Fédération Nationale du Bâtiment
Fédération Nationale du Cuir et de la Chaussure
Fédération Nationale du Papier
Fédération Tunisienne de l'Hôtellerie
Fédération Tunisienne des Sociétés d'Assurance
Fédération Tunisienne pour le Développement et les Micro-Crédit
Fondation Temimi pour la Recherche Scientifique et l'Information
Fonds De Développement Des Nations Unis Pour La Femme (UNIFEM)
Fonds Des Nations Unies Pour L'enfance (U.N.I.C.E.F.)
Fonds Des Nations Unies Pour La Population (F.N.U.A.P.)
Foreign Investment Promotion Agency (FIPA)
Forum méditerranéen des compétences
Forum Tunisien pour les droits économiques et sociaux
Friedrich-Ebert-Stiftung
Friedrich-Naumann-Stiftung
General Committee for Agricultural Cooperation in the EU (COGECA)
Global Rights
Groupement Interprofessionnel de Légumes (GIL)
Groupement Interprofessionnel des Fruits (GIF)

Groupement Interprofessionnel des Produits Avicoles et Cunicoles (GIPAC)
Groupement Interprofessionnel des Produits de la Pêche (GIPP)
Groupement Interprofessionnel des Viandes Rouges et du Lait (GIVLAIT)
Hanns-Seidel-Stiftung
Haut-Commissariat aux Droits de l'Homme des Nations Unies
Heinrich-Böll-Stiftung
Human Rights Watch
IDEES
IISD
Institut arabe des chefs d'entreprises
Institut arabe des droits de l'homme
Institut de Recherche pour le Développement
Institut de recherche sur le Maghreb contemporain (IRMC)
Institut National de la Consommation
Institut National de la Normalisation et de la Propriété Industrielle
Institut National de la Statistique
Institut National de Recherche Scientifique et Technique (INRST)
Institut Tunisien de la Compétitivité et des Etudes Quantitatives
International Employers' Organisation (IEO)
International Organisation for Migration (IOM)
International Trade Union Confederation (ITUC)
Konrad-Adenauer-Stiftung
l'Agence Tunisienne de Coopération Technique (ATCT)
Le Forum Tunisien pour les Droits Economiques et Sociaux
Ligue de la femme et de l'environnement
Ligue tunisienne des droits de l'homme
Maghreb Economique Forum (MEF)
Ministère de l'Agriculture
Ministère de l'Équipement et de l'Habitat
Ministère de l'Industrie
Ministère de la Formation et de l'Emploi
Ministère de la Investissement et de la Coopération international
Ministère de la Justice
Ministère des Affaires de la Femme et de la Famille
Ministère des Affaires Étrangères
Ministère des Affaires Sociales
Ministère des Droits de l'homme, de la Justice transitionnelle
Ministère des Finances
Ministère des Technologies de la Communication
Ministère du Commerce et de l'Artisanat
Ministère du Développement régional
Ministère du Tourisme
Ministère du Transport
Mission Permanente du Royaume du Maroc auprès de l'Office des Nations Unies (Genève)
National Democratic Institute
Observatoire Arabe des Religions et des Libertés
Observatoire Tunisien de l'Economie
Observatoire Tunisien de l'Environnement et du Développement Durable (OTEDD)
Observatoire tunisien des droits et des libertés syndicaux
Office de Coopération Economique Pour La Méditerranée et l'Orient
Office des Tunisiens à l'Étranger
Office du Commerce de Tunisie
Ordre des Experts Comptables de Tunisie
Organisation arabe des Technologies de l'Information et de la Communication
Organisation Arabe Pour L'Education, La Culture Et Les Sciences (A.L.E.C.S.O.)
Organisation arabe pour l'Éducation, la Culture et les Sciences (ALECSO)
Organisation de défense du consommateur
Organisation des Communicatrices de la méditerranée
Organisation des employeurs internationaux (OIE)
Organisation Des Nations Unies Pour L'alimentation Et L'agriculture (F.A.O.)
Organisation Des Nations Unies Pour L'éducation La Science Et La Culture (U.N.E.S.C.O.)
Organisation Internationale des Exilés Tunisiens
Organisation Internationale du Travail
Organisation internationale pour les migrations
Organisation Mondiale De La Sante (O.M.S.)
Oxfam International

Parlement - Chambre Nationale Constituante
Programme Des Nations Unies Pour Le Développement (P.N.U.D.)
RAID (ATTAC Tunisie)
Regional Activity Centre for Cleaner Production (CP/RAC)
Réseau Associatif pour la Nature et le Développement en Tunisie (RANDET)
Réseau euro-méditerranéen des Droits de l'Homme
Rosa-Luxemburg-Stiftung
Société Financière Internationale (S.F.I.)
Société tunisienne du développement commun
SOMO:
Syndicat National des Ingénieurs Tunisiens
The Maghreb Economic Forum (MEF)
Think Tank Business Solutions
TOUNES2020
Transnational Institute
Tunisia Think Tank Foundation
Tunisian American Chamber Of Commerce (TACC)
Tunisian Institute for Strategic Studies
UNCTAD
Union des Banques Maghrébines
Union des promoteurs des jeunes
Union des Travailleurs de Tunisie (UTT)
Union Générale Tunisienne du Travail (UGTT)
Union internationale des syndicats (UIS)
Union Maghrébine des agriculteurs
Union maghrébine pour l'industrie des textiles et du cuir
Union Tunisienne de l'Agriculture et de la Pêche (UTAP)
Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)
Union Tunisienne des Ingénieurs Agronomes
USAID – Tunisia
WWF (World Wildlife Fund)
Mediterranean Development Initiative

ANNEX C: NEWSLETTER TEMPLATE

The template below serves as a basis for the newsletter that will be sent out via e-mail.

February 2019

ECORYS   VOL. 1

EU-MED NEWS

Newsletter for the on-going evaluation of the Euro-Mediterranean Association Agreements trade chapter



Introduction to the evaluation

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Aenean commodo ligula eget dolor. Aenean massa. Cum sociis natoque penatibus et magnis dis parturient montes, nascetur ridiculus mus. Donec quam felis, ultricies nec, pellentesque eu, pretium quis, sem. Nulla consequat massa quis enim. Donec pede justo, fringilla vel, aliquet nec, vulputate eget, arcu. In enim justo, rhoncus ut, imperdiet a, venenatis vitae, justo. Nullam dictum felis eu pede mollis pretium. Integer tincidunt. Cras dapibus. Vivamus elementum semper nisi. Aenean vulputate eleifend tellus. Aenean leo ligula, porttitor eu, consequat vitae, eleifend ac, enim. Aliquam lorem ante, dapibus in, viverra quis, feugiat a, tellus. Phasellus viverra nulla ut metus varius laoreet. Quisque rutrum. Aenean imperdiet. Etiam ultricies nisi vel augue. Curabitur ullamcorper ultricies nisi. Nam eget dui.

IN THIS ISSUE

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Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan Lebanon, Morocco and Tunisia

ANNEX D: OVERVIEW LITERATURE REVIEW

D.1 Environmental impacts

As part of this contract, the literature review aims to identify studies that highlight the environmental impacts of EU FTAs with the six Mediterranean countries. As expected, research where impacts of the EU FTAs are disentangled from other factors impacting the environment are very scarce for the six countries we are studying. We have therefore expanded the field to consider studies that take into account the environmental effects of trade in general (all partners, including the EU) both in terms of positive and negative impacts and considered effects on environmental legislations at national level; we also consider studies not focusing only on the 6 Mediterranean countries but also researches with larger geographical scope wherein the Mediterranean region is included. Ex-post studies are privileged but ex-ante researches are also briefly reviewed with the intention to bring information on environmental issues of concern during negotiations of the Euro-Med FTAs.

The literature review concludes that effect of RTA may generate positive or negative environmental impacts (directly or indirectly) on certain specific environmental issues (CO₂ emissions, air pollution, water, etc.), depending on the period, type of model and approach used. Only few studies succeed in quantifying impacts due to trade with the EU which also make difficult to firmly conclude on the direction and severity of impacts. Studies in general highlight the importance of environmental legislation in the trade relationships. As environmental goods are concerned, several studies are identified about renewable energy equipment's and a study of the UNCTAD more specifically assess the potential of organic products in the Moroccan trade.

Environmental impacts of trade

As positive impact in general, according to the Economist Intelligence Unit (2019), FTAs in general can lead to limitation of trade-related "bad practices" such as illegal logging or fishing or even complete withdrawn of ineffective subsidies on fossil fuels or agriculture. Effectively, this could positively impact a more sustainable economic growth. The Grossman-Krueger model used for this assessment also helps in proving that open borders boost regional integration. For example, in case of Sub-Saharan Africa, this could mean pooling of electricity markets eventually leading to more sustainable and efficient usage of resources (and therefore to less pollution and natural resources extractions).

In a more direct way and while considering CO₂ emissions, regional agreements impact on environment is assessed positively too by Baghdadi, Martinez-Zarzoso and Zitouna (2013). RTAs which include detailed environmental provisions are believed to significantly boost convergence of CO₂ emissions according to these authors. In fact, the authors who used "a propensity score matching approach combined with difference-in-differences techniques to effectively isolate the effect of RTA variable" found out that "emissions pollution gap is 22% lower for pairs of countries involved in Euro-Mediterranean Agreements than for similar pairs of countries not involved in RTAs".

Note that this result is in contradiction with Omri's (2013) findings. This author includes a trade openness variable in his attempt to examine the nexus between CO₂ emissions, energy consumption and economic growth using simultaneous-equations models with panel data of 14 MENA countries over the period 1990-2011. One of the results of interest in the context of our impact assessment is that the trade openness has an insignificant negative impact on CO₂ emissions for all MENA countries except Iran. This indicates that trade openness has no impact on carbon dioxide emissions.

Dogan and Aslan (2017) conclude differently. In their study, although undertaken for a broader geographical space (candidate countries), and with different methods (heterogeneous panel estimation techniques with cross-sectional dependence), they confirm that energy consumption resulting from trade increase has a negative impact on environment given higher CO₂ emissions.

The recent study of Hafeez et al. (2019) focuses on impact of FTAs on bilateral CO₂ emissions. The result of the study is based on a gravity model analysis and use a panel of 39 countries covering the period from 1995 to 2009. The gravity model is used by considering groups of countries based on their income. For high income countries, FTAs have a negative impact on CO₂ emissions according to the empirical study. This can be explained by the fact that FTAs are beneficial for high income countries, which induces that they can implement highly efficient, and thus not polluting, productions. On the contrary, FTAs are revealed not to be beneficial for upper middle income countries. Therefore, the authors claim that in the scope of increasing their market share, those

countries can get involved in pollution intensive productions. This is particularly the case for the lower middle countries.

Along similar lines, specifically for Morocco and Tunisia, Hakimi and Hamdi (2016) discovered that FDIs, trade liberalisation, and ultimately FTAs implementation, negatively impact environment in both countries. Several econometric models including: a VECM and cointegration techniques for single country case study, a Panel vector error correction model (VECM) and Panel cointegration have been supported by a "dummy variable" to better understand the true impacts of trade openness of both countries. It has been concluded that FDIs even in relatively low-emission technologies, are not always beneficial for the beneficiary countries' sustainable development. Correspondingly, in order to ensure a truly green growth, Morocco and Tunisia should start investing in green technologies themselves as only this can boost benefits for all FTAs parties.

A different approach to the topic is applied by Muhammad Shahbaz et al. (2012). The authors test the theoretical framework of the Environmental Kuznets Curve (EKC)²¹⁷ on the example of Tunisia. In doing so, the authors use annual time series data for the period of 1971-2010 together with different econometric models (VECM, innovative accounting approach (IAA) and ARDL bounds testing approach to cointegration). The findings of the study suggest the existence of the Environmental Kuznets Curve between economic growth and CO₂ emissions in Tunisia. More specifically, the results show that trade openness has positive and significant impact on CO₂ emissions (0.2035 per cent increase of CO₂ emissions are associated with 1 per cent increase in trade openness).

As for the food safety, in an article published in 2011, Najib Akesbi denounces the negative impact of the FTAs signed by Morocco on this particular issue. The author claims that the FTA signed with the EU in 2003 which banned tariffs on agricultural products, has not been followed by enough implementation of reforms of the agricultural sector. Those reforms would have been necessary as Moroccan agricultural sector shows several structural problems: a low level of production and productivity, climatic hazards, limited natural resources and an archaic and inefficient production system. The liberalisation of the agricultural market in this context led to an increase of food dependency as the national production of raw food covers less and less the needs of the population but the country's food demand relies more and more on exports (2011, Najib Akesbi).

Relations between trade and environment may also be visited by looking at the impact on trade of national environmental legislation (following the approach of the Porter Hypothesis)²¹⁸. In that particular concern, an interesting example of both an ex-ante and ex-post assessment related to environmental impacts of FTAs with all MENA countries (and as a result with the SMCs), covering 2001-2014 period, can be found in Ramzy and Zaki study (2018)²¹⁹. Thanks to using an augmented gravity model and application of the Zero Inflated Poisson (ZIP) model with proxies for exporting and importing countries' environmental regulation stringency, the authors conclude that an increase in the stringency of environmental regulations enhances the probability of trade between both regions, by stimulating innovative efforts in green technologies. Hence, more productive exporters become more able to absorb the fixed costs imposed by environmental regulations and to break down the barriers to exporting. This finding is in line with the revisionist Porter Hypothesis (PH; 1995) positing that appropriately designed environmental regulations stimulate innovation and minimise the negative effects of higher fixed abatement costs in international trade.

Ex ante impact studies

Exante FTA impact studies are worth to be mentioned, even if the purpose of the project is an ex-post evaluation, since they inform about environmental issues of concerns which have been discussed at the level of the Mediterranean region.

Slightly divergent conclusions can be drawn from two ex-ante studies released by ECORYS (2013b) using a Computable General Equilibrium (CGE) model. By analysing the potential impact of a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Tunisia and Morocco on environmental indicators, the studies predict the following results: in Tunisia, air pollution will increase in the long run due to an increase in economic activity. However, a shift towards sectors

²¹⁷ This hypothesis assumes that environmental degradation increases as per capita income rises, but after a certain level starts to decrease due to investments back into the environment.

²¹⁸ Even if the causality direction is out of the scope of this project, the small number of researches about the relationship between the environment and trade in the euro-Mediterranean area makes it worth to mention it.

²¹⁹ Authors however do not conclude about the impact of FTAs on the development of national environmental legislation (which is the relevant direction of the causality in this study).

with lower air pollution leads to a decline in NO_x and SO_x emissions in the short run. When it comes to waste, households are expected to produce more, while the industrial sector as the largest waste producer is predicted to lower down its activity. A significant impact can be spotted in the amount of Tunisia's water use. With irrigation already responsible for 80% of the country's water use, the pressure on scarce water resources will increase - together with the production of vegetables, fruit and oils. Closely connected to this development are potential threats to ecosystem and biodiversity: an intense use of land accelerates water scarcity and thus desertification.

The second ECORYS study (2013a) draws a slightly different picture for Morocco. The authors expect the DCFTA to have a positive impact on air pollution due to a dominant composition effect. According to CGE results, the Moroccan economy is expected to see a shift from primary energy and polluting industrial sectors to agricultural ones. Linked to this development are also positive outcomes in terms of water pollution. In Morocco, chemical and petrochemical industries are by far the biggest polluters when it comes to liquid waste. As the DCFTA is expected to lead to a decrease in the economic activity of those sectors, the study estimates a positive impact on seawater pollution. Similar to the above-mentioned case of Tunisia, an increase in economic activities of the agricultural sector will put more pressure on already scarce water resources and increase the stress on biodiversity and ecosystems. Furthermore, the study estimates a rising pressure on fishing resources as well as an upward trend in illegal trade in wildlife. Finally, both studies on Tunisia and Morocco conclude that a DCFTA could have a positive impact on greening the economy, because "the EU as a demand market for green products will become even more important and compliance with EU (environmental) product standards may become a prerequisite for successful exports."

The impact of free trade on water resources is a topic also discussed by Clive George (2012). In a chapter on the environmental impacts of the Euro-Mediterranean Free Trade Area, he discusses Sustainability Impact Assessment (SIA) studies covering the Mediterranean in general and the countries involved in the Barcelona Process and Libya in particular. George underlines that an increase in water use is the greatest trade-related environmental concern, particular in countries where the export of agricultural products expands. As a result, he expects further negative impacts on biodiversity due to land conversion and aggravated water scarcity.

Trade in environmental goods

Trade is expected to participate to the greening of the environment through the exchange of equipment's such as for instance, renewable energy, which are based on less environmental harmful technologies than fossil fuel electricity generation equipment's.

As Ait Ali A. et al. (2019) stress, the 2015 Paris Agreement on climate change forces the SMCs to implement measures boosting the share of renewables in the final energy mix and strategies aimed at reducing their CO₂ emissions post-2020. These should also be reflected in trade relations. At the same time, multiple weaknesses of the multilateral WTO framework have been identified in this respect (Dröge and Schenuit, 2018), despite the fact that recently an increasing awareness on the trade-climate nexus has been identified. Effectively, having the experience in implementation of FTAs with SMCs, the EU could lead the process of WTO institutional reform so that environmental considerations are fully in place in their multilateral setups reflecting the significance of global resource protection in trade issues.

Although this is not specific for the SMCs only, the Economist Intelligence Unit (2019) believes that an overall harmonisation and removal of tariffs in FTAs gives entrepreneurs dealing with renewable energies and more efficient appliances an opportunity to cooperate with suppliers offering better products, prices, skills or financing options crucial for further expansion. For end users, this comes along with more competitive prices for energy i.e. from solar panels and for lower prices for more eco-friendly appliances or cars (electric vehicles) what boosts the demand. This assumption once again has been based on the Grossman-Krueger model.

This might also explain why two crucial projects aimed at exporting solar and wind energy from the SMCs to the northern Mediterranean countries - Desertec and the Mediterranean Solar Plan, failed. Ait Ali A. et al. (2019) in their qualitative assessment specifically point out at high electricity generation costs and shortage of gas interconnectors both between the SMCs and EU as main reasons of the projects failure, despite the fact that six countries on the southern Mediterranean shore are believed to be among the best places worldwide to develop solar and wind energies (IRENA, 2015). At the same time, according to the authors (Ait Ali A. et al.), a holistic liberalisation of the energy market in SMCs will not be fully effective if not supported by bilateral negotiations between the EU and countries at stake when it comes to resolving regulatory inconsistencies (i.e. private sector's engagement) needed to fully benefit from EU-SMCs FTAs given country specificities and sensitivities. Although SMCs are already largely dependent on European solutions related to renewables, particularly when it comes to wind energy, such bilateral negotiations would boost the

interest in RES and lead to additional exports from the EU. On a different note, cheaper and greener energy is likely to boost the economic development of the six countries – an ultimate essential of deepening economic and trade ties with Europe.

Green goods may also include products which are produced in a way which minimise the impact on the environment. A typical example is the trade in organic food. Although the study does not isolate the effect of the EU-FTA, a report of the UNCTAD (2017) analyses rather precisely two important agricultural sectors in Morocco: olive cultivation and rosemary and thyme culture. The organic culture of olive tree to make olive oil has an important positive impact on employment, environment protection and food security of Morocco as the EU is one of the most important importers of Moroccan organic olive oil (UNCTAD 2017). Two EU countries, France and Spain, are also among the most important importers of rosemary and thyme. This sector is an asset for Moroccan economy, as the prices of these products when exported tend to increase. Moreover, The National Assessment of Green Export for Morocco conducted by the UNCTAD in 2016, highlights the great growth potential of the sector of green goods and services such as organic food, ecotourism and waste recycling. More precisely, Morocco has a room for manoeuvre in the exports of organic products. The reason is that this sector is still underdeveloped, but with a great potential to adjust to the global needs, whereas the world demand is growing.

D.2 Social impacts

This section also covers studies that examined some of the human rights impacts of the FTAs concluded by the European Union.

The next section examines the social impact of free trade agreements between the European Union and the six Southern Mediterranean Countries covered by this study. This literature review concludes that the social impact of trade opening is not yet in line with the objectives set by the European Union, nor with the challenge of the growing working-age population that SMC countries must meet.

What does the theory teach us?

Economic theory suggests that trade opening should be economically beneficial (Krugman & Obstfeld, 2009), leaving room for improving social conditions in countries participating in liberalisation agreements. Recent joint work conducted by the World Bank and the World Trade Organization (Bartley Johns et al., 2018) explains the link between trade opening and overall poverty reduction through the following channels: growth, relative prices, macroeconomic stability and price stability, effects on government revenues. Onwachukwu and Okagbue (2019) also argue, with a difference-in-difference estimates used on a dataset including 175 countries between 1991 and 2017, that unemployment rate reduced by an average 13.7 percent, for developing countries ascending the World Trade Organization. Trade opening promotes changes in the sectoral composition of economic production. The latter then undergoes structural adjustments consisting in the reallocation of production factors to the sectors where they are most efficient (Lewis, 1954; Ranis and Fei, 1964). Considering this strand of literature, a lot is to be expected from liberalization agreements.

But the theory makes the assumption of insignificant readjustment costs by adopting a long-term horizon. However, over intermediate horizons, the population and the public decision-makers who govern them, face a harsher social reality. There are delays for individuals who lose their jobs to find a new job, training needs and obstacles to geographical mobility. In this way, the labour market emerges as a relevant indicator of the social impact of free trade agreements.

Several difficulties have to be mentioned when it comes to analysing the social impact of free trade agreements with the European Union. They are linked to the fact that social change within an economy is not only impacted by free trade and even less only by free trade with the European Union. Thus, the impacts mentioned below must be taken with caution. In particular, during the period, other liberalization agreements were signed, there may have been a lot of political instability, and the relevant economic policies to accompany the opening up of the market, which is in the domain of the sovereignty of the countries, were not always implemented. For our study, it implies that we need to identify other factors that have shaped observed developments, as the trade agreements will in many cases only be a limited explanation for observed trends.

Social impacts at the regional level

In 2011, IEmed published a Euro-med survey that took place between October and December 2010 about the impact of FTAs and which include a section on the social impact. The survey was answered by 598 experts, policymakers, civil society from 43 members of the Union for the Mediterranean (UfM). It included 31 general questions related to the Euro-Med policy, economic, financial issues, the FTA, the liberalization of products, sustainable development and others. One of

the findings of the survey is that the FTA had had a more positive impact on growth and competitiveness of Mediterranean Partners Countries than on area such as employment.

This feeling of low effectiveness of the agreements on labour market is confirmed in several studies. Zorob (2017) focuses more generally on the analysis of economic and financial relations between the European Union and the Southern Mediterranean Countries. He points out that most of the studies showed a very mixed effect of the agreements on job creation. He also notes that increased competitive pressure on industries and labour markets seems to have contributed to an increase in existing wage gaps.

In his article, Jarreau (2011) studied the situation of the trade liberalization and analyses the main results of this process on the MENA region. A lot of studies that he gathered conclude the same thing that all these agreements had positive effect on the EU countries as it increased their exports. However it is insignificant or negative for the other countries. When employment is studied, the effects found are negatives on the labour market.

Alcidi et al. (2017) point out that studies using gravity models had predicted relatively low impacts of agreements on exports except when these models specified high transaction costs including non-tariff barriers. In this case, Euro-Mediterranean liberalization had a more significant impact on the increase in exports from Southern Mediterranean Countries.

Thus, at the regional level, on the basis of surveys and groupings of studies, the literature concluded on a disappointing effect of agreements on the social conditions of populations. A part of the literature on the social impacts of agreements has focused on subset of countries in the Mediterranean region or on specific countries.

Social impacts at the sub-regional level

Martin (2003) presented a literature review on the different determinants of FDI in Algeria, Morocco and Tunisia and its evolution after the Euro-med partnership. Martin's analysis is based on a timeless methodology: it uses a matrix to determine the attractiveness of foreign investment to the region. This matrix consists of two axes: one represents the "locational advantages" and includes natural resources availability, market size and growth, availability and cost of factors of production and geographical location with respect to consumer markets as well as the performance of alternative investment locations; and the other axe represents "environmental change" which encompasses factors affecting the (perceived) risk incurred by FDI and the context in which it operates, i.e., business environment, political stability, macroeconomic policy and performance, public policies. Martin concluded that the horizontal free-trade agreements between the Maghreb countries are better than the parallel bilateral agreements and have positive impacts on the FDI levels, which will affect the employment, wages and work conditions. For example, with the Euro-Mediterranean Free Trade Area, investors no longer need to invest within the Maghreb to avoid customs barriers while the free-trade agreements between the Maghreb countries expand the internal market, which is a positive element for investors. To avoid the diversion of foreign investment and encourage the creation of foreign investment, proactive measures in terms of integrity, political stability, financial support and the provision of information will have to be adopted by national governments. Given the method he uses, Martin's study provides only qualitative analytical results. On the other hand, the study prepared as part of this report also gives quantitative results. Similarly, other studies that preceded ours have already quantitatively analysed the issue of the social impacts of FTAs.

In another paper, Martin (2004) studied the social impact of the creation of the Euro-Mediterranean Free Trade Area (EMFTA) and its effects on employment, income, prices of consumer goods, state social expenditure and other economic variables during the 12 years agreed on for the creation of Euro-Mediterranean free trade areas. In addition, he presents a case study on Morocco. In this paper, he mentioned that the EMFTA will have negative impact on the employment and job creation, especially at the beginning, in the developing countries, due to the substitution of the local products by the imported products. According to the theory, the employees who lost their jobs will find another in more competitive sector. The public and the informal sectors are the two sectors that can help in this labour adjustment. There will be negative impact on the working conditions and wages as well, companies will prefer temporary staff than full time staff with less benefits and smaller salaries. On the other hand, there will be positive impact on living conditions and real income due to the decrease of the prices of imported goods what will lead to the increase of the real income. It is important to mention that he claims that this will be in the case of the middle and high class as the poor usually pay customs duties much less frequently because they obtain goods in a diverted way, particularly through smuggling.

In their paper, Dadush and Myachenkova (2018) mentioned that the agreements between the European Union and Algeria, Egypt, Morocco and Tunisia have weak impacts on them since 2000s: their exports to the EU countries remained approximately the same, whereas the EU's exports increased rapidly. Admittedly, in a complicated context, trade opening does not seem to have helped the economy. GDP and average per capita income are two indicators of a country's economic activity. If international trade were to play a positive role in their growth, many jobs would be created in response to the increase in this economic activity. However, in the four countries studied, between 2007 and 2017, average per capita income growth was less than 2.5%. This is not enough to lead to a sufficient acceleration of employment and meet the challenges of youth unemployment and the inclusion of women in the labour market of these countries. However, these agreements could have positive impacts if they helped or encouraged reforms that make these countries more competitive in the international market.

Country-specific social impacts

The analysis of the literature at a country level makes it possible to refine the social results of opening by observing intra-regional disparities.

Alcidi et al. (2017) successively study the four Southern Mediterranean Countries namely Egypt, Jordan, Morocco and Tunisia. For each of these countries, the authors of the studies also make the link between opening and direct investment received from abroad. Economically, the development of international trade can have a direct impact on employment. By simply mentioning the direct effects, all other things being equal, the development of exports in a sector can create additional activity in that sector, which requires the hiring of staff. The direct effects on employment being the opposite for sectors facing competition from increased imports. Trade opening can also create an incentive to invest in countries that allows an indirect effect of trade opening on employment through foreign investment received. In the case of Egypt, on the basis of correlation analysis, the authors determine that the observed job creation is due more to the expansion of exports following the agreements than to investments from abroad. This is due to a stronger attraction of investors to capital-intensive sectors. On the other hand, Egypt was able to benefit from trade expansion in sectors that are more intensive in skilled labor. For Jordan, the authors observe that the country's structurally loss-making trade balance pushes Jordan to attract foreign investment to offset the balance of payments. However, the authors could not find strong correlation links between foreign investment and employment. In the case of Morocco, several of the mentioned effects of the agreements have potential effects on the social dimension through the quantity and quality of jobs.

The trade liberalization agreements signed by Morocco have been detrimental to its trade balance since its imports have increased more than its exports. But these agreements have attracted foreign investments, pushing Morocco towards a sectoral restructuring that creates more added value. However, the report mentions a lack of information to link these investments to job creation. For Tunisia, after the events of 2011, imports fell less rapidly than exports. Tunisia has indeed chosen to specialize in sectors that are intensive in employment but whose external demand is not very dynamic. Tunisia remains less diversified than its export competitors to the EU. In this context, Tunisia is struggling to initiate a growth rate high enough to cope with the strong growth of the population in need of work.

The conclusions of this last study should be put in perspective with other studies specific to the same countries. Gignoux and Suwa-Eisenmann (2017) use econometrics on survey data from 1999 to 2012 to estimate the differential social effects of free trade agreements in Egypt. Each region of Egypt is specialized in a particular production, which means that the variation in trade barriers is not experienced in the same way throughout the country. It appears that household incomes suffered the most during the period from 1999 to 2004, corresponding to a sustained pace of liberalisation. The pace of liberalization in the period from 2004 to 2012 was less harmful to households. In the early 2000s, qualified self-employed workers and low-skilled employees were the most affected in terms of income. The regions most exposed to trade opening have had lower employment growth rates. In addition, workers mobility toward expanding sectors has been low. This is confirmed by survey data on migration rates between the governorates in 1996 and 2006 and could be explained by the cost of migration to a household.

In a more sectoral way, Belghazi (2015) uses reports from FAO and WTO to study the agricultural sector in the southern Mediterranean countries, while addressing the issue of trade opening. It specifies the stakes of the evolution of this sector: in the Southern Mediterranean Countries, this sector employs a large part of the population and is the main source of income for the most vulnerable. In the particular case of Jordan, he pointed out that over the period from 2002 to 2010, during the period of trade opening with the European Union, the government had put in place a policy to encourage private investment in agriculture. However, it is not clear whether this policy of supporting opening has borne fruit in terms of employment.

Cherkaoui, Khellaf and Nihou (2011) studied the impact of tariff liberalization on households in Morocco through surveys covering the period from 2000 to 2007. They use panel econometrics to determine that trade opening has led to lower prices for agricultural and manufactured products and higher wages. In total, the increase in real household income is around 2.7%.

Zafrane and Mahjoub (2000) analysed the Euro-Mediterranean Free Trade Agreements taking into account the characteristics of the partner countries. As far as Tunisia is concerned, they estimated that 60% of industrial production was potentially impacted by tariff liberalisation and that only 30% was really competitive. The non-competitive 30% would then need to free up their resources so that they could be redirected to competitive sectors. What the authors point out as a preoccupying transition since this involves a huge movement of labour force which seems to be a real challenge even if this movement is accompanied by training programmes.

The literature shows that the employment and income effects might be relatively small or sometimes even negative. The relation with the FTA is a complex one, and the ability of workers to move from one sector to another is an important element to look at. Next to trade, investments are likely to be indirectly affected by the agreement as well and the related impact on employment should also be taken into account.

D.3 Human rights impacts

Impact assessment studies assessing the link between the Euro-Mediterranean Free Trade Agreements (EMFTAs) and human rights are very rare or non-existent. Most evaluations focus on sectoral and trade impacts, while the implementation of evaluations on the human rights impact of these EMFTAs is strongly recommended in reports, and papers propose a methodology for doing so (Bonanomi, 2017; Zerk, 2019). Both documents start with a focus on ex ante analysis, however, and provide limited suggestions for ex-post analysis. It is clear that much more research is needed on the link between trade agreements and HR, and the case studies that will be conducted as part of this study could provide further insights.

On the issue of gender inequality, the literature review proposed by Euromed Right in 2017, "The Analysis of Economic and Financial Relations between the European Union and the Southern Mediterranean Countries", explains this gap in the literature partly by the lack of data to analyse the impact of EMFTAs on women's employment, particularly in rural areas. This point is problematic since the 2007 Social Impact Assessment - EMFTA stressed that without appropriate measures, these EMFTAs could have a negative impact on this same group, particularly on their status and living and health conditions, with an accelerated transition from traditional to commercial agriculture. A classic issue that arises when looking at gender equality and trade liberalization is the impact of lower government tax revenue (because of fewer tariffs and taxes on trade) on women's domestic and informal work (energy spent for childcare, household maintenance, etc.) as a result of budget cuts for social policies. In addition, according to a report by the Development Committee on "Gender Equality in European Union Trade Agreements", the Commission points to the neglect of EU trade policies in addressing gender equality issues. This is why the European Parliament decided to adopt in March 2018 a resolution that ensures that gender equality is better taken into account in the conclusion of the EU's trade agreements with its partners. The impact of women is therefore an interesting topic to further explore.

The 2007 SIA also pointed out that a risk in terms of access to food, especially for the poorest households in the event of fluctuations in international staple food prices, could be due to EMFTAs. However, no ex-post evaluation seems to have been carried out. The issue of food security is a complex, and when measured in terms of access to food, several elements related to trade liberalization can be studied: terms of trade, food prices, food budget share, etc. The effects of liberalization on food security are multiple and must be studied (FAO, 2015). These will be useful indicators to look at should the right to food be selected as a topic of more in-depth analysis.

The global literature on the effects of international trade on access to water shows indirect and direct effects of trade on water use (particularly in the agricultural and manufacturing sectors). International trade can be a "powerful tool" to provide solutions to water use crises (ADB, 2017), through direct channels such as investment in water-related infrastructure, resource, innovation and technology transfers ; or through indirect means and in particular through "virtual water" exchanged through agricultural and manufactured products, which would allow an international rebalancing of water resources through international trade.

Regarding the link between trade liberalization and the right to culture, an ageing literature is limited to the global study of the integration of human rights into the legal frameworks of free trade agreements.

D.4 Impacts on third countries

Very limited recent literature is available on the effects of the AAs between the EU and the SMCs on third countries. A few papers study the effects of the mere existence of FTAs on third countries (Baldwin & Jaimovich, 2012; Freund, 2010). Reasons to sign a FTA include reducing discrimination created by existing FTAs, hence creating a domino effect. This effect is observed in Turkey, for example, which engages in FTAs with many of the same countries as the EU (Akman, 2010).

Additionally, Tovas conducted some ex-ante work on the expected effects of the Euro-Mediterranean Partnership on non-member countries (see for example Tovas & Bacaria, 1999; Tovas, 2007). It might be interesting to compare the actual impacts of the FTAs with the expected benefits.

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