

Civil society declaration

Euro-Mediterranean Association Agreements: the mirage of the evaluation study

As part of the evaluation study of 6 association agreements (AAs) between the European Union and South Mediterranean countries (Algeria, Egypt, Jordan, Lebanon, Morocco, Tunisia), the consultancy consortium carrying out the evaluation have held workshops in each of the six countries and sought the views of civil society.

Based on the approach to the evaluation taken by this study, as presented in Tunis on 26th September 2019 and in the Final Inception Report¹ (hereafter: inception report), we, 24 civil society organizations in the EuroMed region, are of the view that the evaluation is highly unsatisfactory:

- 1. the economic methodology, which has been imposed by the European Commission, is neither transparent nor suitable for an evaluation of the agreements;**
- 2. civil society has not been sufficiently involved, and our recommendations have not been taken into account;**
- 3. the study does not constitute an evaluation of the agreements in terms of sustainable development, including of the impact on the economic, social and environmental well-being of the populations concerned.**

Our critique is based on the international human rights framework, in particular **the International Covenant on Economic, Social and Cultural Rights (ICESCR)** and the "**Guiding Principles on Human Rights Impact Assessments of Trade and Investment Agreements**"².

1. A study lacking relevance and independence

First of all, the macroeconomic assessment is based on a model that has not been chosen independently. The European Commission's Directorate-General for Trade (DG Trade) determined that its own data and its specific configuration would be used to run the model (called the MIRAGE model). **The consultancies³ were recruited merely for the analysis of the results. It is therefore impossible to call this an independent evaluation study⁴.**

Secondly, we argue that the chosen model is irrelevant for an evaluation of this kind. Patricia Augier, responsible for the economic part of the study for FEMISE, stated in Tunis on 26 September 2019 that: "it is an opaque model and we cannot say that it assesses the impact of the Association Agreement. It assesses the impact that the restoration of customs barriers in 2018 would have had at the pre-agreement level, which is different." However, in fact, customs have been abolished immediately after the entry into force of the agreements by the EU, and progressively by the partner countries (between 1998 and 2008 for the oldest of the agreements, with Tunisia, from 2006 on for the most recent, with

¹ *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*
<https://trade.ec.europa.eu/doclib/html/158332.htm>

² Drafted by the UN Special Rapporteur on the right to food, Olivier De Schutter, in his report to the UN Human Rights Council. See especially Chapters IV (Methodology of Human Rights Impact Assessments) and VI (Key Steps in Preparing a Human Rights Impact Assessment). http://www.srfood.org/images/stories/pdf/officialreports/20120306_hria_fr.pdf.

³ The consortium selected to conduct this study is composed of Ecorys (private consultancy), CASE (Center for Social and Economic Research) and FEMISE (Forum Euroméditerranéen des Instituts de Sciences Économiques).

⁴ According to the Tunis consultation as well as the inception report (p.99)

Lebanon). The model employed would assess the impact of a restoration of tariffs (in 2018), as if their restoration in 2018 would demonstrate the impacts of the removal of barriers in the preceding (up until 20) years. Hence, the study assesses the opposite of what has in fact been done, which seems unrealistic and inappropriate:

- Removing or adding tariff barriers are neither neutral nor identical processes: they do not symmetrically yield the same impacts.
- This method implicitly assumes that between the entry into force of the AAs (1998-2006) and 2018, economies were not transformed whatsoever, whether because of AAs themselves, of political choices within countries, or because of global economic developments. In reality, however, there have been significant changes, including within the EU.
- This model assesses impacts at a specific point in time: it does not take into account the continuous development of these agreements or their impact on the development of countries and populations over time.

In conclusion, the method the European Commission imposed is inherently unsuitable for an evaluation of these agreements.

Thirdly, the MIRAGE model is a computable general equilibrium (CGE) model. This type of model has been strongly criticized by economists worldwide. According to the CNCD-11.11.11 study on the TTIP⁵: "the flaws of this model, which dates back to the 1980s, have been demonstrated on many occasions, including by some of the world's leading economists⁶. It is based on the assumption of full employment and optimal allocation of resources and does not take into account the distribution of profits and losses and their impact on exports, growth and employment." It is nevertheless clear that the South Mediterranean countries, which suffer from mass unemployment, are far from full employment and an optimal allocation of resources.

The Final Inception Report of the evaluation study itself sets out the limitations of the CGE model (p. 63). This type of model is generally used for ex ante impact studies. However, this is an ex-post evaluation study, and this model does not work optimally given the lack of data in the countries of the region (Inception report p.64). Although complementary empirical analysis will be done, it was confirmed during the consultations that these will remain limited and marginal compared to the MIRAGE model results. The data collected will focus mainly on bilateral trade, employment and growth rates, without analysing structural economic effects, the impact on inequalities and on the distribution of value added, budgetary and fiscal effects, the impacts on the resilience of the economy, informal trade and economic and social rights (see part 3 of this statement).

Hence, we call for this evaluation to be based on empirical studies, not only on an inadequate model.

2. An insufficient role for civil society

The AA study takes into consideration the need to include civil society throughout the process. However, this inclusion has been insufficient and it seems that recommendations made by civil society have not been taken into account.

⁵ Arnaud Zacharie, Nicolas Van Nuffel et Michel Cermak, « Traité transatlantique (TTIP) : cartographie d'un partenariat controversé », *Points Sud*, CNCD 11.11.11, juin 2015. https://www.cncd.be/IMG/pdf/web_pointsud_ttip_13pdf.pdf

⁶ Especially J.E. Stiglitz et A.H. Charlton. *A Development-Friendly Prioritization of Doha Round Proposals*. New York: Initiative for Policy Dialogue, 2004

Since the first consultation on the terms of reference of this study, at the end of 2017, we⁷ insisted on two points:

- **The commitment to an inclusive process requires the continuous and meaningful involvement a wide range of organizations working on trade issues.**⁸
- **This inclusion should not be limited to a monitoring role but should constitute a genuine involvement in the design and throughout the entire study**⁹.

The workshop that was held in Tunis, for example, did not satisfy either of these two requests. It was organised by IACE (Arab Institute of Business Leaders), and the FTDES was the only association present taking a more critical approach to free trade agreements. Similarly, it was clear in the presentation that specialist organizations would not or only rarely be given the opportunity to contribute to the study or influence it in a meaningful way.

Also, the online questionnaire, which provides the basis of the public consultation for this evaluation study, seems to be more addressed to companies than to civil society organizations. This questionnaire seems to evaluate different actors' perception of impacts rather than to thoroughly assess the concrete impacts. More specific examples include:

- The region-wide and the country-specific questionnaires are almost identical, which means the approach taken is not sufficiently nuanced despite the great differences between countries.
- It deals primarily with trade and tariff issues, and only on the margins with sustainable development, human rights and the environment (33 questions versus 19).
- Many questions focus on actors' perceptions of the effects of the AA and remain rather vague, while an ex-post impact assessment should rely much more on empirical data.
 - Example: "Has the AA promoted cooperation and trade relations in Tunisia?" - Response from "strongly agree" to "strongly disagree"

Besides, the relevance of this new consultation process is questionable given that our recommendations made in response to the first consultation on the terms of reference for this study in 2017¹⁰ have not been taken into account.

We called for the evaluation to not only focus on the specific trade aspects of the AAs, but on the agreements as a whole (including technological cooperation, for instance), as they were presented as

⁷ Contributions from EuroMed Rights, ANND, CNCD 11.11.11 and FTDES to the online consultation:

https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5657003/feedback_en?p_id=131625

⁸ CNCD-11.11.11 contribution on terms of reference at the end of 2017: "We would also add that a central criteria for conducting the evaluation is who in civil society is involved. Too often have we seen so called « inclusive » processes where the organisations historically most active on trade issues in the regions have not even been invited. It should be included as a central criteria of success of the evaluation that the conductants do everything they can to include the organisations who have a proven track record on engaging on trade issues, who published analysis, organised events or participated to panels on association agreements, DCFTAs and other related issues, and on social and economic rights in the region in general. If those organisations have not been deeply involved throughout the evaluation process, the evaluation should not be considered valid".

⁹ ANND: "Civil society should be considered as an important counterpart in the future discussions that will take place with partner countries. Civil society should be given more than a watch-dog role for monitoring; engaging in multi-stakeholder national dialogue that should be organized in a structured, transparent and inclusive approach. As noted by the ANND publication on the Arab Region and Trade Liberalization Policies, "civil society no longer addresses trade issues in general terms; rather, it is involved in presenting alternatives, texts, proposals, plans, and strategies. In fact, CSOs want "in" on trade policy—they want more than to merely be listened to and politely shown the door when the time comes for serious decision making. What they are clearly seeking is rebalance, not simply to be heard."

¹⁰ Contributions by Euromed Rights, ANND, CNCD-11.11.11 and FTDES, https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5657003/feedback_en?p_id=131625

one coherent package; for the focus to be shifted towards sustainable development (see part 3) ; and to move away from the macroeconomic model employed in order to assess thoroughly the structural economic and social impacts (see parts 1 and 3). We therefore must reiterate the same concerns today.

3. The evaluation methodology employed is not suitable to assess the impact of AAs on sustainable development

The key objective of this evaluation should be to assess whether the agreements have met their goal, i.e. to **increase the economic, social and environmental well-being of the population of each country concerned, including the most disadvantaged groups.**

The evaluation roadmap¹¹ (published in 2017) states that "the evaluation should also consider social impacts (including employment), human rights, and environmental impact on each partner country and the EU. In particular, it should assess whether the trade agreements have contributed to economic and social development in partner countries and whether they have reduced the economic and social development gap." **However, despite a section on sustainable development, the evaluation study does not substantively address this question.**

As highlighted above, **it is not possible to measure economic and social sustainability with the model employed and given the lack of in-depth empirical analysis.** The consequences for the state budget, macroeconomic balances (trade balance, foreign exchange reserves...), the dependence on low value-added sectors, the costs induced by the destruction of specific sectors, the situation of national activities in global value chains, the impact on the informal sector, socio-economic and regional inequalities (intra- and inter-country)¹², the quality and sustainability of the jobs created, the lowering of labour standards, the increase in wage gaps (which tend to affect migrants and women disproportionately due to their concentration in specific sectors)¹³, the right to social security, the right to food and food sovereignty etc., cannot be measured by the model¹⁴. Concluding from the inception report and the consultations, it does not seem that these elements have been analysed in any other way by the study, although they are essential to understand the implications of AAs for sustainable development. For example, while the loss of customs revenue is measured, the social consequences of the VAT increase that was the compensation in Tunisia is not¹⁵. Moreover, the evaluation should disaggregate statistics in order to assess the impact on different population groups and measure inequalities, rather than using average figures only.

What's more, **the study, which covers 6 bilateral agreements, does not include an in-depth analysis of the consequences of each agreement.** It applies the same models and questionnaires to each country. Only a few case studies, by definition providing only a small excerpt, allow for a more nuanced approach. However, these 6 countries, although part of the same geographical area, have very

¹¹ https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5657003_en

¹² See <https://www.euromedrights.org/wp-content/uploads/2017/01/Ecosoc-2-Analysis-EN.pdf>, p. 21/22

¹³ <https://www.euromedrights.org/wp-content/uploads/2017/01/Ecosoc-2-Analysis-EN.pdf>, p. 20;
<https://euromedrights.org/wp-content/uploads/2015/07/Rapport-ECOSOC-version-finale-MAI-2015.pdf>, p. 24, 26 and following

¹⁴ It is important to note that ICESCR article 2 requires the EU and its South Mediterranean partners to use the maximum of their available resources in order to progressively realize the rights recognized in the Covenant. These obligations include an extraterritorial dimension, which also apply to trade relations between states, see clarifications in the "Maastricht principles related to extraterritorial obligations of the states in economic, social and cultural rights" (especially principles 17, 21 and 29), https://www.fidh.org/IMG/pdf/maastricht-eto-principles-fr_web.pdf. See also para. II.2.6. of the Guidelines for Human Rights Impact Assessments of Trade and Investment Agreements http://www.srfood.org/images/stories/pdf/officialreports/20120306_hria_fr.pdf

¹⁵ See also <https://www.euromedrights.org/wp-content/uploads/2017/01/Ecosoc-2-Analysis-EN.pdf>, p. 21

different economic, social, environmental and political characteristics. Their AAs with the EU entered into force at very different times. It therefore seems inappropriate to apply the same evaluation model to each AA. Besides, the study does not pay enough attention to regional integration, although it is an essential element for the sustainable development of the region, as highlighted by the ANND in 2017¹⁶. The initial report does include an evaluation of the impact on regional trade through the model, but does not give details on countries affected or any analysis of these results.

Finally, **the methodology of the evaluation, based on the MIRAGE model, does not allow for a substantive analysis of the impact on sustainable development.** The model is limited to the measurement of growth in trade in "environmental goods", changes in the carbon content of sectors, and the employment and wage levels. However, trade in environmental goods (i.e. air quality measuring devices, pollution control technologies, etc.), which has been presented in Tunis as the core of the environmental impact analysis, does not mean that partner countries are moving towards a more sustainable development path. Measuring the quality of the air does not mean that it is cleaner, the purchase of wastewater technologies can take longer than the increase in the volume of wastewater. Besides, **the methodology does not include a substantive assessment of the effects on human rights.** During the consultation in Tunis, it was clear that the consultants did not have a clear idea on how to assess this dimension. In the inception report, it is only referred to on the margins, as an aspect to take into consideration for case studies and literature reviews (chapter 6.3). However, impacts on human rights, especially economic and social rights, are essential and should be at the centre of this evaluation, in accordance with common article 2 of the AAs.

In conclusion, we consider that the methods of this evaluation study do not correspond to the objectives it should pursue. It focuses on a partial and inappropriate economic assessment, does not take into account civil society recommendations and does not address the essential question of the consequences of the agreements on the quality and sustainability of environmental, social and economic conditions, and to what extent they impact on states' obligations to respect, protect and fulfil the human rights of all populations concerned.

As a result, we do not consider the conclusions of this study to provide a meaningful assessment of the consequences of the association agreements. The fact that the design of future free trade agreements (including DCFTAs – Deep and Comprehensive Free Trade Agreements) will likely rely on the conclusions of this assessment, makes this all the more concerning.

We are therefore calling for this current study to be halted and a new methodology, in line with the United Nations Guiding Principles, to be formulated. The priorities should be reversed in this new methodology so that consequences on sustainable development of the affected countries and populations are assessed as a first priority, on the basis of empirical and disaggregated data. Such a methodology should be designed and conducted in close collaboration with civil society, including individuals and communities who are particularly affected by the agreements.

¹⁶ “[...] with regard to the objectives set, intra-regional trade remains as the minor component of the ex-post evaluation, based on the assumption that the FTAs are bilateral. However, as HRVP Mogherini acknowledges “only greater regional integration can reduce the instability of the Mediterranean region and solve conflicts”. Enhancing regional integration, and intra-regional trade is key in this regard. Thus, FTAs assessment should be broad to evaluate the success and failures with regard to promotion of regionalism; should cover the level of integration in the global and regional economies; the support provided for collective regional production chains.” https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5657003/feedback/F8225_en?p_id=131625

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