

Public Meeting TSIA EU-ASEAN Phase 2 Report

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Overview

1. Introduction
 2. Selected sectors
 3. Selected horizontal issues
 4. Sustainability issues
 5. Consultations with Civil Society
 6. Policy recommendations – the way forward
- Questions & Answers

1. Introduction: 2nd Public Meeting

Goals of this meeting

1. Presentation of the second set of study results (Phase 2 – Interim Report);
2. Getting feedback, comments and suggestions for the study (phase 2) from civil society;
3. Initial discussion on policy recommendations and flanking measures (Phase 3)

1. Introduction: TSIA Methodology

- **TSIA**: look at **economic, social and environmental sustainability impacts** of trade measures negotiated within the EU-ASEAN FTA;
- **TSIA quantitative and qualitative approach** (CGE, Causal Chain Analysis and expert interviews);
- The TSIA is 50% modelling and analysis and 50% consultations: www.tsia.ecorys.com/asean
- **Phase 1**: screening and scoping (GAR); **Phase 2**: in-depth studies of screened sectors/issues; **Phase 3**: policy recommendations and enhancement or mitigating measures
- Some issues to keep in mind when assessing impacts...

1. Introduction: TSIA Methodology

Phase 2: In-depth studies into sectors and horizontal issues

1. **Screening:** Size as share of GDP, Expected Economic Impact, Social/Environmental Impact, Civil Society;
2. **Sectors:** Cereals & Grains; Textiles, Clothing & Footwear, Motor Vehicles & Parts, Financial Services, Fisheries.

Horizontal issues: Customs and Trade Facilitation; Intellectual Property Rights; Investment Conditions; Competition Policy; Preferential Rules of Origin.

Case studies: including two elaborate ones on **sustainability issues**

3. **Changes due to Civil Society comments:** Financial Services take place of Transport as a services sub-sector, decent work and SPS included as case studies for TCF and Fisheries respectively, Preferential RoO added as a horizontal issue, two specific sustainability issues are studied in-depth (elaborate case studies)

2. Selected sectors – Cereals & Grains

- Overall economic impacts limited;
- Impact on the ASEAN is small in terms of output, prices and trade, while real income, employment and environment could be more affected in specific areas or communities;
- Regional and sub-sector differences in outcomes – Thailand faces the largest gains, while e.g. Philippines expected to face diminishing output;
- Potential short term impact on rural poverty;
- Possible shift in the pattern of resource use in agriculture.

2. Selected sectors - Fisheries

- (Indirect) impacts for the fish processing sector in the positive direction;
- Further cooperation in SPS and understanding Rules of Origin could increase the ASEAN exports to the EU;
- Small impact on ASEAN fisheries output, but bigger impact on trade;
- Ongoing illegal (over)fishing, wastewater and declining biodiversity may be worsened (in Thailand, Philippines and Indonesia).

2. Selected sectors – Automotives

- Increasing EU trade flows in Automotives;
- Benefits also from increasing investments possibilities for the EU producers;
- NTBs between and within the ASEAN region are an important obstacle to investments
- Overall positive economical impact for ASEAN, – increases in output, exports and real income;
- Relatively high level of foreign ownership – impacts possibly smaller than estimated by the model;
- Slightly negative impacts on global GHG emission and air quality.

2. Selected sectors – Textiles, Clothing & Footwear

- Economic impacts for the EU are concentrated in footwear and clothing sectors;
- Employment (unemployment) and income impacts for workers in a few EU countries/regions;
- Overwhelmingly positive economic impacts for ASEAN;
- Increasing investments with potentially positive effects on labour conditions; decent work issues to be taken into consideration;
- Possibilities to facilitate structural transformation processes in ASEAN;
- Uncertain environmental impacts (e.g. leather tanning and textile finishing).

2. Selected sectors – Financial Services

- **Note:** with current financial crisis – interpret these conclusions with caution – sector is very much in flux;
- Minimum effect on EU overall aggregate economic performance of financial services and insurance sectors;
- key aspect: to what extent will liberalisation increase EU FDI in ASEAN financial and insurance markets;
- Significant impact on trade flows (for ASEAN), especially in imports;
- Positive effects of increased FDI likely to improve the outlook regarding employment and poverty reduction

3. Selected Horizontal Issues: Customs & Trade Facilitation

- ASEAN countries benefit more from CTF within ASEAN;
- Real income is expected to increase in ASEAN;
- SMEs and rural areas benefit from infrastructure projects and specific projects, improvements in rural poverty;
- Improvements in the customs functioning and compliance with SPS rules benefit consumer safety and national health;
- Potentially negative environmental impacts of increased GHG emissions, but.....
- Improvement of customs procedures could also help reduce trade in illegally logged timber, IPR enforcement, improve animal welfare, etc.

3. Selected Horizontal Issues: Competition Policy

- Main economic impacts for ASEAN are lower prices, more output, and increases in international trade;
- Positive effects for employment creation, development of new upcoming sectors and technology transfer;
- Potential risk of costs cutting and decrease in working conditions in the short run;
- Challenge: opening up of sectors with strong vested interests
- Poor levels of competition policy could reduce the positive impacts of the FTA (no access even if tariffs are reduced, no spreading of welfare effects)

3. Selected Horizontal Issues: Investment Conditions

- Significant impact on both the EU and ASEAN regions;
- Share of EU FDI flows will increase; and so do intra-ASEAN FDI flows if regional preferences from ASEAN Comprehensive Investment Agreement (ACIA) are extended to the EU;
- Increased rates of technology and knowledge transfer;
- Positive social impacts – employment generation in sectors in ASEAN, resulting in a change in the production structure;
- Overall environmental impact could be negative, however, also possibility for investments in cleaner technologies and products; environmental goods.

3. Selected Horizontal Issues: Intellectual Property Rights (IPR)

- Issue: regulation, but also implementation and enforcement;
- Discouragement of investment due to IPR infringements has the effect of stifling economic development in ASEAN;
- Reduction of pirated and counterfeit goods producers in ASEAN initially increase unemployment (informal sector), while in the long term employment increase again as legal production increase;
- An improved operating environment for innovative IP centric companies;
- Potential for technology transfer increases with better IPR protection;
- Issues of public goods and products important for the poor.

3. Selected Horizontal Issues: Preferential Rules of Origin (RoO)

- Existence of substantial differences in RoO regimes between EU and ASEAN;
- FTAs have the potential of granting additional preferences on top of MFN and even GSP, crucial is level of preference use;
- Challenge:
 - find balance between preventing trade deflection and promoting regional value added creation on the one hand and easing restrictiveness and increasing flexibility on the other;
- Practical challenges of implementation of RoO.

4. Sustainability Issues: Illegal Logging and Timber Trade

- Issue of deforestation in Indonesia, causes include (a.o.) widespread practice of **illegal logging**
- FLEGT program and the VPAs introduced to address illegal logging in integrated manner;
- Potential impact of FTA on forestry products limited, but illegal trade and trade through third countries remains issue;
- Potential impact of FLEGT/VPA on illegal logging positive, but some issues remain (limited product coverage and 3rd country effects)
- Due Diligence Regulations (DDR) may increase the speed and efficiency of implementation;
- Possibilities to link FLEGT/VPA & DDR to the FTA.

4. Sustainability Issues: EU Biofuels Policy

- Already a series of trade agreements between the EU and ASEAN on biofuels, palm oil, and other palm oil derivatives for industrial use.
- Malaysia & Indonesia major suppliers of palm-oil (source for bio-diesel);
- Issue of land use pressures and price increases (food security);
- FTA expected to have marginal impact on the trade patterns of bio-fuels and oil palm derivatives;
- Malaysia: imports decrease moderately in the medium term with domestic consumption increasing;
- Indonesia: rising exports in the future, as well as a larger share of palm oil dedicated to bio-diesel;
- Ultimately market access, environmental and social impacts depend on implementation and compliance of RSPO and EU sustainability criteria.

5. Consultations with civil society (1)

1. **Formal parts from ToR of the TSIA EU ASEAN:**
Public Meeting 1 (GAR), Workshop Bangkok,
Public Meeting 2 (Phase 2)
2. **To come:** Public Meeting 3 (Phase 3)
3. **Website consultations** – feedback, online visits,
consultation round
4. **Report sent out for comments (in EU & ASEAN)**
5. **Interviews with ASEAN and EU civil society**

5. Consultations with civil society (2)

Interviews with civil society in ASEAN countries and in the EU started in February, continuing now!

→ **Comments deadline Phase 2: 30 March**

→ **Policy recommendations deadline Phase 3: 16 April**

..... through www.tsia.ecorys.com/asean or
tsiaasean@ecorys.com

6. Policy recommendations – how you can contribute

Policy recommendations and flanking measures (enhancing mitigating):

Official consultation round for comments on policy recommendations from **20 March – 16 April 2009**

Your comments and suggestions welcomed on:

1. How can the strengths of the FTA (see Phase 2 report) be enhanced by further policy action?
2. How can the negative impacts of the FTA (see Phase 2 report) be mitigated by additional policy action?
3. What other policy recommendations should be considered (at sector level!) to maximize the potential gains from the EU-ASEAN FTA?

Go to: www.tsia.ecorys.com/asean or email us at tsiaasean@ecorys.com - to give your comments and suggestions.

QUESTIONS?

6. Contact

For more information or giving feedback,
contact us:

Website: www.tsia.ecorys.com/asean

Email address: tsiaasean@ecorys.com

THANK YOU FOR YOUR ATTENTION