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**PRELIMINARY REPORT ON THE THEME:
"FREE TRADE AND ENVIRONMENT
IN THE EURO-MEDITERRANEAN CONTEXT"**

Task Manager: Foundation for International Studies (FIS)

FREE TRADE AND ENVIRONMENT IN THE EURO-MEDITERRANEAN CONTEXT

I. Definition of the scope of the activity

Environmental cooperation has been, because of MAP, one of the first fields of multilateral cooperation in the Mediterranean. This experience, on-going since 1975, made possible through dialogue to follow better the developments in recent years and respond adequately to international requisites for sustainable development as defined in the Rio Conference through the setting up of the Mediterranean Commission on Sustainable Development.

Furthermore, the economic context in the Mediterranean region has undergone great changes. By opening up recently their economies to free market forces, the countries of the south and east of the Mediterranean have become strong partners in the international and economic and commercial game. Their accession to GATT and/or WTO, as well as the commitment of the European Union to review its old trade agreements with third countries made it possible for the various protagonists of the Euro-Mediterranean partnership to envisage the setting up of a free zone by the year 2010.

Even though the policy towards its neighbours as defined by the European Union in 1995 seems to open rather favourable perspectives for a strong economic growth, which the Mediterranean countries have for a long time hoped for, this same growth, if it materialises, might it not bring with it the risk of compromising the chances of the type of development which would respect the environment which has already been seriously compromised?

On a strictly commercial basis, indeed one can wonder whether, if the old techniques continue being used, i.e. if new techniques don't become available or if the funding for the latter is uncertain, the development of agriculture, industrial or service oriented exports (tourism) might not be accompanied by a multiplied affect of the negative impact of production processes in most of the fields generating exports (agriculture, energy, petroleum by-products, fertilisers, cement, leather etc).

Will the liberalisation of imports allow exporters from the Mediterranean countries to acquire at lesser cost adequate technological equipment to enable them to modernise the production infrastructure?

The challenge of acquiring the means for cleaner production, especially in the field of foreign trade must be confronted right away, since, in addition to the dangers to atmosphere, water and the sea around the Mediterranean, it is the competitiveness itself of the Mediterranean exports that would be questioned in the process of setting up the free zone.

In the light of new data on world trade and especially the negotiations on standards and labelling conducted within the framework of the WTO, as well as the environmental requisites of the European Single Market, one can expect the hardening in the positions of the main partners concerning the conditions of the free circulation of goods and services, as well as the reinforcement of the will of consumers to buy ecologically produced goods.

Indeed, it seems that there is already an exceptional chance to reconcile in the Mediterranean, trade competitiveness and environmental protection. The environmental upgrading of the economies of the Mediterranean countries is therefore

a challenge which must be met head-on and at the same time an opportunity for future generations.

Of course the question is whether the economic operators have both the will and the means (human, technological and financial) to bring this about.

In agriculture, industry and the services (mainly tourism) will foreign investment (primarily European) through the input of capital, technology and skills make it possible to meet the challenge or, owing to considerations of profit making, might it aggravate the current environmental situation?

At a time when the Mediterranean countries, for the most part in the phase of stabilisation and adjustments begun several decades ago, are short of capital and appropriate technologies, what new macroeconomic, financial and fiscal policies will the national and European authorities be able to implement in order to raise the awareness and encourage both national and foreign businessmen to aim at "clean production" at least for export?

II. Working method, terms of reference

This activity will lead to drawing a complete picture of strategies and policies formulated. The priorities, means of action and the ways of international cooperation must be analysed in order to establish possible strategies to develop the environmental component in the countries concerned.

In this context, it is important that the study contain the following:

A concise analysis of Euro-Mediterranean commercial exchanges and their potential development; the objective is to identify the plausible impact of the free zone on such development and thus on the environment.

A review of studies carried out on the different types of production and their impact on the environment, as well as the work carried out by the group "Industry and Sustainable Development".

An analysis of the dynamics of imports, especially of equipment, as well as the conditions for the circulation of goods and services in the free zone, carried out by sector (association agreements, customs and environmental legislation enacted by the community, consumer protection etc.). By analysing the supra-national legal space one ought to comprehend trade exchange dynamics, both current and projected.

Rigorous identification of the trends and motivation for foreign investment in the Mediterranean.

An evaluation of national environmental legislations and their implementations, especially in exports sectors, should be carried out in order to reinforce practicable strategies.

An identification of new modalities for international cooperation in the fields of finance and technology.

Particular attention should be paid to sectors and means bearing a direct operational impact on economic and social actors directly involved in resource management (agriculture, business etc.).

III. Work programme and workshops

The programme as scheduled will entail 5 phases and meet the following deadlines:

- Phase I: Preparation of the workshop on the launching of the study
- Preparation of the document to submit to the workshop
 - Identification and contacts with the experts
 - Organisation of the workshop

Deadline for completion of Phase I: 30 May 1997

- Phase II: Workshop for the launching of the study
- Taking place of the workshop (first fortnight of July)
 - Synthesis of conclusions and recommendations to be worked on

Deadline for completion of Phase II: 31 July 1997

- Phase III: Study and consultation of experts
- Preparation of preliminary documents corresponding to the various chapters of the study
 - Consultation of experts by correspondence

Deadline for completion of Phase III: 31 March 1998

- Phase IV: Drafting of the study.
- Body of study; development of position agreements
 - Proposals for strategies and policies
 - Translation, publication etc.

Deadline for completion of Phase IV: 31 May 1998

- Phase V: Evaluation workshop and finalisation of study
- Workshop (July 1998)
 - Finalisation

Deadline for completion of Phase V: September 1998

At the conclusion of each Phase, Professor Salvino Busuttil, Task Manager, will submit a progress report to the Working Group.

IV. Draft Budget

Coordination, research and secretarial support Foundation for International Studies, Malta One person, half-time	7,500
Workshop for the launching of the study Preparatory work (2,500) Travel, stay, incidentals 6/7 experts (5,000) Logistical support (2,500)	10,000
Study Consultant fees (25,000) Communications with experts (5,000) Translation (6,000)	36,000
Meeting for assessment and recommendations Preparation (2,5000) Travel, stay, incidentals 8/10 experts (10,000) Logistical support (2,500)	15,000
Finalisation Expertise (2,500) Printing, reproduction (2,500)	5,000
TOTAL	73,500

V. Contacts with MAP, other conferences and external experts

Mr. Chabason, MAP Coordinator, has been contacted and will be our interlocuter throughout the project. The work involved in the study will be carried out by an external consultant under the guidance of Professor Salvino Busuttill who will ensure coordination with the Group.

The Commissariat General du Plan is studying the possibility that its economic team work in the same direction.