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The impact of EU trade agreements on conflict and peace

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Civil Society Dialogue Network

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Acronyms and Glossary

ACP The **African, Caribbean and Pacific** Group of States broadly constitute the former colonies of European Union (EU) Member States. For many years these nations were offered preferential (and non-reciprocal) access to European markets under the Lomé and then the Cotonou Agreements. These arrangements were incompatible with WTO rules, which paved the way for negotiation over the reciprocal market access agreements of the Economic Partnership Agreements (EPAs).

ASEAN The **Association of South East Asian Nations** is a grouping of 10 countries in Southeast Asia: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Myanmar, Brunei, Cambodia, Laos and Vietnam.

BRIC Refers to the emerging economies of **Brazil, Russia, India and China**.

CAP The EU's **Common Agricultural Policy**, which started in 1962, is the oldest common policy of the EU. It aims to support rural livelihoods, provide a stable and safe food supply in Europe and develop rural areas. But it has also been criticised for artificially lowering world food prices and making it more difficult for developing country farmers to compete in the EU market.

CU A **Customs Union** is a politically more ambitious version of a free trade agreement (FTA) requiring a common external tariff and the harmonisation of external trade policies. The EU is an example of a customs union.

DCFTA **Deep and Comprehensive Free Trade Agreements** are the new wave of EU agreements that seek to go beyond the accepted sectors for liberalisation in the WTO talks.

DDA The **Doha Development Agenda** was launched in December 2001 as the eighth round of trade liberalisation talks under the aegis of the GATT/ WTO with the stated goal of inserting 'sustainable development' back into international trade negotiations.

EBA **Everything But Arms** is a subset of the General System of Preferences introduced by the EU and applicable from 5 March 2001. Under EBA, all Least Developed Countries have full duty-free and quota-free access to the EU market for their goods, except for weapons (arms). Services are not covered.

ENP The **European Neighbourhood Policy** is the framework in which the EU builds economic and trade links with its southern and eastern neighbours who have no realistic prospect of eventual accession to the EU.

EPA **Economic Partnership Agreements** were prescribed by the Cotonou Agreement as a replacement for the ACP specific trade regime. Originally slated to be finished in 2007, 36 ACP countries concluded EPAs with the EU in that year. With the exception of the Caribbean all agreements were interim FTAs designed to preserve the market access of these countries to the EU rather than come to a final arrangement. The European Parliament and the European Commission have set a deadline of 1 October 2014 to conclude new agreements or ratify existing ones.

FTA A **Free Trade Agreement** is where each party to the agreement reduces tariffs and other non-tariff barriers to trade, but maintains its own trade policy vis-à-vis third parties.

GATT The **General Agreement on Tariffs and Trade** was the 1947 agreement that governed multilateral trade until the creation of the WTO in 1995.

GDP **Gross Domestic Product** is the most common, albeit widely criticised, gauge of economic strength. GDP growth is used as the most common yardstick for economic progress.

GPA The **Government Procurement Agreement** is a plurilateral agreement that entered into force in 1996.

GSP The **Generalised Scheme of Preferences** provides preferential tariff treatment (partial or entire removal of tariffs) on imports of certain goods originating in least developed countries (LDCs). GSP is permitted by the WTO, but developed countries may make their own rules on product coverage and degree of preference. A new system of GSP will apply from 1 January 2014, which will reduce the number of countries and products receiving GSP treatment. Currently there are 48 countries eligible for GSP.[1]

GSP+ The **Enhanced Generalised Scheme of Preferences** (aka GSP+) involves the full removal of tariffs on those product categories covered by the general agreement. GSP+ is granted by the EU to countries that ratify and implement international human and labour rights, environment and good governance conventions. They must also be defined as 'vulnerable' according to an EU formula that rules out from eligibility such countries as India, Brazil, Thailand and the Philippines. There are currently 16 GSP+ beneficiary countries.[2]

MFN The **Most Favoured Nation** principle—a foundational principle of the international trade system—means that a country offering preferences to one nation has to offer those preferences to all its trading partners. In principle, the most favourable agreement with one partner sets the standard for its relations with all other WTO members. The GSP group (GSP, GSP+ and EBA) as well as FTAs are permitted exceptions to this rule.

PTA A **Preferential Trade Agreement** is exactly the same as an FTA but the phrase highlights that the lowered trade barriers between partners are preferential to those offered to third parties.

RTA A **Regional Trade Agreement** is any FTA, CU or PTA concluded between members of a regional group.

SIA A **Sustainability Impact Assessment** is independently carried out as part of the preparation and planning stage of all major EU trade negotiations.

TTIP The **Transatlantic Trade and Investment Partnership** is a recently launched negotiation between the EU and US to develop a new FTA between the blocs, which some commentators have dubbed 'an economic NATO'.

WTO The **World Trade Organization** was created in 1995 to coordinate multilateral discussions on the progressive lowering of barriers to trade, both in tariff and non-tariff form.

[1] Commission Implementing Regulation No 496/2013 of 29 May 2013

[2] Armenia, Azerbaijan, Bolivia, Cape Verde, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Panama, Paraguay, Peru and Sri Lanka (Commission implementing Regulation No 496/2013 of 29 May 2013)

Executive Summary

The European Union (EU has signed more Free Trade Agreements (FTAs) than any other trade bloc and its economic influence extends around the world. The trade agreements that the EU concludes with its partners define and determine the EU's trade and investment relations with a wide range of countries: rich and poor, weak and strong, fragile and stable. The form and content of the EU's trade agreements and the institutional structures they create can have significant impacts, both positive and negative, on the political and economic trajectory of signatory countries, particularly the poorest, the weakest and the most fragile.

This paper investigates the link between EU trade agreements and peace and conflict in third countries. It analyses which elements of EU trade agreements are of specific relevance for the dynamics of peace and conflict and considers whether current mechanisms and safeguards are sufficient to predict and avoid potential negative impact of trade agreements. It specifically looks at three phases of trade agreements, namely negotiation, implementation and monitoring.

The paper finds that:

- There is no systematic assessment of the potential impact that trade agreements may have on conflict dynamics or conflict risks related to the trade agreement before or during the negotiation phase which makes the application of the 'Do No Harm' principle, development of mitigation measures and design of adequate monitoring mechanisms difficult.
- The legitimacy of negotiating parties (both the EU and the third country) and the question whether negotiations consider citizens' concerns as opposed to following much narrower business interests can contribute to undermining society-state relations.
- Where there is an imbalance in power relations between the EU and the third country, there is a risk that the EU is (or is perceived to be) (1) forcing countries into negotiating in regional groupings that are not self-selected, (2) enforcing its interest during the negotiations due to its better bargaining position, (3) combining trade negotiations with reform of institutional standards that are difficult and costly to implement for partner countries, and (4) including issues that have been rejected in multilateral fora such as the World Trade Organisation (WTO). All of the above may lead to an unbalanced agreement that undermines the political and economic instability in a country, thereby increasing the risk of conflict.
- Whether FTAs affect underlying causes of conflict depends in many cases on the degree to which agreements reduce poverty as a driver of conflict. However, the record of trade agreements' contributions to economic growth and in turn poverty reduction is mixed and no automatic positive or negative impact can be deduced.
- Adjustment costs, which are the economic changes that are caused by the implementation of the newly-adopted rules and the changes of trade relations such as drop in government revenue due to reduction of tariffs or rise of unemployment in certain sectors due to liberalisation, can be especially difficult to mitigate and absorb in small, undiversified economies and may, therefore, affect conflict dynamics negatively. Aid for trade programmes which are designed to alleviate some of these impacts have been found to lack a context-specific and targeted approach.
- Trade agreements can provide a vehicle for the EU to influence conflict and peace dynamics by supporting reform in the areas of respect for democracy, the rule of law, human rights, social standards and environmental protection. This has been successful in relation to raising standards of labour rights.

- The way in which trade agreements are monitored depends on the trade agreement in question; some have connected institutional processes, others are subject to a much less stringent approach. Civil society involvement in these processes is not systematic.
- Rewarding trade preferences can provide powerful incentives for the peaceful resolution of disputes and often function as reward for positive reform efforts, such as in the case of South Sudan in January 2013 or Myanmar in June 2012. The suspension of trade has been used in a couple of cases to react to the deterioration of conflict or the human rights situation in a third country.
- Trade sanctions, which can be used within or outside an FTA, are another possibility for the EU to use its trade policy as political leverage to react to deteriorating or improving conflict dynamics.

1. Introduction

This discussion paper, produced independently for the European Peacebuilding Liaison Office (EPLO), investigates how the European Union's (EU) approach to trade agreements affects the prospects for peace and conflict in those countries with which the EU is concluding agreements.

The paper investigates the ways that the EU conducts, implements and monitors free trade agreements with other countries, or other trade blocs. It asks which elements of EU trade agreements are of specific relevance for the dynamics of peace and conflict in partner countries. It also considers whether current mechanisms and safeguards are sufficient to predict and avoid potential negative impacts.

The EU's trade agenda is fluid and fast-paced. At any one time a number of different agreements are being developed or put in place. To disentangle some of these complex relationships the paper divides the process of developing a free trade agreement (FTA) into three phases.

First is the negotiation phase. Here, a number of factors determine how sophisticated the agreement is with regards to potential conflict risks: the planning and preparation that precedes the negotiation, the power disparities between negotiating partners, the legitimacy of the partners to commit their countries to trade liberalisation as well as the public expectations that are raised as a result of the talks. All of these factors can interact with underlying political and economic instabilities to either raise or lessen the risk of conflict.

The second phase is implementation. Implementation is understood as the phase after the agreement has been concluded and in which the newly-adopted rules and changes to trade relations between the EU and third countries are put into place. At this point, the real impacts of the FTA begin to be felt in terms of adjustment costs, its effect (or not) on poverty levels, and the existence of new market opportunities for each side. It is also where the leverage of agreements to encourage and incentivise better governance, transparency and so on can be felt. Finally EU aid for trade programmes can help countries put in place the necessary infrastructure, training and systems to benefit from the trade liberalisation. The cumulative impact of the FTA on the economy of partner countries is a key determinant of its impact on political stability and the risk of conflict.

Last comes the monitoring phase. This is where the ability of the EU to evaluate the impact of its trade agreements and, if necessary, change course or implement mitigating measures is critical to avoid economic instability that could trigger political crises. It is also the phase in which the EU can use what leverage it may have to 'put a price' on human rights abuses, poor governance and so on in partner countries through the threat of sanctions or the suspension of trade preferences.

The paper is divided into seven parts. Section two describes the context for the EU's FTA commitments by providing an overall background to the EU's role in international trade and an overview of the latest developments at the EU level. Section three highlights the relation between trade and conflict. Sections four to six investigate the EU's approaches to the negotiation, implementation and monitoring of its agreements. Section seven concludes with some recommendations for action.

There are two intended audiences for this paper. First, is the 'peacebuilding community' that may not be familiar with the jargon of modern trade negotiation but is interested in considering one of the principal, but often hidden, economic forces at work in modern-day international relations. Second, is the 'trade community' concerned about examining some of the second-order effects of free trade negotiations on peace and security.

The paper aims to trigger discussion on how EU trade agreements are both supporting, and in some cases, undermining conflict prevention around the world. It also hopes to generate meaningful, practical recommendations for how the EU can better mitigate conflict risks through its trade diplomacy.

2. The EU and trade

2.1. Background

The spaghetti bowl of FTAs

Frustrated by the slow progress of the World Trade Organization's (WTO) Doha Development Round negotiations, which have been stuttering along since 2001, many countries, including EU Member States, are seeking to advance their national interests outside the multilateral trading system. This has resulted in a rapid increase in FTAs, also known variously as preferential trade agreements (PTAs), customs unions or regional trade agreements (see glossary). These agreements are signed bilaterally and tailored to the specific needs of the countries involved rather than multilaterally to satisfy all 159 members of the WTO. There are now more than 350 FTAs in force. Together they govern more than 50% of world trade (Biukovic, 2008). These agreements aim to achieve much the same goals as the multilateral trade talks—trade liberalisation leading to economic growth—but with fewer partners at the table. Some analysts (Bhagwati, 2008) argue these are undermining the multilateral trading system. Whatever your opinion of their utility, they have become a fixed feature of international trade relations.

The growth in FTAs has built a complex web of intersecting and overlapping trading commitments. This 'spaghetti bowl' of agreements extends across the entire world: virtually every member of the WTO is a member of at least one FTA. Over the past 20 years, FTAs have become a defining feature of the modern economy and a powerful force for globalisation and trade liberalisation (Brown et al., 2005).

The EU has been one of the most prolific contributors to the spaghetti bowl. It has signed more FTAs than any other trade bloc. For half a dozen years after the launching of the new round of multilateral talks at Doha in 2001, called the Doha Development Agenda (DDA), the EU held back from signing new FTAs for fear of weakening the impetus for multilateral talks. However, since 2007, the EU has been energetically pursuing FTAs around the world.

Countries sign these FTAs for many reasons: to secure access to new markets and trading opportunities; to pursue geo-strategic and political interests (Brown et. al, 2005); to avoid 'getting left behind' (Wu, 2005); to counterbalance the negotiating power of other trading blocs; to build on socio-cultural similarities between countries; reducing illegal trade and smuggling (Brown et. al, 2005); to lock in preferential relationships that could otherwise be withdrawn (Khor, 2005) and so on.

Geo-strategic objectives

The EU does not wield its trade diplomacy solely to (attempt to) improve the economic welfare of EU Member States. The EU also uses its trade policy to pursue a number of geo-strategic objectives. Many of these relate directly to peace and security inasmuch as they attempt to build interdependence between countries as well as institutional resilience and adherence to international law within countries.

The first, and most obvious, is to increase the economic and political influence of the EU around the world, to balance the growing influence of China, the weight of the US and so on (Stevens and Goodison, 2009).

Second, the EU is keen to spread the gospel of regional integration in its own image and therefore negotiates with trading blocs, promotes the value of regional trade integration and funds regional integration mechanisms. EU delegations are actively encouraged to help "export" the EU's model of regional integration as a mechanism for peaceful co-operation. This is backed by EU funds that bankroll regional organisations like the African Union (AU) and the Pacific Forum as regional mechanisms for peace and security (Brown et al., 2005). The growing role of some of these regional mechanisms, particularly the AU, in regional peacekeeping interventions is perhaps evidence of the EU's influence to move towards regional solutions for regional problems where possible.

Third, the EU uses its trade policy, particularly the negotiation of the Economic Partnership Agreements to sustain a close (and arguably paternalistic) relationship with the countries from the African, Caribbean and Pacific (ACP) grouping, almost all of which are former colonies of EU Member States.

Fourth, the EU sees that concluding FTAs with large emerging economies such as India, and countries in ASEAN and MERCOSUR is a powerful way of anchoring them in a globalised, liberalised open trading system (European Commission, 2013a).

Fifth, closer to home the EU uses its trade policy to actively promote stability and economic growth in Europe's immediate surroundings. European expansion since 2004 has redefined the EU 'neighbourhood' to include a diverse group of countries in Eastern Europe, the Middle East, the Mediterranean and Central Asia. One consequence of this has been the development of the European Neighbourhood Policy (ENP) that offers these countries a 'stake' in the EU market and the valuable carrot of closer engagement with it (Hoekman and Özden, 2010). Participation in initiatives such as the ENP is explicitly contingent of a range of factors including respect for democracy, the rule of law and human rights, which are, cumulatively, supposed to encourage the peaceful resolution of disputes.

Sixth, the EU has, in certain circumstances, actively used its trade policy to help countries affected by war deliver a 'peace dividend' that is supposed to encourage combatants to lay down their arms. One prominent example of this was the negotiations for a trade and co-operation agreement, which were launched between the EU and Iraq during the height of the sectarian killing in 2006. At the time, the then European Commissioner for Trade Peter Mandelson vowed that, "Establishing this framework for EU-Iraq trade relations is a small part of Iraq's difficult road to stability. Those committed to Iraq's peaceful future must begin planning for it now" (Europa.eu, 2006). The EU expressed the hope that the process of negotiation itself would have a positive effect "This is a government… which has not had experience with working with international partners… on issues of this kind" (European Commission Spokeswoman Emma Udwin). After several years of negotiation the EU-Iraq Partnership and Cooperation Agreement was signed in May 2012. When it entered into force in August 2012 it marked the first ever contractual relationship between the EU and Iraq. It contains provisions to provide each other MFN treatment, harmonise procedures as well as to tackle the proliferation of weapons of mass destruction, small arms and light weapons.[3]

Seventh, the EU uses trade as a basket of 'sticks and carrots' to actively promote its idea of 'good governance': transparency, accountability, environmentalism, respect for human and labour rights etc. The European Council spelled out its vision: 'Openness to international trade accompanied by adequate domestic policies and institutional reforms is key to sustaining inclusive growth and poverty reduction in developing countries, just as keeping its markets open is key to Europe's economic growth and welfare' (2012). For many years, for example, the EU has held out the prospect of trade deals for Iran and North Korea as part of the broader negotiations around their nuclear weapons programmes.

Tectonic shifts

At the same time, there is a historic rebalancing of the world economy underway as new powers emerge, most prominently Brazil, Russia, India and China (dubbed the 'BRIC' countries). This means the relative economic importance of the EU is fading, a decline that is accelerating as a result of the persistent sovereign debt crises experienced by several Eurozone members. The EU accounted for a 31% share of global GDP in 1995 but just 24% in 2012 (Tentori and Zandonini, 2013). This is changing the playing field for trade negotiations.

The European push for new FTAs predates the 2008 financial crisis. However, worries about slow growth, poor competitiveness and persistently high unemployment in Europe have encouraged European negotiators to conclude new deals. The hope is that by opening up overseas markets, Europe will be better able to export its way out of its current economic difficulties. It has also contributed to a sense that Europe cannot afford to 'give too much away' in those negotiations. A recent European Commission paper (2013a) underlined the importance of trade to the EU's strategy: 'Trade has never been more important for the European Union. In today's difficult economic circumstances, it has become an important means of achieving much needed growth and creating jobs without drawing on public finances. It is the conveyor belt that links Europe to the new global growth centres and is a unique source of productivity gains'. The size of Europe's common market, the globalised nature of many of its companies and its long trading history mean that it is still one of the leading players in international trade (Woolcock, 2005).

An economic giant

Europe's economic influence extends around the world. The trade agreements that the EU concludes with its partners define and determine the EU's trade and investment relations with a wide range of countries: rich and poor, weak and strong, fragile and stable. The form and content of the EU's trade agreements and the institutional structures they create can have significant impacts, both positive and negative, on the political and economic trajectory of signatory countries, particularly the poorest, the weakest and the most fragile. This discussion paper investigates the impact of these agreements on instability and the risk of violent conflict among the EU's trading partners.

The EU's trade agreements typically negotiate a phased opening (liberalisation) of the economies of signatories by agreeing mutually to reduce the charges applied to imports (tariff barriers) and to simplify rules and regulations that imports have to meet (non-tariff barriers). In so doing, they aim to increase trade between the countries, create jobs and generate

[3] http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150084.pdf

government revenues. However, trade liberalisation can also lead to occasionally painful changes (adjustment costs) as economies shift and respond to the new conditions: novel market opportunities in some sectors and reduced protection in others.

The EU uses these trade agreements as a major plan of its foreign policy. In 1991, the Belgian Foreign Minister, Mark Eyskens, described Europe as "an economic giant, a political dwarf, and a military worm". While European institutions have evolved and strengthened over the past two decades, many would still agree that Europe's principle sphere of influence worldwide is economic, through the weight of the single market and the generosity of its aid programmes.

A peace project born from a trade agreement

The EU itself is a peace project born of a trade agreement. The 1951 Coal and Steel Agreement aimed to make war between France and Germany impossible by inextricably merging their heavy industries. More than 60 years of relative peace and prosperity in Europe has led many Europeans to believe fervently in the idea that freer trade encourages interdependence among countries and so reduces the risk of violent conflict.

The example of the EU as a peaceful political arrangement has much to teach the world. Other FTAs have the potential to build peace and prosperity, lift millions out of poverty and reduce the incentives for war. But it is also important to remember their potential hazards. The process of negotiating FTAs can disenfranchise particular groups, lead to confusion and resentment, and ratchet up unrealistic expectations. The implementation of FTAs can, if managed poorly, lead to adjustment costs that escalate tensions, hinder development, divisively create 'winners and losers', embed regional, national and community-level power imbalances and undermine the political stability of the economically weaker partner. And if the agreements are not monitored and disputes are not dealt with quickly and fairly, these problems can persist.

The EU professes strong commitments both to international peace and to trade liberalisation as a vehicle for economic growth. This paper is focused on the question of how well the EU's approach to trade and economic co-operation supports its peacebuilding aims. In short, when it comes to its trade agreements, is the EU walking its own talk?

2.2. Contemporary Approaches of EU Trade Policy

The Lisbon Treaty

The Lisbon Treaty, which came into force on 1 December 2009, drew together the objectives of the EU's external policy. Article 21 commits the EU to, inter alia, 'preserve peace, prevent conflicts and strengthen international security… [and]… encourage the integration of all countries into the world economic, including through the progressive abolition of restrictions on international trade'.

The treaty also shuffled the Union-level institutions responsible for external relations. As well as creating the European External Action Service, the treaty changed responsibility for policy on trade and investment, giving new powers to the European Parliament, which now has an equal footing with the Council with regard to the formulation of trade policy (Stevens and Goodison, 2011).

The European Commission must request an authorisation to negotiate a trade agreement from the European Council, which sets out the general objectives to be achieved in the form of a negotiation mandate. Once the European Commission has completed the negotiations, it presents the deal to both the Council of the EU and the European Parliament. Both bodies then have to formally agree the outcome, which paves the way for signature and ratification with the trading partner. Trade agreements covering areas of exclusive EU competence (trade in goods and services, foreign direct investment, intellectual property rules) are adopted by a qualified majority (and not unanimous) vote within the EU's Foreign Affairs Council and will no longer have to be ratified by Member State governments (Stevens and Goodison, 2011).

But EU trade negotiators face a complex balancing act. They have to define and forge a common policy across all 28 Member States. This policy needs to somehow balance the EU's 'offensive market-opening interests' in manufacturing and services (i.e. persuading other countries to open their markets to European services and manufactured goods) against the EU's 'defensive interests' in agricultural and some industrial and service sectors (i.e. sustaining the cosseted position of agriculture and some industrial sectors which are protected from international competition).

The EU has progressively attempted to harmonise its external policy—to bring the various strands of its trade, aid and foreign policies together—into one coherent whole, particularly in fragile states. In this vision, trade is supposed to increasingly take the place of aid as a mechanism to generate wealth and lift people out of poverty: 'the EU will refine its relations with emerging economies, focusing less on development cooperation and more on new forms of partnership based on shared benefits and responsibilities' (Council of the EU, 2012).

The EU's approach to trade policy

The EU pursues its trade policy objectives in a number of different dimensions:

- Bilaterally – EU bilateral trade policy takes the form of association agreements or FTAs that are negotiated and signed with third countries (or groups of third countries). Once they are signed there is ongoing work to ensure they are properly implemented and to settle any disputes that may arise.
- Plurilaterally – These involve specialist agreements that are negotiated by the EU (or its Member States) with like-minded countries in specific areas. Examples are the Government Procurement Agreement (GPA) or the Agreement on Trade in Civil Aircraft, which were conducted under the aegis of the WTO, or a range of agreements on investment, which are hosted by the Organisation for Economic Co-operation and Development (OECD).
- Multilaterally – The EU's multilateral trade policy revolves around the negotiations at the WTO, which tend to focus on all or part of the DDA. Beyond the negotiations the EU has a lot of 'back room' work to tend to its interests in the international trading system: participating in WTO committees concerned with implementation and reviewing other WTO members' trade policies. The EU also needs to defend its commercial interests in the event of 'dumping' (when exporters 'dump' products on the EU market, i.e. sell at prices below the costs of production) or in the various dispute procedures that the EU is either prosecuting or defending (Woolcock, 2005).

Europe's bilateral trade agreements

The EU has ten separate bilateral agreements that are already in force (with Mexico, Chile, South Korea, South Africa, the Caribbean Regional Forum (CARIFORUM), Papua New Guinea, Euro-Mediterranean Partnership countries (Euro-Med), Turkey, Colombia and Peru). It has concluded negotiations on a further three: Ukraine, Central America and Singapore.

As of September 2013, negotiations are ongoing in another 15 cases: Canada, MERCOSUR[4], India, Gulf Cooperation Council, Malaysia, Viet Nam, Japan, Thailand, Armenia, Georgia, as well as Economic Partnership Agreement (EPA) talks with the West African bloc, the Central African bloc, the East African Community, the Eastern and South African bloc, and the Southern African Development Community and the Pacific.

In addition, negotiations are being considered in at least three more cases: the Transatlantic Trade and Investment Partnership (TTIP) with the US, an FTA with the Association of Southeast Asian Nations (ASEAN) and a deeper free trade area with the Euro-Med countries.

GSP – a tripartite special scheme for developing countries

In addition to these FTAs, the EU also offers a series of non-reciprocal arrangements to certain developing countries. This means that those countries receive preferential access to the EU market without having to offer equivalent access to EU exporters. The overall scheme is called, somewhat obscurely, the Generalised Scheme of Preferences. It contains three elements:

1. The standard GSP scheme applies to the widest number of countries and offers tariff reductions for their products coming into the EU market. In practice, this means partial or complete removal of tariffs on two-thirds of all categories of product.
2. The enhanced GSP scheme, which is also known as GSP+, aims to reward countries that ratify and implement a raft of international conventions relating to human and labour rights, the environment and good governance. Entry to the GSP+ scheme triggers full removal of the tariffs covered by the standard GSP. Sixteen countries are currently eligible for GSP+.
3. The Everything but Arms (EBA) scheme offers duty (i.e. tariff)-free and quota-free access to all products, except for arms and ammunition.

"The most ambitious trade agenda in the world today" (European Commission, 2013)

Given the extensive list of FTAs that are in force, being negotiated or under consideration, it is unsurprising that the European Commission describes its trade 'in-tray' as "the most ambitious trade agenda in the world today". The European Commission points out that the EU has: 'developed a trade policy agenda of an unprecedented scale: while less than a quarter of EU trade was covered by Free Trade Agreements (FTAs) before 2006, concluding on-going negotiations would bring the figure up to half our trade and we are now accelerating and deepening this agenda with the opening of negotiations for an agreement on a far bigger scale with Japan and the possibility of going down the same road in the near future with the US. Completing this agenda would bring the coverage of our trade by FTAs to two-thirds of EU external trade.' (European Commission, 2013a)

The European Commission (2013a) argues that concluding the more than a dozen ongoing negotiations could boost GDP in Europe by more than two percent—a sum equivalent to € 250 billion, roughly the size of the Austrian or Danish economy. This would, in turn, support an increase of more than two million jobs related to trade across the EU.

These trade agreements do not, of course, take place in a vacuum. They are negotiated in the context of complex political relationships, with occasional latent conflicts and deep-seated

[4] Brazil, Argentina, Paraguay, Uruguay and Venezuela

hostilities. It is the interaction of the EU's FTA policies in the countries in which they are operating that determines their effect on peace and security.

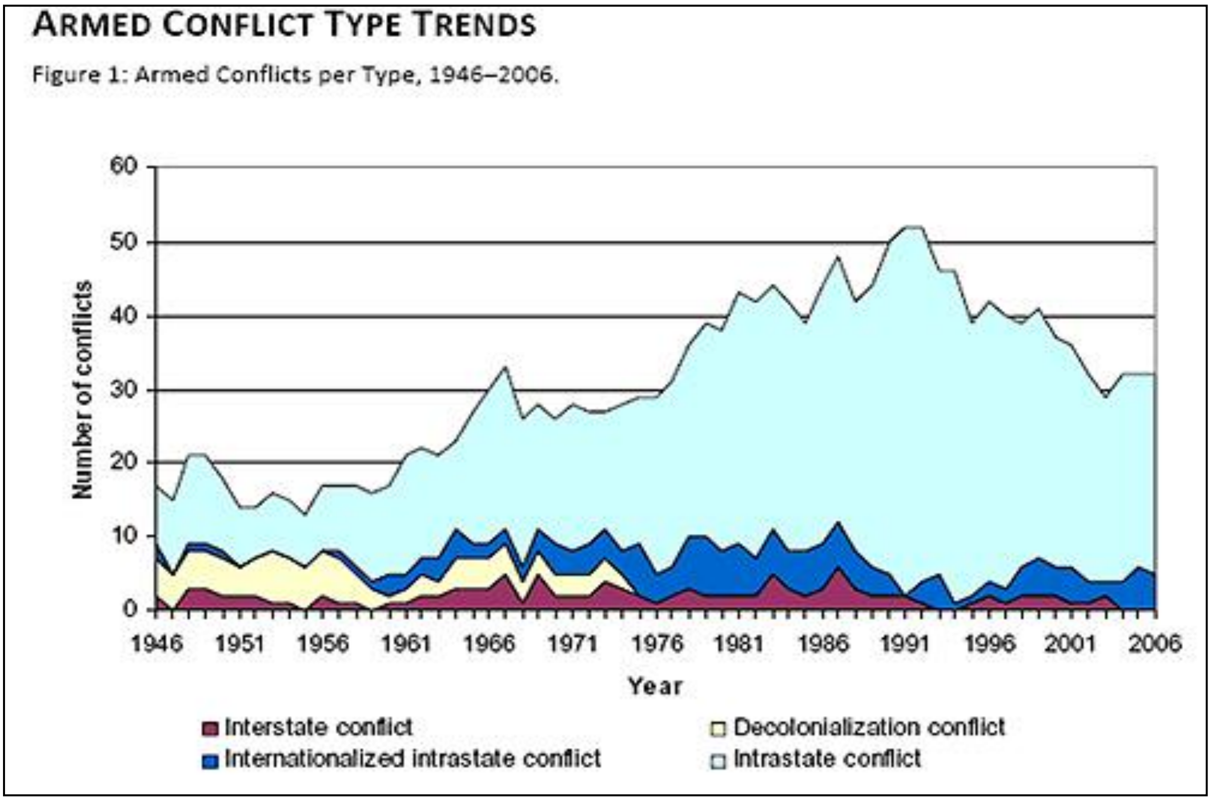
3. Trade and conflict

Trends in conflict

The past 60 years have witnessed dramatic changes in the nature and frequency of violent conflict around the world. As Figure 1 shows, there has been a decrease in interstate conflict that has been coupled with a significant increase in the incidence of intra-state conflict such as civil wars. This peaked in 1992 and fell steadily through the '90s and the early years of this century before, more recently, rising again as a result of new conflicts surrounding the Arab Spring, in particular in Libya and Syria. In 2013, the World Bank defined 35 countries as being in a 'fragile situation'.[5]

The EU currently has trade agreements or trade preferences in place for every one of these 35 countries with the exception of Iran, Libya and Syria. The European Commission is negotiating trade agreements with 29 of the 35 countries, mostly through the medium of the EPA discussions (see Box 3).

Figure 1: Armed Conflicts per Type, 1946-2006



[5] Afghanistan*, Angola*, Burundi*, Central Africa Republic*, Chad*, Comoros*, DRC*, Republic of Congo*, Côte d'Ivoire*, Eritrea*, Guinea*, Guinea-Bissau*, Haiti*, Kiribati*, Kosovo*, Liberia*, Marshall Islands*, Micronesia*, Myanmar*, Nepal*, Sierra Leone*, Solomon Islands*, Somalia*, South Sudan*, Sudan*, Timor-Leste*, Togo*, Tuvalu*, Yemen*, West Bank and Gaza*, Bosnia & Herzegovina*, Zimbabwe*, Iran, Libya, Syria
http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonizedListFY13.pdf (accessed 1 September 2013. * = countries which are involved in some sort of trade agreement or negotiation with the EU. * = countries which are receiving trade preferences from the EU)

The EU and Peacebuilding

The EU has a long history of involvement in peacebuilding. It gives generous development aid and invests in conflict prevention and peacebuilding around the world through mechanisms such as the Instrument for Stability. It has also played an important role, usually in a financial capacity, in several peacekeeping missions. Finally, the EU has been a prominent supporter, politically and financially, of several initiatives that have attempted to tackle some of the economic causes of conflict: the Kimberley Process on the export of conflict diamonds, the Extractive Industries Transparency Initiative and the EU Forest Law Governance and Trade (EU FLEGT) initiative on the export of illegal timber. But is its FTA trade policy consistent with this outlook?

The trade-peace theory

The trade-peace theory is one way of assessing the link between trade and conflict. This much discussed academic theory argues that, in short, the more two countries trade with each other the less likely they are to fight each other (see Box 1).

Box 1: Trade-peace theory

The trade-peace theory was developed largely in response to the surprising drop in interstate conflict (see Figure 1) since the end of the Second World War. However, some researchers have gone further to argue that free trade may 'spill over' to have a positive impact on the propensity for intra-state (internal) conflict (Henderson, Powers and Dietrich, 2006; Martin, Mayer and Thoenig, 2010).

Trade and economic integration, for example, can help to diversify economies, increase investment and may help to insulate some economies from the risks of economic and political instability posed by being reliant on a narrow range of exports (Brown, et al., 2005). Others argue that free trade (rather than trade) is a primary driver of peace because it removes 'an important foundation of domestic privilege (protective barriers to international commerce) and so reduces the power of societal groups likely to support war' (McDonald, 2004).

Critics counter that the trade-peace theory is overly optimistic and reflects researchers' own assumptions and prejudices as much as the statistical evidence (Barbieri, 2003). As a continent for example, Africa has more trade agreements than any other but it is also the most civil war-prone region in the world (Henderson, Powers and Dietrich, 2006).

A meta-analysis of empirical data found some quantitative evidence of a link between trading nations and the greater incidence of peace (Martin, Mayer & Thoenig, 2013). However, there are reasons to be cautious. First, it is difficult to establish the direction of causality: Is trade leading to peace, or greater stability leading to more economic interaction? Second, as with other peacebuilding endeavours, it is almost impossible to prove the counterfactual: what would have happened had this one particular intervention not taken place?

Finally, and perhaps most significantly, is that there is a powerful selection bias at work in the data. Countries that really are at loggerheads with each other (North and South Korea for example), or in the midst of political turmoil (Libya and Syria) are going to be unlikely to sign a trade agreement aimed at encouraging greater economic co-operation. After all, such an agreement requires reasonably compatible views as a starting point, followed by months and years of diplomatic interaction and careful negotiation. Ultimately, this risks exaggerating the peace impacts of trade.

To investigate this issue further we will look at the three phases that any free trade agreement must undergo: negotiation, implementation and monitoring.

4. Negotiation phase

This section identifies issues that determine the possibility of trade agreements to impact on peace and conflict dynamics during the negotiation phase. While this is not an exhaustive list, it highlights factors that should be taken into account when negotiating a trade agreement.

The planning, research and preparation that informs the negotiation determine whether major conflict risks are appropriately identified and addressed. The power relations between the parties may skew the negotiated outcomes. Finally, the legitimacy of each negotiating government in the eyes of its own population, and the expectations that are built up around what that agreement will entail, may contribute to social unrest.

4.1. Planning and preparation

How planning and preparation of trade agreements is carried out can have an impact on how well conflict risks are addressed. Since 1999, the EU has required Sustainability Impact Assessments (SIAs) for all major multilateral, regional and bilateral trade negotiations. They are conducted independently, typically by specialist consultancies, and are financed by the EU. They are meant to identify any major social and environmental problems and recommend measures to mitigate their impacts. As such, they are an important 'first line of defence' for these agreements.

The existence of SIAs at all is a step forward. They tend to be weighty documents, often several hundred pages long and the product of many months of consultation and economic modelling. They are also consistently applied across all of the EU's FTAs (with the exception of early agreements such as the EU-Mexico FTA). To the EU's credit, the original SIAs are publicly available through a dedicated website. There is also an established process to take information from the SIAs and incorporate it into decision-making (see Figure 2). The European Commission sets out its own views on the results and the recommendations made in the SIAs in its own 'position papers' which are also available on the website.

Figure 2: Three step process for SIAs (European Commission, 2006)

Phase	**Steps**	**When**	**How**		**Who**
			Analysis	**Consultation**	
1. Impact Assessment (IA)	IA Extended IA	Before proposing a negotiation mandate to the Council	Preliminary in-house analysis	Internal and external consultation	European Commission under DG Trade lead
2. Real Time Trade Sustainability Impact Assessment (Trade SIA)	Preliminary Assessment Sector studies Final Trade SIA	During the negotiations	Detailed analysis including: 1. Screening 2. Scoping 3. Assessments (qualitative & quantitative) 4. Flanking measures 5. *Ex-post* and monitoring	1. Meetings for inception, midterm and final phases of each study 2. Possibly local workshops 3. Direct communication with the consultant	External Consultant financed by DG Trade
3. Integration of Trade SIA results into policy making	Position papers	During negotiations	Synthesis of actions endorsed by the Commission	Meetings to discuss draft position papers	European Commission under DG Trade lead

The EU's approach to the SIA is for a unified process that is meant to incorporate many different aspects of the potential impacts of trade liberalisation: trade models, growth predictions as well as environmental, social and political impacts. The breadth of the assessment inevitably requires a hugely varied skill set on the part of the consultants to properly balance the various issues at stake. Critics argue that the SIAs are superficial and of variable quality, often failing to adequately predict even the first order effects (i.e. on trade, employment or future competitiveness) let alone the second order effects (on the environment, political stability etc.) (Oxfam International, 2006).

In particular, there is rarely any conflict analysis at all in the SIA. Given that the primary expertise of most of the individuals and groups working on the SIAs is in the realm of economic modelling, a sophisticated understanding of conflict risks is frequently a casualty of the process. Dedicated conflict analysis is not mandated as part of the process in the European Commission's handbook for SIAs.

Meanwhile, there are no 'peacebuilding indicators' within the SIA to try and quantify the impact of the FTA on underlying drivers of political and economic instability (such as elite control of the economy, reliance on commodity production and so on). This means that it is up to the consultant to pick the indicators that they feel are relevant, which can lead to an inconsistent product in terms of its conflict analysis.

Unsurprisingly then, a review[6] of the EU's SIAs to date (see Annex 1) shows occasional mention of conflict risks but these are typically few and far between. A more extensive approach to SIAs, both ex-ante and during negotiation and implementation might help to identify potential conflict risks, develop more effective strategies to 'do no harm' (through a range of mitigating projects and safeguards) and potentially point out entire sectors that should be treated in a specific way.

4.2. Legitimacy

Legitimacy, in the sense of the representativeness of each party (EU and third country) has an impact on the way trade agreements can contribute positively or negatively to peace. In essence, does the affected population trust their representatives to negotiate in their best interests? If the population feels that elites in their government are negotiating agreements that benefit their own narrow business interests, it can contribute to reduced trust in government and become a factor in destabilising government protests.

Ever since the 'Battle in Seattle' in 1999 when huge protests disrupted the WTO's multilateral trade negotiations, protests over trade negotiations have caused significant disruption in many places. Most recently there have been large protests in India as concerns over whether the EU-India FTA's new rules on intellectual property could impact the Indian pharmaceutical industry and undermine cheap access to the generic medicines currently produced in India.

With the extreme exception of choosing to end negotiations with countries that do not meet certain standards, the EU cannot control the legitimacy that its negotiating partner has with its own citizens. Glenis Willmott MEP, the leader of the European Parliamentary Labour Party threatened, for example, to block the passage of the EU-Colombia FTA arguing that the Colombian government's treatment of trade unionists means it was not a legitimate partner.[7] However, the pace and extent of the EU's current negotiations means that, while the EU can

[6] A word search of the SIA documents for any mentions of 'conflict', 'violence', 'instability' or 'war'.
[7] http://www.justiceforcolombia.org/news/article/963/colombia-not-a-legitimate-partner-leader-of-eu-labour-party-protests-signing-of (Accessed 1 September 2013)

try to incentivise respect for democracy and the rule of law, it is engaging with a number of states with less than perfect democratic credentials. This poses serious questions about the degree to which those regimes are negotiating in their citizens' best interests and how to avoid corruption and the elite capture of the benefits of any deal.

Of course, the EU is itself undergoing something of a crisis of legitimacy as Member States and European citizens gauge the extent to which they are content with the powers that have been devolved to the EU. The EU has made efforts to increase transparency of its own procedures with a view to shoring up the legitimacy of the trade policy process.

The EU has established the Trade Civil Society Dialogue as a focal point for briefings from the European Commission on new developments in the various negotiations. The Trade Civil Society Dialogue itself is part of the EU's broader Transparency Register, which aims to increase transparency and accountability for all organisations seeking to lobby the EU (Woll, 2006). The network holds regular meetings (roughly twice monthly) to share information, provide updates on progress, and voice concerns. It had 863 registered organisations in 2011.[8] However, the usefulness of the meetings can be rather limited due to the format, the topics chosen and the lack of information sharing prior to the meetings.[9]

According to one commentator, this consultative forum for civil society 'has gone some way towards addressing the criticism of the civil society about the opaque nature of EU policy-making but without ceding any control' (Woolcock, 2005). There is evidence of the EU adjusting language of texts to take into account concerns of civil society groups over issues such as human rights (such as in the SIA of the EU-Colombia FTA). However, the negotiating mandates that the EU takes into the talks are not public, nor are the various negotiating texts. The EU protests these are confidential documents and that making them publicly available would be like a poker player showing his hand. However, the end effect contributes to a sense of backroom deals being struck by unaccountable bureaucrats behind closed doors.

4.3. Power relations

The power relations between the EU and the third country is another factor that may influence the extent to which the negotiation phase can impact positively or negatively on peace and conflict dynamics in third countries. Again, the dynamics of these negotiations vary considerably depending on the countries involved. Despite the difficult balancing act EU negotiators have to tread (described above), the EU can exert significant influence on weak and inexperienced partners. If managed inappropriately, the stronger party's interests may result in an unbalanced agreement that undermines political and economic stability in the partner country and result in conflict, an outcome that is beneficial to neither signatory.

The EU has come under criticism on four particular fronts. The first is that the EU's approach to the EPA negotiations is forcing countries to choose negotiating groups that are different to their existing regional groupings. This is the case in all the EPAs with the exception of the East African Community Grouping (Bilal, 2010). For example, the Southern African Development EPA grouping includes Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa, but not the other members of the Southern African Development Community (SADC): the DRC, Madagascar, Malawi, Zambia and Zimbabwe. According to one commentator (Bilal, 2010), 'The EPA process has also clearly exposed the weak regional cohesion in most EPA regional groupings, with national interests prevailing over regional integration agendas and conflicting interests generating tensions within the region'.

[8] http://trade.ec.europa.eu/civilsoc/
[9] http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=606890

The second criticism is that the EU is trying to bully ACP countries into accepting the EPAs as they stand. After several years of slow movement in the negotiation of the EPAs, which were, after all supposed to have been concluded in 2007, the EU recently, and controversially, withdrew trade preferences for some countries in sub-Saharan Africa, that are in the process of EPA negotiations (EU Regulation No. 527/2013 of 21 May 2013). This was seen as a political move by the EU to convince the countries to ratify the agreements in their current form. Meanwhile, the EU has given ACP countries until 1 October 2014 to complete new trade agreements, or ratify existing ones, if they don't want their exports to risk facing higher restrictions to the EU market (Bilal, 2013).

The third front on which the EU has been criticised for throwing its weight around is the extent to which it uses trade to 'piggy-back' other non-trade concerns into its trade agreements. Today many bilateral treaties are dubbed 'partnership' or 'association' agreements but they are in essence FTAs. Some critics complain that their main thrust is less about partnership and mutual respect and more about recreating European institutions and policies overseas to simplify life for European business (Oxfam International, 2006). An example of this would be the impetus to recreate sanitary and phytosanitary standards that are currently in force in Europe. Adhering to these would be easy for EU exports but the additional costs of developing the necessary skills and institutions can be a significant barrier for developing country producers.

The fourth front on which the EU has been criticised is that it uses its power and influence in FTA negotiations to push ahead with issues and areas for liberalisation that have been rejected in multilateral negotiations. One study (Horn, Mavroidis and Sapir, 2010) noted that the EU heavily loaded their PTAs with WTO+ (mainly more of the same) or WTO-X (ventures into new territory) to try to 'export their own regulatory structure through the PTAs' (particularly around investment, capital movement, intellectual policy and competition policy) in ways that have been resisted by developing countries through the multilateral agenda. Some critics argue that this so-called WTO+ approach reduces the policy space of developing countries to determine their own development pathway (Khor, 2005).

Box 2: Deep and Comprehensive Free Trade Agreements (DCFTAs)

The EU is currently offering expansive FTAs (called Deep and Comprehensive Free Trade Agreements or DCFTAs) to Ukraine, Moldova, Georgia, Armenia, Jordan, Egypt, Tunisia and Morocco as the trade part of wider association agreements. They are intended to build economic and trade links with a rough semi-circle of countries around Europe's southern and eastern edges as a part of the ENP. The ENP basically aims to gives these countries a 'stake' in the European market even if they have little or no prospect of eventual accession.

The timing of these DCFTAs is a response to the democratisation processes witnessed in Eastern Europe and Caucasus in 2003-2005 and in the Middle East's Arab Spring of 2011.[10] The EU launched negotiations with Jordan, Egypt, Tunisia and Morocco in 2011 to replace fairly ineffective FTAs from the 1990s. The implicit aim of the negotiations seems to be to encourage these post-revolutionary states to see benefits from participating in the international market and playing an active, positive role in the global community. As such, these DCFTAs represent an important plank in the EU's quest for greater regional security and stability.

[10] http://www.publicserviceeurope.com/article/1925/eu-is-exporting-rules-to-neighbourhood-rather-than-trade (accessed on 5 September 2013)

But the negotiations are not without political controversy. Civil society groups in Tunisia, Morocco, Egypt and Jordan have criticised what they see as a continuation of policies started by now-deposed leaders. They also voiced concerns over the imposition of the neo-liberal model and the inclusion of investment chapters that provide significant protections to international investors, including the scope to take sovereign governments to binding international arbitration. A letter from civil society groups in the four countries to the European Commission argued, 'The EU continues to push a trade and investment agenda that have proved unsupportive of development needs of its partner countries and that could override national democratic transition if maintained or deepened'.[11]

The breadth of the DCFTAs has led some commentators to argue that the EU is basically trying to export its own trade rulebook to other countries as a way of encouraging harmonisation with EU policies. However, given that all of the countries are significantly poorer than the poorest Member State (Bulgaria) there is a concern that this puts a heavy and expensive regulatory burden on those countries.

The negotiations with the former Soviet republics have pitted the EU against Russia, which sees the agreements as incursions into its sphere of influence. After three and a half years of negotiation, Armenia finalised its negotiations with the European Commission in June 2013. In September 2013, under apparent pressure from Russia, it announced that it would join the Russia-led Eurasian Customs Union rather than a DCFTA with the EU.[12,13] Moldova and Georgia successfully concluded their negotiations in June and July 2013 respectively[14] but Moldova, which is heavily reliant on Russian gas has also reportedly come under heavy pressure from Russia not to proceed.[15]

Ukraine's negotiation with the EU has triggered a trade war with Russia (The Economist, 2013). The EU has negotiated and initialled an agreement with Ukraine but has refused to sign it as a gesture of disapproval for the continued detention in Ukraine of Yulia Timoshenko, the former prime minister and Yuriy Lutsenko, the former interior minister of Ukraine. Meanwhile, Russia is urging Ukraine not to leave the Moscow-led trade bloc. Russian President Vladimir Putin described the deal as "suicidal". Presidential advisor Sergei Glazyev, meanwhile warned that Belarus, Kazakhstan and Russia might withdraw from FTAs with Ukraine if it signs up to the agreement. And in August 2013, Russia imposed a de facto block on Ukrainian exports to Russia, which the Ukrainian Employers' Federation estimates could cost the country up to $ 2.5 billion in losses if it continues to the end of the year (EUObserver, 2013). Clearly, the EU's pursuit of deeper trade relations with nations formerly firmly in the Soviet/Russian sphere is an issue that could cause considerable regional friction in future.

Box 3 – Economic Partnership Agreements (EPAs)

The EPAs are a series of FTAs that are being negotiated between the EU and several blocs of African, Caribbean and Pacific (ACP) countries. For three decades, the 79[16] ACP countries received preferential access to EU markets by virtue of their shared history as colonies of EU Member States. 22 of these countries are defined by the World Bank as 'being in a fragile situation'.

[11] http://www.s2bnetwork.org/fileadmin/dateien/downloads/DFTAs_-_Letter_from_civil_society_groups.pdf (accessed on 5 September 2013)
[12] http://europa.eu/rapid/press-release_MEMO-13-766_en.htm?locale=en
[13] http://www.bbc.co.uk/news/world-europe-23975951
[14] http://europa.eu/rapid/press-release_IP-13-721_en.htm (accessed on 5 September 2013)
[15] http://www.bbc.co.uk/news/world-europe-23975951
[16] This is soon to be 80 – South Sudan has signaled its intention to join the ACP grouping.

However, decades of preferential access failed to boost local economies and stimulate trade with Europe. The proportion of EU imports from ACP countries actually fell from 7% to 3%. Meanwhile, there were growing complaints, particularly from banana-producing countries in Latin America that this non-reciprocal access unfairly discriminated against their exports. Facing the possibility of a legal challenge at the WTO, the EU agreed to phase out the arrangement in favour of a new system.

The resulting 2000 Cotonou Agreement between the EU and the ACP countries laid out a new approach. This one would be reciprocal but differentiated (with longer implementation times for ACP countries) and would aim to go beyond conventional agreements to focus on development and include assistance to help the ACP countries implement the agreements.

An initial deadline of the end of 2007 was set for concluding the agreements and the EU set out to negotiate with six separate blocs: five in Africa (Eastern and Southern Africa, West Africa, Central Africa, the East African Community, the Southern African Community), as well as one in the Caribbean (the Caribbean Forum – CARIFORUM) and the Pacific. Negotiations initially had some momentum.

The processes also kicked up an energetic NGO campaign, which criticised the negotiations on several counts. First, activists called attention to the power disparity between the parties: Pacific nations were negotiating with an entity more than 1,400 times their combined economic size. Second, EU negotiators were accused of taking a hard line in the negotiations: 'playing commercial hardball and putting commercial self-interest before development needs,' according to Oxfam International. There was also concern that the EU was trying to push the negotiations into areas that had already been dismissed from the WTO negotiations, specifically in the areas of competition policy, investment, and transparency in government procurement (three of the four so-called Singapore issues). Third, there was concern that the ACP countries risked entering binding agreements in key areas of trade and industrial policy that would constrain their policy options in an uncertain future. Fourth, activists criticised the negotiations for splintering regional groupings and forcing countries to negotiate EPAs in new and awkward coalitions (Oxfam International, 2006).

Negotiations soon slowed down. Only one bloc (CARIFORUM) signed a full EPA in 2008, and a mixed bag of individual countries signed, or initialled other interim agreements between 2007 and 2012, most of which were not ratified or implemented.

The trouble for the EU was that many of the ACP countries had little to gain and more to lose: they already enjoyed full duty- and quota-free access to the EU through mechanisms such as the Everything But Arms subset of the GSP, which was applicable to the 40 least developed countries in the ACP grouping. Others received preferences through GSP and GSP+.

Eager to complete the process, the European Parliament and the European Commission have set a deadline of 1 October 2014 to conclude new agreements or ratify existing ones. Meanwhile, a new system of GSP, which is coming into force on 1 January 2014, will reduce the number of countries and products receiving GSP treatment.[17] The implicit threat of preferences being withdrawn from countries that have not ratified existing or new agreements and are not covered by other schemes (which themselves are getting narrower) is a pincer movement that will surely resurrect the heated debate over the effectiveness and equity of the EPAs.

[17] Commission Implementing Regulation No 496/2013 of 29 May 2013

5. Implementation phase

This section looks at how the issues related to the implementation of trade agreements can determine the impact of trade on peace and conflict. Implementation is understood as the phase after the agreement has been concluded and in which the newly-adopted rules and changes to trade relations between the EU and third countries are put into place.

As the example of the EU itself shows, FTAs and the political processes that accompany them can herald deep economic, social and political change. But research has shown that this change varies from country to country: the same policies have different impacts in different cases (CUTS, 2008). Context is critical.

The stated objectives of FTAs are to expand market opportunities and increase trade. In so doing, these FTAs aim to create jobs, increase government revenue, accelerate economic growth and raise the general well-being of the population. However, FTAs have frequently failed to deliver all that they have promised and have also led to unanticipated consequences that have triggered economic and political instability. The extent to which the implementation of FTAs affects underlying causes of conflict in turn relates to the extent to which agreements worsen or lessen a number of features typical in fragile states: poor governance, poverty, high levels of inequality, lack of economic diversification, high levels of criminal activity, limited mechanisms for resolving disputes, corruption and so on. This evidently complicates the chain of causality as we are looking for second order effects (i.e. the effects of effects).

5.1. Trade and poverty

There is a body of evidence that demonstrates the relation between poverty and conflict.[18] Thus, the extent to which trade agreements reduce poverty relates to their overall impact on peace and conflict. This section will, therefore, discuss whether trade agreements reduce poverty in third countries.

The primary impact of FTAs should, of course, be to increase trade flows (and so, in theory at least, reduce poverty, create jobs, bring in government revenues and so on). It is hard to generalise but here there is mixed evidence on their effectiveness. One study (Caporale et al., 2008) argued that countries with an association agreement with the EU traded 14% more than countries without one. Meanwhile, a study of 13 countries by the Indian research group CUTS (2008) argues that export responses to tariff liberalisation were weak. Nevertheless they did acknowledge that the benefits arising from things such as deregulation and the opening up of the telecommunications sector have been sizeable (CUTS, 2008).

The SIA for a possible EU-Morocco FTA (to pick one example from many) anticipates broadly positive economic impacts (Ecorys, 2013). Economic modelling suggests that signing the agreement would lead to net gains of roughly € 1.4 billion for both the EU and Morocco over the long run. This would translate, according to the analysis, into a 1.6% GDP boost for Morocco, an increase of 15% in exports and a 7% increase in imports. Together, this would boost Morocco’s overall trade balance, push up average wages by 1.7% and consumer prices by 0.4%, translating into increased consumer power (Ecorys, 2013).

However, Martin, Mayer & Thoening (2013) warn that we need to be careful not to over-estimate the effects of trade agreements. Regardless of their advertised goals, they may not prove to be a significant driver of economic growth (see Section 3). This is particularly true if a

[18] For instance, see World Bank, (2011), World Development Report: Conflict, Security and Development.

country's economic growth is being held back by domestic constraints such as a lack of transport infrastructure, poor education levels and so on. If expectations are not met, or if the agreement is poorly 'sold' to the public then the artificial expectations raised (both positive and negative) may have serious implications for the government's legitimacy.

Clearly market access alone is no panacea. In many countries, particularly the poorest and the most fragile, a major barrier to benefiting from FTAs is the lack of domestic capacity to take advantage of any new market opportunities. In many of the ACP countries, the lack of transport infrastructure, inability to meet sanitary and phytosanitary standards and lack of political will for regional integration were highlighted as significant barriers (Richardson et al., 2004). For these reasons, and a combination of other factors such as multinational corporations capturing many of the efficiency gains from trade liberalisation, some analysts conclude that the actual net impact of FTAs on poverty reduction may be meagre (Garcia, 2010).

Meanwhile, if the FTA does lead to export-led growth, it can originate from a very narrow section of the economy. This brings a risk that Dutch disease effects (currency appreciation, hollowing out of the economy and so on) can undermine the poverty alleviation potential of the FTA (CUTS, 2008) and leave the economy exposed to price shocks (i.e. sharp drops in the international price of their main exports). Ultimately, this means that countries gain fewer of the benefits from trade liberalisation but are left exposed to the adjustment costs of market opening. The combination of reduced benefits and increased adjustment costs can generate destabilising challenges for unprepared countries.

5.2. Adjustment costs

Adjustment costs are the economic changes brought about by the implementation of a new trade agreement: reductions in tariffs can cause drops in government revenue and jumps in unemployment as previously protected sectors are opened up to competition. These adjustment costs can be dramatic in the case of small, undiversified economies where there is limited scope to put in place 'safety nets' to help mitigate the adjustment costs of trade liberalisation. The result can be tremendous social and economic dislocation. Meanwhile, the EU's economic size, long experience with trade agreements and existing mechanisms for redistributing funds around the Union mean that it is better placed to adapt to the sort of adjustment costs that a trade agreement can bring.

There is considerable evidence of a link between economics and conflict. One study of 40 sub-Saharan African countries between 1983 and 1999 showed a strong correlation between economic growth and likelihood of violent conflict: a negative growth shock of five percentage points increased the incidence of major civil conflicts by over one half (cited in Curtis, 2005).

Critics also argue that FTAs can constrain future development paths for countries by constraining their policy space (i.e. their flexibility to implement their own policies) and locking countries into roles as raw material suppliers to the EU, which could perpetuate their peripheral role in the world economy and limit the extent to which those countries can gain from trade liberalisation (ATM, 2013).

To address this, the EU has developed an extensive 'aid for trade' programme to help countries adjust to the costs of trade liberalisation and build capacity to benefit from the new opportunities: building the necessary infrastructure and skills to compete in the world market, developing skills to add value along the supply chain and so on. The initiative was launched at the Hong Kong WTO Ministerial in 2005 and since then it has raised an estimated \$ 200 billion of development funding. In 2010, the EU provided € 10.7 billion euros in 'aid for trade' funding, approximately 32% of total aid for trade, making the EU the single largest provider of aid for trade funding.[19]

In December 2012, two NGOs, Traidcraft and the Catholic Agency for Overseas Development, published a study on the effectiveness of monitoring of the British and EU aid for trade programmes (Turner and Rovamaa, 2012). The study points out that the majority of the funding goes to middle-income countries rather than low-income countries. It also found little evidence for its impact on poverty. The report illustrated that aid for trade programmes often rely on an implicit assumption that 'a rising tide lifts all boats', but that causal link does not always hold true.

5.3. Implementation (or lack thereof) of non-trade clauses

Throughout the implementation phase, the application of non-trade clauses included in the agreements can have an impact on the potential of trade agreements to influence peace and conflict dynamics. A particularly notable feature of the EU's trade policy is the extent to which the EU uses its trade negotiating power to 'piggy-back' other non-trade issues into its trade agreements. The EU relies on the incentive of access to the EU's market to encourage other countries to agree to these conditions.

These non-trade conditions take a wide variety of forms. According to EU officials, the aim is to create positive incentives (trade preferences) for good performance. These conditions, most of which are related to good governance, are supposed to encourage governments to respect democracy, the rule of law, human rights, environmental protection and so on. Finally, the agreements set out ongoing conditions to qualify for and maintain those trade preferences and establish restrictive or specific measures where appropriate and necessary (Oram and Gorska, 2012).

The GSP family of schemes is one of the EU's main instruments for linking human rights, environmental protection and social issues into trade policy. Preferential access to the EU market can be suspended if beneficiary countries engage in serious and systematic violations of core human rights or labour rights conventions (see Section 6).

The enhanced Generalised Scheme of Preferences (GSP+) provides additional tariff reductions to those countries ratifying and implementing international conventions related to human and labour rights, the environment and good governance. There is evidence to suggest that this approach is successful in raising standards: the International Labour Organization (ILO) reports that most GSP+ applicant countries have made substantial changes to their legal systems in order to fully comply with the listed conventions (Oram and Gorska, 2012).

6. Monitoring phase

The third phase is how the EU's trade agreements are monitored following their negotiation and implementation and, if necessary, adjusted in the face of political and economic instability which determines the extent to which they can play a role in providing a (dis)incentive for peace. While many of the FTA negotiations follow a somewhat formulaic template, it is really in the application of the agreements that their impact on economic and political stability comes to the fore. The EU's ability to evaluate the impact of its trade agreements and, if necessary,

[19] http://ec.europa.eu/trade/policy/countries-and-regions/development/aid-for-trade/index_en.htm (accessed on 5 September 2013)

change course or implement mitigating measures is critical to avoiding economic instability that could trigger political crises. It is also the point at which the EU can use what leverage it may have to 'put a price' on human rights abuses, poor governance and so on in partner countries through the threat of sanctions or the suspension of trade preferences.

6.1. Monitoring of agreements

The European Commission formally monitors the implementation of the EU's FTAs. This is typically done with annual meetings between parties and a five yearly review that is carried out jointly or contracted to independent experts. The European Commission's handbook for SIAs suggests a methodology for the ongoing monitoring of trade agreements once they are in place but it is not clear how consistently this is applied.

The EU has, however, developed a more elaborate process for the first full Economic Partnership Agreement: the EU-CARIFORUM EPA. In 2010, they decided to create a Joint CARIFORUM-EC Council (which meets at least every two years and comprises the 15 Caribbean states that are signatories to the agreement), a joint Trade and Development Committee (meeting yearly and supporting the work of the Council) and a set of special consultative committees (European Commission, 2008). For example, there is a CARIFORUM-EU Parliamentary Committee that enables parliamentarians to monitor and review the agreement and share views; and a CARIFORUM-EC Consultative Committee, which provides a forum for civil society, the private sector and other stakeholders to share information and monitor the implementation of the agreement. There has been some criticism, however, that this structure is unnecessarily burdensome, and the civil society committee is yet to meet.

In addition, the EU has taken steps to involve other stakeholders in monitoring its agreements. The European Economic and Social Committee (EESC) is a consultative body of the EU and a mechanism for enabling civil society organisations from Member States to express their views at the European Level. The EESC's work on international trade is based on a general protocol signed with the European Commission in 2005 as well as specific requests from the European Commissioners for Trade. In September 2006, the EESC established a special Permanent Study Group on the WTO and other International Trade Agreements to provide analysis on the impact of the EU's international trade policy.[20] One example of their work is an opinion on SIAs and EU trade policy which was published in 2011.

The Trade Civil Society Dialogue (see Section 4) is another initiative to increase transparency in the trade policy-making process and so aims to address criticisms that the European Commission's approach to trade policy negotiation has been opaque.[21] It does not have a formal role in reviewing trade agreements and is more of an information mechanism for the European Commission's Directorate General for Trade. Contact groups of active members within the Trade Civil Society Dialogue act as facilitators for the wider group and as informal 'sounding boards' for DG Trade both in terms of future policies and any concerns that may be arising from existing agreements.[22]

[20] http://www.eesc.europa.eu/resources/docs/eesc-2009-29-en.pdf (accessed on 2 September 2013)
[21] http://ec.europa.eu/trade/trade-policy-and-you/ (accessed on 2 September 2013)
[22] http://trade.ec.europa.eu/civilsoc/index.cfm (access on 5 September 2013)

6.2. Positive and negative incentives

There are a number of cases where the EU has used the offer or withdrawal of trade preferences as 'carrots and sticks' to support progress towards the peaceful resolution of conflicts or to discourage government behaviour that may exacerbate conflict.

Carrots: positive incentives

Trade preferences can provide a powerful incentive to encourage good governance and the peaceful resolution of disputes. The EU uses its trade preferences to 'reward' and encourage progress. For example, the EU awarded EBA preferences to South Sudan in January 2013, giving the new country full quota- and duty-free access to the EU market as one way of trying to 'kick start' South Sudan's weak economy, which has suffered from years of conflict.

Likewise, the EU reinstituted EBA preferences to Myanmar in June 2012. These had been suspended in 1997 as a result of serious and systematic violations of international conventions banning the use of forced labour. With reference to Myanmar, European Commissioner for Trade Karel De Gucht pointed out that: "Trade is fundamental to supporting political stability and the EU's trade preferences mean we will give this reform-minded country priority access to the world's largest market. This has the potential to make a huge difference to the country's economic development and to bring real benefits to the people there" (European Commission Press Release, 2013).

And sticks #1: Preference suspension

Trade agreements are also used as a way of 'punishing' countries that the EU thinks are deviating from international norms on democracy, the rule of law, labour standards and so on. In this way, the EU uses its trade policy to respond to issues that may be entirely out of the purview or direct impact of the trade agreement itself.

Because the GSP group of preferences is unilaterally offered to countries, they are correspondingly easier to suspend unilaterally (and without requiring extensive international diplomacy to agree on sanctions or risking retaliation through the WTO's dispute system).

In effect, the EU uses the ever-present threat of preference withdrawal as a way to attach 'a price' to human rights abuses, environmental malpractice and so on. These can, of course, be a product of political and economic instability and may in turn lead to further instability. In this way, the evident hope is that the EU can find levers of influence that can arrest a slide into poor governance.

As a result, the EU has developed a range of 'red-line' issues that it has inserted into its trade agreements: on labour rights, human rights and environmental protection. However, the effectiveness with which those agreements are monitored, the appropriateness of the sanctions prescribed in the case of poor performance, and the gradation of the response are still very much in question.

The EU-Colombia and EU-Peru FTAs include provisions on human rights that include a general but enforceable human rights clause as well as provisions on sustainable development covering core ILO labour standards and multilateral environmental agreements. These are subject to transparent peer review system under a subcommittee on sustainable development set up under the terms of the agreement. There is also the option to submit them to external review by an expert group (Stevens, et. al, 2012). Other recent agreements such as the EPAs have similar processes.

While it is not a step to be taken lightly, withdrawal is supposed to be reversible, giving the affected country a vested interest in correcting the original transgression. In practice, it has only been done a handful of times. GSP was withdrawn from Myanmar in 1997 because of the systematic use of forced labour. GSP was also withdrawn temporarily from Belarus in 2007 as a result of the widespread violation of trade union rights (European Commission non-paper, 2012). Meanwhile, GSP+ was withdrawn from Sri Lanka in August 2010 on the grounds of non-effective implementation of certain human rights conventions. The response can also be quite fine-grained. For example, the EU charges customs duties on Israeli imports originating in settlements in the occupied Palestinian territories that would otherwise enjoy free trade exemptions under the EBA.

Whether or not these moves are successful is debateable: losing GSP+ took effect in Sri Lanka more than a year after the war against the Tamil Tigers finished and so had no bearing on the appalling human rights abuses perpetrated at that time. However, a GSP+ investigation was also launched in respect of El Salvador as a result of concerns about non-incorporation of ILO standards in national law, but the investigation was terminated without punitive measures once the European Commission considered that the El Salvadorian government had introduced the necessary reforms (European Commission, non-paper 2012).

In addition, most agreements have their own suspension clauses. For example, the EU-CARIFORM EPA allows implementation to be suspended if it negatively affects public security, moral, human, animal and plant health or countries' compliance with international laws or regulations.

And sticks #2: Trade sanctions

The EU's 'Basic Principles on the Use of Restrictive Measures' (adopted in 2004) is, in effect, the EU's official sanctions policy (which can happen within or outside an FTA). They allow the Council of the EU to impose autonomous EU sanctions—the diplomatic middle ground between words and war—to uphold respect for human rights, democracy, the rule of law and good governance. The Basic Principles were designed to help give some teeth to the Common Foreign and Security Policy and have been used, rather frequently, to authorise sanctions on Syria, Iran, Myanmar and Zimbabwe (European Commission non-paper, 2012).

A report on the EU's approach to sanctions noted, 'EU sanctions have been employed to influence conflicts, peace processes, support of terrorism, and other occasions but almost all observations carry one common denominator: The EU took action in situations where incidences or the threat of large-scale government violence directed against its own citizens were reported… The EU sanctions policy is part of peace-making initiatives in conflict and attempts to protect civilians from government repression rather than an aggressive policy tool to pursue EU interests. Such an approach makes the use of sanctions less a part of economic warfare and more an important symbol signalling EU punishment for or approval of certain policies' (Kreutz, 2005).

Whether or not these interventions are successful is highly debatable. Syria, Iran, Zimbabwe and Israel are all notable for having roundly ignored the EU's pleas (and varying sanctions and incentives) for policy change and better governance: whether that comes in the form of a halt to violence, decommissioning of the nuclear programme, free and fair elections, or withdrawal from the occupied Palestinian territories. The only exception is Myanmar, which is moving towards reform, but it is difficult to ascribe much of that progress to the EU.

7. Conclusions

The received wisdom within the EU is that trade liberalisation and integration can be a powerful force for economic and political stability. This assumed link is so much a part of the EU's 'creation story' that EU officials seem to have extremely high expectations of what external trade agreements can deliver. To a large degree, the EU relies on trade as a tool of international diplomacy because it has little military power.

This report takes the optimistic view that the trade-peace theory broadly works. Countries are generally better off, both internally and externally for being involved in international trade. It seems reasonable to conclude that the world is a better place, and Europe is better off, for being an outward-looking trading entity. The counterfactual—of an inward-looking Europe unconcerned with governance, stability and economic growth overseas—is not a happy prospect for its current trading partners. Isolation, mercantilism and protectionism are not appealing alternatives.

The rise of globalisation, the increase in international trade and the evolution of global institutions such as the United Nations have had an important, but hard to quantify, role in the reduction in interstate conflict. Trade links can play an important role in developing *informal* constraints on conflict such as greater understanding and interdependence, as well as institutionalising *formal* constraints such as channels for political dialogue and dispute resolution.

At the same time, there has been a dramatic increase in intra-state conflict over the past 60 years, which has proved to be both a cause and consequence of poor governance, persistent poverty, economic fragility and embedded war economies, which can trap fragile countries in a vicious conflict trap.

EU trade agreements can have positive impacts on negotiating partners and help them improve domestic governance, generate jobs and increase economic growth. However, we have to be careful not to exaggerate the stabilising role of FTAs. Negotiating a trade deal requires a certain degree of stability and long-term planning. Thus, automatically ascribing a 'peace dividend' to the EU's FTAs risks a serious selection bias.

Few people would advocate a return to the days of state-led control; import substituting industrialisation, or strict controls on trade. However, across-the-board, no-holds-barred trade liberalisation also needs to be carefully evaluated. There is some evidence that poorly negotiated, implemented and monitored trade agreements can cause significant political and economic disruption.

However, context is critical. These trade agreements cannot be understood in isolation of the domestic challenges countries are facing, including the nature of institutions, the political culture and the relationships between various societal actors. Trade links alone are not enough to hinder conflict, but trade agreements, if managed carefully, can be part of the solution to a more interdependent, peaceful world.

Recommendations

The EU should consider:

- **Negotiation**

1.1 Specific, dedicated conflict-risk assessment within the SIA process. Sophisticated conflict analysis should be integrated throughout the trade negotiation process and should prioritise the early detection of environmental and social risks.

1.2 New mechanisms and support to encourage meaningful public participation and the dissemination of information during the negotiation stage among public and civil society in partner countries.

1.3 Ensuring the negotiations provide meaningful benefits for all groups, and do not show favouritism towards one ethnic, geographic or class grouping.

1.4 The continued use of clear conditionality in trade agreements, with transparent ‘triggers’ for the withdrawal of preferences and so on.

- **Implementation**

1.5 The conflict analysis and monitoring mechanisms for drivers of conflict should continue during the implementation of trade agreements, with peacebuilding indicators defined at the outset and monitored throughout.

1.6 There should be continued support for ‘aid for trade’ packages to tackle supply side constraints in fragile and poor contexts to ensure that any FTA results in broad-based growth and development.

1.7 In particular, measures to encourage the growth in investment and trade should be accompanied by co-operation to achieve stronger environmental and social regulations.

- **Monitoring**

1.8 Conflict analysis should be an integral part of the review and monitoring mechanisms. Ex-post conflict analysis should generate practical lessons learned that are institutionalised in future trade engagements by the EU.

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Annex 2: Conflict risks highlighted in Sustainability Impact Assessments (SIAs)

Agreement	Status	Conflict risks identified in SIA[23]
Bilateral Agreements in force		
EU-Chile Association Agreement	Negotiations concluded 2002, and the agreement entered into force on interim basis in 2003.	(Final report, 2002[24]) The SIA makes no mention of conflict risks.
EU-Korea FTA	After three years of negotiation the agreement was signed in 2010, and entered force provisionally on 1 July 2011.	(Final report, 2008[25]) The SIA makes no mention of conflict risks.
EU-Mexico Economic Partnership, political cooperation and cooperation agreement	The agreement was signed in 1997, and entered into force in 2000.	No SIA was conducted.
Economic Partnership Agreements – Caribbean	The EU signed an EPA with CARIFORUM (the Forum of the Caribbean Group of African, Caribbean and Pacific States – a total of 16 states) in 2009, which was approved in 2010.	No dedicated SIA is available on the EC's DG Trade website.[26]
Economic Partnership Agreements – Papua New Guinea	An EPA was signed by Papua New Guinea and Fiji in 2009. Fiji is not yet applying the agreement. Negotiations on a comprehensive regional EPA are ongoing.	No dedicated SIA is available on the EC's DG Trade website.
Euro-Mediterranean Partnership (Euro-med) (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, oPt, Syria, Tunisia and Turkey)	Nearly all countries have concluded Association Agreements with the EU. Negotiations are on-going to deepen these agreements with deep and comprehensive FTAs (DCFTAs). DCFTAs are being discussed with Morocco and Tunisia. Agreements with Syria and Libya are currently suspended.	(Draft technical report, Morocco, 2013[27]) - The report identifies the textile and garment sectors as areas of possible unrest as a result of government attempts to increase competitiveness of the sector. (Draft technical report, Tunisia, 2013[28]) - The report makes no mention of conflict risks. (Final technical report, 2009[29]) - The report anticipates some social impacts on small traders who could be squeezed out by market pressures.

23 Word search for 'conflict' 'violence' 'instability' 'unrest'
24 http://trade.ec.europa.eu/doclib/docs/2010/may/tradoc_146109.pdf
25 http://trade.ec.europa.eu/doclib/docs/2008/december/tradoc_141660.pdf
26 http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/assessments/#study-14
27 http://trade.ec.europa.eu/doclib/docs/2013/june/tradoc_151402.pdf
28 http://trade.ec.europa.eu/doclib/docs/2013/june/tradoc_151401.pdf
29 http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146001.pdf

		- The report warns that strong regulation and supervision will be necessary to avoid financial instability and the attendant social impacts.
EC-Turkey Association Council	The EU and Turkey are linked by a Customs Union agreement that came into force in 1995. Turkey is also a member of the Euro-Med Partnership.	No dedicated SIA is available on the EC's DG Trade website.
EU-Colombia FTA	In 2012 the EU signed an FTA with Colombia which came into force in 2013.	(2009 Final report[30]) - The report identifies the risk of social unrest coming from the expansion of mining, hydrocarbon extraction and logging activities in rural areas. - It notes a history of conflicts between indigenous groups and extractive companies in all four countries. Notes past history of conflict over trade liberalisation: in particular the privatisation of water in Bolivia. - It identifies a series of potential social challenges: 1/. Negative social impacts of mining and hydrocarbon expansion, 2/. A decline in indirect tax revenues that could lead to a fall in total government revenue and consequent drops in health and education spending.
EU-Peru FTA	In 2012 the EU signed an FTA with Peru which came into force in 2013.	
EU-China Partnership and Cooperation Agreement (PCA)	The EU-China Partnership and Cooperation Agreement (PCA) started in January 2007 and replaced the 1985 EC-China Trade and Economic Cooperation Agreement. It provides an opportunity to establish a comprehensive framework for bilateral trade and investment relations. It is governed by annual summits and dialogues on more than 50 sectors.	(2008 Final report[31]) - The report notes importance of SMEs as job creators in forestalling potential social unrest. - It argues that an overall decline in employment in China could lead to unemployment and aggravation of poverty. - It argues that the PCA will lead to a decline in chemical plants in urban areas – a serious source of unrest in the past.
EU-South Africa Trade Development and Co-operation Agreement (TDCA)	The agreement was signed in 1999, and fully entered into force in 2004. It creates a free trade area that covers 90% of bilateral trade between the EU and Africa.	No dedicated SIA is available on the EC's DG Trade website.
Negotiations concluded (as of September 2013)		
EU-Ukraine DCFTA	Negotiations for the DCFTA (which will be part	(2007 Final report[32])

[30] http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146014.pdf
[31] http://trade.ec.europa.eu/doclib/docs/2008/september/tradoc_140579.pdf

	of a future Association Agreement) were launched in 2008 and concluded in 2012.	- The SIA makes no mention of conflict risks.
EU-Central America Association Agreement (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama)	Negotiations held between 2006 and concluded in 2010	(2009 Position paper[33]) - Identifies possible social impacts between large-scale mining operations and small farmers, and over the effect on wages. - Also identifies a possible fall in social expenditure as a result of falling tax revenues from trade liberalisation.
EU-Singapore FTA	A regional approach to negotiations was started in 2007. In 2010 individual negotiations was launched with Singapore. Final negotiations for the Singapore agreement were held in late 2012.	(2009 Final report on EU-ASEAN FTA)[34] - The report notes that local conflicts are exacerbating poverty and inequality in Indonesia, Myanmar, Philippines and Thailand. - The report notes that rising oil and food prices cause concern over the possibility of social unrest. (2010 Position paper on Singapore[35]) - The report makes no mention of conflict risks.
On-going negotiations (as of September 2013)		
EU-Canada Comprehensive Economic and Trade Agreement (CETA)	Negotiations began in 2009 and are on-going.	(Final report, 2011[36]) - The report predicts mixed social and environmental benefits from CETA but does not identify specific conflict risks. - It recommends the creation of a conflict resolution mechanism to resolve labour disputes. - It notes that the EU's guidelines provide some controls for EU extractive companies actions.
EU-MERCOSUR Regional Association Agreement	Negotiations for a regional association were launched in 2010 and are on-going.	(Final report, 2009[37]) - The report mentions the possible negative impact of agreement on labour conditions and worker's rights.
EU-India FTA	Negotiations were launched in 2007 and are on-going.	(Final report, 2009[38]) - The report does not identify specific conflict risks. - Recommends continuous involvement of civil society actors to

[32] http://trade.ec.europa.eu/doclib/docs/2008/january/tradoc_137597.pdf
[33] http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146987.pdf
[34] http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_145989.pdf
[35] http://trade.ec.europa.eu/doclib/docs/2010/july/tradoc_146295.pdf
[36] http://trade.ec.europa.eu/doclib/docs/2011/september/tradoc_148201.pdf
[37] http://trade.ec.europa.eu/doclib/docs/2009/april/tradoc_142921.pdf
[38] http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc_143372.pdf

		build a constructive and transparent dialogue.
EU-Gulf Cooperation Council (GCC)	Negotiations were suspended in 2008 by the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates) though informal contacts are continuing.	(Final report, 2004[39]) - The report mentions the role of youth unemployment in causing social unrest in Bahrain in the 1990s.
EU-Malaysia FTA	Negotiations launched in 2010.	
Economic Partnership Agreements – West Africa	The EU is currently in negotiations for an EPA with Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo and Mauritania. The EU signed an interim EPA with the Ivory Coast in 2008 and Ghana initiated an interim agreement in 2007.[40]	(Regional SIA: West African ACP Countries – Executive Summary, 2004) - The report notes that reductions in traditional agricultural exports from West Africa could have impacts in rural areas where the social equilibrium is already fragile, by encouraging struggles for control over land and revenue sources. (Sustainability Impact Assessment, 2007[41]) - The report mentions political instability as one of a number of blocks to foreign direct investment in the ACP region. - It mentions the overlap in membership of different RTAs as issues to deal with in the negotiations (Impact study of the EU-ACP EPAs, 2008[42]) - The study notes the loss of tariffs will be particularly difficult in post-conflict administrations where alternative forms of taxation are limited.
Economic Partnership Agreements – Central Africa	The EU is currently in negotiations for an EPA with Cameroon, the Central African Republic, Chad, Congo, the Democratic Republic of Congo, Equatorial Guinea, Gabon, and Sao Tome and Principe. The EU signed an interim EPA with the Central African group in 2009.	
Economic Partnership Agreements – East and Southern Africa	The EU is negotiating an EPA with the ESA group - Djibouti, Eritrea, Ethiopia, Somalia, Sudan, Malawi, Zambia, Zimbabwe, Comoros, Mauritius, Madagascar and the Seychelles. In 2009 Madagascar, Mauritius, the Seychelles and Zimbabwe signed an interim EPA.	
Economic Partnership Agreements – East African Community	Kenya, Uganda, Tanzania, Burundi and Rwanda initialled an interim EPA in 2007 and are now negotiating a comprehensive EPA.	
Economic Partnership Agreements – South African Development Community (SADC)	The EU is negotiating an EPA with Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa. In 2007 Botswana, Lesotho, Swaziland and Mozambique concluded	

[39] http://trade.ec.europa.eu/doclib/docs/2005/january/tradoc_121208.pdf
[40] All EPA updates from http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf (accessed on 5 July 2013)
[41] http://trade.ec.europa.eu/doclib/docs/2007/june/tradoc_134879.pdf
[42] http://trade.ec.europa.eu/doclib/docs/2008/march/tradoc_138081.pdf

	an interim EPA.	
Economic Partnership Agreements – Pacific	The EU is negotiating an EPA with all 14 countries in the region: Cook Islands, East Timor, Fiji, Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu.	
EU-Japan FTA	EU and Japanese officials officially launched FTA negotiations in March 2013. Talks are on-going.	(Impact assessment report, 2012[43]) - This short document makes no mention of specific conflict risks.
EU-Eastern Partnership (EaP)	The EaP initiative was launched in 2009 to further trade links between the EU and Armenia, Azerbaijan, Belarus, Georgia and Ukraine. The EU began negotiations for a DCFTA with Armenia and Georgia in 2012.	(SIA for Armenia DCFTA – Final inception report, 2013[44]) - Briefly mentions human rights abuses in the context of the conflict over the Nagorno-Karabakh region (Final report on the DCFTA for Georgia and Moldova[45]) - The report makes no mention of conflict risks.
EU-Thailand FTA	Negotiations were formally launched in March 2013.	No dedicated Trade SIA for Thailand. The analysis is covered within the SIA on the EU-ASEAN FTA (see below).
Negotiations under consideration		
EU-ASEAN FTA	The EU has concluded negotiations for a FTA with Singapore and its currently negotiating FTAs with Malaysia, Vietnam and Thailand but hopes to conclude a region-to-region agreement.[46]	(Final report, 2009[47]) - The report mentions local conflicts in Indonesia, Myanmar, the Philippines and Thailand that are exacerbating poverty and related social and health problems.
The Transatlantic Trade and Investment Partnership (TTIP)	In June 2013 Member States asked the European Commission to start trade and investment talks with the US. If and when negotiations are completed this agreement would be the biggest bilateral trade deal ever – and could (according to the EU) add around 0.5% to the EU's annual economic output.	No dedicated SIA is available on the EC's DG Trade website.
EU-Andean Community Regional	Regional negotiations suspended in 2008 when	(2009 Final report[48])

[43] http://trade.ec.europa.eu/doclib/docs/2012/july/tradoc_149810.pdf
[44] http://trade.ec.europa.eu/doclib/docs/2013/february/tradoc_150557.pdf
[45] http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150105.pdf
[46] See http://ec.europa.eu/trade/policy/countries-and-regions/regions/asean/ (accessed on 1 September 2013)
[47] http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_145989.pdf

Association Agreement (Bolivia, Peru, Colombia, Ecuador)	Bolivia and then Ecuador followed Venezuela and Cuba into the Bolivian Alliance for the peoples of America (ALBA). Negotiations with Colombia and Peru started up again in 2009 and an agreement was concluded in 2010. The agreement with Colombia and Peru entered into force on 1 August 2013.	- Identifies the risk of social unrest coming from the expansion of mining, hydrocarbon extraction and logging activities in rural areas. - Suggests that in Bolivia social and political conflicts are likely to continue over access to natural resources as government reforms face fierce opposition from powerful groups. - Notes a history of conflicts between indigenous groups and extractive companies in all four countries. Notes past history of conflict over trade liberalisation: in particular the privatisation of water in Bolivia. - Identifies a series of potential social challenges: 1/. Negative social impacts of mining and hydrocarbon expansion, 2/. A decline in indirect tax revenues that could lead to a fall in total government revenue and consequent drops in health and education spending. - The Agreements include provisions on labour, human rights and environmental standards.
Euro-Med Partnership	The EU hopes to create a deep Euro-Med free trade area with the Euro-Med countries: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, oPt, Syria, Tunisia and Turkey. Association Agreements are already in force with most of the partners with the exception of Libya and Syria.	There is no dedicated Trade SIA for the Euro-Med Partnership on EC's DG Trade website. There are Trade SIAs on Morocco and Tunisia (see above).

[48] http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146014.pdf