



# **Trade Sustainability Impact Assessment (SIA) in support of Free Trade Agreement (FTA) negotiations between the European Union and the Gulf Cooperation Council countries**

## **MAIN REPORT**

Draft Inception Report

9 March 2026

Prepared by Trade Impact B.V., Gulf Research Council Foundation Brussels, and SQ Consult  
February 2026



The views expressed in the report are those of the consultant, and do not present an official view of the European Commission.



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## **ABSTRACT**

Following the update of the 1989 EU-GCC negotiating directives of the Council, the European Commission (DG Trade) has initiated, or is envisaged to initiate, negotiations for a Free Trade Agreement (FTA) and/or Strategic Partnership Agreements (SPAs) with the Gulf Cooperation Council (GCC) countries.

This Trade Sustainability Impact Assessment (SIA) in support of the FTA/SPA negotiations between the European Union (EU) and the countries of the member states of the Cooperation Council for the Arab States of the Gulf, namely the State of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates. In addition to supporting negotiations on a region-to-region FTA, the SIA also covers potential bilateral FTA/SPAs with individual GCC countries.

The study is conducted during 2026-2027 by a consortium comprising Trade Impact (lead partner), the Gulf Research Center Foundation Brussels (partner), and SQ Consult (partner). The consortium applies an ex-ante analytical framework to assess the potential economic, social, environmental, and human rights impacts of the EU-GCC FTA/SPAs. The study consists of a core analytical component and four case studies. Throughout the assessment, desk research will be complemented by extensive engagement with stakeholders.

The purpose of this Inception Report is to present and substantiate the methodological approach adopted to achieve the objectives of the ex-ante SIA. This Inception Report (including Annexes) provides an overview of the key project features and study objectives; describes the phased structure of the work; clarifies the scope of the assessment, including key issues relevant to the negotiations; outlines the proposed methodological framework and data sources; presents the final selection and outline of the case studies; and sets out a draft consultation plan and preliminary list of relevant stakeholders.

With regard to project management, the report also presents the proposed approach to risk management, a list of deliverables, the study plan and timeline, and a draft outline of the structure envisaged for the Final Report.

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**ACRONYMS**

AEO	Authorised Economic Operator	IUCN	International Union for Conservation of Nature
BIT	Bilateral Investment Treaty	JC	Judgement Criteria
CCA	Causal Chain Analysis	JCC	Joint Cooperation Council
CGE	Computable General Equilibrium	KSA	Kingdom of Saudi Arabia
CH4	Methane (a greenhouse gas)	LDC	Least Developed Country
CITES	Convention on International Trade in Endangered Species	LULUCF	Land use, land use change and forestry
CO	Carbon monoxide	MEA	Multilateral Environmental Agreement
CO2	Carbon dioxide (a greenhouse gas)	MFN	Most-Favoured Nation
CPI	Consumer Price Index	NDC	Nationally Determined Contribution
CRD	Convention on the Rights of the Child	NGO	Non-Governmental Organisation
CSD	Civil Society Dialogue	NH <sub>3</sub>	Ammonia
CSR	Corporate Social Responsibility	NMVOC	Non-methane volatile organic compound
DAG	Domestic Advisory Group	No	Number
DG	Directorate-General	NOx	Nitrogen Oxide
EDGAR	Emission Database for Global Atmospheric Research	NTB	Non-Tariff Barrier
EE	Energy Efficiency	NTM	Non-Tariff Measure
EGS	Environmental Goods and Service	N <sub>2</sub> O	Nitrous Oxide
EP	European Parliament	OECD	Organisation for Economic Cooperation and Development
EU	European Union	OHCHR	Office of the United Nations High Commissioner for Human Rights
EU ETS	EU Emissions Trading system	OPC	Open Public Consultation
EU MS	EU Member States	OR	Outermost Region
FAO	Food and Agricultural Organisation	PM	Particulate Matter
FDI	Foreign Direct Investment	PUR	Preference Utilisation Rate
FDIR	Foreign Direct Investments Restrictiveness Index	RBC	Responsible Business Conduct
FRA	EU Agency for Fundamental Rights	RCF	Regulatory Cooperation Forum
FTA	Free Trade Agreement	RES	Renewable Energy Sources
F2F	Face-to-face	RoO	Rules of Origin
GATS	General Agreement on Trade in Services	SDG	Sustainable Development Goal
GATT	General Agreement on Tariffs and Trade	SEZ	Special Economic Zone
GCC	Gulf Cooperation Council	SIA	Sustainability Impact Assessment
GDP	Gross Domestic Product	SME	Small or Medium-sized Enterprise
GHG	Greenhouse Gas	SOx	Sulphur Oxide
GI	Geographical Indication	SO <sub>2</sub>	Sulphur Dioxide
GMO	Genetically modified organisms	SPA	Strategic Partnership Agreement
GPA	Government Procurement Agreement	SPS	Sanitary and Phyto-Sanitary Measures
GTAP	Global Trade Analysis Project	STRI	Services Trade Restrictiveness Index
HHI	Herfindahl-Hirschman Index	TBT	Technical Barriers to Trade
HRIA	Human Rights Impact Assessment	TFI	Trade Facilitation Indicators
HS	Harmonised System		
ICERD	International Convention on Elimination of all forms of Racial Discrimination	TRIPS	Trade-Related Aspects of Intellectual Property Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights	TRQ	Tariff Rate Quota
ICMW	International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families	TS	Tender Specifications
ICPED	International Convention for the Protection of All Persons from Enforced Disappearance	TSD	Trade and Sustainable Development
ICRPD	International Convention on the Rights of Persons with Disabilities	UAE	United Arab Emirates
ICS	Investment Court System	UN	United Nations
ICT	Information & Communication Technology	UNCTAD	United Nations Conference on Trade and Development
ILO	International Labour Organisation	UNECE	United Nations Economic Commission for Europe
IP	Intellectual Property	UNEP	United Nations Environment Programme
IPCC	Intergovernmental Panel Climate Change	UNFCCC	United Nations Framework Convention on Climate Change
IPR	Intellectual Property Rights	UPR	Universal Periodic Review
ISDS	Investor-State Dispute Settlement	WB	World Bank
ISSG	Inter-Service Steering Group	WCMC	World Conservation Monitoring Centre
ITC	International Trade Centre	WDI	World Development Indicators
		WHO	World Health Organisation
		WITS	World Integrated Trade Solution
		WTO	World Trade Organisation

# 1 EXECUTIVE SUMMARY

## Introduction

The EU and the GCC both operate through well-defined institutional frameworks that support regional cooperation, trade policy, and economic integration, including the GCC customs union. Economically, the relationship is strong and mutually strategic, with the GCC acting as a key energy supplier to the EU, while the EU supports GCC diversification beyond fossil fuels. Bilateral trade and investment flows have grown, with the EU now being the GCC's second-largest trading partner and GCC sovereign wealth funds playing a role in EU infrastructure, technology, and green investments.

Despite this depth, GCC economies remain heterogeneous, complicating efforts to conclude a single region-to-region free trade agreement and raising the possibility of bilateral FTAs as an alternative. EU–GCC relations have long been based on the 1989 Cooperation Agreement; however, this framework has become outdated amid shifting geopolitics, rapid Gulf growth, and new global power dynamics.

A major policy gap was addressed by the 2022 Joint Communication on a Strategic Partnership with the Gulf, which set out priority areas including trade, energy transition, climate action, health, and regional stability. This initiative strengthened institutional dialogue, launched sectoral cooperation, and reopened the prospect of formal trade agreements. In October 2024, the first ever Heads of State summit meeting between the EU and the GCC was held in Brussels with a second summit scheduled for Saudi Arabia in the fall of 2026.

Long-stalled FTA talks regained momentum in 2024, with renewed commitment to a regional agreement alongside tailored bilateral frameworks. The launch of EU–UAE FTA negotiations in April 2025 signalled a possible shift toward pragmatic bilateralism within the broader EU–GCC strategy. For this reason, this SIA examines the potential effects of EU–GCC FTA/SPAs.

## Sustainability Impact Assessment (SIA)

Pursuant to established practice, following the decision to (re)launch trade and strategic partnership negotiations with the GCC and its members, the European Commission (Directorate General for Trade) commissioned an independent external study to examine the potential impact of the future Agreements. The study is conducted by a consortium led by Trade Impact B.V., and its findings will feed into the negotiations and provide guidance regarding solutions that may contribute to supporting economic growth and job creation, enhancing social inclusion, and promoting sustainable development in the EU and GCC, as well as reducing potential negative impacts of the Agreements. The Trade Sustainability Impact Assessment (SIA) will run from January 2026 to mid-2027, and comprises two interlinked parts:

- A robust analysis of the potential economic, social, environmental, and human rights impacts of the future EU–GCC FTA/SPAs on the EU, GCC countries, and third countries. The analysis will examine effects that may arise from the reduction of tariffs and non-tariff measures (NTMs), as well as from certain provisions adopted in the future Agreements. It will be based on results provided by the economic (CGE<sup>1</sup>) model and other methodological tools, as well as additional data and information sources, including textual proposals tabled during the negotiations, feedback from EU–GCC dialogues, cooperation activities in areas relevant for the study, and past negotiation outcomes and experiences. The analysis will help identify, at an early stage of the negotiation process, sustainability priorities and issues requiring particular attention

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<sup>1</sup> Computable General Equilibrium (CGE) model. For the ease of understanding, it will be referred to it in this study as the “economic model” or “econometric model”. The results of the CGE modelling exercise will be provided by the European Commission.

and further examination. Its findings will inform the negotiators. In the final phase, the study team will formulate policy recommendations and proposals for flanking measures to strengthen positive and mitigate any potential negative impacts of the Agreements.

- A comprehensive consultation and stakeholder engagement strategy aimed at gathering additional information and testing preliminary findings from the analysis.

The study will also consider how the Agreements under negotiation may contribute to the EU's strategic objectives detailed in the Tender Specifications (TS).

### **Phases of the study and the structure of the Inception Report**

The study is divided into three phases: the Inception, Interim Phase, and Final Phase.

The Inception Phase, as discussed in this Inception Report, provides the background for the study, and defines its scope and objectives (Chapter 2). It offers an opportunity to fine-tune the methodological approach (Chapter 3) and to finalise planning for the consultation process (Chapter 4) and subsequent stages of work (Chapter 5). During this phase, the study team will also prepare tools for stakeholder engagement (e.g., a dedicated website and questionnaires for online consultations).

The Interim Phase will commence with an analysis of the situation in the EU and the GCC since 2016 for the economic analysis and 2021 for the other sustainability pillars (in areas identified in the TS), observed trends, and influencing factors. Preliminary findings will be captured in a heat map, followed by a comprehensive impact analysis will follow during the remainder of the phase. Desk research will be complemented by stakeholder engagement, and selected aspects will be addressed in greater detail through case studies. This phase will contain the bulk of the analytical work across the four sustainability pillars.

The analysis will be completed in the Final Phase, during which the findings will be refined and conclusions and recommendations will be formulated. The final report will also include a chapter summarising findings from the analysis linked to the EU's strategic objectives and explaining how certain elements of the potential Agreements, as well as the study's recommendations, may contribute to achieving those objectives. Details of consultation activities will also be provided at this stage of the project.

### **Proposed methodology (General analysis)**

*The economic analysis* will follow the steps outlined above and will commence with a description of trade and investment relations between the EU and GCC since 2016 (10 years from now), observed trends, and influencing factors. This will include the evolution of EU-GCC trade in goods and services, a review of existing research on the potential effects of an EU-GCC FTA/SPAs, and an analysis of current tariff and non-tariff measures (NTMs) between the EU and GCC.

The analysis will also cover participation of SMEs in trade between the Parties, conditions for bilateral investment, participation of economic operators from the EU and GCC in public procurement procedures of the other Party, and customs operations. Findings that require further attention will be captured in the heat map.

The study will proceed with an impact assessment seeking to determine the economic impact of reductions in tariffs and NTMs between the EU and GCC. This will include effects on trade creation and diversion, value chain diversification, SMEs, and other costs and benefits, including impact on GDP, revenues, and overall welfare effects. The analysis will also estimate impacts on Least Developed Countries (LDCs), the EU's Outermost Regions (ORs), the Wider Middle East region, and selected third countries (e.g., the US, UK, China, Russia, and Türkiye). It will conclude with findings and recommendations.

Throughout the study, various methodological tools and data sources will be used, including the economic model, structural gravity analysis, statistics, and evidence provided by stakeholders.

*The social analysis* seeks to respond to the question of how a reduction in tariffs and NTMs between the Parties through the conclusion of an FTA/SPAs may affect a range of social aspects in the EU and the GCC. It also seeks to determine the potential direct and indirect social impact of other provisions of the future Agreements. Areas covered by the analysis include employment, gender equality, working conditions, labour standards, public policies and services, and welfare effects (e.g., wages, poverty, and inequality). Under the social pillar, two cross-cutting issues will also be analysed: consumers and gender equality. For each of these areas, the analysis will begin with a consideration of the current situation in the EU and the GCC (back to 2021), including observed trends and influencing factors. Issues identified at this stage as requiring further analysis will be marked in a heat map. The study will proceed with a comprehensive impact analysis. In addition, selected aspects will be considered in greater detail, potentially in a dedicated case study. The analysis will conclude with findings and policy recommendations, as well as proposals for flanking measures aimed at strengthening positive and mitigating any potential negative impacts of the Agreements. Throughout the study, stakeholder engagement will complement the analytical component to test preliminary findings and gather additional evidence.

*The environmental analysis* considers the types of effects the FTA/SPAs could create for different environmental elements through the reduction of tariffs and NTMs, as well as through other provisions. It also examines the different channels through which impacts can be generated, e.g., the scale effect (impacts resulting from increased production encouraged by the Agreements), the structural effects (impacts resulting from changes in the structure of the economy triggered by the Agreements, with some sectors growing and others contracting), technology effects and product effects (both related to efficiencies resulting from increased competition and greater availability of diverse goods and services, including environmental ones). In the first step, the analysis describes the situation in the EU and the GCC since 2021, including observed trends and influencing factors across five impact areas (climate change, air quality, biodiversity (including natural resources), waste and waste management, and water quality and resources), including through a heat map. The study will then proceed with the impact analysis in two thematic priority areas for the GCC (identified in the preceding step), possibly complemented by environmental case studies. The analysis will conclude with findings and recommendations, and proposals for flanking measures.

*The human rights analysis* examines how the EU-GCC FTA/SPAs could affect the enjoyment of human rights and the fulfilment of state responsibilities in this area. In the first step, it will identify international human rights obligations of the Parties based on the ratification status of core international human rights conventions. It will then provide a description of the situation in the EU and the GCC since 2021 regarding respect for human rights, identifying trends and pre-existing vulnerabilities.

As in other pillars, issues requiring further analysis will be marked in a heat map. This will be followed by a detailed impact analysis of two specific human rights (in GCC) identified in the preceding steps as likely to be affected by the FTA/SPAs. The underpinning evidence will include relevant human rights indicators, outcomes of the economic modelling, legal texts tabled in the negotiations, and stakeholder views. Under the human rights analysis, an assessment of Responsible Business Conduct (RBC) / Corporate Social Responsibility (CSR) will also be carried out. It will be completed with conclusions and recommendations, as well as proposals for flanking measures.

### **Case study selection**

Four case studies will be carried out as part of this SIA. They will provide an in-depth analysis of selected sustainability priorities, complementary to the general part of the study. In considering potential topics, the following selection criteria have been used to prioritise the case study topics:

- The importance of the matter for the EU's strategic objectives;

- The importance from an economic, social, human rights or environmental perspective (evidence will be provided by the preliminary baseline analysis, i.e. the screening and scoping, whose outcomes will be summarised in the heat map);
- The estimated magnitude of the expected economic, social, environmental, or human rights impact of the FTA/SPA;
- The importance for stakeholders (evidence will be gathered through consultations);
- The relevance, importance, or sensitivity from a negotiating perspective (guidance will be provided by negotiators);
- Complementarity to the general part of the analysis, offering more in-depth insight.

Each case study will begin with a definition of the subject matter and the scope of the analysis, followed by a description of the background, i.e. the situation in the EU and / or the relevant GCC country concerning the subject matter, including recent developments and influencing factors. The case studies will then provide a quantitative and qualitative analysis of the FTA/SPA effects on the subject matter, followed by key conclusions. They will close with policy recommendations and proposals for flanking measures.

The following case study topics have been scoped (see Annex IV):

- 1) EU-UAE trade in environmental goods and services;
- 2) Green hydrogen and green tech collaboration with Bahrain;
- 3) Women's youth and employment in Kuwait; and
- 4) Responsible supply chains in textiles or chemicals with Saudi-Arabia.

As back-up topics the following topics could also be chosen:

- 5) Biodiversity impact of the SPAs/FTAs in the UAE or Saudi-Arabia;
- 6) EU green technology exports from Saudi-Arabia
- 7) Plastics pollution and marine litter in the UAE or Saudi-Arabia.

### **Consultations strategy**

The wide-ranging consultations programme of the SIA rests on five pillars, namely:

- Digital communication tools (a dedicated website, with a feedback mechanism, e-mails, and social media outreach);
- An Open Public Consultation (public online survey), meetings, and focused interviews with relevant stakeholders;
- A business/SME survey for EU and GCC stakeholders;
- Two online regional seminars for EU stakeholders;
- One longer or two shorter study trips to the GCC countries for meetings and interviews with stakeholders;
- Civil Society Dialogue meetings with EU stakeholders;
- Meetings with the Inter-Service Steering Group (ISSG), bringing together officials from the Commission and the European External Action Service (EEAS).

Engagement will be conducted throughout all stages of the study and will pursue multiple objectives: to provide stakeholders with information about the study, its objectives, timeline, and opportunities for engagement. As the analysis progresses, consultations focus on sharing updates with stakeholders and seeking feedback on preliminary findings.

Moreover, the consultation process will help gather additional evidence across all components of the analysis to underpin the scope, findings, conclusions, and recommendations. Relevant stakeholders will be identified throughout the project, in line with evolving data, information and feedback needs. They will include business associations, trade unions, NGOs, think tanks, academia, consumer organisations, and other relevant actors.

## 2 INTRODUCTION: CONTEXT, SCOPE, OBJECTIVES OF THE SIA

### 2.1 The context of the EU-GCC SIA

#### Structured frameworks

The EU operates within a clearly defined institutional framework for the development of regional cooperation and trade agreements. The Council of the European Union, the European Commission, and the European Parliament are the main actors responsible for initiating, shaping, and implementing EU trade policy.<sup>2</sup>

Similarly, the GCC has an established institutional structure to facilitate regional cooperation and integration. Its institutional framework comprises the Supreme Council (the highest decision-making body), the Ministerial Council (responsible for implementing decisions of the Supreme Council), and the Secretariat General (the executive body of the GCC). The GCC structure also includes a Consultative Commission, specialised committees, and additional programmes (e.g. the Peninsula Shield Force). The 2001 Economic Agreement sets out the mechanisms for economic integration within the GCC, including the establishment of a customs union.<sup>3</sup>

#### The current EU-GCC economic relationship

The GCC is one of the EU's key economic partners with energy playing a key role, particularly with regard to liquefied natural gas (LNG). Partnerships are also expanding in renewable energy, green hydrogen, and clean technologies. For the EU, GCC countries have played an important role in diversifying energy sources following sanctions imposed on Russia as a result of the war in Ukraine. For the GCC, the EU represents a strategic partner in efforts to diversify its economies beyond fossil fuels.

The EU is the second largest trading partner of the GCC. Bilateral trade in goods and services reached approximately €240bn in 2024, representing 11.1% of GCC total trade. Total trade in goods amounted to €162bn in 2024, comprising €99 bn in EU exports to the GCC and €76 bn in imports from the GCC. Mineral fuels account for the majority of EU imports from the GCC (approximately 76% of all EU imports), while EU exports to the GCC are more diversified, consisting primarily of machinery and transport equipment (41%), chemicals (16%), various manufacturing products (13%), and agrifood (9%).

Cross-border trade in services amounted to €75bn in 2024, generating a services trade surplus of approximately €25bn for the EU. While EU foreign trade in the GCC reached €215bn in 2023, the volume of GCC foreign direct investment (FDI) in the EU amounted to €236bn. Both trade and investment flows between the EU and the GCC have continued to increase over the past five years.

GCC sovereign wealth funds, particularly from the United Arab Emirates (UAE), Qatar, and the Kingdom of Saudi Arabia (KSA), invest in EU infrastructure, technology, and green ventures, contributing to objectives linked to the European Green Deal. Following the COVID-19 pandemic, an increasingly adversarial relationship between the US and China and the energy re-orientation of the EU following the war in Ukraine, GCC countries – especially the KSA and the UAE – are actively repositioning themselves as global investment and logistics hubs. This trajectory aligns closely with the EU's strategic interest in economic diversification and the strengthening of global partnerships in trade, investment, and climate action.

While the EU-GCC relationship is strong, it is important to recognise that the Gulf country economies are heterogenous in terms of size, structure, and diversification levels. This is

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<sup>2</sup> European Commission (2025). URL: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/making-trade-policy\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/making-trade-policy_en)

<sup>3</sup> Economic Agreement (2021). URL: <https://edit.wti.org/document/show/d444ad42-56fc-4a5f-b886-34023158dad1>

relevant in the context of negotiations, which are primarily envisaged as a region-to-region EU-GCC FTA. However, as demonstrated in the EU approach to ASEAN in 2010, divergencies in national interests may result in bilateral agreements rather than a single comprehensive regional agreement (e.g. EU-UAE, EU-KSA, or EU-Qatar agreements).

### **EU-GCC policy frameworks**

To date, formal EU-GCC relations are based on the 1989 Cooperation Agreement, concluded between the then European Economic Community and the GCC countries. This Agreement established regular dialogue and cooperation in areas including economic relations, energy, the environment, and research. It represented the first formal framework for bilateral relations.

The Cooperation Agreement remains the core framework for EU-GCC ties, but given the rapid economic growth in most of the GCC countries, the emergence of new trading powers such as China and India, and evolving geopolitical dynamics in the Middle East and North Africa, new policy tools in the context of EU-GCC relations have become necessary. The strategic importance of the Gulf, owing to its geographical location and energy resources, has further increased, particularly following the war in Ukraine. At the same time, the EU and GCC countries have not always aligned in their approaches to regional and international issues, including developments related to Iran, conflicts in Syria, Yemen, and Libya, and, the war in Ukraine.

The gap in ties has been addressed through numerous institutional level contacts starting with the EU's Joint Communication on "*A strategic partnership with the Gulf*"<sup>4</sup>, adopted on 18 May 2022 and approved on 20 June 2022. The Communication recognised that: "... *the European Union stands much to gain from a stronger and more strategic partnership with the Gulf Co-operation Council (GCC) and its member states.*" The joint communication set out a pathway for the EU to develop a closer partnership with the six GCC member states in several priority areas: trade and investment; climate change; energy security and the green transition; global health; global development and humanitarian needs; and peace and stability.

For each priority area, the Joint Communication outlines a set of action points, including:

- Strengthening EU-GCC cooperation on trade and investment, including economic integration and diversification, notably through the existing EU-GCC Trade and Investment Dialogue. While FTAs were not explicitly referenced at the outset, subsequent announcements (from 2024 onwards) indicated the intention to explore more formalised trade and investment agreements.
- Further reinforcing institutional engagement through an annual EU-GCC political dialogue, annual consultations on multilateral issues, and sectoral ministerial meetings, beginning with the green transition and humanitarian coordination.
- Exploring the possibility of negotiating bilateral partnership agreements with individual GCC countries.
- Enhancing institutional and organisational exchanges with the GCC General Secretariat.
- Implementing joint activities in areas including health, trade and investment, migration and mobility, education and research, energy, energy efficiency and climate change, digitalisation and disaster preparedness and response.

The Joint Communication is consistent with the Commission's 2022 Communication 'The power of trade partnerships: together for green and just economic growth' (European Commission, 2022).<sup>5</sup> Several sectoral dialogues have since been institutionalised, including on renewable energy and hydrogen, human rights and humanitarian issues, and the digital

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<sup>4</sup> URL : <https://www.eeas.europa.eu/sites/default/files/documents/Joint%20Communication%20to%20the%20European%20Parliament%20and%20the%20Council%20-%20A%20Strategic%20Partnership%20with%20the%20Gulf.pdf>

<sup>5</sup> European Commission (2022), "The power of trade partnerships: together for green and just economic growth", 2022. URL: <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/power-trade-partnerships-together-green-and-just-economic-growth>

economy and cybersecurity. This SIA will align with the objectives set out in these policy frameworks.

In addition, the EU-GCC Summit of October 2024 further elevated the relationship, positioning the GCC not only as an economic partner but also as a strategic actor in the energy transition, trade and investment, and regional security and diplomacy.

This was followed by the 29<sup>th</sup> EU-GCC Joint Council and Ministerial Meeting in October 2025, which reaffirmed the commitment to deepen cooperation across priority areas. The Parties agreed to convene the next EU-GCC Summit in 2026 in Saudi Arabia.

### **EU activities in the GCC**

Building on the Joint Communication of 2022, several flagship initiatives have been established or recalibrated to operationalise EU-GCC cooperation:

- The EU-GCC Dialogue on Economic Diversification, launched in 2018, was recalibrated in June 2022 in line with the Joint Communication. Phase II of this project relocated its office to Riyadh (from the UAE). This does not lead to any costs on this project, but rather avoiding a repetition of tasks. So if a relevant study is already done under the Economic Diversification project, this analysis will be used and not repeated. For the regional visit, it is anticipated to meet with the project team of the Economic Diversification team, without incurring any tasks on the Economic Diversification project.
- The EU-GCC Dialogue on Green Transition: "Building a Sustainable Future Together".
- Enhanced EU-GCC political dialogue, cooperation and outreach (Dialogue on C&O).

### **Latest developments**

In 2024, discussions regarding a potential FTA between the EU and the GCC countries regained momentum. This was not the first time the EU and the GCC had explored the possibility of concluding an FTA. In 1989, the Council authorised the European Commission to open negotiations for a region-to-region FTA between the EU and the GCC. Between 1989 and 2008, bilateral talks took place that were formally suspended in December 2008.

At the EU-GCC Summit held in October 2024, the EU reaffirmed its commitment to a more ambitious partnership encompassing enhanced political dialogue and deeper sectoral cooperation. The EU and the GCC confirmed their intention to advance discussions at the regional level with a view to concluding a region-to-region EU-GCC FTA, including provisions on investment. In addition, the Parties agreed to explore tailored arrangements to further support trade and investment cooperation.

In parallel, the EU is examining the possibility of establishing comprehensive, legally binding bilateral frameworks through Strategic Partnership Agreements (SPAs) with individual GCC member states. In May 2025, the EU-UAE FTA negotiations were formally launched. Some observers interpret this development as signalling a shift towards 'pragmatic bilateralism', which may influence the EU's future engagement with other GCC countries.

## **2.2 The scope, main features and objectives of the study**

Given the bilateral and global context outlined above, the undertaking of a SIA is of high relevance in order to provide negotiators with additional evidence regarding the potential impacts that a future FTA could have in the EU, the GCC, and relevant third countries across the four sustainability pillars it addresses: economic, social (including labour and gender equality issues), environmental (including biodiversity and ecosystems preservation), and human rights.

According to the technical specifications of the tender (TS p. 7): "A *Sustainability Impact Assessment (SIA)* is a trade-specific tool developed for supporting major trade and

*investment negotiations conducted under the guidance of the EU Commissioner for Trade. SIAs are a key tool for the conduct of sound, evidence-based and transparent trade and investment negotiations”.*

SIAs consist of two complementary and equally important components:

- *First:* an analytical component assessing the potential economic, social, environmental, and human rights impacts that prospective EU-GCC FTAs could have in the EU, EU Member States (EU MS), the GCC, and in relevant third countries. This component relies on a combination of econometric techniques, statistical data, qualitative analysis, desk research and stakeholder inputs.
- *Second:* a continuous and broad consultation process aimed at engaging all relevant stakeholders, including civil society. Stakeholders are invited to provide inputs, suggestions, and concerns regarding potential EU-GCC FTAs and, at a later stage of the project, to provide feedback on draft findings. This consultation process runs in parallel with, and informs, the analytical component.

The TS make explicit reference to "*The power of trade partnerships: together for green and just economic growth*" (European Commission, 2022).<sup>6</sup> This reference situates the SIA within the broader framework of the EU's trade and sustainable development policy.

Furthermore, the TS refer to 'Agreements' in the plural. This is interpreted as meaning that the study should assess not only the potential effects of a regional EU-GCC FTA but also the possible conclusion of a bilateral FTA between the EU and UAE and Strategic Partnership Agreements (SPAs) between the EU and individual GCC member states.

As with all SIAs, this study is guided by a number of defining principles. It needs to be<sup>7</sup>:

- *Integrated*, adopting a comprehensive approach that assesses both benefits and costs and examines economic, social, human rights, and environmental considerations within a single analytical framework.
- *Independent*, carried out by an external team of consultants in a neutral and unbiased manner, in full compliance with conflicts of interest rules.
- *Evidence-based*, grounded in the best available research, information, and data presented in a transparent manner.
- *Transparent*, contributing to openness in both the analytical process and the broader trade negotiations by providing stakeholders with comprehensive information on the potential impacts of future agreements (FTA/SPAs).
- *Participatory*, serving as a platform for structured dialogue between stakeholders and trade negotiators through in-depth and inclusive consultations.
- *Proportionate*, calibrated in scope and analytical depth to reflect the nature of the trade measures under negotiation and the expected magnitude of their impacts.

The study will be structured into three phases, the Inception Phase, the Interim Phase, and the Final Phase, as outlined in Figure 2.1.

*The Inception Phase*, as presented in this Inception Report, provides the background to the study and defines its scope and objectives (chapter 2). It gives an opportunity to fine-tune the methodological approach (chapter 3) and to finalise planning for the consultation process (chapter 4) and subsequent stages of work (chapter 5). During this phase, the study team will also establish tools for stakeholder engagement (e.g. a dedicated website, and questionnaires for online consultations) and identify key negotiation issues and relevant stakeholders.

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<sup>6</sup> European Commission (2022), "The power of trade partnerships: together for green and just economic growth", 2022. URL: <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/power-trade-partnerships-together-green-and-just-economic-growth>

<sup>7</sup> The SIA characteristics follow the list outlined in the Tender Specifications for this study.

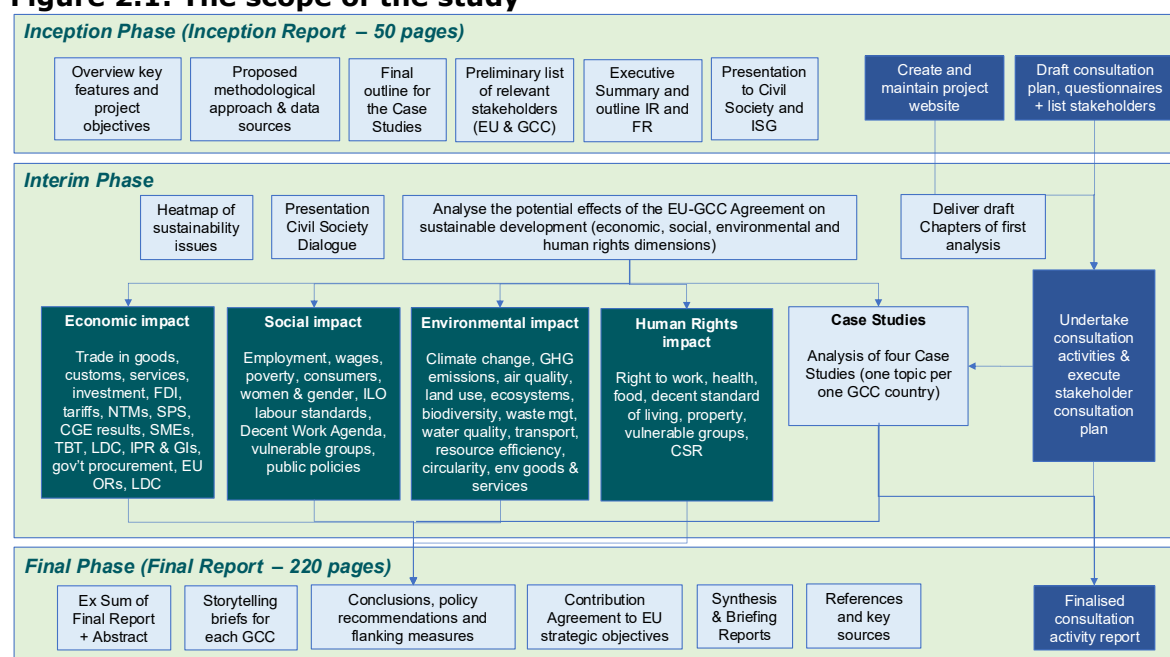
*The Interim Phase*, during which the bulk of the analytical work will be undertaken, will begin with an assessment of the economic situation and the trade and investment relationship between the EU and the GCC since 2016 (in areas identified in the TS), including observed trends and influencing factors. Preliminary findings will be synthesised in a heat map, followed by a comprehensive impact analysis. Desk research will be complemented by stakeholder engagement, and selected aspects will be examined in greater depth through four dedicated case studies.

The analysis will be finalised in the *Final Phase*, in which conclusions and policy recommendations will be formulated.

Throughout all phases, the study will assess how the Agreements under negotiation may contribute to achieving the EU's strategic objectives, as formulated in the TS, namely:

- Ensuring greater security in the EU's global supply chains through enhanced supply diversification;
- Providing alternative outlets and sources of supply for EU operators;
- Advancing the digital and green transitions and promoting the EU's approach to trade and sustainability;
- Strengthening the role of the EU as a strategic partner for the Gulf countries.

**Figure 2.1: The scope of the study**



Source: Compilation by the study team based on the Tender Specifications for the study

In addition, the Final Report will include a dedicated chapter summarising findings linked to the EU's strategic objectives and explaining how specific elements of the Agreements under negotiation, together with the study's recommendations, may contribute to achieving those objectives.

### 2.3 The list of key issues for the EU-GCC negotiations

The following non-exhaustive list of potential issues that may arise in the context of EU-GCC FTA/SPA negotiations is based on the preliminary research and initial consultations. It will be further refined as the analysis progresses, stakeholder engagement deepens, and additional information becomes available from negotiation rounds (e.g. official reports and briefings).

#### Economic aspects:

- Tariff elimination on industrial goods (including petrochemicals, aluminium);
- Rules of origin and provisions related to re-exports;
- Government procurement and local-content policies;
- Digital trade and cross-border data flows;
- Trade in services and investment (including ownership caps, licencing, and establishment conditions);
- Technical barriers to trade (TBT), standards and conformity assessment procedures;
- Sanitary and phytosanitary (SPS) measures and halal certification regimes;
- Intellectual property rights (including geographical indications (GIs));
- Export duties, dual pricing and energy & raw-materials policies;
- State-owned enterprises (SOEs), subsidies, and performance requirements.

**Social and Trade and Sustainable Development aspects:**

- Freedom of association & collective bargaining (including ILO Conventions No.87 and 98) and the functioning of social dialogue;
- Migrant-worker protections, recruitment practices, and equal treatment;
- Forced labour, trafficking, and supply-chain due diligence (including relevant EU legislation, such as the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Forced Labour Regulation);
- Women’s economic participation, pay equality, and entrepreneurship;
- Consumer protection and digital rights, including product safety, access to redress, and data protection standards;
- Gender-related impacts of the Agreements.

**Environmental aspects:**

- Carbon leakage measures affecting traded goods and fossil energy;
- Green and low-carbon hydrogen and derivative products, including definitions, certification schemes, renewables and energy efficiency, and temporal correlation and geographical correlation criteria;
- Water-marine nexus issues, including desalination externalities, brine discharge, and impacts on coastal ecosystems;
- Biodiversity protection, wildlife trade, and due diligence requirements (including CITES+ obligations);
- Chemicals and circular economy-related trade issues, including plastics pollution, PFAS, fluorinated gases (F-gases), and waste shipments.

**Human rights-related aspects:**

- Business and human rights (including the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and relevant EU due diligence legislation);
- Access to justice and effective remedy for workers;
- Non-discrimination and equal pay;
- Data protection and digital-rights safeguards in the context of digital trade;
- Land, housing, and property rights, including issues affecting women;
- Civil-society participation in implementation mechanisms (e.g. Domestic Advisory Groups (DAGs));
- Occupational safety & health (OSH).

### 3 PROPOSED METHODOLOGICAL APPROACH

This Chapter outlines the proposed methodological approaches for the general part of the analysis and the four case studies. The overall approach can be summarised for each of the sustainability pillars and cross-cutting issues as follows:

#### **Step 1: Development of the baseline scenario**

This step consists of analysing the current situation in the EU and the GCC, including trends over recent years and the main factors influencing them.

**Output:** clear baseline overviews for the EU and GCC for each of the four sustainability pillars, identifying key issues, structural characteristics, vulnerabilities, and trends.

#### **Step 2: Initial economic screening and scoping**

This step involves conducting a first screening and scoping of the potential impact of the future EU-GCC Agreements, combined with initial stakeholder engagement.

**Output:** Together with the baseline analysis (Step 1), the results of this screening and scoping exercise will feed into the development of “heat maps” for each of the four sustainability pillars (see Box 3.1 for an illustrative example). These heat maps will support prioritisation of issues and allocation of analytical resources to areas where impacts are expected to be most significant (in line with the Tender Specifications).

#### **Step 3: In-depth impact analysis**

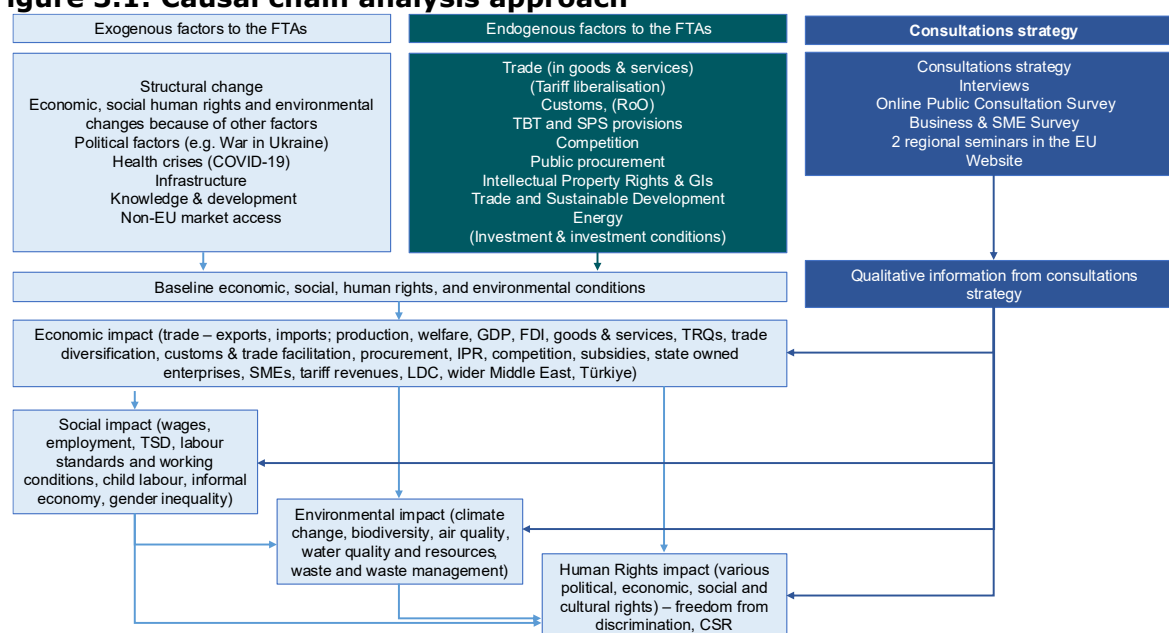
Based on the priority issues identified through the heat maps, a detailed assessment of the potential impacts of the EU–GCC FTAs will be conducted for each sustainability pillar. The analysis will follow a causal chain framework (see Figure 3.1), linking exogenous and endogenous drivers to the economic baseline and, subsequently, to impacts across the other sustainability pillars. This stage will include both overarching analysis and targeted in-depth assessments, including case studies and focused sectoral analysis. The broader policy context of the Agreements, including the EU’s strategic objectives, will also be taken into account.

**Output:** A comprehensive impact assessment for each sustainability pillar, drawing on CGE modelling results, structural gravity analysis, statistical trend analysis, desk research, and stakeholder input. The analysis will first determine the expected economic impacts and, through the causal chain approach, assess the corresponding social, environmental, and human rights implications of the potential Agreements. The results will be presented in detailed impact reporting per pillar.

#### **Step 4: Conclusions and policy recommendations**

This step involves synthesising findings and formulating conclusions, policy recommendations, and proposals for flanking measures.

**Output:** A dedicated chapter containing clear conclusions, policy recommendations, and flanking measures, which will serve as the analytical basis for the Executive Summary.

**Figure 3.1: Causal chain analysis approach**

Source: own compilation based on the DG Trade Handbook (2<sup>nd</sup> edition)

### Box 3.1: Heat maps

A heat map is a schematic overview (in the form of a Table or Figure) that presents, in a concise manner, the key issues that are most likely to be affected by, and most influential in shaping, the impacts of a given policy shock – in this case: the potential EU-GCC FTAs.

Within this SIA, four pillar-specific heat maps will be produced. These will subsequently be combined into an overall heat map. Each pillar-specific heat map will be approximately two pages in length, with the consolidated version of also two pages.

Each heat map will include:

- All sectors used in the CGE modelling (plus a category 'overall') in the first column;
- Key impact areas or variables of interest in the first row.
- The following background information will be used to create the heat maps:
  - Characteristics and specificities of the EU-GCC trade and investment relationship;
  - Domestic conditions in the EU and the GCC, including existing vulnerabilities related to key sustainability issues;
  - Policy notes, forum summaries, and output from relevant dialogues (e.g. circular economy, innovation ecosystems, climate-friendly trade), including those under the EU-GCC Dialogue on Economic Diversification (Phases I and II);
  - Known or anticipated characteristics of the potential EU-GCC FTA/SPAs;
  - CGE modelling results provided by the European Commission (indicating sectoral output effects in the EU and the GCC);
  - Stakeholder and expert inputs.

The information presented in each heat map will include:

- Key sustainability issues linked to the potential Agreements;
- Main findings from the initial screening and scoping exercise of sustainability issues, from work by experts and first consultations;
- Summaries of the heat maps with a maximum of five 'impact alerts' per pillar, identified through colour coding;
- An assessment of the incidence and intensity of 'relevant impact' within sectors (horizontally across issues and vertically across sectors), supporting prioritisation of sectors and sub-areas requiring particular analytical attention.

The heat maps will be updated throughout the study. Relevant inputs from interviews, literature review, modelling results, and additional research will be incorporated as the analysis progresses. This iterative approach aims to enhance transparency and ensure a systematic prioritisation process.

Source: own compilation from previous SIA work

For the economic pillar, data will be analysed for the 2016–2025 period (subject to availability) to provide a sufficiently long time horizon and mitigate distortions linked to temporary shocks (e.g. the COVID-19 pandemic). For the other sustainability pillars, analysis will primarily focus on the period 2021 – 2025 (subject to data availability), reflecting on general trends. The econometric modelling results (“Computable General Equilibrium” (CGE) results) will be provided by the European Commission.

### **3.1 Economic analysis<sup>8</sup>**

The economic analysis will be structured in four steps:

**Step 1:** Development of the baseline scenario, consisting of an analysis of the economic situation in the EU and the GCC over the past ten years, including observed trends and their main drivers.

**Step 2:** Development of an economic heat map (priority matrix) to identify and prioritise key economic issues relevant to the negotiations.

**Step 3:** Assessment of the potential economic impacts of the future EU-GCC FTA/SPAs at both macroeconomic and sectoral levels.

**Step 4:** Formulation of conclusions, policy recommendations, and proposals for flanking measures aimed at strengthening positive impacts and mitigating potential adverse effects. In each step, relevant information, and data sources, and other analytical tools will be used. These will be complemented by stakeholder engagement inputs.

#### **Analytical approach**

A multi-method approach will be applied to assess the potential economic effects of the EU-GCC FTA/SPAs. This will combine:

- *Quantitative tools*, including an economic (CGE) model and gravity analysis described in Annex I, the latter applied in particular to foreign direct investment (FDI) and public procurement);
- *Statistical analysis*, using time series and cross-sectional data to complement modelling results;
- *Qualitative tools*, including stakeholder engagement (e.g. in-depth interviews and two online surveys), analysis of texts tabled in negotiations (as available), and qualitative desk research.

This triangulated approach will allow for cross-validation of findings from diverse information and data sources and enhance the quality of the analysis and results.

#### **Free Trade Agreements (FTAs) and Strategic Partnership Agreements (SPAs)**

This SIA will focus on the impact of a potential region-to-region FTA, and EU-UAE FTA and six individual SPAs with each of the six Gulf Countries:

- The FTAs are meant to be encompassing Agreements (both with the region and with the UAE) in terms of tariff liberalisation, trade in goods, services. A detailed overview of recommendations and draft FTA texts for the UAE negotiations is available.<sup>9</sup>
- The Strategic Partnership Agreements (SPAs) can be summarised as follows:
  - The objective of the trade part in the SPAs is to establish a comprehensive legally binding framework for a bilateral trade

<sup>8</sup> A preliminary list of indicators that will be used in the economic analysis, as well as a list of identified information and data sources has been provided in Annex II to this report. The preliminary list of stakeholders for consultations during the study has been provided in Annex III and a detailed list of references (bibliography) with links, Annex X.

<sup>9</sup> DG Trade (2026), “EU-United Arab Emirates: documents”, URL: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region/eu-united-arab-emirates-agreement/eu-united-arab-emirates-documents\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region/eu-united-arab-emirates-agreement/eu-united-arab-emirates-documents_en)

relationship between the EU and individual GCC countries. It is close in ambition to an FTA, but it is non-preferential. Therefore, trade provisions are envisaged to cover most areas of trade relations between the EU and the six Gulf members but would exclude tariff reduction, services liberalisation and therefore there would be no need to negotiate preferential rules of origin.

- The trade part aims to improve market access conditions by addressing non-tariff measures and open procurement markets. It is envisaged to include commitments on regulatory cooperation on Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT). It will set rules for cooperation on customs simplification, trade facilitation, safe & secure trade, energy and raw materials, competition, intellectual property rights (IPR), geographical indications and small- and medium-sized enterprises (SMEs).
- It is envisaged include transparency provisions which provide a framework for a business-friendly regulatory environment but also set efficient mechanisms to resolve disputes. The trade provisions will also contribute to the shared objectives of promoting trade and sustainable development by safeguarding social & environmental standards.
- Trade commitments in the SPAs also aim to include provisions on trade and sustainable development (TSD). All EU's modern trade agreements (including non-preferential agreements) include chapters on trade and sustainable development, with a broad set of mutually agreed commitments.
- Some of the key aspects in SPAs with regards to trade and sustainable development are linked to labour rights, as well as environmental and climate protection. The SPAs will also aim to include commitments on gender equality.

### 3.1.1 Trade in goods

Taken together, the six GCC countries constitute the EU's sixth most important trading partner, after the United States, China, the United Kingdom, Switzerland, and Türkiye, and ahead of Norway and Japan. Total trade in goods amounts to approximately €161.7bn in 2024 (Eurostat, 2025). For the GCC, the EU is the second most important trading partner after China, ahead of India and the United States.

*In the first step*, a descriptive statistical analysis will be conducted to examine the evolution of trade in goods between the EU and the GCC, both at the regional level and by individual GCC country, over the reference period. This will include analysis of exports, imports, and trade balances.

The analysis will include both, aggregate analysis of overall trade flows and the EU's and GCC's respective ranking among each other's trading partners, as well as disaggregated analysis at the product level (HS6) and at broader sectoral levels. As part of the economic analysis, particular attention will be paid to the issue of access to Critical Raw Materials (CRM) and the EU Critical Raw Materials Act (CRMA) and trade in Renewable Energy Sources (RES) and Energy Efficiency (EE) technologies. Given the role of GCC countries as trade and logistics hubs between Europe and Asia, the analysis will also consider the relevance of special economic zones (SEZs) and re-export dynamics.

The baseline analysis will further examine the potential impact of the EU-GCC FTA/SPAs on specific agricultural subsectors, issues related to geographical indications (GIs), and the EU's trade performance in GCC markets compared to that of major global competitors.

In this section, the effect of the FTAs/SPAs on customs & trade facilitation as well as on safe & secure trade, will be analysed. Related to this is the role of Free Zones – that are part of the analysis also.

To assess tariff-related trade barriers, the following indicators will be examined (insofar relevant in SPA Agreements):

- Simple average tariffs applied at product or sectoral level;

- Standard deviation of tariff rates (to assess dispersion);
- Maximum tariff rates and the incidence of international peaks, enabling the identification of high tariff values for individual products affecting trade in them.

Additionally, descriptive statistical analysis will be conducted for selected global value chain (GVC)-intensive sectors,<sup>10</sup> including aluminium, chemicals and pharmaceuticals, electronics, and transport, covering exports, imports, and trade balances over the reference period.

*In the second step*, elements identified in the baseline analysis as potentially significant will be incorporated into the economic heat map.

*In the third step*, CGE modelling results will be used to provide estimates of the potential effects of tariff and NTM reductions in the future FTA/SPAs on EU and GCC output, and aggregate, bilateral and sectoral trade flows.

Regarding value chains, results from the economic (CGE) model related to the likely impact of the FTA on EU-GCC total and bilateral trade in GVC-based sectors will be considered. This will help ascertain if the potential FTA will result in greater engagement of EU-GCC trade in global supply and value chains, and thus a greater security and diversification of EU supply chains which is one of the EU's strategic objectives.

*In the fourth step*, policy recommendations and proposals for flanking measures will be formulated.

### 3.1.2 Trade in services

The six Gulf countries collectively constitute the EU's fifth most important destination for EU services exports, after the United States, the United Kingdom, Switzerland, and China. Total EU services exports to the GCC amounted to approximately €49.9bn in 2023 (Eurostat, 2025). Conversely, the GCC ranks as the EU's fifth most important supplier of services, following the same four partners (the United States, the United Kingdom, Switzerland, and China).

As with trade in goods, the analysis of trade in services will follow a four-step approach. *The first step* will consist of a descriptive analysis of the EU-GCC services trade relationship and observed trends over the reference period. The analysis will start with a description of the EU-GCC trade in services relationship, and trends observed in the reference period. The assessment will be based on aggregate data regarding the overall trade in services flows between the Parties (exports, imports, and trade balance), the EU's and GCC's respective ranks among trading partners, as well as disaggregated data at the sector level based on the EBOPS 2010 classification. If data allows, it will also include analysis by GATS modes of supply. At present, disaggregated services data at detailed levels is primarily available for Saudi Arabia.

Issues relating to market access, national treatment, and regulatory limitations has been described in the subsequent section (NTMs).

Elements identified during the baseline analysis as requiring further scrutiny will be incorporated into the economic *heat map* to prioritise areas for detailed assessment.

*In the third step*, CGE modelling results will be used to provide estimates of the potential effects of services liberalisation under different scenarios. The analysis will assess impacts on aggregate and bilateral EU-GCC services trade flows, as well as sectoral implications where feasible.

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<sup>10</sup> The sector description is based on HS 6-digit products classified as GVC-products following Sturgeon and Memedovic (2010) and the World Bank WITS classification (<https://wits.worldbank.org/referencedata.html>).

The services analysis will be closely linked to the investment assessment, given the structural interdependencies between trade in services and foreign direct investment.

*In the final step*, policy recommendations and proposals for flanking measures will be formulated.

### 3.1.3 Non-tariff measures (NTMs)

While tariffs remain an important component of trade policy, NTMs in trade relations between the EU and the GCC countries require particular attention. Two analytical challenges arise in this context. First, unlike the 'simpler' tariffs – which can be directly reduced or eliminated – NTMs are more complex to quantify in terms of their trade effects. Estimating their magnitude and translating them into measurable economic impacts is methodologically demanding. Second, whereas tariffs constitute a measure imposed by one Party, NTMs often reflect differences between regulatory systems. It is these regulatory divergences that generate trade costs and may function as *de facto* barriers to trade. Consequently, the analytical focus must extend beyond individual measures to regulatory compatibility and equivalence. The approach to analysing NTMs will consist of the following steps:

#### **Step 1: Identify, describe, and review sector-specific NTMs**

The first step is to identify and describe the most important NTMs affecting trade and investment relations between the EU and the GCC countries, for trade in goods and services (market access), national treatment and regulatory limitations for services and investment/establishment and for FDI flows. The thrust of this analysis will be on the GCC, but also EU NTMs will be covered. The identification of NTMs relies on the following sources:

- The Access2Markets database, including information on existing trade barriers affecting GCC countries;
- Interviews with key stakeholders (see Annex III for the stakeholder list) to gather information on issues and barriers they identify, including with the experts involved in the EU-GCC Dialogue on Economic Diversification II and other sectoral specialists in the GCC through local networks;
- A literature review of existing databases and report, including inputs from EU trade (and export) organisations at overall and sector levels; WTO Trade Policy Review Body (TPRB) reports, EU Trade Policy Review Mechanism (TPRM) reports, and related documentation;
- Inputs from local team members regarding NTMs relevant to each sustainability pillar, with primary focus on the economic pillar while capturing cross-pillar implications where relevant;
- Close consultation with relevant Commission services to identify important NTMs and refine the final list during the Inception Phase.

Additional information on NTMs may also emerge from the business survey and broader stakeholder consultations.

#### **Step 2: Prioritisation of the list of NTMs**

The second step involves prioritising the identified NTMs. This is inherently more complex than tariff prioritisation, as NTMs are multi-dimensional and may have non-linear effects. Prioritisation will be based on:

- The scope ('breadth') of the measure (e.g. a narrowly targeted SPS measure in a specific agricultural sub-sector and a horizontal investment restriction that reduces investments across all service sectors);
- The level of restrictiveness of an NTM (e.g. the difference between an NTM that effectively blocks market access and an NTM that adds – for example – 5% to the cost of cross-border trade)

**Step 3: Analysis of the prioritised NTMs**

Once a list of NTMs is gathered and prioritised, the focus will be on a combined quantitative and qualitative analysis to establish the impact of (partially) removing/reducing them. The sources for the analysis are the following:

- A review of draft or proposed provisions in the EU-GCC FTAs/SPAs, including relevant negotiating texts where available.
- Literature on the quantification of NTMs with estimations of ad valorem equivalents (AVEs) of NTMs.<sup>11</sup> This would be the best source, but information on economic quantification of individual NTMs is only sparsely available.
- Established indexes for NTMs, including:
  - Goods trade facilitation: the OECD's Trade Facilitation Indicators (TFI) index;
  - Services barriers: the OECD's Services Trade Restrictiveness Index; and GATS Trade Restrictiveness Index;
  - Investment: the OECD's Foreign Direct Investment Restrictiveness (FDIR) index.
- CGE modelling results, as specified in the Tender Specifications, which include quantification of both tariff and NTM reductions (TS, p. 12). A tariff-only CGE modelling would not be meaningful for the EU-GCC context where NTMs are so important. While only providing overall estimates for the combined effects of NTMs, it is aimed to match these outcomes with individually found NTMs to assign where main bottlenecks are. Especially because in CGE modelling it is possible to separate the tariff from the NTM effects.
- Qualitative information comes from in-depth literature review, inputs from experts and stakeholder consultations (including the questionnaires).

The outcome of this NTM analysis will be a list of key prioritised NTMs with an assessment of their economic relevance and their sustainability impact. This serves to indicate the scope if in the EU-GCC negotiations these NTM/NTMs are (partially) addressed.

**Step 4: Policy recommendations**

The final step consists of drafting policy recommendations and flanking measures to enhance the positive and mitigate the expected negative impact of the EU-GCC FTA/SPAs.

*3.1.4 Review of studies related to EU-GCC trade relations*

A structured literature review will be conducted to support the baseline analysis and to create an inventory of existing studies assessing the potential impact of an EU-GCC FTA, including, where relevant, bilateral configurations (e.g. EU-UAE FTA). The work will include the following steps:

- Previously identified studies will be reviewed and complemented by additional relevant research, covering both comprehensive impact assessments and analyses of specific components of potential agreements (e.g., on agriculture, services, or other specific elements);
- The review will also identify and assess studies addressing sustainability-related impacts, where available;
- Literature relating to potential investment effects in the context of EU-GCC negotiations will be included;
- The identified literature will be summarised in a comparative table including the following elements:
  - The definition of the scope of a study (e.g. geographic and sectoral coverage);

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<sup>11</sup> An ad valorem equivalent (AVE) of an NTM can be viewed as a 'tariff equivalent' value of an NTM. Once expressed as a tariff equivalent, AVEs can be reduced to estimate levels of ambition on NTMs in negotiations. This is a tested and proved methodology since the 2008 NTM study on quantifying NTMs between the EU and US that team member of the research team were involved in.

- Key focus areas analysed;
- Summary of main findings;
- Information about the methodological tools used;
- A comparison of the study outcomes.

This literature review will provide information to policy makers and interested stakeholders and help contextualise and cross-validate the results of the economic modelling provided for this SIA.

### 3.1.5 Wider economic impact (budget, welfare, etc.)

The analysis of wider economic impacts will be based on the results from the economic modelling. These results will be used to provide estimates of the potential effects of the FTA/SPAs on prices, fiscal revenues (including revenues foregone), income and welfare in the EU, the GCC as a region, and individual GCC countries. Based on the findings, policy recommendations and proposals for flanking measures will be formulated accordingly.

### 3.1.6 Foreign direct investment (FDI)

According to Eurostat (2025), in 2023 total EU outward FDI stock in the GCC region amounted to €235.9 billion, while EU inward FDI stock from the GCC reached €215.2 bn.<sup>12</sup> Both EU outward and EU inward FDI stocks to and from the GCC have increased significantly over time, with a peak observed in 2019.<sup>13</sup>

Although the GCC comprises six countries, the data show that the overwhelming share of bilateral FDI stocks is associated with the UAE, underlining its central role within EU-GCC investment relations.<sup>14</sup>

Across EU Member States, FDI exposure to the UAE is unevenly distributed. A limited number of MS (notably, the Netherlands, Italy, Luxembourg, Germany, France, and Spain) account for the majority of EU FDI stocks in the UAE, while other EU MS report comparatively limited or negligible stock.<sup>15</sup>

The analysis in this part will seek to respond to two questions:

1. What are the investment conditions that apply in the EU and GCC respectively and to what extent can they be considered as barriers to realising investment potential?
2. How can these barriers be reduced and what is the role of the EU-GCC FTA/SPAs therein?

The analysis of investment and establishment conditions and their impact on investments will follow four steps:

*In the first step*, a literature review will be conducted on the determinants of FDI and international policy recommendations for attracting FDI, drawing inter alia on work by the International Growth Centre, the World Bank, the OECD, and the UNCTAD. The objective is to identify key policy factors associated with enhanced investment attractiveness.

*In the second step*, a literature review of the current investment climates in the EU and GCC will be undertaken, identifying areas where reforms have improved the business environment as well as where regulatory or policy developments may have reduced investment attractiveness.

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<sup>12</sup> DG Trade, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region_en)

<sup>13</sup> EEAS, EU – GCC Dialogue on Economic Diversification Gulf Cooperation Council (GCC) countries, p. 6, <https://www.eeas.europa.eu/sites/default/files/documents/2023/UAE%20FDI%20report%202023%2002%2007.pdf>

<sup>14</sup> EEAS, p. 7, <https://www.eeas.europa.eu/sites/default/files/documents/2023/UAE%20FDI%20report%202023%2002%2007.pdf>

<sup>15</sup> EEAS, p.16.

*In the third step*, a comparative analysis of the prevailing investment conditions for EU investors in the GCC and GCC investors in the EU will be carried out. This will identify barriers faced by investors on both sides and assess similarities and differences between the two systems. The analysis will be based on a detailed legal review, expert input, and stakeholder consultations. The findings will inform the EU-GCC FTA/SPA negotiations by clarifying the degree of reciprocity in bilateral investment conditions.

*In the fourth step*, the analysis will seek to identify the EU and GCC views on promoting and protecting investments and elements that should be included. This will include legal analysis and complementary interviews focusing on each Party's bilateral and multilateral positions regarding investment agreements and investment promotion. Similarities and divergences between the two approaches will be systematically identified.

Additionally, building on the comprehensive assessment of the current investment climate and the gap between potential and actual investment flows, the potential effects of preferential investment liberalisation under the EU-GCC FTA/SPAs will be estimated using a structural gravity model based on the most recent bilateral FDI data from UNCTAD. This established and scientifically validated approach is described in detail in Annex I.

### 3.1.7 Public procurement

One of the key offensive interests for the EU in the EU-GCC FTA is improving access for EU companies to GCC public procurement. In GCC countries, there is still a strong home bias in procurement. In fact, even within the EU, where there is free and open procurement on a cross-border basis, at least 94% of all procurement is done through local establishments (Kutlinova-Dimitrova and Lakatos, 2014). That is, when German companies, for example, seek to apply for government procurement projects in Portugal, they are more likely to operate from subsidiaries in Portugal rather than to provide goods or services from their domestic establishments.

Depending on the final level of ambition agreed in the public procurement chapter, the EU-GCC FTA/SPAs could influence the amount of government procurement that could happen across borders in both directions.

The analytical approach to public procurement will consist of the following elements:

- *Baseline analysis*: a description of the pre-FTA/SPA situation, including procurement policy frameworks and market access conditions in the EU and GCC countries;
- *Legal analysis*: a review of the positions and draft legal provisions tabled during negotiations, insofar available, relating to public procurement;
- *Descriptive data analysis* (subject to data availability): assessment of the share and value of cross border contracts awarded to EU firms in GCC countries and vice versa, drawing inter alia on relevant studies such as Cernat and Kutlina-Dimitrova (2020);
- *Quantitative analysis*: application of a structural gravity approach to estimate the potential impact of the EU-GCC FTA/SPAs on public procurement flows, assessing the overall value of the Agreement (see section 3.1.7 and Annex I).

The results from this analysis will provide an estimate of the average procurement effect of a bilateral trade agreement and inform the assessment of the potential expansion of cross-border procurement resulting from EU-GCC FTAs.

### 3.1.8 Least Developed Countries (LDCs) (cross-cutting issue)

The impact on LDCs (based on the UN definition of LDCs) will be assessed through a multi-pronged approach. This will combine CGE modelling results with export competition analysis and, where relevant, detailed product-level comparisons of production structures in LDCs, GCC countries, and EU Member States.

This assessment will rely on a country-group disaggregation allowing for differentiated analysis:

- Rest of the Middle East (non-GCC): Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Palestine, Syria, and Yemen (excluding Türkiye). Yemen is an LDC.
- Rest of LDCs: all other LDCs outside the Middle East (to avoid double counting of LDCs).

This approach enables a distinction between potential effects on LDCs in the immediate vicinity of the GCC countries and those further afield.

Using these groupings, the impact of the EU-GCC FTAs on welfare, returns to production factors (e.g. land, labour, capital), prices, trade flows, and CO2 emissions can be assessed. Where sectoral results are available, the analysis will identify sectors that may be particularly positively or negatively affected, thereby informing the consideration of possible flanking measures.

The assessment will first examine economic effects, followed by potential implications for the other sustainability pillars. While global aggregate effects on LDCs are expected to be limited, regional effects—particularly in neighbouring Middle Eastern countries—may be more pronounced. A concise one-page summary of expected impacts on LDCs will be included in the final report. As an additional analytical element, Euromonitor data may be used, where relevant, to provide detailed insights into fast-moving consumer goods markets in selected LDCs, thereby enriching the assessment of potential trade diversion or competition effects. The LDCs are shown in Figure 3.2.

**Figure 3.2: Least Developed Countries**



Source: United Nations (2023)

### 3.1.9 EU's Outermost Regions (ORs) (cross-cutting issue)

A key limitation of the CGE modelling framework (GTAP database) is that the EU Outermost Regions (ORs) are not modelled as a separate regions; rather, they are incorporated within their respective Member States (e.g. Réunion within France). To meaningfully analyse the effect on the EU's ORs, the following approach will be applied:

- *Product-level matching analysis:* a mapping exercise will be conducted to identify products that are economically significant for the EU Ors (in terms of exports and imports, whether vis-à-vis partner countries or intra-EU trade). The analysis will assess the extent to which these products may experience change in market access conditions as a result of the EU-GCC FTA/SPAs.
- *Competition and preference erosion analysis:* where overlap exists between OR production and EU or GCC exports (to each other or to third markets), the analysis will examine the potential for preference erosion or increased competitive pressure in third-country markets.

At the same time, potential opportunities will be assessed. For example, improved access to GCC markets for EU agricultural products – of particular importance for certain OR economies – may create new export possibilities. Given geographical proximity in some

cases (e.g. Réunion relative to Gulf shipping routes), enhanced trade relations could generate new commercial opportunities.

Findings concerning the EU ORs will be integrated, where relevant, across the four sustainability pillars and summarised in a dedicated “horizontal issues” section of the final report. This section will include a concise one-page overview of the expected effects of the EU–GCC FTA/SPAs on the ORs.

### *3.1.10 Wider Middle-East and Türkiye*

#### *Wider Middle East (Non-GCC countries)*

Potential impacts on non-GCC countries in the wider Middle East may arise primarily through trade diversion effects. An EU–GCC FTA could shift trade flows from intra-regional trade in the Middle East towards increased GCC–EU trade, potentially affecting countries such as Jordan, Egypt, Lebanon, and Iraq, unless cumulation provisions or enhanced regional trade facilitation are incorporated.

Also remittances and labour flows may be impacted. GCC labour market policies affect remittance inflows to non-GCC MENA countries. (Skilled) visa access and/or quota provisions in the EU-GCC FTAs could create region-wide ripples. Depending on what is agreed on standards, GSO-aligned standards could become de facto regional benchmarks and convergence could lower compliance costs for GCC neighbours in the Middle East. Any impact of EU-GCC FTAs on transport and logistics infrastructure, via for example logistics corridors, could reshape regional supply chains.

#### *Türkiye*

The EU and Türkiye have been linked through a customs union since 1 January 1996. Under this arrangement, when the EU concludes an FTA, for example with the GCC countries, EU imports from the GCC are likely to increase and so will EU exports to the GCC. For Türkiye, the effects, however, are different. Because of the customs union, when the EU opens up to imports from other countries like the GCC countries, these imports also can enter Türkiye via the EU. However, the gains in the opposite direction – EU exports to the GCC – do not apply to Türkiye, because there is no agreement between the GCC and Türkiye – and because of rules of origin provisions, Türkiye can also not export indirectly to the Gulf countries via the EU. As a result, the often seen effect of a new bilateral EU FTA is that Türkiye’s imports rise while exports do not. This leads to GDP and welfare effects that are expected to be small but do need to be analysed. Since the EU-Türkiye customs union is already in the baseline and the tariff scenario will take the customs union arrangement into account, the modelling results, also for Türkiye will be a realistic simulation of the trade situation the country is in.

Consistent with the approach applied to LDCs and the EU OR, a multi-pronged methodology will be adopted to analyse the impact of the EU-GCC FTAs for the wider Middle-East and Türkiye (separately).

The CGE modelling results (with “Wider Middle East” and “Türkiye” disaggregated) will generate estimates of impacts on welfare, factor returns (land, labour, capital), prices, trade flows, and CO<sub>2</sub> emissions. Where sectoral results are available, sectors most positively or negatively affected in Türkiye and the wider Middle East will be identified, providing a basis for consideration of possible flanking measures.

### *3.1.11 Small and Medium-Sized Enterprises (SMEs) (cross-cutting issue)*

The assessment of impacts on SMEs will follow a structured three-step approach:

#### *Literature and evidence review*

An extensive review will be conducted of studies, workshops, and policy discussions relating to SME engagement in EU-GCC trade relations, including activities conducted under the EU-GCC Dialogue on Economic Diversification framework.

#### *Quantitative assessment of SME participation*

Subject to data availability, the number and distribution of SMEs engaged in EU-GCC trade will be analysed. This may include sectoral and geographic breakdowns to enable a more precise interpretation of modelling results.

#### *Application of the "SME-Test"*

The analysis will apply the "Think Small First" principle as outlined in the Better Regulation Guidelines. Particular attention will be paid to sectors where SMEs may be disproportionately affected, for example (1) where SMEs represent a relatively high share of economic activity within a sector; (2) where CGE results indicate significant sectoral gains or losses. Matching SME intensity with sectoral modelling results will provide an indication of the potential distributional impact of the Agreements on SMEs. The objective of the assessment is to determine whether SMEs are disproportionately affected or disadvantaged compared to large enterprises in the context of current EU-GCC trade and investment relations. To this end, subject to data availability, SME density will be analysed at sectoral level and, where feasible, by geographic breakdown. This will enable a more precise interpretation of the economic modelling results in terms of their distributional impact across firm size categories.

The "SME-Test" will be guided by the following elements:

#### *Consultation of SME stakeholders*

SMEs constitute a central element of the consultation strategy and will be engaged at each stage of the process. In addition, an open public consultation, targeted digital outreach, and meetings with SME representative organisations will provide inputs into the SME impact assessment. The consultation process is detailed in Chapter 4.

#### *Identification of affected businesses*

The analysis will identify whether, and which categories of, SMEs (e.g. micro, small or medium-sized enterprises) are likely to be affected. Where this is not immediately evident, the characteristics of affected sectors will be examined, including (a) the distribution of enterprises by size class; (b) the proportion of employment concerned across enterprise categories; (c) the relative weight of micro, small, and medium enterprises within the sector; and (d) inter-sectoral linkages, including potential effects on subcontractors and suppliers. Additional sources, including organisations representing SME interests, may be used to support this assessment.

#### *Measurement of the impact on SMEs*

The distribution of potential costs and benefits of the EU-GCC FTA/SPAs will be assessed with respect to enterprise size. The assessment will primarily be qualitative, complemented by quantitative analysis where data availability permits. Given that impacts may differ substantially between micro-enterprises and medium-sized firms, a differentiated approach will be applied rather than a uniform treatment of SMEs.

#### *Assessment of alternative mechanism and mitigating strategies*

Based on the findings, specific measures to enhance positive effects or mitigate potential negative impacts will be identified. Where appropriate, recommendations will be differentiated by type of enterprise. The formulation of such measures will follow the guidance provided in the Better Regulation Toolbox.

Finally, subject to data access, Euromonitor SME data (via its Passport Industrial system) may be used to provide additional sectoral insights. This database disaggregates industries by firm size across selected markets, including Saudi Arabia, France, Spain, Italy, and Germany. Where relevant, this information will be used to analyse the composition of SMEs

within sectors identified as significantly impacted by the CGE modelling results. A screenshot of Euromonitor's Passport Industrial system is shown in Figure 3.3.

**Figure 3.3: Euromonitor's Passport Industrial system - screenshot**



Country	Industry	Product	Indicator	Unit	2021	2022	2023	2024	24/25 (%) growth	24/19 (%) CAGR
Saudi Arabia	Soft Drinks	Number of Enterprises	Total	Number	1,305.00	1,320.00	1,514.00	1,583.00	45.44	7.78
Saudi Arabia	Soft Drinks	Number of Enterprises	- micro (0-9 employees)	Number	1,053.00	1,232.00	1,224.00	1,180.00	45.89	2.85
Saudi Arabia	Soft Drinks	Number of Enterprises	- extra small (10-19 employees)	Number	109.00	125.00	126.00	132.00	44.83	7.69
Saudi Arabia	Soft Drinks	Number of Enterprises	- small (20-99 employees)	Number	97.00	111.00	112.00	117.00	43.59	7.50
Saudi Arabia	Soft Drinks	Number of Enterprises	- medium (100-249 employees)	Number	22.00	25.00	25.00	26.00	38.89	6.79
Saudi Arabia	Soft Drinks	Number of Enterprises	- large (250+ employees)	Number	34.00	27.00	27.00	28.00	42.11	7.28
Saudi Arabia	Soft Drinks	Turnover by Number of Employees	Total	\$B million	15,412.31	22,030.50	19,955.40	20,709.99	78.40	12.27
Saudi Arabia	Soft Drinks	Turnover by Number of Employees	- micro (0-9 employees)	\$B million	136.37	376.91	366.36	373.26	69.12	11.08
Saudi Arabia	Soft Drinks	Turnover by Number of Employees	- extra small (10-19 employees)	\$B million	321.58	418.37	396.17	413.22	62.42	10.19
Saudi Arabia	Soft Drinks	Turnover by Number of Employees	- small (20-99 employees)	\$B million	2,944.29	2,605.01	2,400.90	2,481.63	69.37	11.11
Saudi Arabia	Soft Drinks	Turnover by Number of Employees	- medium (100-249 employees)	\$B million	5,698.26	8,066.29	7,351.38	7,648.06	76.45	12.03
Saudi Arabia	Soft Drinks	Turnover by Number of Employees	- large (250+ employees)	\$B million	7,312.71	10,763.92	9,618.60	9,993.82	83.31	12.89

Source: Euromonitor (2025)

### 3.2 Social analysis<sup>16</sup>

The analysis regarding the social impacts of the future EU-GCC FTAs<sup>17</sup> corresponds to section 2.2.3 in the Tender Specifications. Moreover, social impacts will also be assessed in the analysis of cross-cutting areas, such as consumers and gender equality. The analysis in each thematic area will be based on the following four steps, unless otherwise indicated in any of the thematic sections below or required by the Tender Specifications:

**Step 1. Analysis of the real-life situations** in the EU and each of the GCC countries in each of the thematic areas covered by the social analysis, over the last decade (a longer period is proposed to outline developments and values of social indicators in the years preceding the COVID-19 pandemic, the war in Ukraine and the latest global political and economic tensions, which have influenced the labour markets and social situation in the EU and several partner countries). The analysis will include developments until 2024-2025 (or the latest available data), trends in the relevant indicators, and factors influencing the situation. This will help distinguish later effects generated by the FTAs from the influence of other factors.

**Step 2. Heat map** outlining preliminary findings from the social analysis, such as sectors likely to be most affected by the future EU-GCC FTAs, the likely horizontal (priority) impacts, such as impacts for specific groups of workers or impacts in clearly defined thematic areas, as well as the identification of primary information and data sources.

**Step 3. Quantitative and qualitative analysis of potential impacts** of the future EU-GCC FTAs/SPAs in all thematic areas covered by the social pillar. This includes the analysis building on the economic modelling results and the analysis of effects which may result from the future implementation of specific provisions of the FTAs/SPAs, including the Trade and Sustainable Development (TSD) Chapter, provisions on trade and gender equality, and other relevant Chapters, e.g. regarding food safety and the Sanitary and Phytosanitary measures (SPS) or Digital Trade (important for consumers).

**Step 4. Conclusions and recommendations**, as well as proposals for flanking measures aimed at strengthening positive and mitigating any adverse effects of the future EU-GCC FTAs.

<sup>16</sup> A preliminary list of indicators that will be used in the social analysis, as well as a list of identified information and data sources has been provided in Annex II. The preliminary list of stakeholders for consultations during the study has been provided in Annex III and a detailed list of references with links, in Annex X.

<sup>17</sup> EU-GCC FTAs (in plural) are understood as bilateral EU FTAs with individual GCC countries, and the EU-GCC regional FTA.

In each step, relevant information and data sources, as well as analytical tools, will be used. A preliminary list of data and resources for the social analysis is provided in Annex II.

Desk research will be complemented by stakeholder engagement (see the consultation plan, in Chapter 4). Moreover, while the impact analysis will be mainly conducted at the EU level, some data could also be provided for individual EU MS when substantial differences in indicator values are identified between individual Member States and the EU average and to the extent data are available. Data for EU MS will also be used in cases where no data are available for the entire EU27. Data for GCC countries will be provided at the national level (additionally, regional information and data may be provided, when justified and when such data are available).

### 3.2.1 *Impact related to employment*<sup>18</sup>

In this section, the analysis will focus on the effects which the future EU-GCC FTAs may have on employment in the EU and each of the GCC countries (as well as the entire region). It will seek to determine which effects across the EU and GCC countries, sectors and worker groups may be created by the reduction of tariffs and non-tariff measures through the EU-GCC FTAs and the resulting changes in sectoral output and trade and investment flows between the Parties.

*In the first step*, the analysis will focus on trends recorded in the EU's and GCC countries' labour markets, including employment and unemployment levels, and identify growing and declining sectors in each of the Parties, as well as sectors having substantial shares in the total employment. It will also identify characteristics of the labour force, such as education levels or country of origin, which have an impact on the employment situation of certain groups, e.g. low-skilled and skilled workers, as well as migrant workers. The analysis will, moreover, cover an overview of the recent trends in the economy which influence job creation and reduction and determine demand for certain workers' characteristics. Regarding GCC countries, the analysis will also focus on employment segmentation, i.e. a tendency for nationals to seek employment in the public sector and for the private sector to hire migrant workers, notably for low-paid jobs. It will also cover the efforts of the Governments to diversify the economy and employment away from the extraction sector and to increase employment of nationals in the private sector. This part will also include a brief overview of examples of the Special Economic Zones in the GCC countries to identify sectors which operate there. This information will be used to compare the group of sectors operating in the SEZs with sectors likely to be affected by the EU-GCC FTAs to establish whether the FTAs may have an impact on employment in the SEZs (working conditions will be considered separately).

*In the second step*, the analysis will assess quantitative impacts of the EU-GCC FTAs on employment, building on the economic modelling results. The model, to be developed by the European Commission, shall provide an estimation of workers' shifts across sectors for EU27 and each of the GCC countries separately, as well as in a breakdown by skilled and unskilled workers, and different FTA scenarios. Based on this, it will be possible to determine sectors where jobs may be created thanks to the future FTAs and increased trade and investment flows, as well as those (if any) which may potentially face adverse FTA effects and may need support to mitigate them. Preliminary findings will be outlined and analysed in a Heat map, followed by a more detailed analysis.

This part (jointly with the section on working conditions) will also include a more detailed analysis of sectors identified by the model as likely to be affected most by the future EU-GCC FTAs (positively or negatively). This will help to understand their situation better and

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<sup>18</sup> In this section, the analysis will cover all workers, while an in-depth analysis of the situation of chosen groups, such as women, or migrant workers, will be conducted under separate headings.

interpret the modelling results in a more nuanced way. The analysis will finish with conclusions and recommendations.

Given certain limitations of the CGE model in the analysis of employment-related effects, this section will also include short information for the reader regarding those limitations, along with an explanation of how to interpret the modelling results in this context.

### *3.2.2 Impact related to income (wages), poverty and vulnerable groups*

This part of the analysis will focus on effects which may be generated by the EU-GCC FTAs, as far as income is concerned, including impacts on GDP, wages of skilled and low-skilled workers, income inequality and the situation of vulnerable groups in society, like persons living in poverty or being at risk of poverty or social exclusion.

*In the first step*, the analysis will focus on the situation in the EU and GCC countries since 2014 until now, regarding poverty levels, wages and other income sources (e.g. pensions or social benefits), groups in the society being at risk of poverty or social exclusion, and factors influencing the situation. The latter may include the situation in the labour market, price levels and living costs, the coverage by social protection systems, measures taken by governments to support poor families and vulnerable groups, wage setting mechanisms, including minimum wages, and policies encouraging skills development, investment and entrepreneurship..

*In the second step*, relevant preliminary findings will be inserted into the Heat map, and this will be followed by a more detailed analysis. In that part, the analysis will utilise outcomes of the economic modelling to estimate income-related impacts of the FTAs, such as changes in GDP, welfare and wages modelled for low-skilled and skilled workers, at the aggregated (macro) level. Moreover, depending on data availability, a more detailed analysis of income effects will be conducted to determine changes in the real purchasing power of different consumer groups in the EU and GCC countries, which may result from the FTAs. Consumer groups will be established accordingly to their income levels. Additionally, a more granular analysis will be conducted for sectors identified as likely to be most affected by the EU-GCC FTAs (positively or negatively). Building on findings from the analysis related to employment and working conditions, the analysis will seek to determine the income-related effects generated by the FTAs, e.g. how many jobs may be created and lost and in which sectors, if these sectors have multiplying job effects, for which worker categories (low-skilled or skilled) jobs may be created and which may witness job losses (if any), whether the EU-GCC FTAs are likely to contribute to changes in wage levels in the affected sectors, whether there is anything specific regarding location of the affected sectors in the EU and GCC countries, etc. As in each part, the analysis will finish with conclusions and recommendations.

### *3.2.3 Impact related to consumers and consumer rights (cross-cutting)*

This section will examine potential future impacts of the EU-GCC FTAs on consumer rights in the EU and GCC countries.

*In the first step*, to the extent information and data are available, the analysis will focus on the approach in the EU and GCC countries to raising awareness of and protecting consumer rights. This will include policy objectives and practical measures, such as the existence of consumer organisations and market surveillance systems, information about unsafe products stopped at the border or withdrawn from the market, promotion and protection of consumer rights in purchasing transactions, including in digital trade, information provided to consumers, including on labels, and personal data protection, among others.

*In the second step*, preliminary findings regarding potential effects of the EU-GCC FTAs on consumer rights will be marked in the Heat map. The following impact analysis will be

closely linked to the preceding sections and the estimated effects on jobs, wages and prices.

Complementing them, it will focus on the availability, affordability and safety of goods and services for consumers and any changes that may be expected as a result of the EU-GCC FTAs. Based on the outcomes of the economic modelling, the analysis will estimate potential changes in trade flows in consumer-relevant goods and services that the EU-GCC FTAs may induce, and hence, any impacts on their availability. The analysis will also estimate potential impacts on the affordability of goods and services, based on the results of the economic modelling related to prices and wages, as well as the additional analysis of effects on the consumer purchasing power (data permitting). The safety of goods will be estimated based on the available records in the EU (and GCC, if available) market surveillance systems (RAPEX – Safety Gate and RASFF). The analysis will also include a review of text proposals tabled by the EU in negotiations with UAE in parts most relevant to consumers, such as SPS, TBT, Transparency and Good Regulatory Practices, to conclude about the extent to which they address the usually raised consumer interests.

Given an increasing share of digital trade in transactions engaging individual consumers, the analysis will also focus on the current EU and GCC countries' positions in this area, the existing legislative and practical measures, as well as the EU proposal for the Digital Trade Chapter tabled in the FTA negotiations with the UAE to conclude about its alignment with consumer interests and the latest trends in this area. The analysis will finish with conclusions and recommendations.

#### *3.2.4 Impact related to the ILO Decent Work Agenda*

For a better flow and presentation of the analysis, the scope of the ILO Decent Work Agenda has been divided into two parts: (a) impacts on working conditions (i.e. job quality), social protection, and enforcement of labour legislation (labour inspection), and (b) impacts on labour standards as enshrined in the ten ILO fundamental Conventions (this part has been further divided into five thematic sections, each covering two ILO fundamental Conventions). Moreover, while the impact analysis will focus primarily on the effects of the EU-GCC FTAs in their entirety, attention will also be dedicated to potential impacts of the implementation of the Trade and Sustainable Development (TSD) Chapter, as well as engagement with civil society.

#### **Impact on working conditions, social protection and labour inspections**

In this part, the analysis will seek to determine the impacts of the EU-GCC FTAs on working conditions, social protection coverage, and the work of labour inspection, i.e. the enforcement of labour legislation.

*In the first step*, the analysis will focus on the situation and trends observed in the EU and GCC countries since 2014 regarding working conditions. This will include job quality indicators, such as the type and duration of contracts (i.e. permanent contracts, full-time and part-time work, temporary work and other types), the average number of working hours per employee per week, the number or rate of fatal and non-fatal accidents at work, wage levels, including the existence and level of the minimum wage, the duration or frequency of training provided or paid by the employer, and social security coverage. It will also identify factors influencing those indicators, including actions taken by the Governments and the private sector, as well as global trends. The analysis will cover, moreover, differences in working conditions between migrant workers and nationals in GCC countries, as well as sectors where they are employed.

*In the second step*, the analysis will focus on the economic modelling outcomes to identify sectors that are likely to be affected (positively or negatively) by the EU-GCC FTAs/SPAs. Preliminary findings will be marked in the Heat map and followed by a more detailed analysis. At this stage, the analysis of working conditions in those sectors (including those in the SEZs), trends over time, and factors influencing them will be conducted. This will be

followed by an analysis of potential future impacts of the EU-GCC FTAs/SPAs and measures that can be taken to strengthen positive and mitigate any negative effects. In this context, the analysis will also focus on the ratification and implementation of the ILO priority Conventions, including Convention No. 81 on labour inspection (ratified by all EU MS and five GCC countries – all except Oman), as the labour inspection services ensure labour law enforcement. The analysis will identify whether labour inspection operates in all sectors (including those potentially affected by the future FTAs/SPAs) and has access to SEZs. Moreover, the analysis will consider the potential impact of the implementation of the future TSD Chapter in the EU-GCC FTAs/SPAs on working conditions and the operation of labour inspection services. The analysis will finish with conclusions and recommendations.

### **Impact on labour standards**

This analysis will be divided into five thematic parts, each covering two ILO fundamental Conventions.<sup>19</sup> Each of them will follow a similar approach, as outlined below. Also, in each of the areas, where the ILO fundamental Conventions have not yet been ratified, notably not by all GCC countries, the analysis will examine (based on the reporting to the ILO on non-ratified fundamental Conventions and 2014 Protocol on forced labour), the likelihood of their ratification in the foreseeable future.

*In the first step*, the analysis will focus on the situation in the EU and GCC countries and trends observed over time regarding the respective labour standard and the related indicators, factors that have influenced the situation and actions taken by the Parties in that context. In a breakdown by labour standard, the analysis will include (but will not be limited to):

- **Non-discrimination:** identification of groups of workers facing challenges in the labour market and/or discrimination, such as migrant workers, their rates of employment and unemployment, levels of completed education, sectors of employment and other characteristics. This section will also include references to the status of ratification of the ILO fundamental Conventions No. 100 and No. 111, ratified by all EU MS and some GCC countries (Saudi Arabia and the UAE have ratified Conventions No. 100 and No. 111, Bahrain, Kuwait and Qatar have ratified only No. 111, and Oman has not yet ratified any of them (ILO NORMLEX, no date), and their implementation and enforcement.
- **Freedom of association and the right to collective bargaining:** the share of trade union members among workers in the whole economy and in a breakdown by sector (if data are available); the share of workers covered by the collective bargaining, conditions for social partners' operation and their engagement (through different forms of social dialogue) in the design and implementation of policies and legislation. This part will also include a reference to the status of ratification of the ILO fundamental Conventions No. 87 and No. 98, as well as the priority Convention No. 144 by the EU MS and GCC countries.
- **Occupational safety and health:** progress in the ratification and implementation of the two new ILO fundamental Conventions No. 155 (ratified by 20 EU MS and Bahrain) and No. 187 (ratified by 18 EU MS and Saudi Arabia) (data related to fatal and non-fatal accidents at work will be provided in the preceding section on working conditions).
- **Forced labour:** progress in the ratification by the EU MS and GCC countries of the 2014 Protocol to the ILO Convention No. 29 (ratified by 19 EU MS, Saudi Arabia and the UAE), and in implementation of Conventions No. 29 and No. 105 (ratified by all EU MS and GCC countries), as well as evidence related to human trafficking, the number of victims (if available) and purposes of human trafficking, including sectors where labour exploitation has been identified; and actions taken to eliminate forced labour from individual sectors and supply chains.

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<sup>19</sup> These include Conventions No. 100 and No. 111 on equal pay for work of equal value and non-discrimination at work, No. 87 and No. 98 on freedom of association and the right to collective bargaining, No. 155 and No. 187 on the occupational safety and health, No. 29 and No. 105 on the prohibition of forced or compulsory labour and No. 138 and No. 182 on the elimination of child labour.

- **Child labour and poverty:** poverty levels among children and actions taken to reduce it; actions taken to eliminate child labour from supply chains; implementation and enforcement of the ILO fundamental Conventions No. 138 and No. 182 (ratified by all EU MS and GCC countries).

*In the second step*, based on the results of the economic modelling, the analysis will identify sectors likely to be most affected (positively or negatively) by the future EU-GCC FTAs. Preliminary findings will be marked in the Heat map and followed by a more detailed analysis of the respect for labour standards by the Parties in general and in sectors to be engaged in bilateral trade and investment, in particular. The analysis will also consider the extent to which the future EU-GCC FTAs and the TSD Chapter may influence respect for labour standards, including further ratifications by the Parties and the implementation in practice by economic operators. As in each part, the analysis will finish with conclusions and recommendations.

### 3.2.5 *Impact on public policies and services: education and healthcare*

Trade agreements may have an impact on public policies and services, such as education or healthcare, through different channels. On one hand, tariff reductions on imported products may decrease public revenues and the ability to provide funding for public policies and services; on the other, a more dynamic economic activity, such as exports, the related job creation or inward investment supported by an FTA, may generate an additional public income through different types of taxes. Further impacts may be related to the reduction in NTMs (market access barriers) for pharmaceuticals and medical devices, provisions related to trade in services and movement of professionals, as well as agreed provisions on Government procurement, including the possibility to participate in calls for tenders related to healthcare (products and services) and education.

*In the first step*, the analysis will focus on the state of expenditures for education and healthcare in the EU and GCC countries, and other elements of both public policy areas that may be relevant for the impact analysis.

*In the second step*, the analysis will utilise outcomes of the economic modelling related to foregone public revenues resulting from tariff reduction, and the estimated welfare increase, to calculate the balance of positive and negative fiscal impacts, and how this may influence public services given their structure and the funding system. Priority findings will be marked in the Heat map, and afterwards, a more detailed analysis will follow. It will note that the ability to provide public services of a high quality may also depend on other elements of a trade and investment agreement, e.g. the ability to offer to patients specific medical treatment may depend on tariffs for medicines and medical devices, TBT (e.g. requirements for additional registration), as well as the access of foreign suppliers to the Government procurement system for hospitals. Therefore, findings from other parts of the analysis (e.g. related to NTMs/TBT, IPR (with the access to medicines and their prices related to provisions agreed for patents), Government procurement, services, digital trade or human rights) will also be referenced in this context. The analysis will finish with conclusions and recommendations.

### 3.2.6 *Impacts on women and gender equality (cross-cutting issue)*

In this part, the analysis will seek to determine the impacts of the EU-GCC FTAs on women in their different roles as workers, entrepreneurs, traders (including exporters and importers) and consumers. It will be closely linked to and build on the main findings from other relevant parts of the social analysis, notably those related to effects on jobs, income, consumers and working conditions, as well as the economic analysis focused on SMEs. Moreover, it will be complemented by the human rights analysis regarding broader impacts on women's rights, such as those defined in the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

*In the first step*, the analysis will focus on developments in the EU and GCC countries since 2014, regarding the situation of women, separately in each of the analysed roles. For women as workers, the analysis will include a review of their situation in the labour market, comparing it with the situation of men. To the extent data are available, the analysis will cover trends in the same indicators as in the section dedicated to impacts on employment. It will also be conducted similarly, covering data in a breakdown by gender. In addition, the analysis will discuss elements which may support or impede women's professional activity, such as norms which influence working opportunities for women, the availability of transport means (work accessibility) and childcare facilities, the division of family-related responsibilities, the existence of sectoral employment segmentation and gender-based pay gap, and others.

For women as entrepreneurs and traders, the analysis will focus on the share of female entrepreneurs among all professionally active women, the sectors where they operate, the size of women-led and women-owned enterprises, challenges they face, any restrictions in women's economic activity, etc. Finally, for women as consumers, the analysis will build on findings from the overall analysis regarding effects on consumers, while adding data relevant to women, if available, such as the level and type of income received, the share of women living in poverty, and others. The analysis will also note the state of ratification by the EU MS and the GCC countries of the two ILO fundamental conventions: No. 100 (equal pay for work of equal value) and No. 111 (non-discrimination at work) and the technical ILO convention No. 190 on violence and harassment at the workplace.

*In the second step*, the analysis will compare the above findings with outcomes of the economic modelling (notably the collection of sectors likely to be affected by the EU-GCC FTAs and welfare-related impacts) to determine the EU-GCC FTAs' impacts on women. Preliminary findings will be marked in the Heat map and will be followed by a more detailed analysis.

- Focusing on women as workers, the analysis will compare the list of sectors with a significant presence of female workers with the list of sectors identified as likely to be affected (positively or negatively) by the EU-GCC FTAs to determine whether the expected changes in trade and investment flows between the Parties likely to be triggered by the FTAs will generate employment effects in sectors where large shares of women work, and if so, in which way. Likewise, the analysis will seek to establish the situation of women as workers in the remaining sectors identified as most affected by the FTAs (e.g. their share among workers, their position in the job structure compared to men, working conditions offered to women compared to men, etc.) and determine the effects on women in those sectors compared to men. In addition, the analysis conducted in a separate section will seek to establish tariff reduction effects on public revenues and the overall FTA effects on public policies, such as healthcare, education, childcare and other care facilities, which in turn may have an impact on women and their ability to participate in the labour market or to undertake an economic activity. This is because women are often employed in the public sector services, and in addition, the availability of care facilities for children or other (e.g., elderly, or disabled) family members may increase women's participation in the labour market and free them up from unpaid care-related work which they may need to carry out otherwise.
- For women as entrepreneurs, if the relevant data are available, the analysis will compare the list of sectors where women-led or women-owned enterprises operate with outcomes of the economic modelling regarding changes in output across sectors to determine if the EU-GCC FTAs are likely to influence the operation of sectors where women-led enterprises are present, as well as their output and income.
- For women as traders, if data are available, the analysis will identify sectors and products or services manufactured/provided by women-led enterprises engaged in international trade and compare it with FTAs' impacts on bilateral and total exports in individual sectors. Based on this, it should be possible to say whether female traders may be able to increase their exports thanks to the FTAs or if they may have faced increased competition of imports or make use of them.

- For women as consumers, the analysis will use outcomes of the economic modelling related to wages and welfare, as well as the availability and accessibility of goods and services, noting that women often receive lower wages than men and more frequently than men live in poverty. Therefore, women belong to groups which spend a higher proportion of their income on food and are likely to benefit more from a greater availability and accessibility of basic products and wage increases.

This part of the analysis will also seek to determine potential impacts of adopting trade and gender equality provisions as part of the TSD Chapter and their implementation by the Parties. It will build on the provisions tabled by the EU in FTA negotiations with the UAE, while noting that this text represents only a starting point for negotiations and may evolve as the talks progress. Moreover, this proposal does not prejudge in any way proposals that may be tabled and agreed upon in the EU FTA negotiations with other GCC countries. The desk research will be complemented by stakeholder engagement and the analysis will finish with conclusions and recommendations.

### **3.3 Environmental analysis<sup>20</sup>**

The starting point for the environmental analysis will be the elements expected to be included in the FTA/SPAs (identified in Figure 3.4 as “FTA elements”). How these elements could create – directly or indirectly, intended or unintended – an environmental impact (the impact channels) on various areas of environmental performance (the impact areas) is the next step.

The assessment will comprise both qualitative and quantitative components. The qualitative component will include desk research – drawing on extensive literature on environmental protection, climate change, and biodiversity in the EU and GCC (e.g. the policy briefs from the EU-GCC Dialogue on Economic Diversification I) – and stakeholder consultations.

The quantitative component will rely on statistical analysis, trend analysis, CGE modelling results, and broader economic assessments. This will be complemented by a qualitative assessment of how trade agreements may support sustainability objectives and environmental policy coherence.

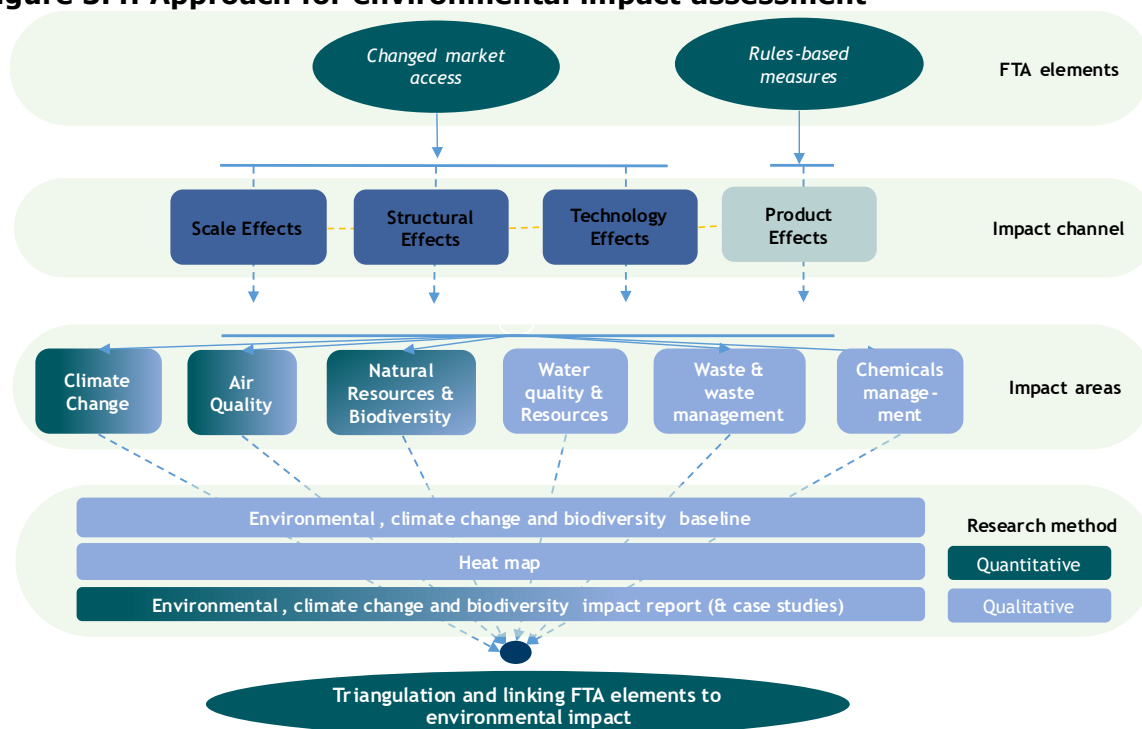
All proposed activities are designed to ensure a transparent, evidence-based assessment. The analysis will focus on the most relevant impact areas through a causal-chain approach that links the proposed FTA elements to the environmental impacts.

#### **FTA elements**

The FTA/SPAs may result in environmental impact in the EU and the GCC as they (1) contain measures easing market access for the signees, such as removing trade barriers and (2) contain several rules-based measures, mostly by means of the provisions in the TSD Chapter. The extent of the environmental impacts will strongly depend on which specific elements will be included in the trade agreement. In its modern trade agreements the EU has consistently applied a TSD Chapter with labour and environmental provisions relevant for its trade relations with partner countries.

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<sup>20</sup> A preliminary list of indicators that will be used in the environmental analysis, as well as a list of identified information and data sources has been provided in Annex II. The preliminary list of stakeholders for consultations during the study has been provided in Annex III and a detailed list of references (bibliography) with links, in Annex X.

**Figure 3.4: Approach for environmental impact assessment**

Source: own compilation

### Impact channels

Any Agreement by definition is expected to create direct environmental impacts through the expected expansion of economic activity, which may lead to higher pollution and GHG emissions, and which can put a strain on bio-resources and may put pressure on vulnerable ecosystems as higher levels of output require more environmental inputs.<sup>21</sup> Trade agreements also create indirect environmental impacts, through structural adjustments in economies and so could specific rules-based trade measures, including the provisions in the TSD Chapter. As a result, there are four impact channels that can be distinguished:

- The **scale effect** - the impact created from increased production as a result of the trade agreement;
- The **structural effect** - the dynamic effect of the trade agreement on the growth and contraction in production in different sectors and its underlying drivers;
- **Technology effects** - impacts triggered through increased efficiencies from increased competition or innovation, including as a result of other policies (e.g. the European Green Deal), or from a transfer in environmental goods and services;
- The **product effect**, if any - impact via changes in production standards, labels or other environmental policies or regulation which may impact the use of goods in a country.

### Impact areas

Ultimately, trade agreements may create impacts in various dimensions of the environment through the different impact channels. The areas of the environment that can be impacted by trade agreements. In line with the SIA Handbook the following impact areas can be defined: **(1) climate change, (2) biodiversity (including national resources), (3) air quality, (4) water quality and resources, (5) waste and waste management (including marine litter and chemical waste).**

### Description of tasks

Taking into account the requirements in the Tender Specifications, this approach includes the following tasks:

<sup>21</sup> Copeland and. Taylor (2014) "Trade, Growth and the Environment". *Journal of Economic Literature* 42.1: 7-71

- **Task 1:** Finetune methodology and focus of analysis;
- **Task 2:** Establish the baselines for the environmental impact areas;
- **Task 3:** Establish the heat map of environmental sustainability issues, to be included in the overall sustainability heat map;
- **Task 4:** Impact assessment (with a focus on two requested impact areas and including lessons learned from relevant case studies);

### *3.3.1 Task 1: Finetune methodology and focus of analysis*

The objective of this task is to refine the methodological approach and to discuss and agree with the Commission on the scope and focus of the SIA, which is deemed crucial for the success and efficiency of the environmental assessment.

When finetuning the methodology, available information on the EU-GCC FTA/SPA negotiations will be taken into account, particularly insofar it helps identify specific areas of interest, potential areas of concern, and opportunities arising from strengthened trade relations. An initial review of analytical reports, statistical data, and relevant literature will be undertaken, where appropriate, complemented by scoping interviews.

This will be used to update the list of indicators, data sources and focus areas, where needed. The information gathered will also be used to further develop the scope of the relevant case studies.

The EU's environmental impacts will be analysed whenever relevant, but it is expected that the analysis, findings, and recommendations will be focused relatively more on the GCC countries and the GCC as a whole. The analysis will include an assessment of the interaction between the potential FTA/SPAs and the ratification and implementation of the multilateral environmental agreements (MEAs).

### *3.3.2 Task 2: Establishing the environmental baselines*

The aim of this step is to gain a brief understanding of the EU's and the GCC's status quo regarding their environmental governance and environmental performance and the likely developments independently of the FTA/SPAs towards the future, in order to aid the heat map development and impact assessment in Tasks 3 and 4.

The baseline will cover all impact areas and assess information, such as the current situation in the EU and GCC in each of these, 'pre-existing vulnerabilities', the MEAs and the state of their ratification and implementation by the Parties (e.g. how they shape the environmental governance framework of the country). The results from the desk research will be crosschecked with interview results from first engagements with environmental stakeholders (e.g. environmental NGOs, and EU and GCC think tanks).

### *3.3.3 Task 3: Heat map of environmental issues*

From the perspective of the environmental pillar, the aim is to establish impact areas that are most likely to be affected by the proposed agreements. The findings from this step will provide the basis for the impact assessment in Task 4. The output will be a table containing key information on the impact areas likely to be affected by the FTA/SPAs and the degree of the likely impact (see further down for the exact parameters to be included in the table) and a separate explanatory note on the scope of the impact.

The heat map will be based on the following information:

- The key environmental variables and issues listed in the TS and the impact areas identified in the environmental baseline (Task 2);
- The environmental information from the EU-GCC trade and investment relationship;

- The environmental baseline that contains information about the key issues and challenges in the EU and the Gulf countries, including so-called 'pre-existing vulnerabilities';
- The state of play and levels of ambition of the ongoing negotiations between the EU and the GCC (countries) in the environmental field;
- The results of the economic modelling that will provide us with information on some environmental variables (e.g., CO<sub>2</sub> emissions, GHG emissions);
- Complementary data, e.g., statistical information on more GHG emissions, land use, waste management; and
- Interview results from first engagements with environmental stakeholders (e.g., environmental NGOs, academia, and EU and GCC think tanks).

The environmental heat map aims to follow the same template as other pillars of the analysis to facilitate comparison and the aggregation of results. The heat map leads to a prioritisation of the impact areas and sectors for the detailed impact assessment analysis in Task 4 for two priority areas (impact areas) for a detailed focus.

#### *3.3.4 Task 4: Impact assessment*

In this step, the analysis will identify and investigate the most significant environmental impact that the EU-GCC FTA/SPAs can create in the impact areas identified in the baselines (Task 1 and 2) and prioritised in the environmental heat map (Task 3). Two priority impact areas in the GCC will be selected for in-depth assessment, based on the results of the main environmental effects of the Agreements in the selected areas, accompanied by a detailed examination of potentially significant positive and negative impacts. This in-depth analysis may be complemented by case studies pointing to specific environmental issues in a particular GCC country.

As outlines in the overall methodology, this environmental impact assessment will cover those impact areas for which baseline data, stakeholder inputs, and economic modelling results allow for quantification of changes. This includes, in particular, GHG emissions (as part of climate change impact area) where the analysis will cover CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O as GHG. In addition, air pollution effects will be assessed by estimating the impact of the FTA/SPAs on emissions of key air pollutants.

#### **Impact on welfare**

Following the estimation of changes in GHG and other air pollutant emissions, the overall environmental analysis will be extended to include an estimation of associated welfare effects. It is recognised that the valuation of the social costs of air pollutants comes with significant error margins and existing estimates are likely to vary largely, depending on assumptions taken, regarding discount rates (how people are assumed to value the future) and the valuation of life benefits.

#### **Consultations**

For the in-depth impact assessments for prioritised impact areas/sectors, further stakeholder consultations will be conducted (in addition to the inputs expected to be gathered via website submissions and the two online survey questionnaires that will contain an environmental component). This will be done to validate the work, fine-tune results and generally increase triangulation.

#### **Reporting**

Findings from the environmental impact assessments for both Parties will be presented in environmental impact reports covering the prioritised impact areas identified.

### 3.4 Human rights analysis<sup>22</sup>

#### 3.4.1 Overall methodological approach to human rights analysis

This section provides an overview of the approach envisaged for the analysis of the potential impact of the proposed FTA/SPAs on human rights. The analysis will seek to respond to the question of whether particular measures in the agreements may lead to direct or indirect impacts on specific human and labour rights in the EU and GCC countries. Under the human rights analysis, also the impact of the FTA/SPAs for CSR/RBC will be covered.

The assessment will examine the potential impacts of the agreements on human rights as set out in the Charter of Fundamental Rights of the European Union, the core UN human rights treaties,<sup>23 24</sup> the European Convention on Human Rights as well as other relevant regional human rights conventions (e.g. the Arab Charter on Human Rights), the ten ILO fundamental conventions, and where relevant customary international law.

In line with the TS, the analysis will be based on the recognised methodology – particularly the EC Guidelines on the analysis of human rights impacts in impact assessments for trade-related policy initiatives (European Commission, 2022), Better Regulation Toolbox (for instance, tool #29 on fundamental rights and human rights) (European Commission, 2023), the UN Guiding Principles on human rights impact assessments of trade and investment agreements (United Nations, 2011), and the UN Guiding Principles on human rights impact assessments of economic reforms (UN, 2019).

The approach will consist of four main steps and will focus on the specific human and labour rights most likely to be affected by particular measures included in the agreements and on the ability of the state parties to fulfil or progressively realise their human rights obligations:

**Step 1: Baseline** – provide a concise overview of the pre-existing (current) human rights situation in the EU and GCC countries, covering both formal obligations (ratification status, reservations) and pre-existing vulnerabilities. Human rights profiles will be prepared using the OHCHR structure-process-outcome framework;

**Step 2: Screening and scoping** – identify specific human and labour rights that are most likely to be affected by the agreements in the EU and each GCC country and clarify their scope and content. A heatmap will present preliminary findings, highlighting both risks and opportunities by sector, cross-cutting area (e.g., gender, CSR/RBC, digital rights), and, where possible, population group.

**Step 3: Detailed analysis of selected rights** – conduct an in-depth legal, quantitative, and qualitative assessment linking FTA provisions to obligations and causal pathways, evaluate risks and opportunities, affected groups, and safeguard adequacy.

**Step 4. Policy recommendations** – formulate prioritised, actionable measures to strengthen positive and mitigate any adverse effects of the future EU-GCC FTAs.

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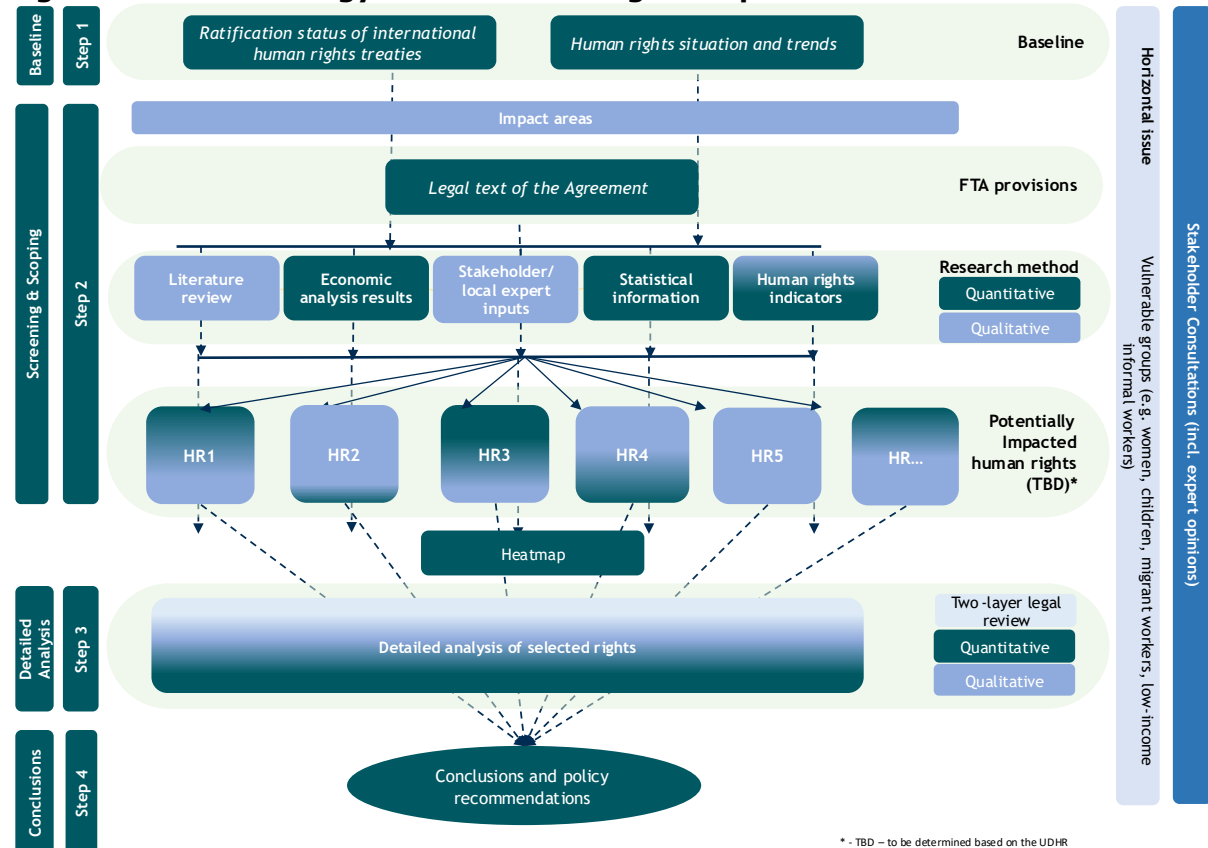
<sup>22</sup> A preliminary list of indicators that will be used in the human rights analysis, as well as a list of identified information and data sources has been provided in Annex II. The preliminary list of stakeholders for consultations during the study has been provided in Annex III and a detailed list of references (bibliography) with links, in Annex X.

<sup>23</sup> As listed in the Handbook for trade sustainability impact assessment (European Commission, 2016).

<sup>24</sup> Core UN human rights treaties include: International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), International Covenant on Civil and Political Rights (ICCPR), International Covenant on Economic, Social, and Cultural Rights (ICESCR), Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Convention on the Rights of the Child (CRC), International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW), International Convention for the Protection of All Persons from Enforced Disappearance (ICPED), International Convention on the Rights of Persons with Disabilities (ICRPD), and their Optional Protocols.

Stakeholder consultation and participation will remain cross-cutting throughout all the stages of the analysis to ensure continuous communication and active engagement of relevant stakeholders who can reflect their concerns with respect to the impact of the Agreements on human rights situations in the EU and each GCC country. Figure 3.5 presents a schematic overview of the approach, which is elaborated in the sections below.

**Figure 3.5: Methodology for the human rights impact assessment**



Source: own compilation

### 3.4.2 Step 1: Description of the current human rights situations in the EU and GCC

This step will establish the international human rights legal obligations of the states-parties to the proposed agreements, their implementation status, and key pre-existing vulnerabilities. The findings from this step will aid the impact assessment in Steps 2 and 3.

The ratification status and reservations of each GCC state with respect to core international human rights treaties will be identified, including binding obligations under the UN human rights treaties, fundamental ILO conventions (as explained in section 3.2.4), and regional human rights instruments. In terms of presentation, the ratification status will be reflected in tables, while additional information regarding ratification, reservations and reporting obligations under human rights instruments will be presented in concise human rights profiles (for the EU as a whole and each GCC state). Data sources will include UN OHCHR and ILO databases.

To map pre-existing conditions of stress or vulnerability, short profiles will be prepared for the EU and each GCC state. These profiles will indicate key human rights issues based on United Nations Universal Periodic Review (UPR) reports, reports of UN monitoring bodies,

reports of international and local human rights organisations, overall human rights indicators.<sup>25</sup>

The baseline will highlight stress conditions and, where possible, identify vulnerable groups (e.g., women, children, migrant and informal workers, persons with disabilities). This approach aims to ensure that the impact assessment is grounded in both legal obligations and actual conditions before the prospective agreements.

### 3.4.3 Step 2: Screening and scoping (heat map)

This stage will identify the rights most likely to be affected by the prospective agreements and prioritise them for detailed assessment. The analysis will rely on specific measures in the textual proposals for the FTAs (when available) and on vulnerabilities established in the baseline. Evidence will be assembled from multiple sources – literature review, results from the economic analysis, inputs from stakeholders and local experts, official statistics, and human rights indicators (see Annex II).

First, impact areas (pathways) will be mapped. Trade and investment agreements typically influence human rights indirectly through economic, legal, and social mechanisms. For instance, provisions on market access and tariff reduction may alter price structures, affecting the affordability of food, medicines, and essential goods. In the GCC context, these pathways will be assessed with particular attention to sponsorship-based labour markets, large migrant-worker populations, reservations to CEDAW that intersect with family and nationality law, civil space, and evolving cybersecurity frameworks that shape privacy and freedom of expression online.

Second, each pathway will be systematically linked to specific human rights and their normative bases, distinguishing absolute rights from qualified rights (in line with Tool 29 of the Better Regulation Toolbox). This will clarify causal chains, the likely direction of the impact (positive and/ or negative), and whether impacts are direct or indirect, without yet assessing compliance, safeguards, or policy space.

Third, a legal mapping will identify draft provisions that could engage the rights flagged above and note any indicative safeguard or exception clauses. This screening-level mapping aims to frame questions for the detailed legal review in Step 3, where compliance, policy space, and safeguards will be tested against states' obligations in practice.

In the GCC context, particular emphasis may be placed on: (1) the enforceability of labour rights in settings where freedom of association and collective bargaining are legally or practically constrained (most GCC states have not ratified ILO conventions C087/C098 and there are restrictions on trade unions). As the analysis and assessment of potential impact in this regard will be undertaken in the social analysis part (see section 3.2), cross-references to that analysis are included in this part, (2) the right to health where IP and regulatory commitments may affect medicine pricing and availability, and (3) privacy and data protection in light of national cybersecurity and content controls, including considerations of compatibility with the EU GDPR.

Fourth, evidence will be compiled using a mixed-methods approach. Quantitatively, the analysis will rely on the modelling results prepared by the Commission (that already isolate

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<sup>25</sup> Qualitative sources will include various reports of the UN human rights treaty bodies, the Universal Periodic Review (UPR), and comment and contributions of different actors to the consideration of these reports, the reports of the UN special rapporteurs on various topics, and other relevant UN documents. These sources will be complemented by reports from such organisations as the European Union Agency for Fundamental Rights (FRA), reports and recommendations of the Council of Europe, the Arab Human Rights Committee, the Arab Permanent Committee on Human Rights, National Human Rights Institutions, and by work of international and local NGOs and academic organisations in this area, e.g. Amnesty International, Human Rights Watch, Bahrain Centre for Human Rights (BCHR), Bahrain Institute for Rights and Democracy (BIRD), Kuwait Society for Human Rights, Kuwaiti Association of the Basic Evaluators for Human Rights, Omani Association for Human Rights, Gulf Centre for Human Rights, National Society for Human Rights, Emirates Human Rights Association (EHRA), and others.

the potential impact of the Agreements) and complementary statistics compiled by the economic team to estimate impacts on wages, employment, welfare, and prices, disaggregated by income and sector where data permit. Qualitatively, expert interviews, consultations, and inputs from National Human Rights Institutions (NHRIs) and local organisations will be used to validate, refine, and contextualise the quantitative findings.

Finally, the potential impact will be prioritised, ranking issues by likelihood, scale, and scope (depending on available data). In line with the EC Guidelines (European Commission, 2022) and making use of the Tool No. 29 of the 'Better Regulation' Toolbox on Fundamental Rights, Including the Promotion of Equality (European Commission, 2021),<sup>26</sup> the scope and the content of the identified rights will be clarified in a concise manner to focus the analysis on those likely to be significantly and directly impacted.

The content of human rights issues will be accompanied by textual explanations, specifying the kind of potential impact, the provisions of the agreement that may trigger it, the causal mechanisms, and, where possible, the population groups most likely to be affected. The outputs of this step will include:

- A concise screening table identifying rights most likely to be affected, with information on their normative basis;
- Indicators of whether rights are absolute or qualified;
- Whether impacts are direct or indirect;
- The expected degree of impact (major/minor); and
- The likely direction of the impact (positive and/or negative).

The findings of this step will feed into the Heatmap of human rights impacts and will form the basis of the impact assessment in Step 3. As stakeholder consultations progress or draft texts evolve, the screening will be updated.

#### *3.4.4 Step 3: Detailed analysis of the selected human rights*

Building on screening and scoping (Step 2), this step will provide an in-depth assessment of those rights most likely to be significantly affected by the prospective agreements or consistently flagged by stakeholders. Whereas Step 2 applied a broad legal and analytical filter to identify potential areas of concern, Step 3 moves from breadth to depth by examining in detail how specific provisions may interact with states' obligations under international, regional, and domestic human rights law, through which causal pathways and with what implications for vulnerable population groups. The analysis will integrate legal, economic, social, and environmental perspectives, and triangulate them with stakeholder input, to identify both risks and opportunities.

#### **Normative and legal assessment**

Building on the analysis carried out in Step 2, the assessment will be anchored in a two-layered legal and normative analysis of selected human rights potentially affected by the prospective trade agreements. The first layer will examine the agreements' substantive commitments, drawing on draft or negotiating texts, official summaries, and precedents from comparable EU trade agreements. Key provisions on tariffs, services liberalisation, investment protection, intellectual property, and digital trade are assessed for their potential implications for the enjoyment of selected rights.

The second layer will situate these commitments within the broader framework of binding international, regional, and domestic human rights obligations. This includes UN core treaties, ILO fundamental conventions, and relevant regional instruments, assessed alongside domestic constitutional and legislative safeguards. Given uneven ratification and reservations, especially across GCC states, each right will be evaluated against the binding obligations of the state concerned. The analysis will also consider institutional safeguards,

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<sup>26</sup> If necessary, the analysis will also make use of Tools 30, 31, and 32 of the 'Better Regulation' Toolbox, if that can assist in the analysis of specific human rights, e.g. right to health.

such as judicial remedies, oversight bodies, and enforcement mechanisms, to assess whether legal frameworks are capable of mitigating risks or reinforcing positive impacts in practice.

For each selected right, the analysis will identify clear causal pathways linking trade provisions to potential human rights outcomes. The assessment will distinguish between direct and indirect impacts, try to identify enabling or constraining contextual factors, and clarify the conditions under which positive or negative effects are most likely to materialise. This approach will move beyond risk identification carried out under Step 2 toward an evidence-based understanding of mechanisms of impact.

### **Quantitative analysis**

Quantitative analysis will complement the legal assessment by estimating the socio-economic effects of the agreements using economic modelling and statistical data. Projected impacts on employment, wages, prices, and access to essential goods and services will be interpreted through a human rights lens and, where possible, disaggregated by gender, income, and sector. These results will be contextualised using internationally recognised indicator frameworks, including OHCHR human rights indicators, ILO Decent Work indicators, OECD well-being and inequality statistics, and UN SDG indicators. While indicators do not measure trade impacts directly, they provide benchmarks that situate projected changes within a broader rights context.

### **Qualitative analysis**

Qualitative evidence will be used systematically to validate and enrich quantitative findings. Stakeholder consultations and interviews provide insight into implementation realities, such as enforcement gaps, institutional constraints, and social norms that shape outcomes. Inputs from public authorities, social partners, civil society, and experts can help explain how projected economic changes are experienced in practice, particularly in contexts where legal protections exist but are weakly enforced. This approach allows that rights-based concerns remain central to the analysis and that findings reflect lived experience rather than modelled outcomes alone.

### **Vulnerable groups and cross-pillar integration**

Depending on available data, the assessment will pay particular attention to vulnerable and marginalised groups, applying an intersectional lens to capture overlapping risks and unequal outcomes. Findings will be integrated across the different pillars of the SIA, linking economic impacts to labour rights and living standards, environmental outcomes to health and water rights, and social analysis to equality and collective bargaining.

#### *3.4.5 Step 4: Policy recommendations and flanking measures*

Based on all stages of the analysis, including stakeholders' consultations, the study team will prepare proposals for policy responses and flanking measures that help strengthen positive and mitigate potential negative impacts of the proposed agreements on human rights, with a particular focus on the human rights of the most vulnerable groups. The recommendations and accompanying measures will identify synergies between TSD commitments in the FTA and the broader EU policy framework, ensuring that commitments are anchored in practical cooperation.

#### *3.4.6 Responsible Business Conduct / Corporate Social Responsibility analysis*

The analysis of Responsible Business Conduct (RBC) / Corporate Social Responsibility (CSR) will adopt a cross-cutting approach that integrates human rights, labour and social issues, and environmental sustainability within a single analytical framework. It will apply to both the EU and GCC and will be presented in the human rights chapter of the assessment, implemented during Step 3.

The methodology will be explicitly aligned with the UN Guiding Principles on Business and Human Rights (UNGP, 2011),<sup>27</sup> the OECD Guidelines for Multinational Enterprises (2011, updated 2023),<sup>28</sup> the OECD Due Diligence Guidance for Responsible Business Conduct (2018), the ILO Tripartite Declaration on Multinational Enterprises and Social Policy (2017),<sup>29</sup> and Ten Principles of the UN Global Compact.<sup>30</sup> At EU level, the methodology will reflect evolving requirements under the Corporate Sustainability Due Diligence Directive (CSDDD, 2024), the Corporate Sustainability Reporting Directive (2022), and the EU Taxonomy framework. Where relevant, links will be made to Sustainable Development Goals (SDGs).

### **Step 1: Normative mapping**

The analysis will begin with a structured normative mapping for the EU and each GCC state, organised around the UNGP Protect–Respect–Remedy framework and applied to labour and human rights as well as environment and climate. This mapping will establish a factual baseline of existing laws, policies, institutions, and sectoral practices, identifying alignment with international standards and remaining gaps.

### **Step 2: Analysis of FTA/SPA provisions**

Building on the baseline, the analysis will examine how provisions in prospective EU–GCC FTAs/SPAs could promote stronger uptake of CSR/RBC. Using draft texts or comparable EU FTAs, it will identify relevant provisions across Trade and Sustainable Development chapters, investment rules, transparency and disclosure requirements, and cooperation mechanisms, including explicit CSR/RBC references.

The assessment will then analyse how these provisions can create pathways for uptake through incentives, obligations, and institutional frameworks. This includes market access conditions linked to sustainability, reporting or disclosure commitments, and joint committees or cooperation platforms that support implementation. Finally, it will evaluate how FTA/SPA provisions reinforce existing national frameworks and international commitments.

### **Step 3: Uptake pathways and sectoral focus**

The third step will analyse how identified provisions may translate into concrete changes in corporate behaviour. It will examine pathways such as reporting and due diligence requirements, reputational drivers, supply-chain governance, and cooperative mechanisms, drawing lessons from implementation experience under existing EU FTAs.

Results from economic modelling will inform a sectoral focus, where EU–GCC trade and investment will be concentrated. Findings will be cross-checked with social, human rights, and environmental assessments to ensure consistency with projected impacts.

### **Step 4: Policy recommendations**

Based on this stepwise analysis, targeted recommendations will be formulated for policymakers, companies, and civil society.

## **3.5 Case studies**

This SIA will conduct four case studies on sustainability impacts which arise from the FTA/SPAs focus issues or negotiations. Case studies represent a unique and suitable tool

<sup>27</sup> United Nations (2011). Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect, and Remedy” Framework: [https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr_en.pdf)

<sup>28</sup> OECD (2011, updated 2023) OECD Guidelines for Multinational Enterprises on Responsible Business Conduct: [https://www.oecd.org/en/publications/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct\\_a0b49990.html](https://www.oecd.org/en/publications/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990.html)

<sup>29</sup> ILO (2022). Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration): [https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40ed\\_emp/%40emp\\_ent/%40multi/documents/publication/wcms\\_094386.pdf](https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40ed_emp/%40emp_ent/%40multi/documents/publication/wcms_094386.pdf)

<sup>30</sup> United Nations Global Compact: <https://unglobalcompact.org/what-is-gc/mission/principles>

to highlight specific sustainability dimensions that are focused and provide in-depth insight into the matter, and therefore can complement the general part of the analysis.

### **Goal of the case studies**

- Provide clarity and insights into opportunities and challenges for trade and investment;
- Analyse barriers to trade, particular to the sector in question, opportunities, and constraints with regard to exporting to the EU and exporting to the GCC (with a particular focus on non-tariff measures and behind-the-border measures);
- Analyse any positive/negative impact that may have arisen from the EU-GCC FTAs; and
- Capture the impact for the economic, social, and environmental sustainability pillars and to SMEs.

### **Structure of the case studies**

The structure of the analysis envisaged for each case study will follow the following steps:

- 1) **Introduction** (short sketch of the context and structure of the case study);
- 2) **Baseline situation** (what is the current situation regarding the case study topic);
- 3) **Provisions in the EU-GCC FTA/SPAs** (insofar known, a short description of the tariff and other provisions likely to be negotiated into the EU-GCC FTAs related to the case study topic);
- 4) **Expected economic effects of the EU-GCC FTA/SPAs** (description of the quantitative economic analyses of the EU-GCC FTAs for trade, production structure and other key economic variables, complementary qualitative analysis and use of stakeholder inputs) – including a write-up of non-tariff measures, the impact for SMEs and opportunities the FTAs could provide and constraints that remain);
- 5) **Expected social effects of the EU-GCC FTA/SPAs** (description of the quantitative social effects of the potential Agreements following from the economic effects (causal chain));
- 6) **Expected environmental effects of the EU-GCC FTA/SPAs** (description of the quantitative environmental effects of the Agreements following from the economic effects (causal chain));
- 7) **Conclusions and policy recommendations** (to summarise the key findings and to make recommendations on how to further improve the EU-GCC FTA/SPAs to support the case study topic – e.g. what remaining barriers to remove to allow SMEs to benefit more; or what flanking measures to add to mitigate any remaining negative environmental effect).

### **Case study stakeholder consultations**

As part of the overall stakeholder consultation approach, stakeholders will also be consulted for inputs on each of the case studies. In particular, inputs on topics related to each of the four sustainability pillars are going to be collected.

### **Case study selection criteria**

Four case studies will be selected based on the following criteria, during the earlier part of the study:

- Importance of an issue for the EU's strategic objectives;
- Importance of an issue from an economic, social, HR or environmental angle;
- Importance of an issue from a sectoral perspective and an individual Gulf country perspective (creating GCC member – sectoral nexus case studies);
- Estimated magnitude of the expected economic (based on the CGE results), social, HR and environmental impact;
- Stakeholder issues of special importance (from the consultation process);
- Characteristics and specificities of the trade agreement under negotiation (i.e. allowing for intra-regional differences between individual EU-GCC member FTAs);
- Issues of particular relevance/importance/sensitivity from a negotiating perspective.

### **Case study selection**

Based on a long-list of potential case study topics emanating from desk research, expert discussions and first stakeholder inputs, the selection criteria have been applied to make

a preliminary (draft Inception Report) selection to propose the following case study shortlist from which to select four GCC country-specific case studies:

1. EU-UAE trade in environmental goods and services;
2. Green hydrogen and green tech collaboration with Bahrain;
3. Women's youth and employment in Kuwait; and
4. Responsible supply chains in textiles or chemicals with Saudi-Arabia.

As back-up topics the following are scoped:

5. Biodiversity impact of the SPAs/FTAs in the UAE or Saudi-Arabia;
6. EU green technology exports from Saudi-Arabia
7. Plastics pollution and marine litter in the UAE or Saudi-Arabia.

For a detailed approach to the selection of these case studies, please see Annex IV.

### **3.6 Contribution to the EU's strategic objectives**

Several strategic objectives (SO) are explicitly identified in the Tender Specifications as central to this SIA. These objectives are integrated throughout the analytical framework:

- Ensuring greater security in the EU's global supply chains through enhanced diversification of supply;
- Providing alternative outlets and sources of supply for EU operators;
- Advancing the digital and green transitions and promoting the EU's approach to trade and sustainability;
- Strengthening the role of the EU as a strategic partner for the Gulf countries.

A careful reading of these strategic objectives demonstrates their direct relevance to the evolving EU trade policy framework and the broader global economic and geopolitical context outlined above.

A dedicated chapter in the Final Report will assess the contribution of the EU-GCC FTA/SPAs to these strategic objectives. At the same time, the strategic objectives will be considered horizontally throughout the study. For example, the analysis of current trade flows and investment stocks between the EU and the GCC will compare the EU's position with that of other major trading partners. Similarly, the assessment of projected changes in trade and investment flows - resulting from tariff liberalisation and reductions in NTMs - will examine how these changes may affect the EU's relative economic position.

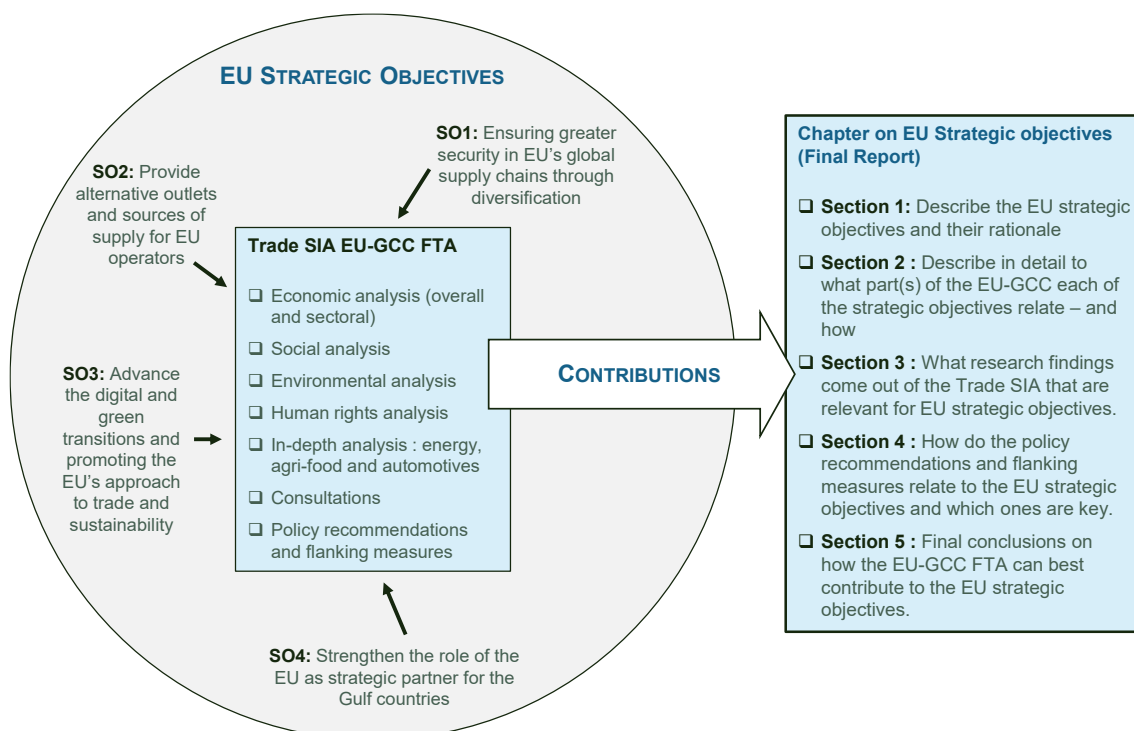
The economic analysis (e.g. tariff reductions, including for environmental goods) and the environmental assessment, including the analysis of a potential Trade and Sustainable Development (TSD) chapter, will evaluate the extent to which EU-GCC FTAs may contribute to sustainability-related strategic objectives. The selection of specific sectors for in-depth analysis - such as agri-food, energy products, and automotive - will further support this assessment. Figure 3.6 illustrates the overall approach to integrating the EU's strategic objectives into the study.

The structure of the dedicated chapter in the Final Report will be as follows:

- **Section 1** will present the EU strategic objectives and explain their underlying rationale and policy context.
- **Section 2** will analyse how each strategic objective may be linked to specific elements of the EU-GCC Agreement. For example, SO 1 (supply chain security) is closely linked to the scope and ambition of tariff and NTM reductions. Tariff liberalisation and regulatory convergence may increase bilateral trade flows, thereby strengthening the EU's share in GCC exports and increasing the GCC's share in EU imports.
- **Section 3** will identify how the EU-GCC FTA/SPAs may contribute to the EU's strategic objectives by synthesising relevant findings from each sustainability pillar. The analysis will draw on four key indicators:
  - Changes in the number of products imported bilaterally between the EU and the GCC;

- The evolution of the share of imports originating from the GCC in total EU imports and from the EU in total GCC imports (based on CGE projections using 2024 data as baseline);
- The degree of source-country diversification, measured using the Herfindahl-Hirschman Index (HHI);
- The role of SMEs in strengthening supply chain resilience.
- **Section 4** will identify areas where sustainability recommendations and flanking measures may simultaneously support the EU's strategic objectives.
- **Section 5** will present overall conclusions on how EU-GCC FTA/SPAs may best contribute to the EU's strategic objectives, identify key elements that would need to be successfully negotiated, and outline complementary policy measures that may be required.

**Figure 3.6: Strategic objectives, rationale and methodological approach**



Source: own compilation

### 3.7 Conclusions, policy recommendations and flanking measures

#### Conclusions

Conclusions will be derived from the evidence and findings generated under the various analytical tasks and will be presented in line with the structure of the Final Report. Where relevant, conclusions may also address additional issues that emerge during the course of the SIA. In formulating conclusions, the following principles will be applied:

- The number of conclusions will be limited to those that are substantiated and analytically robust.
- Any value judgements not fully supported by evidence will be clarified or removed to ensure transparency and objectivity.
- Conclusions will be synthesised into an overall ex-ante assessment of the potential EU-GCC FTA/SPAs.
- The conclusions will be reviewed to ensure balance and to avoid systematic bias towards either positive or negative assessments. Where critical findings arise, they will be framed in a constructive manner that supports actionable follow-up.

#### Policy recommendations

A clear distinction will be maintained between analytical conclusions (which do not imply action) and policy recommendations (which are action-oriented and derived from those

conclusions). Recommendations will be formulated in accordance with the requirements set out in the Tender Specifications. In particular, they will be clear and specific in defining what action is required; clearly addressed, identifying the relevant addressee(s); actionable and feasible from a technical, legal, and financial/resource perspective; formulated in an operational and action-oriented manner.

### **Flanking measures**

In addition to recommendations relating directly to the content of the EU–GCC FTA/SPAs, flanking measures will be proposed. While policy recommendations concern provisions within the Agreements, flanking measures refer to complementary actions outside the core trade provisions that may support implementation and enhance sustainability outcomes. Such measures may include sector-specific initiatives or horizontal actions that could be integrated into broader implementation roadmaps.

To the extent possible, policy recommendations and flanking measures will be:

- Assessed in terms of utility, feasibility and conditions for successful implementation;
- Clearly defined in terms of timeframe and target audience;
- Clustered and prioritised to enhance clarity and usability;
- Contextualised by acknowledging where positive developments are already underway, in order to avoid misinterpretation or duplication of existing efforts.

## 4 CONSULTATION STRATEGY

### 4.1 Overall approach and scope of activities

Stakeholder engagement constitutes a core deliverable of this SIA, particularly in light of the critical positions adopted by some stakeholders with regard to trade agreements in general, and potentially the EU-GCC FTA in particular (e.g. in relation to fossil fuels and energy, as well as labour and human rights considerations).

This section presents the Stakeholder Consultation Strategy, which will be further refined and fine-tuned during the Inception Phase of the project. The consultation process is a fundamental component of the Trade Sustainability Impact Assessment methodology. The Technical Specifications emphasise this element, stating that SIAs consist of two equally important and complementary components, including: "(ii) a continuous and wide-ranging consultation process which ensures a high degree of transparency and the engagement of all relevant stakeholders in the conduct of the SIA inside and outside the EU".

The proposed consultation activities are structured around five pillars (see Figure 4.1):

#### 1. Pillar 1: Civil Society Dialogue (CSD) meetings in the EU

- a) Two CSD meetings with EU civil society stakeholders;

#### 2. Pillar 2: Stakeholder consultations in the EU and GCC countries

- a) Online survey for businesses and SMEs in the EU and GCC;
- b) Dedicated SME stakeholder engagement in the EU and GCC;
- c) Interviews and meetings with stakeholders in the EU and GCC;
  - i. Online
  - ii. Face-to-face (two study visits to GCC countries and meetings in Brussels)
- d) Four online seminars (two in the EU and two in the GCC) to broaden stakeholder outreach.

#### 3. Pillar 3: Online Public Consultation

- a) Open public consultation accessible to all interested stakeholders.

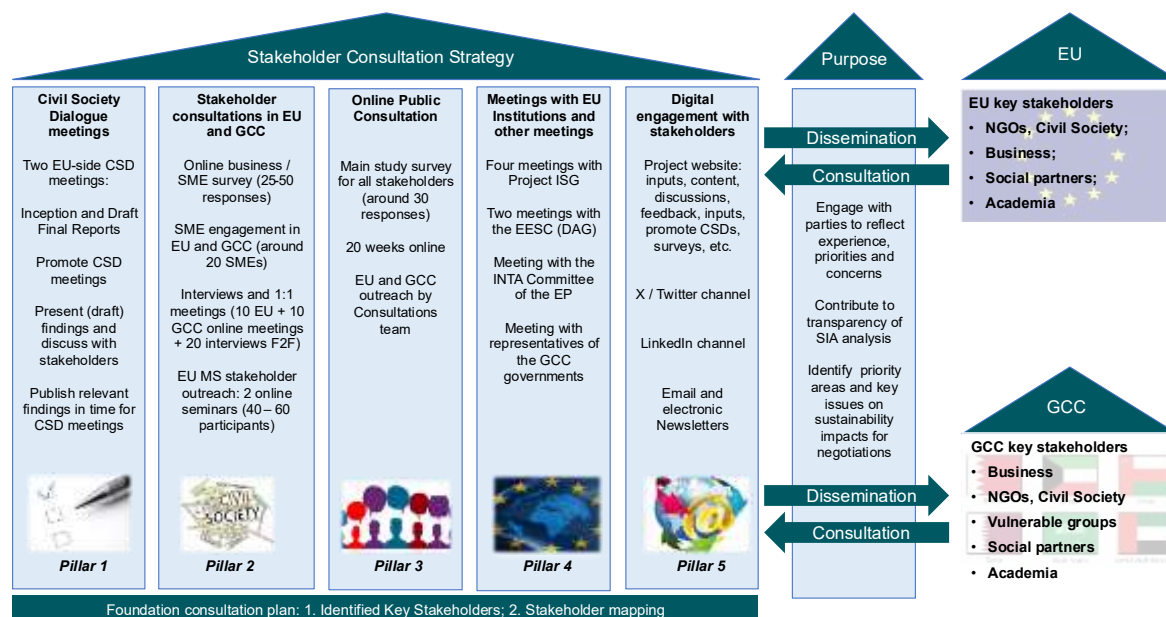
#### 4. Pillar 4: Meetings with EU institutions and other meetings

- a) Four meetings with the Inter-Service Steering Group (ISSG);
- b) Two meetings with the European Economic and Social Committee (EESC);
- c) A meeting with the INTA Committee of the European Parliament (if considered necessary);
- d) An online meeting with representatives from GCC governments.

#### 5. Pillar 5: Digital engagement with stakeholders:

- a) A dedicated project website;
- b) A social media strategy;
- c) Additional digital outreach channels, as appropriate.

Consultation activities have commenced with a preparatory phase, including stakeholder mapping in the EU and GCC countries, as outlined below. Annex III presents preliminary lists of EU, GCC, and international stakeholders identified to date. Annex V describes the risk management approach related to consultations. Annex VI provides the overall SIA timeline, including consultation-related milestones. These elements will be continuously updated as the study progresses.

**Figure 4.1: Consultation plan: five pillars and links to stakeholders**

Source: own compilation

## 4.2 Stakeholder mapping

This section outlines the stakeholder mapping process for the EU and GCC countries, focusing on stakeholder coverage, identification of gaps, collaboration dynamics, the role of international organisations, and overall strengths and limitations.

### Stakeholder coverage

- Stakeholder coverage across the four sustainability pillars (economic, social, environmental, and human rights) is broadly comprehensive. Non-governmental organisations (NGOs), trade unions, employers' associations, research institutions, and public sector are more horizontally organised across sustainability pillars;
- In the EU, business stakeholders constitute the largest stakeholder group. Their high number reflects the degree of sub-sectoral specialisation and representation. Among GCC stakeholders, business actors also represent a comparatively larger share relative to civil society organisations;
- The sector-specific coverage is very strong and diversified among business stakeholders in the EU and GCC, and very similar when split out between agriculture, manufacturing, and services.

### Addressing gaps in stakeholder representation

- Sectoral coverage is ensured by both (sub)sector business organisations and horizontal coverage across the sustainability pillars by social partners, other civil society organisations and international organisations;
- For each sustainability pillar, stakeholder representation is considered robust in both the EU and the GCC, including engagement with regional and grassroots actors;
- Larger organisations and well-established actors generally have greater capacity to participate in consultations than stakeholders operating exclusively at provincial or grassroots levels in geographically remote areas.

### Role of international organisations

The identified international organisations are highly relevant for providing inputs relevant to both the EU and GCC contexts, particularly in areas such as labour standards, human rights, environmental protection, and development cooperation.

### Access to consultations

Differences may exist among stakeholder groups regarding access to consultations and the resources available for participation. This challenge will be addressed through:

- Targeted outreach to GCC stakeholders, in cooperation with local partners, and continuous updating of stakeholder lists as the study progresses;
- A broad and multi-pronged approach to stakeholder engagement, combining digital tools, surveys, interviews, seminars, and institutional meetings.

#### **Youth voices and diaspora input**

To further strengthen stakeholder inclusiveness, two additional target groups will be explicitly approached:

- **Youth voices:** Engagement with young entrepreneurs and green start-ups in the GCC, including through GCC Chambers of Commerce, to incorporate forward-looking perspectives and reflect the views of the next generation of economic actors.
- **Diaspora input:** Outreach to Arab diaspora business networks in Europe, which may provide bridging perspectives and insights relevant to EU–GCC trade relations.

### **4.3 Pillar 1: Civil Society Dialogue (CSD) meetings**

Engagement with EU civil society will take place primarily through DG Trade’s Civil Society Dialogue (CSD) mechanism, which provides a structured forum for regular exchanges between civil society stakeholders and the European Commission on EU trade policy.

Under this pillar, it is proposed to organise CSD meetings to present and discuss: the two main reports produced under the SIA: the (Draft) Inception Report and the (Draft) Final Report.

To ensure that these meetings are effective in presenting ongoing work, gathering feedback, and incorporating stakeholder input into subsequent analysis, draft reports will be circulated well in advance of the meeting (minimum 10 days) to allow participants sufficient time for preparation.

Presentations will be concise and accessible, avoiding unnecessary technical detail. To facilitate focused discussion, specific themes and questions will be identified in advance, highlighting areas where stakeholder input is particularly sought. While written policy positions submitted by stakeholders will be carefully reviewed, meetings will prioritise interactive discussion rather than reiteration of written submissions.

Particular attention will be given to engagement with the EESC, to gather structured feedback on the overall EU–GCC FTA framework and, in particular, on the TSD chapter.

### **4.4 Pillar 2: Stakeholder consultations in the EU and GCC**

As part of the broader stakeholder outreach in the EU and GCC, five complementary activities are proposed:

1. An online survey targeting businesses (in particular SMEs) in the EU and GCC;
2. Online and face-to-face interviews and one-to-one meetings with stakeholders;
3. Two regional study visits to GCC countries;
4. Two online regional seminars for the EU Member State stakeholders; and
5. Use of existing platforms and events to engage with stakeholders.

#### **1. Online Business/SME survey**

In parallel with the Open Public Consultation (see section 4.5), which targets the general public, a dedicated online survey will focus on the potential impact of the Agreements on businesses, particularly SMEs.

The survey will include a clear and accessible explanation of the EU–GCC FTA/SPAs and the purpose of the questionnaire. It will be available in English; however, responses submitted in other languages will also be processed.

Additional SME-focused outreach activities will complement the survey. The draft business/SME survey is provided in Annex IX.

## **2. Online and face-to-face interviews and one-to-one meetings**

Engagement with key stakeholders via interviews and meetings is important to obtain more in-depth information and perceptions on specific issues as well as to get feedback on draft findings of the study.

### *Online meetings*

A series of digital interviews and one-to-one meetings will be conducted with private sector representatives, civil society organisations, social partners, and other key stakeholders in both the EU and GCC.

The flexibility of online engagement will allow targeted outreach at appropriate stages of the analysis. Written submissions will also be encouraged, particularly from membership-based organisations that may wish to consult internally before providing consolidated positions.

### *Face-to-face meetings*

Face-to-face (F2F) interviews and meetings are organised in both the EU and the GCC. In the EU, meetings will primarily take place in Brussels with trade associations, the EESC, civil society organisations, and other relevant stakeholders. Where feasible, these meetings will be scheduled alongside CSD meetings to ensure efficient use of time and avoid duplication of explanation.

## **3. Two regional study visits to GCC countries**

Two study visits to GCC countries will be organised to conduct in-person interviews and meetings with stakeholders from business, civil society, research institutions, and youth organisations. Approximately two days per country are envisaged, with potentially longer stays in Saudi Arabia and the United Arab Emirates, reflecting their economic scale and stakeholder density.

If deemed useful, the project manager may also engage with the teams of the ongoing flagship EU–GCC cooperation initiatives (e.g. the EU–GCC Dialogue on Economic Diversification II and the EU–GCC Dialogue on the Green Transition) or participate in relevant events organised under these frameworks.

English will be the primary working language; however, English–Arabic interpretation will be available for all individual meetings in the GCC.

## **4. Two online regional seminars in the EU**

In addition to EU level engagement, outreach will extend to stakeholders in EU Member States. To ensure feasible yet meaningful coverage, two regional online seminars will be organised in cooperation with EU Delegations in the Member States.

These seminars will provide opportunities to present draft findings to a broad range of stakeholders across Member States and to gather feedback. The primary objective will be to foster open discussion among diverse participants, including businesses, social partners, civil society organisations, international organisations active in EU Member States or GCC countries, academics, and think tanks.

## **5. Using existing platforms and events to meet with stakeholders**

Many activities are already ongoing between the EU and GCC. The study team is very aware of several of these and aims to carefully check agenda's and events or other opportunities that arise that could be instrumentalised to help this SIA reach out to stakeholders. Some of the relevant platforms are:

- Side meetings organised in the margins of formal EU–GCC meetings (e.g. the EU–GCC Dialogue on Trade and Investment, the EU–GCC Macroeconomic Dialogue, and meetings of the EU–GCC Joint Cooperation Council);
- Events organised under flagship cooperation projects, notably the EU–GCC Dialogue on Economic Diversification II and the EU–GCC Dialogue on the Green Transition (“Building a Sustainable Future Together”);
- Events organised by EU Delegations in the Gulf region or in EU Member States;
- Relevant events organised through projects implemented by the Gulf Research Council (GRC), including research initiatives on labour and migration, climate change, and biodiversity.

The study team will actively monitor relevant calendars and maintain close coordination with project teams and institutional partners to maximise outreach opportunities.

#### **4.5 Pillar 3: Open public consultation**

The main questionnaire for the SIA is the ‘Open Public Consultation’ (OPC), which invites all interested stakeholders to provide views and input. The OPC questionnaire is presented in Annex VIII.

This general questionnaire is addressed to everyone in the public, all interested parties from the EU, GCC countries, and other countries, including public institutions, trade unions, non-governmental organisations, academia, think tanks, other organisations, and individual citizens.

It covers questions relating to the potential impacts of the Agreements under negotiation across all sustainability pillars and relevant economic sectors. It also addresses potential implications for economic operators and specific population groups, including consumers. The final section of the questionnaire focuses on the EU strategic objectives.

The general questionnaire will be available in English, French and German, while the business survey will remain in English. Both questionnaires will be published on the EU survey portal and will remain open for approximately 20 weeks (excluding the August holiday period) to allow sufficient time for responses.

Stakeholders will also be encouraged submit additional written information, data, and formal position papers alongside their survey responses. All responses will be handled in full compliance with applicable data protection rules. Relevant input will inform the analytical work throughout the study.

A summary of the consultation outcomes, including results from the OPC and other engagement activities, will be presented in a dedicated consultation report.

#### **4.6 Pillar 4: Meetings with EU institutions and other meetings**

Close engagement with the European Commission and the European External Action Service (EEAS) constitutes the fourth pillar of the consultation process. This engagement focuses both on project management and on substantive discussion of deliverables at each stage of the study.

Four formal meetings are planned in total:

- A kick-off meeting (held in January 2026);
- One meeting following submission of the Draft Inception Report;
- One meeting following submission of the Interim Report;
- One meeting following submission of the Draft Final Report.

Indicative dates for these meetings are included in the proposed timeline for the project, see Annex VI). Each meeting will include a presentation by the study team, followed by comments and guidance from the ISSG.

In addition to ISSG meetings, engagement with the European Economic and Social Committee (EESC), the European Parliament’s INTA Committee (where appropriate), and representatives of GCC governments and/or the GCC Secretariat may be organised as relevant to the progress of the negotiations and the analytical work.

#### 4.7 Pillar 5: Dedicated website and other electronic communication

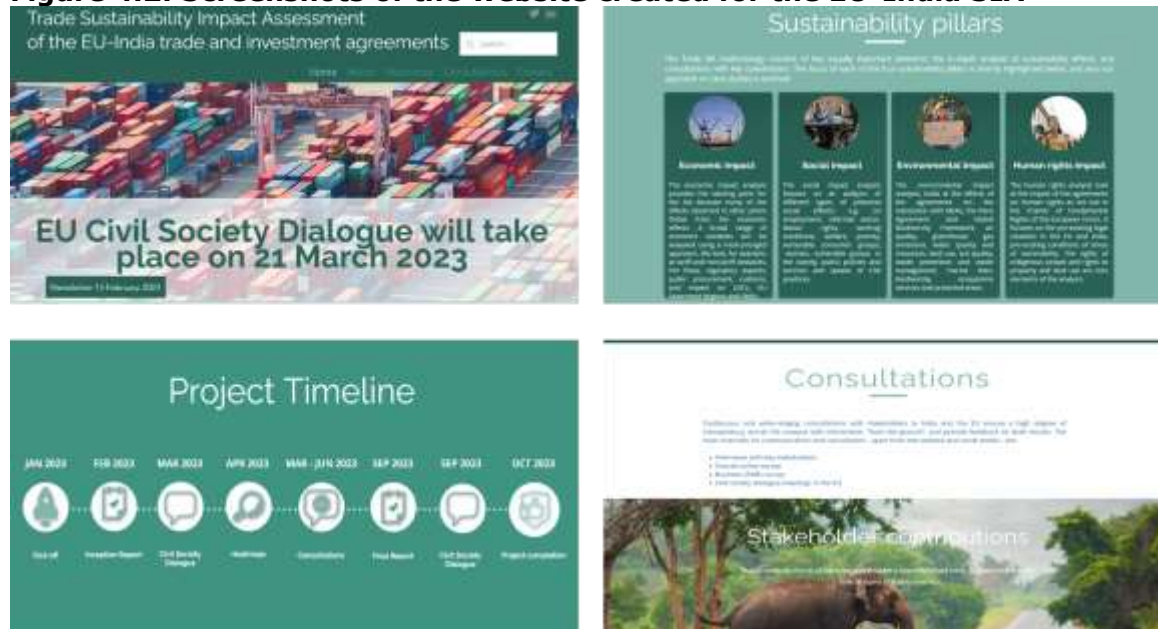
##### The website

A dedicated project website has been established ([www.eu-gcc-tsia.eu](http://www.eu-gcc-tsia.eu)) and includes the following elements:

- A homepage presenting the study and an indicative timeline;
- Link to the social media account (X);
- A contact form enabling stakeholders to provide feedback and contact the study team;
- A section outlining detailed information about the study and its components;
- A resources section where deliverables and other study outputs will be uploaded;
- A section containing background documents, guidelines, and relevant external links;
- A consultation section providing information on consultation activities, including minutes of CSD meetings, newsletters, links to online questionnaires, and stakeholder contributions;
- A subscription link for the study newsletter.

Figure 4.2 presents screenshots of the website created for the EU-India SIA as an illustration.

**Figure 4.2: Screenshots of the website created for the EU-India SIA**



The website will be regularly updated throughout the study to ensure timely publication of deliverables and relevant information, thereby facilitating transparency and stakeholder engagement.

##### Social media tools

Social media will be used as a complementary dissemination channel to support transparency and stakeholder outreach throughout the study. Information on key milestones, such as the publication of deliverables, the launch of consultations, and upcoming engagement activities, will be shared via existing professional communication channels managed by the study team.

These channels may be used to:

- Announce the publication of study deliverables and main findings;
- Inform stakeholders of the launch of online consultations;
- Provide reminders of consultation deadlines and engagement opportunities;
- Share information on stakeholder meetings and consultation outcomes;
- Direct stakeholders to relevant updates and resources related to the study.

Social media communication will complement, but not replace, the dedicated project website and formal consultation mechanisms.

### **Electronic newsletter and direct communication**

A dedicated project contact channel will be maintained to facilitate direct communication with stakeholders throughout the study. This channel will be accessible via the project website and will serve to:

- Inform stakeholders of upcoming events, the publication of draft reports, and other key milestones (e.g. the launch of online consultations), including relevant timelines;
- Invite and receive written inputs, such as comments on draft reports, additional data and evidence, case study topics, and suggestions for further stakeholder outreach;
- Send questions and information materials to facilitate preparation for meetings and one-to-one interviews;
- Promote awareness of other tools (e.g. access to study documents via the website and updates via social media channels).

In addition, a limited number of SIA newsletters will be issued at key milestones of the study to inform stakeholders of progress and invite further input. The first newsletter will, for example, announce the launch of the project and outline the main forthcoming activities.

Where appropriate, key information regarding the study will also be disseminated through relevant Commission communication channels (e.g. EU trade newsletters) and through outreach networks of other institutional stakeholders, including the EESC.

## 5 STUDY WORK PLAN – MAIN OUTPUTS AND TIMELINE

As outlined in section 2.2, the study is structured into three phases, the Inception Phase, the Interim Phase, and the Final Phase. The main outputs expected at each stage are listed below. In line with the TS, the proposed overall timeline is presented in Annex VI. Key deadlines for selected deliverables are also indicated below.

### The Inception Phase:

- Draft Inception Report (i.e. the present report, maximum 50 pages) to be submitted one month after the kick-off-meeting, with a deadline of 16 February 2026;
- Development of tools for stakeholder engagement by the time of final approval of the Inception Report (including a dedicated project website, two draft questionnaires for public online consultation, social media accounts);
- First Civil Society Dialogue (CSD) meeting, envisaged for 19 March 2026;
- **Deliverable 1:** Final Inception Report to be finalised and approved by 6 April 2026.

### The Interim Phase:

- **Deliverable 2:** Heat Map (maximum 6 pages), to be submitted by 20 April 2026. This document will summarise preliminary findings from the baseline analysis (screening and scoping), identify issues requiring further analysis, and highlight sectors most likely to be affected by the Agreements;
- **Deliverable 3:** Powerpoint presentation, envisaged for 25 June 2026;
- **Deliverable 4:** Submission of selected draft chapters (work in progress; approximately half of the future Draft Final Report) by 21 July 2026;
- Online consultations to be conducted during the Interim Phase, following their launch during the Inception Phase.

### The Final Phase:

- **Deliverable 5:** Draft final report (maximum 220 pages) due by 21 December 2026 (the envisaged outline of the Draft Final Report is provided in Annex VII);
- The Inter-Service Steering Group (ISSG) and CSD meetings on the Draft Final Report, envisaged for January 2027;
- **Deliverable 6:** Final Report to be finalised and approved in March/April 2027.

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