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**The Agadir
Agreement
and Open
Regionalism**

Steffen Wippel



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The Agadir Agreement
and Open Regionalism:

The New Forum
for Integration on the Southern Shore
of the Mediterranean in the
Context of Multiple Regional Orientations

Steffen Wippel

Steffen Wippel studied economics, complemented by some Islamic Studies, at the universities of Freiburg im Breisgau and Aix-en-Provence. After that he was research assistant at the Department for Middle Eastern Economics at the Free University of Berlin where he finished his doctorate on Islamic economic and welfare institutions in Egypt. As a research associate at the Zentrum Moderner Orient (ZMO) at Berlin he worked on material and cognitive aspects of Morocco's regional co-operation with Europe and with sub-Saharan Africa. At present he is research fellow at the ZMO.

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Morocco, Tunisia, Egypt and Jordan took the decision to combine their bilateral trade arrangements to form a common free trade area at a time when Arab Mediterranean countries saw the increasing need for more regional integration. At the same time the issue did not progress any further in the Arab world. This paper will focus on several institutional and geographical aspects of economic integration under the Agadir Agreement and the context in which it was realised. Some introductory remarks will highlight the background of the agreement, focusing on the worldwide growing regionalisation and some of its characteristics, as well as on the progress of the Euro-Mediterranean Partnership (EMP).

The second chapter presents the steps towards greater economic integration of the four signatories of the Agadir Agreement, the final outcome of which is to be a wider Mediterranean Arab Free Trade Area (MAFTA). Among the provisions of the agreement, common rules of origin will be of special interest. The subsequent chapter deals with the economic relations between the Arab Mediterranean countries and will focus on trade volumes, shares and intensities since the 1990s. The next chapter examines the conflicting or complementary relation of the Agadir Agreement to other regional orientations of its current and potential member states, mainly in the rest of the Arab world and sub-Saharan Africa. It first of all explores their participation in regional institutions and goes on to analyse existing directions of trade. A special section examines conflicting trade provisions. Another chapter looks at the mental maps of observers and local agents. It concentrates on Moroccan opinions voiced on the country's regional affiliations and the significance of the Agadir Agreement in relation to other regional groupings. In conclusion, final proposals will discuss the multiple options in overlapping economic areas and possible adjustments to effect a viable and advantageous integration in the region.

Since the 1980s, the world has experienced growing "regionalisation". This process is as much a component of accelerated globalisation in the sense of stabilising compartmentalisation as it is a transitional space for a global opening, and at the same time a counter-movement to it. All three aspects frequently manifest themselves simultaneously. Regionalisation is understood here as the social constitution of world regions that cross national boundaries at macro, meso- and micro levels.¹ The term refers in equal measure to politically induced, institutional processes "from above" and the emergence of regions "from below" arising from a multitude of individual transactions concentrated in specific geographical areas.² At the same time, the "material" forces in these processes interact with "cognitive" forces, such as perceptions, interests and ideas. The regions created do not necessarily have to be contiguous in form or only cover traditionally conceived regions³, but can also be "intermediate" or any other imaginable parts of the world's surface. They are frequently characterised by changing and "fuzzy"⁴ internal and external borders.

Current regionalisation is reflected at institutional level by a growing number of political and economic regional integration agreements (RIAs). This paper focuses on economic co-operation without neglecting the high degree of political interaction involved. RIAs do not always follow the traditional concept of linear step-by-step integration schemes ranging from "preferential trade zones" to comprehensive "economic and monetary unions". Both their objectives and their impact include not only increasing trade and wealth, but cover a wide range of economic, political and spatial aspects, as demonstrated in particular by the interdisciplinary "New Regionalism Approach" (NRA).⁵ Common to this heterogeneous set of considerations is the focus on the multitude of forms, contents, actors, objectives and effects involved, the stressing of openness, ambiguity, and differentiation, as well as the overlapping and intertwining of geographical areas, the institutions and contents of regionalisation, and finally the taking into account of different levels of "region-ness".

Instead of clearly defined forms, we can only describe some of the "patterns" of regionalisation, which are flexible and can adapt to different circumstances. The European integration process, for instance, certainly did not develop as coherently as is frequently perceived: "differentiated integration" does not apply solely to future development⁶, but has always been a reality, the result of the inner and outer differentiation of co-operation fields, timetables and geographical coverage. Market-based processes led to tight, *de facto* intra-regional linkages between Asian-Pacific countries. "Open regionalism" is a key feature in the region, allowing several regional

Introduction

1. See, for example, the book series Andrew Gamble and Anthony Payne (eds.), 1995, *Regionalism and World Order*, Basingstoke: Macmillan; Glenn Hook and Ian Kearns (eds.), 1999, *Subregionalism and World Order*, Basingstoke: Macmillan; Shaun Breslin and Glenn D. Hook (eds.), 2002, *Microregionalism and World Order*, Basingstoke/New York: Palgrave Macmillan.

2. A distinction is usually made, especially in Anglo-American literature, between "regionalism" as an ideological or political phenomenon and "regionalisation" as a process (particularly in the economic sense). To underline the process character and the intertwining of both dimensions, I prefer to use the term "regionalisation" consistently.

I. Regionalisation in the World and across the Mediterranean: Some Conceptual Considerations

3. For such mentally fixed "metageographies", see Martin W. Lewis and Karen E. Wigen, 1997, *The Myth of Continents. A Critique of Metageography*, Berkeley/Los Angeles/London: University of California Press.

4. For fuzziness, see, e.g., Thomas Christiansen, Fabio Petito and Ben Tonra, 2000, "Fuzzy Politics Around Fuzzy Borders: The European Union's "Near Abroad"", *Cooperation and Conflict*, 35(4), p. 389-415.

5. A key strand in the NRA is defended for the most part by Scandinavian scholars such as Björn Hettne and Fredrik Söderbaum, 2000, "The new regionalism approach. Theorising the Rise of Regionness", *New Political Economy*, 5(3), p. 457-473; Morten Boås, Marianne H. Marchand and Timothy M. Shaw, 1999, "The weave-world: regionalisms in the south in the new millennium", *Third World Quarterly*, 20(5), p. 1061-1070; Michael Schulz, Fredrik Söderbaum and Joakim Öjendal (eds.), 2001, *Regionalization in a Globalising World. A Comparative Perspective on Forms, Actors and Processes*, London/New York: Zed Books.

6. For the concept, see Bertelsmann Stiftung (ed.), 1997, *Das neue Europa - Strategien differenzierter Integration*, Gütersloh: Verlag Bertelsmann Stiftung.

orientations to overlap simultaneously, while at the same time maintaining openness towards the global economy.⁷ “Trans-state regionalisation” is largely based on extended social networks and informal activities outside the state-regulated sphere, and is particularly conspicuous in most parts of sub-Saharan Africa where it is frequently fostered by the failure of multilateral integration projects.⁸

North-South vs. South-South integration is the subject of another critical debate.⁹ The purely economic, static and dynamic effects seem more favourable for developing countries in the case of North-South integration, including political “lock-in effects” that increase the credibility of domestic reforms. However, “hub-and-spokes effects” can be extremely detrimental as they impede horizontal exchange by vertically binding individual countries in a region to an already integrated core with a series of bilateral free trade agreements (FTAs) instead of creating a multilateral FTA network with all the countries concerned. The need for complementary South-South integration is stronger when non-economic effects such as negotiating power in the face of the industrial countries are included.

Empirically, however, progress in the current wave of regionalisation in different world regions has been very uneven. After a period of “euro sclerosis”, the European integration process has gained fresh impetus since the mid-1980s, widening, deepening and differentiating it further. Also, growing US interest in concluding RIAs pushed regionalisation in the Western hemisphere. Regionalisation processes also extended to the Asian-Pacific region, where deeper integration seems to have made progress recently. Finally, even sub-Saharan Africa was affected when several – often overlapping – integration projects gathered momentum. In contrast, Southern Asia and especially the Middle East and North Africa are precisely the areas where regionalisation is still considered to be least advanced.

However, countries in this region became involved in “interregional” agreements stretching across the Mediterranean, the Sahara and the Indian Ocean. The most prominent of these integration schemes is the EMP, which is at the same time part of an expanding European integration project. Today, it is on the way to becoming part of a larger European Neighbourhood Policy (ENP) that intends to bind the regions bordering the east and south of the EU closer to the core of European integration.

Since its foundation, the European Economic Community (EC) was forced to define its relations with former and current French colonies in North Africa, which immediately profited from several important trade concessions.¹⁰ It nevertheless took up to 1969 for the first generation of formal “association agreements” to be concluded with the three Maghreb countries. Gradually the Europeans began to develop a more comprehensive Mediterranean policy, particularly when the Middle East conflict and Arab oil policy were increasingly perceived as a threat to Europe’s security and economic interests. In the late 1970s, the then EC signed slightly more comprehensive “co-operation agreements” with about nine “Mediterranean Third Countries”.

In the Northern Mediterranean, Europe itself “Mediterranean-ised” further by integrating Greece, Spain and Portugal in the 1980s. Eroding preferences and growing competition in the European markets finally forced the EC to adjust its co-operation agreements with the Maghreb countries in 1987. However, it became patently clear that Europe would have to redesign its Mediterranean policy and not only adapt to additional *regional* developments and constellations, but also to new *global* circumstances at the turn of the 1990s, such as the prospect of integrating Central and Eastern European countries. Economically, increasing globalisation and regionalisation worldwide made a new approach even more vital. A series of ideas for co-operation were promoted on both sides of the Mediterranean.

Finally, the meeting of foreign ministers in Barcelona in 1995, which assembled the then 15 EU members and 12 Eastern and Southern Mediterranean countries, signed the Euro-Mediterranean Partnership declaration with its three “baskets” denoting economic and financial, political, and social and cultural aspects. Negotiations began simultaneously on new bilateral agreements. The first “Euro-Mediterranean Association Agreement” (EMAA) was signed with Tunisia in 1995 and the last initialled with Syria in 2004. Most of them came into force officially only after a lengthy ratification process. In essence, they stipulated a phased elimination of trade tariffs, i.e., immediate abolition for intermediate goods and the progressive dismantling over

The Euro-Mediterranean Partnership

7. See Hadi Soesastro, 1998, “Offener Regionalismus” im asiatisch-pazifischen Raum”, in Hanns W. Maull (ed.), *Regionalismus in Asien Pazifik*, Arbeitspapiere zur Internationalen Politik 98, Bonn: DGAP, p. 7-58.

8. See Daniel C. Bach (ed.), 1999, *Regionalisation in Africa, Integration & Disintegration*, Oxford/Bloomington: James Currey/Indiana University Press.

9. For a good survey, see Stephan J. Roll, 2004, *Die Süd-Süd-Integration im Rahmen der Euro-Mediterranen Freihandelszone, Integrationsperspektiven und Integrationsprobleme der arabischen Mittelmeerpartnerländer*, Diskussionspapiere 95, Freie Universität Berlin/Fachgebiet Volkswirtschaft des Vorderen Orients, Berlin: Klaus Schwarz Verlag.

10. Literature on Euro-Mediterranean relations exists in abundance; see, e.g., Robert Bistoffi (ed.), 1995, *Euro-Méditerranée. Une région à construire*, Paris: Publisud; Tobias Schumacher, 1998, *Die Maghreb-Politik der Europäischen Union, Gemeinschaftliche Assoziierungspraxis gegenüber Algerien, Marokko und Tunesien*, Wiesbaden: Deutscher Universitätsverlag.

five years for products not locally produced, and over ten to twelve years for all other industrial commodities.

Partner country	Type of agreement	Negotiations concluded	Date of signature	Entry into force	Type of cumulation	ENP Country Report	ENP Action Plan
Morocco	EMAA	11/1995	02/1996	03/2000	Bilateral, diagonal and "Maghreb" full	05/2004	12/2004
Tunisia	EMAA	06/1995	07/1995	03/1998	Bilateral, diagonal and "Maghreb" full	05/2004	12/2004
Egypt	EMAA	06/1999	06/2001	06/2004	Bilateral and diagonal	03/2005	neg
Jordan	EMAA	04/1997	11/1997	05/2002	Bilateral	05/2004	12/2004
Algeria	CA EMMA	12/2001	04/1976 04/2002	11/1978 rat	Bilateral, diagonal and "Maghreb" full		
Lebanon	EMAA IA	12/2001	06/2002	rat 03/2003	Bilateral and diagonal	03/2005	neg
Syria	CA EMMA	12/2003	01/1977 (initialled 10/2004)	11/1978	Bilateral Bilateral and diagonal		
Palestinian Authority	EMAA (as IA)	12/1996	02/1997	07/1997	Bilateral	05/2004	12/2004
Mauritania	ACP	02/2000	06/2000	04/2003 (provisionally 2000)	Bilateral, "EC-ACP-OCT" diagonal and full ^a		

Table 1
Euro-Mediterranean Agreements with Arab Partner Countries

ACP: Partnership Agreement with African, Caribbean and Pacific Countries.

CA: Co-operation Agreement.

EMAA: Euro-Mediterranean Association Agreement.

IA: Interim agreement.

neg: Negotiations to start.

OCT: Overseas countries and territories.

rat: In process of ratification.

a. Includes Norway and Switzerland. Plus full cumulation with neighbouring developing countries and diagonal cumulation with South Africa (not yet applied).

Sources: www.europa.eu.int; Commission of the European Communities: *Green Paper on the Future of Rules of Origin in Preferential Trade Arrangements*, COM(2003) 787 final, Brussels 18/12/2003: 49ff.; Directorate General for Economic and Financial Affairs: *European Neighbourhood Policy: Economic Review of the ENP Countries*, European Commission, European Economy, Occasional Papers No. 18, Brussels 2005: 25, 80.

One of the major goals of this policy was to establish a Mediterranean-wide free trade area within a twelve year transition period, whose Southern members would not only be bilaterally linked to the EU, but would also abolish trade barriers between themselves. Two of these countries, Malta and Cyprus, have meanwhile been integrated in the EU, and Turkey is about to begin membership negotiations in the foreseeable future. Thus on the "Southern" side, the Arab Mediterranean partner countries (AMPC) plus Israel is all that remains. Since 1997, most EMAAs have been supplemented by similar agreements with the EFTA (Table 5).

In recent years, however, hopes for political and economic gain or a deepening partnership have gradually given way to disenchantment. Politically the non-settling of the Israeli-Palestinian conflict or the continuing dispute on the Western Sahara are major contributing factors. The economic results are also disappointing since neither the "hub-and-spokes" structure of economic relations has genuinely been resolved nor has foreign investment grown. The economic policies of the partner countries have come up with very few convincing results.¹¹ In addition, the critical phases of tariff reduction and the opening up of the countries to European exports are in the early stages, so that the most prominent negative effects on economic growth, state budgets and the labour market are only just beginning to show.

Once the decision-making process on Eastern enlargement had drawn to a close, the EU faced the task of developing a new policy towards its remaining neighbours in the East and South in order to prevent new rifts emerging in the environs of the enlarged EU. In 2003, the European Commission offered the latter far-reaching co-operation as an alternative to accession, thus enabling them to participate in certain communitarian policies.¹² In the economic sphere, this would cover gradual integration into the Common Market and include the four liberties of free circulation in the long term, as well as integration into EU regional policy and the development of a multi-modal Euro-Med transportation network. Migration remains a crucial area of co-operation, due to fundamental European sensitivities that are hard to overcome. Only positive economic and political prospects for the future can visibly reduce migration pressure. Of the eight AMPC to benefit from this new "Neighbourhood Policy", detailed reports

¹¹For an official assessment of the first decade of the Barcelona Process, see *Euromed Report* 89, 14/04/2005 and 90, 01/06/2005; Directorate General for Economic and Financial Affairs, 2005, *10 years of Barcelona process: taking stock of economic progress in EU Mediterranean partners*, Occasional Papers 17, Brussels: European Commission.

¹²See Commission of the European Communities, 2003, *L'Europe élargie - Voisinage: un nouveau cadre pour les relations avec nos voisins de l'Est et du Sud*, Communication de la Commission au Conseil et au Parlement Européen, COM(2003) 104 final, Brussels: Commission of the European Communities; Directorate General for Economic and Financial Affairs, *op.cit.*, p. 80ff.

have been finalised for six countries in 2004/05 and individual action plans agreed upon with four of them. Deepening and enlarging North-South co-operation, however, is not an affair confined to the current decade, and consolidating complementary institutional and economic ties within the Southern Mediterranean area remains one of the key tasks for the near future.

II. The “Agadir Agreement”

The Preparation of the Agreement

Failing Arab, Middle Eastern and Maghreb regional integration has led to an increasing number of bilateral FTAs among the AMPC since the second half of the 1990s. With straightforward timetables for customs tariff reduction, they went beyond the traditional accords that rarely included more than a few shallow trade preferences and loose promises of co-operation. This was especially true for several major Arab countries, such as Morocco, Tunisia, Egypt and Jordan, which had already launched structural adjustment and economic liberalisation programmes.¹³ At the end of the 1990s, all of these countries had concluded bilateral FTAs with each other to accelerate the relatively slow-moving ten-year Pan-Arab trade liberalisation programme (see below).

Table 2
Bilateral Free Trade Agreements
Preceding the Agadir Agreement

- a. Some agreements concern reduction of both import duties and taxes of equivalent effect.
b. According to separate protocols if available.
c. Linear for Tunisian products; Moroccan products according to a faster (starting with 37% reduction) and a slower reduction scheme (starting with 5%).
d. Additional protocol, adding 28 products to the commodities liberated totally or partially (*Le Matin*, 07/01/2002; *Al-Ahram Weekly*, 03/01/2002).
- Compiled according to Hamoudeh, *op.cit.*: 4 and various national sources.

Signatories	Signing	In force	End of transition period	list for immediate exoneration	TARIFF REDUCTION ^d				RULES OF ORIGIN ^b	
					dismantling process of existing tariffs	negative list for temporary exclusion	temporary exclusion of agricultural prods.	further provisions	min. of local value added	cumulation of materials
Tunisia Egypt	03/1998	03/1999	12/2007	yes	linear; 0-20% over 5 years >20% over whole transition period	yes	yes			
Tunisia Morocco	03/1999	03/1999	12/2007	yes	progressive; over 10 years ^c	yes	yes	preferential unified tariff of 17.5% for a common list	40%	bilateral
Tunisia Jordan	04/1998	1999	10 years	yes	linear; over 10 years	yes	yes			
Jordan Morocco	06/1998	10/1999	12 years	yes	gradual; 0-25% over 5 years, >25% to 25% over 5 years with subsequent total elimination over 7 years	yes	yes	exclusion of products from free zones	40%	bilateral
Jordan Egypt	12/1998	12/1998	12/2005 (7 years)		gradual; at a rate of 10-15% annually over 7 years	yes	yes			
Egypt Morocco	05/1998 05/2000 ^d	04/1999 (02/2003)	12 years max.	yes	gradual; 0-25% over 5 years, >25% to 25% over 5 years with subsequent total elimination over 7 years	yes	yes	exclusion of products from free zones	40%	bilateral

From a global point of view, however, these economies were too small to realise considerable bilateral trade potential; reciprocal provisions proved to be incompatible at times, and hindered the development of extended production chains involving several countries in the region. At the same time, these economies began to fear similar pressures as a result of association agreements with the EU. In 1999, Morocco and Egypt discussed extending their bilateral FTA to include Tunisia.¹⁴ The key thrust to link bilateral agreements and form a multilateral network, however, came during the Fourth Euro-Mediterranean Conference in Marseilles in November 2000. In the course of this meeting the four countries expressed their desire to create a common free trade area. The initiative was warmly welcomed by their foreign minister colleagues and even found expression in the final declaration. At the so-called “Economic Summit” of the Arab League in Amman in March 2001 shortly thereafter, Arab leaders pleaded for the enhancement of economic co-operation beyond political conflict and ideological distinction.¹⁵

In fact, the so-called “Agadir process”¹⁶ was launched two months later when the foreign ministers of Morocco, Tunisia, Egypt and Jordan met in Rabat to explore the possibility of closer co-operation and free trade between their countries. This meeting was enlarged *ad hoc* to include all Maghreb and Arab Mediterranean countries.¹⁷ On 8th May, the foreign representatives of the above-mentioned four states signed the “Agadir Declaration” at the Royal Palace in Agadir under the auspices of the monarch and in the presence of the remaining participants at the summit. With this declaration the signatories voiced their intention of establishing a common free trade area, thus

13. These programmes were not always executed as agreed nor did they produce the desired results.

14. See *Le Matin [du Sahara et du Maghreb]*, 07/06/1999.

15. See www.arableagueonline.org/arableague/english/print_Page.jsp?art_id=1175.

16. For details of the Agadir process, see in the following Majed Hamoudeh, 2002, *The Agadir process*, Paper, Malta: University of Malta/Mediterranean Academy of Diplomatic Studies; for some further insights, see Hind Jalal, Ikbal Sayeh and Ahmed Sabri, 2002, *Projet de création de la zone de libre-échange entre les pays arabes méditerranéens*, Document de travail 74, Rabat: Ministère de l’Economie, des Finances, de la Privatisation et du Tourisme/Direction de la Politique Economique Générale; National Bank of Egypt, 2004, “Agadir Agreement... a bilateral step on the way to Arab integration and Euro-Mediterranean Partnership”, *Economic Bulletin*, 57(1), p. 58-72. For the start of the process see *Le Matin*, 07/05 and 09/05/2001; *Maroc hebdo International* 464, 11-17/05/2001; www.maec.gov.ma/fr/EUROPE/declaration_d'agadir1.htm.

17. The meeting was immediately followed on 10th and 11th May by another conference of the Mediterranean Forum in Tangiers with representatives from all participant countries of the Barcelona Process.

creating a market of 100 m. people with an aggregated GDP of approx. 150 billion USD. They agreed to act in favour of its enlargement to all Arab Mediterranean countries. Several expert working groups were to convene regularly to draft a treaty on the establishment of the free trade zone (FTZ). A committee of high-ranking officials from the countries involved was to analyse the reports and rapidly submit a proposal to the foreign ministers on further proceedings.

Technical experts from the four countries met in Cairo in July 2001, in Amman in December 2001, and in Tunis in March 2002; a meeting of senior officials was held in Rabat in October 2001. It was agreed unanimously that the main objectives should be to enhance the co-ordination of positions vis-à-vis the EU and to achieve the economic integration of the four partners in order to increase intra-trade among the AMPC, to encourage industrial investment, and to increase their competitiveness in the European markets. The Moroccan government was commissioned to prepare a draft agreement and experts agreed that its provisions should be at least as favourable as those concluded bilaterally.

Finally, in 2002, experts agreed on concrete steps towards the reduction of customs duties on industrial goods. The agreement was to become effective in 2003 with an immediate tariff reduction of 65%; at the beginning of 2004 and 2005, tariffs were calculated to decrease further to 20% and 10% respectively of their initial levels, and conclude with the introduction of free trade in January 2006. However, the status of agricultural products still had to be discussed. Jordan proposed establishing a secretariat to facilitate preparation at first and, thereafter, the FTA follow-up.

In spring 2002, the process began to falter; concluding meetings and some final decisions were delayed or postponed.¹⁸ This was essentially a question of national prestige. Morocco wanted the closing ceremony to take place in its country, while Egypt initially blocked the secretariat to be hosted in Jordan. The agreement was therefore not finalised until January 2003 in Amman, where it was initialled by the trade ministers. After a further meeting of experts there in June 2003, the signature ceremony of the new "Agadir Agreement" with the four ministers of foreign affairs finally took place in Rabat on 25th February 2004.¹⁹ Present at the ceremony were the EU external relations commissioner, the Mauritanian foreign minister, the Libyan Vice-Secretary General for UMA affairs, and the Secretaries General of the Arab Maghreb Union (UMA) and the Arab League; representatives of the EU presidency and of Syria, Lebanon, the Palestinian Authority and Algeria also attended.

As a result of these delays tariff dismantling began later than intended. To accelerate the process and conform to the revised GAFTA schedule, customs duties and taxes of similar effect on industrial goods were to be reduced by 80% (based on rates for the end of 1997) when the agreement came into force and completely abolished in January 2005.²⁰ Goods subject to rapid dismantling in the EMAAs (i.e., within 3 to 5 years according to country) are to be fully exempted once the agreement comes into force; bilateral dismantling schedules of member countries are to continue as agreed. In accordance with Arab League decisions, certain goods can be excluded from these provisions for religious, health, security or environmental reasons; contrary to the Pan-Arab liberalisation programme, no further exceptions are permitted.

Trade in agricultural and agro-industrial products is to be liberalised according to the GAFTA Executive Programme; trade liberalisation in services is to be negotiated among the member countries within the framework of General Agreement on Trade in Services.²¹ Non-tariff barriers (NTBs) are to be completely eliminated as soon as the agreement comes into effect. Preventive and protective measures against substantial damage to local production, infant industries or sectors under reorganisation are to be applied restrictively and for a limited period. On issues of subsidies and anti-dumping, disequilibria in balances of payment, intellectual property rights, sanitary and phytosanitary measures, the agreement explicitly refers to WTO regulations. It also calls for the co-ordination of global and sectoral economic policies and a certain harmonisation of the economic legislation and standards of the respective partners.

The organisational structure of the agreement comprises four bodies. The commission of foreign ministers, which is responsible for the political framework and defines general political measures to strengthen the integration process, will meet at least once a year. The commission of foreign trade ministers is responsible for implementing the

Provisions and Beginning of Implementation



¹⁸ See, e.g., *Jordan Times*, 23/07/2002.
¹⁹ A ceremony with heads of state as originally planned was cancelled due to the earthquake in the northern Moroccan city of Al-Hoceima, which occurred shortly beforehand. For finalisation of the agreement, see *ArabicNews.com*, 13/01, 14/01 and 17/06/2003; www.maec.gov.ma/comm/comms577.htm; *L'Opinion*, 27/02/2004; *La Gazette du Maroc* 357, 01/03/2004; *Al-Ahram Weekly* 679, 04-10/03/2004.
²⁰ For details, see *Ittifāqiyat iqāmat mintaqat at-tabādul al-hurr bayna ad-duwal al-'arabiyya al-mutawassitiyya*, Rabat 25/02/2004.
²¹ All participants are members of WTO.

22. In the following, "Agadir" means the four initial signatories, "AMPC" designates the eight full partners in the Barcelona Process, with (the potential) "MAFTA" including Mauritania and Libya as well.

23. See www.europarl.eu.int/meetdocs/delegations/mash/20040421/012fr.pdf; or Lebanon *L'Economiste*, 12/02/2004; *L'Orient le Jour*, 17/03/2004; *Maghreb Arabe Press*, 10/02/2004; for Syria www.infoexport.gc.ca/ie-en/DisplayDocument.jsp?did=41476; for Algeria *ArabicNews.com*, 19/12/2001; *Le Soir d'Algérie*, 26/04/2005.

24. See, e.g., Roll, *op.cit.*, p. 24.

25. See also www.europa.eu.int/comm/external_relations/euromed/news/ip04_256.htm.

26. See *ArabicNews.com*, 19/12/2001; *L'Economiste*, 21/12/2004; www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.getfile=gf&doc=IP/04/256ORAPID&lg=FR&type=PDF.

27. See *Le Matin*, 31/08 and 11/10/2004. Several information and training seminars organised by the EU EuropeAid Cooperation Office for the Agadir countries had already taken place in the second half of 2004 (www.euromedmarket.org/ingles/meda_x.asp?id=10).

28. For these delays, see *L'Economiste*, 24/12/2004; *Le Matin*, 03/01/2005.

29. See *Le Matin*, 21/02/2005; *L'Economiste*, 22/02/2005.

30. For EU ROOs, see www.europa.eu.int/comm/taxation_customs/customs/customs_duties/rules_origin/preferential/index_en.htm and subordinate sites; for cumulation, see also *A User's Handbook to the Rules of Preferential Origin used in trade between the European Community and other European countries* (www.europa.eu.int/comm/taxation_customs/resources/documents/handbook_en.pdf) and Commission of the European Communities, 2004, *Green Paper: The Future of Rules of Origin in Preferential Trade Arrangements. A summary report of the results of the consultation process*, Annex II, COM(2003) 787 final, Brussels: Commission of the European Communities.

agreement and defining appropriate measures to overcome impediments. The task of the technical commission emanating from the former is to guarantee the follow-up of its application, assist in conflict resolution and work on questions submitted by the ministerial commission. The "technical unit", which is the secretariat of the group, functions in an advisory capacity and provides technical support for the implementation of the agreement and ministerial decisions.

All member states of the Arab League and GAFTA linked to the EU by an association or free trade agreement can adhere to the Agadir accord. Unanimous approval by the foreign ministers committee and the implementation of the then existing *acquis* are a necessary precondition. The provision includes Lebanon, Syria, Palestine and Algeria; as Euro-Med observers and members of the UMA, Mauritania and Libya are explicitly invited, too. The club of four would thus become the nucleus of a future "Mediterranean-Arab Free Trade Area", which is still the official title of the agreement.²² At the same time it is considered a first step in creating a greater Arab market.

In February 2004, Lebanon was the first of the potential adherents to express its desire for membership of the group. Syria is said to be willing to join as soon as it has finalised its agreement with the EU. There is no known evidence of such an initiative on the part of Algeria, although the EU co-operation strategy stipulates the priority of that country's adherence to the Agadir process.²³ Some observers have remarked that non-Arab Mediterranean countries such as Turkey and Israel are excluded from the Agadir initiative.²⁴ Turkey, however, which in 2003 briefly expressed interest in participating, negotiates its own FTAs with AMPC in an effort to adapt its foreign trade policy to its customs union with the EU. Economic integration with Israel does not seem politically feasible at this time, especially since initiation of the Agadir process coincided with the resurgence of the Intifada.

The Agadir process enjoyed far more political support from the European Commission than GAFTA did. The former regarded the process as a significant achievement in the light of the repeated demand for South-South co-operation, and a crucial step in reaching the full Euro-Med FTZ deadline in 2010.²⁵ Additionally, the Commission expressed its readiness to contribute technical assistance to the project, in particular financial coverage for regional infrastructure. In December 2004, the EU and the Agadir states finally signed a 4m. Euro programme to assist the treaty signatories and their secretariat.²⁶

In August 2004, a first follow-up round of the senior officials committee took place in Amman. It recommended elaborating an action plan to guarantee harmonisation of procedures and the shared interpretation of rules. Further common decisions concerned training and information campaigns on the objectives of the agreement.²⁷ However, not all countries had completed the ratification process in due time. In Morocco the respective law only passed through the Council of Ministers at the end of December 2004. This came too late for a timely ratification by the parliament; furthermore, three months have to elapse before the agreement can officially come into effect. Thus the more far-reaching FTA of the Agadir countries did not come into force on time, in contrast to the formal abolition of tariffs on industrial goods by the GAFTA countries.²⁸ In February 2005, the "Quadra" finally signed the agreement to install its secretariat in Amman.²⁹

A major problem in the Agadir process was the definition of "rules of origin" (ROOs). ROOs constitute a central element of an FTA, as intermediate and final products are usually produced with material from several countries. As an FTA does not involve a common external tariff, provisions must be made to ensure that third country commodities do not circumvent customs regulations and enter the FTZ via the member state with the lowest barriers.

Products are only awarded "originating status" in one country if they are "sufficiently worked or processed" there. EU trade agreements require the fulfilment of three main criteria either alternatively or simultaneously, i.e., a change in product category in the standardised list of commodities after transformation, a maximum of *ad valorem* percentage of non-originating components contained in the exported good and/or a minimum processing in technical terms to be carried out by the exporting country.³⁰ These requirements include rules for cumulation that determine the possible use of products originating from other contracting partners.

Pan-Euro-Mediterranean Rules of Origin

In its Mediterranean partnership agreements the EU inserted different ROOs according to the type and time of negotiation (Table 1). All co-operation and association agreements in force provide for “bilateral cumulation”, which allows the reciprocal use of products originating from the partner country in the production process. “Diagonal cumulation” currently applies to the three Maghreb countries, in the new agreements to Egypt and Lebanon, and is to be introduced with respect to Syria. A country can add products that have obtained originating status in any one of its partner countries, provided that more than a minimal working or processing operation takes place. As a further condition all partners are obliged to establish a network of FTAs with identical rules of origin and cumulation.

In addition, the Maghreb countries can also mutually benefit from “full cumulation”, which permits consideration of all operations carried out on the final product in defining its originating status. This provision, however, is not in force due to the fact that intra-Maghreb economic integration is pending and a 40% value-added clause is being applied reciprocally.³¹ The EMAAs with non-Maghreb countries also include a general tolerance rule for most products. This allows manufacturers to use non-originating materials, provided their total value does not exceed 10% of the ex-works price of the product. Mauritania is treated in the framework of the ACP agreement that provides for full cumulation with the EU, ACP and several other countries.

Consequently, quite different rules apply with respect to the four Agadir countries. A study carried out for the European Commission shows that inadequate and partly contradictory rules of origin hamper trade, particularly among the Mediterranean partner countries.³² Lack of diagonal cumulation of origin reduced trade by about 40-45% of its potential volume; for intermediates or textiles the loss of potential trade is a great deal heavier. Introducing broader cumulation possibilities could increase industrial production and welfare significantly in the AMPC.

The EU, on the other hand, has already formed a Pan-European zone of diagonal cumulation with its closest European partners. Starting with the European Economic Area (EEA), whose members mutually apply full cumulation, the system was stretched to include the Central and Eastern European countries now in the EU, the two current accession candidates, and industrial products originating in Turkey. In 2002, the Euro-Mediterranean trade ministers agreed to extend the Pan-European ROOs to the eight AMPC and Israel, thereby becoming the “Pan-Euro-Mediterranean cumulation system”. The goal of the initiative is to improve market access, incite investment and consolidate the regional integration of the Euro-Med partners.³³ In 2003, the ministers approved the new protocol that will gradually replace existing ROOs, both in the EMAAs as well as in agreements between the partner countries. One year later they decided that the Pan-Euro-Med protocol should be implemented temporarily as soon as an FTA is initialled.³⁴

With these recent developments, the main issue in preparing the Agadir Agreement was harmonising its rules of origin with those of the EMAAs, and especially with the proposed implementation of the Pan-Euro-Med cumulation regime. When ROOs were discussed at trade officials meetings in 2002, participants failed initially to reach an agreement. The main problem was the compatibility of Euro-Med and Pan-Arab cumulation regimes. Tunisia, Jordan and Egypt favoured the Pan-European system, while Morocco preferred the rules applied in other Arab trade agreements, fearing that otherwise export options would be considerably limited.³⁵

Finally, in accordance with the conclusions of the 2003 Euro-Med trade conference, the Agadir states decided to adopt the Pan-Euro-Med regime both among themselves and with the EU without amendment. Hence the Arab-Mediterranean protocol of origin is likewise characterised by a complicated set of product-specific ROOs, including the need for a tariff leap, minimal processing requirements and/or substantive value added.³⁶ In this sense it will not only contribute to a common Mediterranean Arab FTZ, but also to a wider Euro-Med zone. The inclusion of the new Pan-Euro-Med protocol was highly welcomed by the 2004 Euro-Med trade ministers’ conference.³⁷ In August 2004, a first follow-up round of the senior officials committee in Amman recommended elaborating an action plan to guarantee a common interpretation of ROOs.³⁸

31. See www.douane.gov.ma/Accords/Details.asp?Num=14%20.

32. See Michael Gasiorek, Patricia Augier and Charles Lai-Tong, et al., 2002, *The EU and the Southern Mediterranean: The Impact of Rules of Origin*, Paper (Draft), ERF Ninth Annual Conference, American University in Sharja/UAE; Patricia Augier, Michael Gasiorek and Charles Lai-Tong, 2003, *The EU-Med partnership and rules of origin*, Paper (Draft), Experts Research Workshop “Quantifying the Impact of Rich Countries’ Policies on Poor Countries”, Washington DC: Center for Global Development. The study focused on a limited panel of countries, including the four Agadir economies as well as Turkey and Israel.

33. See www.europa.eu.int/comm/trade/issues/bilateral/regions/euromed/tmc_concl_en.htm.

34. See http://trade-info.cec.eu.int/doclib/docs/2004/july/tradoc_118199.pdf. Similar ROOs already exist in FTAs between EFTA and AMPC.

35. See *Jordan Times*, 23/07/2002; www.foeme.org/mftz/monitor/monitor4-3.htm.

36. See Anja Zorob, 2004, *Greater Arab Free Trade Area (GAFTA) versus Mediterranean Arab Free Trade Area (MAFTA): Komplementäre oder konkurrierende intraregionale Integrationsprojekte?*, Power Point Presentation, Halle (Saale): 29. Deutscher Orientalistentag.

37. For the Agadir ROOs, see *Mulhaq (II), Brutükül ta’rif mafhûm al-muntajât allati lahâ sîfat al-mansha’ wa-asâlib at-ta’âwun al-idâri*, annexed to *Ittifâqiyyat iqâmat mintaqat at-tabâdul al-hurr bayna ad-duwal al-’arabiyya al-mutawassitiyya*, op.cit. Effective implementation of the agreement still requires the adoption of the Pan-Euromed protocol by the European Council, expected later in 2005.

38. See *Le Matin*, 31/08/2004; www.euromedmarket.org/ingles/meda_x.asp?id=10.

III. Economic Interrelations among Arab Mediterranean Countries

The idea behind introducing RIAs is, on the one hand, to strengthen economic integration among its members. On the other hand, there is strong evidence that the FTAs most effective at inducing intra-regional trade growth are those that include countries with pre-existing strong commercial links. Hence absolute trade volumes³⁹ of individual Agadir countries with their peers will first of all be analysed in the following to identify whether actual and potential institutional arrangements in the Arab Mediterranean area contain a reasonably interrelated set of economies on which to build. This will give an idea of the key flows within the region. Identifying the regional share in foreign trade allows for reflection on the importance of intra-regional flows. Since trade links among relatively “small” economies are usually underestimated, relative trade intensities will then be examined to determine whether an above-average concentration, and hence “regionalisation” of trade, exists among the partner countries.

Development of Trade Volumes and Shares

In the course of the 1990s, Moroccan trade with the current Agadir countries showed signs of increasing, a tendency that was sharply interrupted only once in 1998.⁴⁰ Parallel to the gradual coming into force of bilateral FTAs, Morocco's Agadir trade has more than doubled since 1999. Tunisia was the main trading partner throughout this period, followed by Egypt, which has caught up in the last few years. In the case of Tunisia, where reports in the last six years show an increase of almost exactly 50% in the exchange of goods with the other three Agadir countries, the development of trade volumes indicates an even more stable long-term increase. Morocco remained its chief trading partner throughout the entire period, followed by Egypt.

Parallel to this, Egyptian trade with the Agadir group also indicated a more or less steady increase; expansion accelerated in recent years so that by 2003 it had reached two and a half times the volume of 1998. Egypt's major trading partner throughout most of the years was Jordan, with Tunisia and Morocco close behind. Finally, Jordan's trade with the Agadir countries expanded up to 1996, albeit with slight fluctuation, and having declined dramatically in 1997 recovered by 2003 to almost double its previous volume. Its most predominant partner was Egypt.

39. Since hard data on investment and other forms of business co-operation are difficult to obtain, the chapter focuses on the trade issue. Due to lack of space, I abstain from analysing the commodity structure and respective importance of both import and export figures.

40. The sudden decrease seems to have been partly caused by data transmission and other statistical problems. This is especially true for Morocco, where contrary to its national trade statistics, trade data with several countries is missing in international trade statistics for certain years. Consequently volumes, and thus shares and intensities, tend to be underestimated.

Trade balances with the Agadir countries were generally positive in Morocco (with the exception of Egypt) and Egypt. Tunisia (especially with Egypt and Morocco) and Jordan (primarily with Egypt), on the other hand, suffered slight to heavy deficits for more than a decade through trade with the entire group. Aggregated intra-Agadir trade expanded over the 1990s, and has grown rapidly in recent years. Today, Egypt, Morocco and Tunisia exchange a similar amount of goods with the other Agadir countries, with Jordan trading considerably less. The smallest increase in trade was observed for Tunisia, while Egypt enjoyed the largest expansion. The key bilateral flow exists between Morocco and Tunisia; second to it are the trade relations between Egypt and its three Agadir partners (Figure 1).

Table 3
Trade among Arab Mediterranean Countries (2000-2003)

Volumes in million USD (annual average); percentages as shares in total national foreign trade.

a. Volumes: sum of regional trade of relevant countries divided by two; percentages: sum of regional trade of relevant countries divided by the sum of their total foreign trade.

Source: International Monetary Fund (IMF); *Direction of Trade Statistics*, CD-Rom Version 1.1.96, Washington DC, 2004. Author's own calculations.

	Agadir		AMPC		MAFTA	
	volumes	percentages	volumes	percentages	volumes	percentages
Morocco	187	0,9%	428	2,0%	586	2,7%
Tunisia	212	1,2%	426	2,4%	1116	6,2%
Egypt	189	0,7%	529	2,1%	633	2,5%
Jordan	113	1,4%	360	4,6%	392	5,0%
Algeria	555	1,7%	670	2,1%	693	2,2%
Syria	165	1,3%	588	4,6%	651	5,1%
Lebanon	216	2,8%	613	8,0%	634	8,3%
Libya	964	5,7%	1050	6,2%	1050	6,2%
Mauritania	22	1,7%	44	3,3%	44	3,3%
regional intra-trade ^a	350	1,0%	1807	2,9%	2899	4,0%

If three further AMPC⁴¹ are added to the original group, Moroccan and Tunisian intra-regional trade more than doubles, while for Egypt and Jordan it almost triples. Including Libya and Mauritania in the FTA would have almost no effect on Jordan's trade but mean a substantial increase in trade for Tunisia. This demonstrates the significance of other Arab Mediterranean countries for the foreign trade of the Agadir core group. Bilaterally speaking, for example, Libya is currently a far more important partner for Tunisia (2000-03: ca. 690 m. USD, i.e., 61 % of its MAFTA trade) than all the other MAFTA countries together. Conversely, of the countries still outside the Agadir FTZ, Libya is the most prominent trading partner of its current members, which trades particularly with Tunisia (64%). Potential MAFTA members also trade extensively with each other. This is especially true for Syria, which carries on considerable trade with neighbouring Lebanon (45%), and *vice versa* (57%). It seems reasonable, however, to consider a large part of the most important trade flows as transit trade. The major regional trade flows within the MAFTA are accounted for by Tunisia, followed by Libya.

Accumulated intra-AMPC as well as intra-MAFTA trade developed loosely over the 1990s, and gathered momentum after the year 2000 (2003: approx. 2,4 and 3,7 billion USD respectively). From 2000-2003, intra-AMPC trade was more than five times and intra-MAFTA trade approx. eight times the volume of intra-Agadir trade; nevertheless, the total sum of trade in MAFTA accounts for no more than 0,01% of world trade.

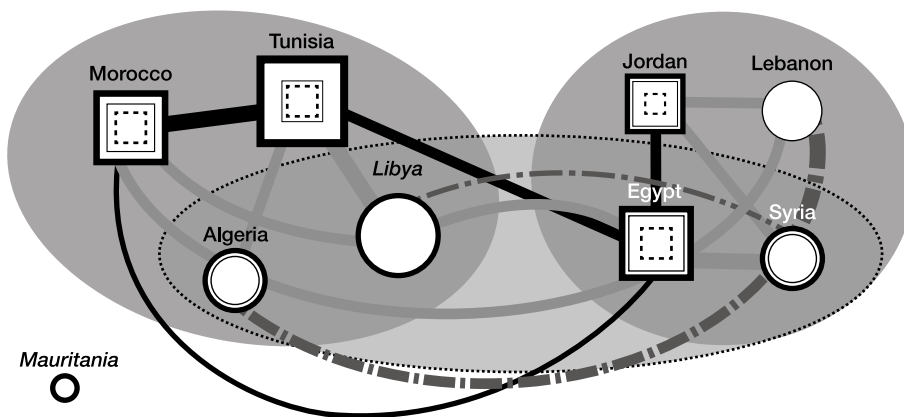


Figure 1
Trade Volumes and Sub-Regional Clusters among MAFTA Countries (2000-2003)

West Bank and Gaza excluded. Current Agadir members as rectangles and double underlined; other countries as circles, not yet official AMPC in italics. Size of country symbols and bilateral links according to trade volumes. Only bilateral trade volumes of more than 50 mn USD p.a.

Bilateral trade links:

- links between Agadir countries
- links Agadir - potential MAFTA countries
- links between potential MAFTA members

Intra-group trade:

- trade with other MAFTA countries
- trade with other AMPC
- trade with other Agadir countries

Looking at bilateral trade flows, we can finally distinguish two sub-groups formed by relatively large reciprocal trade flows. The first is formed by four Maghreb countries, whereby almost no trade is carried out between Algeria and Libya (Mauritania is of no interest in terms of volume). The second covers the Mashreq, but shows somewhat weaker intra-regional ties. However, delimitation is not clear-cut since relatively strong inter-linkages exist. This is especially true in the Mashreq group for Egyptian trade with some of the Maghreb countries, and to a lesser extent for Syria; of the Maghreb countries, Algeria, followed by Libya and Tunisia account for the most important trade flows to the Arab East.

In conclusion, it is important to note that these results are based solely on official data. Informal trade is, however, a substantial feature of Southern Mediterranean economies, with "trans-state regionalisation" reported across almost all national borders. Trade of this kind is widespread but difficult to evaluate, so that volumes, trade shares and intensities can be underestimated to a great extent.

With a few exceptions, the expansion of intra-regional trade in recent years in the countries analysed did not manifest itself in a similar increase in the shares of the region in their total foreign trade, since the latter also experienced substantial growth. This holds true in particular for the four Agadir core states, where the share of Mediterranean-Arab intra-trade remains relatively low (Table 3). Current intra-Agadir trade shares (average 2000-03) range from 0,7% (Egypt) to 1,4% (Jordan). With regard to trade with AMPC, Jordan succeeded in gaining the largest trade share (4,6%) among the four Agadir countries, and trade shares with all the MAFTA countries amounted to more than 6% in Tunisia only.

Among potential MAFTA members, Lebanon showed the most significant shares for AMPC and MAFTA intra-trade between 2000 and 2003 (over 8%), followed by Libya, whereas Algeria exchanged the least of its goods in the diverse Mediterranean Arab integration areas. Finally, it comes as no surprise that average intra-regional trade

⁴¹.Due to a lack of data on international statistics, the Palestinian Territories are excluded from further analysis.

shares were higher within the MAFTA group than among the AMPC or the four Agadir countries, but even there did not exceed 4%.

Regional Intensities of Trade

Regional trade shares, however, depend on the number of countries included in a predefined regional area. In addition, the importance of trade links between economies that are relatively small in terms of national income and international trade compared to the rest of the world are underestimated as a rule.⁴² If, therefore, we were to consider the global weight of each trade partner, commercial links could prove to be quite intensive. So-called “relative trade intensities”⁴³ bigger than one refer to “intense” bilateral trade between partner countries, and with respect to regions, to a certain degree of trade “regionalisation”. Reciprocal flows will then be larger than what might have been expected from the partners’ share in world trade. Conversely, pure trade shares point more to external “dependency” on trade partners and the influence of the outside world on national economic aggregates.

Intra-Agadir trade for all four members is twice or three times the volume to be expected from the group’s share in world trade (2000–2003). Apart from Jordan where trade intensity amounts to more than five, their trade with all AMPC countries together is only slightly more intense. If Mauritania and Libya were included it would have a positive impact on Tunisia’s trade intensity in particular. In sum, an extension of the Arab Mediterranean integration area would mean greater trade intensities in all four countries.

Table 4
Relative Trade Intensities among Arab Mediterranean Countries

Source: IMF, *op.cit.* Author’s calculations.

TRADE INTENSITIES	Agadir		AMPC		MAFTA	
	1990-99	2000-03	1990-99	2000-03	1990-99	2000-03
Morocco	2,5	2,3	3,0	2,6	4,1	3,0
Tunisia	3,4	2,9	4,1	3,0	6,4	6,7
Egypt	1,7	2,1	2,0	2,8	2,5	2,8
Jordan	3,8	3,0	6,5	5,3	6,0	5,0
Algeria	3,7	3,2	3,3	3,0	2,8	2,6
Syria	3,1	2,4	7,7	5,5	6,7	5,2
Lebanon	4,3	5,3	9,8	9,2	8,7	8,3
Libya	9,9	10,5	6,2	6,7	6,1	6,6
Mauritania	1,7	3,1	3,9	3,5	3,3	3,1

“Regionalisation” of trade among the Agadir countries as a group only began around the mid-1980s, when intensity figures had definitively passed the value of one. However, the development of both regional and bilateral intensities was on the whole marked by immense fluctuation. In recent years and with the exception of Egypt, regional trade intensities within the Agadir group decreased somewhat compared to the average of the 1990s. In relation to *bilateral* trade intensities, Egypt traded the most intensely with Jordan; other remarkably intense trade links existed between Morocco and Tunisia (Figure 2). Here we can observe yet again that the four Agadir countries in fact constitute two separate pairs, each with highly intensive internal trade links.

The development of intensities tends to diverge when other Arab Mediterranean countries are taken into account. All of them, however, “regionalised” their trade towards the three successive regional groupings in the course of the 1980s or 1990s. Intensities dropped in most countries after peaking in the 1990s and stabilised at an intermediate level; only Libya showed an increase in multilateral intensities for the period 2000–2003. Today, Lebanon and Libya display the highest regional trade intensities. Libya is more intensely linked to the Agadir group, whereas Lebanon concentrates on trade links inside AMPC and MAFTA. All of the countries tend to trade slightly more intensely with AMPC than with MAFTA; apart from Libya and Algeria, they are likewise integrated more intensely in the AMPC group than in the core group of Agadir countries.

42. The combined international trade of MAFTA countries does not exceed 1,1% of world trade.

43. Relative trade intensities TI_{ij} of country i with country or region j are calculated as $TI_{ij} = (T_{ij} * T_w) / (T_i * T_j)$, with T : total trade and w : world. Aggregated regional data for all Mediterranean, Arab and African entities exclude country i if it is a member of the individual groups. For the concept of trade intensities, see, e.g., Michaël Freudenberg, Guillaume Gaulier and Deniz Ünal-Kesenci, 1998, *La régionalisation du commerce international: Une évaluation par les intensités relatives bilatérales*, Document de travail 1998-05, Paris: CEPII; Jeffrey A. Frankel, Ernesto Stein and Shang-Jin Wei, 1997, *Regional Trading Blocs in the World Economic System*, Washington DC: Institute for International Economics.

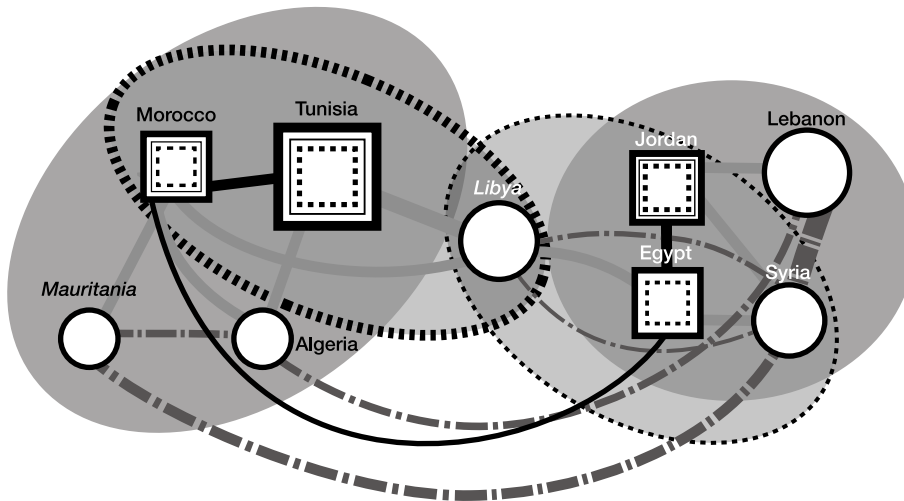


Figure 2
Trade Intensities and Sub-Regional Clusters among MAFTA Countries (2000-2003)

Size of country symbols and bilateral links according to relative trade intensities. Only bilateral trade intensities of more than 3. For further details refer to remarks under Figure 1.

Bilateral trade intensities with other Arab Mediterranean countries are sometimes higher than within the Agadir group. Outstanding is Tunisia's commercial relationship with Libya, where intensities of over 30 emerged in the last few years. Jordan trades intensely with Lebanon (2000-03: 21) and Syria (16). Outside the current Agadir group, Lebanon and Syria show an extremely high intensity of reciprocal trade (approx. 50). If we combine results and consider only the highest figures, we again find two main sub-regional clusters. Each country shows intense trade with each of its partners within the respective groups: the Western group now includes Mauritania with Morocco, Algeria and Tunisia, while the Eastern group comprises the same four Mashreq countries as for volumes. Libya lies in between and, in the direction of the Maghreb, entertains quite intense relations with Morocco and particularly Tunisia, thereby forming an overlapping triangle. To the East it has relatively intense links to all Mashreq countries with the exception of Lebanon. In addition, intense flows exist between Mauritania and Lebanon as well as between Algeria and Syria, cross-cutting the aforementioned groups. So, even if we find two distinct entities in terms of intensities, they are not totally disconnected. Compared to the preceding decade, however, they have now become more clear-cut at the beginning of the 21st century.

The progressive establishment of a Mediterranean Arab FTZ does not mean that other regional integration schemes have been neglected by current and potential member states. Integration with the Arab world is still of vital importance to them, and most North African countries have also approached regional organisations in sub-Saharan Africa. ROO compatibility and real trade orientations are two issues to be regarded in particular in this respect.

After several previous integration schemes had failed, Arab states, and in particular the four current Agadir members, engaged in new institutionalised integration projects, first at sub-regional level from the late 1980s, then at the Pan-Arab level with the emergence in 1997 of a new intra-Arab trade liberalisation programme.⁴⁴

Historically, the 1953 Agreement on the Facilitation of Goods Exchange and Transit Trade was the first Arab multilateral trade agreement aimed at liberalising trade in agricultural products and raw material. The Agreement on Arab Economic Unity signed by twelve countries followed in 1957. In 1964, it was decided to found the Common Arab Market (CAM), with an even more limited membership. In 1981, the Agreement to Facilitate and Develop Trade among Arab States was signed and went beyond the 1953 agreement in its goal of also reducing trade barriers for industrial goods through a product-by-product approach to be negotiated. None of these projects showed tangible results. Likewise, ideas of a common Middle East Market that would have integrated Israel among its Arab neighbours were never realised. The Greater and Broader Middle East initiatives of the US president and the EU since 2003, aimed at a free trade and a common market in the region, have up to now found only a limited positive echo.⁴⁵

IV. MAFTA and Other Regional Orientations: Complementary or Competing?

Arab and Trans-Saharan Regional Integration

⁴⁴For Pan-Arab integration, see Anja Englert, 2000, *Die Große Arabische Freihandelszone, Motive und Erfolgsaussichten der neuen Initiative für eine intra-arabische Integration aus arabischer Sicht*, Diskussionspapiere 73, Das Arabische Buch, Berlin: Freie Universität Berlin/Fachgebiet Volkswirtschaft des Vorderen Orients.

⁴⁵For these initiatives, see *Jordan Times* 11/05/2003; *Le Matin* 02/04/2004; www.ustr.gov/Trade_Agreements/Regional/MEFTA/Section_Index.html.

46. For GAFTA, see also Zorob, *op.cit.*; Jamel Zarrouk, 2000, "The Greater Arab Free Trade Area: Limits and Possibilities", in Bernard Hoekman/Jamel Zarrouk (eds.), *Catching Up with the Competition, Trade Opportunities and Challenges for Arab Countries*, Ann Arbor: The University of Michigan Press, p. 285-305; www.eraf.org/html/economic_00/html/body_intra-regional.html. For the basic texts, see www.arableagueonline.org/arableague/english/print_page.jsp?art_id=738, http://www.arableagueonline.org/arableague/english/print_page.jsp?art_id=739 and http://www.arableagueonline.org/arableague/english/print_page.jsp?art_id=746.

47. Tariff structures were very uneven: the Gulf states were low-tariff countries, while others (such as the four Agadir countries) had extremely high tariffs.

48. Of the 22 Arab League members, Algeria, Djibouti, the Comoros and Mauritania did not sign the programme. Among the signatories, Libya immediately abolished all trade barriers for Arab commodities; only the four Agadir countries, and Syria, Lebanon, Iraq and the GCC members implemented the time schedule. In 2002, Algeria had decided to join GAFTA, and it was reported constantly that adherence was underway.

49. See www.mees.com/postedarticles/finance/general/a45n13b01.htm.

50. See *ArabicNews.com*, 01/01/2005; *Le Matin*, 03/01/2005; *L'Opinion*, 04/01/2005.

Yet in 1995, the Economic and Social Council of the Arab League called for the revival of the 1981 initiative. In 1997, it finally adopted a resolution to establish a "Greater Arab Free Trade Area" (GAFTA) consistent with the provisions of WTO.⁴⁶ To avoid lengthy negotiations, the detailed Executive Program is based on the 1981 agreement, but enlarges its scope to a general dismantling of trade barriers. The programme basically scheduled a steady decline in tariffs of an annual 10%.⁴⁷

However, there were some major exceptions. General tariff reduction does not apply explicitly to goods banned in an individual member state for religious, sanitary, security or environmental reasons. Each member can draw up a list of not more than ten agricultural products to be excluded from liberalised trade during the harvest season up to a maximum of 45 months a year for all products. Exemption from the scheme of certain sensitive industrial goods is also permitted for a maximum of three years as of 1999. Although these exceptions were limited in principle to the end of the interim period, they fed fears of permanency. Furthermore, concrete measures to abolish NTBs were not included; liberalising services and investment, harmonising of standards, and granting intellectual property rights were postponed to future consultations.

The programme was signed by 18 Arab states. 14 countries responsible for about 95% of intra-Arab trade began the implementation of the programme in January 1998 to abolish tariffs by 2007.⁴⁸ In 2001 they decided to accelerate the pace, setting tariff reduction at intervals of 20% annually as of 2003.⁴⁹ In January 2005, all customs duties and taxes of equivalent effect on industrial goods were officially abolished in the group of now 13 Arab countries (Iraq excluded).⁵⁰ Nevertheless, although an FTZ covering two-thirds of all Arab countries was formally introduced, many details remain unresolved. Problems such as vast geographic distances, the diversity of regional economic and political orientations, and the lack of infrastructure are even more exacerbated than in the Agadir case. Crucial administrative, technical and financial barriers remained immovable. Persistent inter-Arab tension and lack of political will continue to prevail when it comes to pushing forward real economic integration, and much remains to be done in fields such as the right of establishment or free capital and labour movement.

Table 5
AMPC Relations with other
Multilateral Integration Areas
and the WTO

A: Association.

CTC: Change of tariff classification.

DC: Declaration on Co-operation.

IA: Interim Agreement.

M: Member. neg: Negotiations.

VA: Value added.

a. Date of signature/in force.

b. Initialed in 2000.

c. With Switzerland and Liechtenstein.

d. Negotiating/preparing membership.

e. Plus Senegal: A demanded.

f. Not applied.

g. Goods of particular importance 25%.

h. Among Morocco and Tunisia (not applied).

Compiled according to various national and international sources.

	GAFTA	UMA	COMESA	UEMOA	SinSad	EFTA ^a	WTO
Morocco	M1997	M1989		A under neg ^b	M 2001	DC 1995; FTA 1997/99	M 1995
Tunisia	M1997	M1989		A under neg	M 2001	DC 1995; FTA 2004/05 ^c	M 1995
Egypt	M1997	A demanded	M1998 (FTZ 2000)	A under neg	M 2001	DC 1995; FTA neg	M 1995
Jordan	M1997					DC 1997; FTA 2001/02	M 2000
Algeria	d	M1989		A neg mandated		DC 2002	observer ^d
Lebanon	M1997			A neg mandated		DC 1997; FTA 2004	observer ^d
Palestine	M1997					DC 1996; FTA 1998/99(A)	
Syria	M1997						
Libya	M1997	M1989			M 1998		observer ^d
Mauritania		M1989					M 1995
Members	18 signatories	5 members ^e	19 members (11 in FTZ)	8 full members	21 members	4 full members	148 members
Foundation	1997	1989	1992	1994	1998	1960	1995
Tariff dismantling	FTZ established in 2005 after 7 year	FTZ projected (agricultural and industrial products)	FTZ established among first group of countries in 2000 Customs union in preparation	In UEMOA: Customs union established in 2000 Morocco: Immediate pref. tariff (50%) for two lists of products	FTZ projected (priority for basic agricultural products)	12-year transition period to free trade (industrial & agricultural products)	several rounds of trade liberalisation (goods & services)
Rules of origin	40% local VA (or CTC) ^f	(40% local VA or at least 60% originating material ^f)	CTC. 35% local VA ^g or 40% material originating in COMESA	In UEMOA: CTC or 30% VA Morocco: 40% VA		minimum VA or transformation (specified by product lists) or CTC	aims at transparency, consistency and harmonisation
Cumulation	diagonal		full	in UEMOA: full Morocco: none		bilateral/diagonal ^h /Pan-EuroMed	

With regard to the Pan-Arab project, the Agadir Agreement could be seen as an *avant-garde* initiative bringing together the Arab world states that introduced economic reforms relatively early and with a comparative degree of earnestness. It did not, however, accelerate trade liberalisation, since free trade was not in force any earlier

than between Arab countries and the advantage of allowing no exceptions eroded with their (theoretical) phasing out in GAFTA.⁵¹ However, Agadir enlarged the range of fields covered, including an earlier liberalisation of trade with services. Deeper integration will also result from the additional harmonising of regulations and co-ordination of policies accompanying the trade liberalisation still under discussion at GAFTA level. How effective all of this will be remains to be seen in the near future. Several contradictory regulations in the two agreements for trade between a group of identical countries pose a basic problem, however, particularly the existence of different ROOs (see below).

Of the sub-regional initiatives, only the Gulf Co-operation Council (GCC) founded in 1981 has been relatively successful. Although security matters dominated for a long time, it has meanwhile begun to form a customs union. At the end of the 1980s, the newly established Arab Co-operation Council uniting Egypt, Jordan, Iraq and Yemen collapsed immediately after Iraqi occupation of neighbouring Kuwait. In the Arab West, integration regained momentum when UMA was founded in 1989.⁵² In 1991, the Presidential Council approved an economic integration programme to be implemented in stages, the ultimate goal of which was to progress from an FTZ, forecast for 1992, to a full-blown economic union. Due to manifold political constraints, further development of UMA was finally blocked from 1994 onwards. Despite several agreements on trade in industrial and agricultural goods, not even the first steps towards a Maghreb FTZ were put into practice. Since 1999, efforts have been made to revive the dormant UMA, but little progress has been made. Instead, bilateral institutional and trade links have been developed.

Other sub-regional initiatives in recent years have not yielded the desired results, such as the introduction of a common market of the signatories of the Damascus Declaration (GCC, Egypt and Syria) or the revival of the CAM approved in 1998.⁵³ In 2001, the Council for Arab Economic Unity initialled an agreement paving the way for another quadripartite FTZ between Egypt, Syria, Iraq and Libya to come into effect in 2002, but further progress seems to have ground to a halt.⁵⁴

The North African countries also engaged in economic arrangements with African regional organisations.⁵⁵ In this respect, Egypt has advanced most. In 1998, it joined the Common Market for Eastern and Southern Africa (COMESA) which was then on the way to establishing an FTZ. As not all countries complied with the agreed tariff reduction scheme adopted in 1992, it was installed in only nine of the current nineteen member states in 2000, including Egypt.⁵⁶ Only a few temporary safeguard measures were allowed under strict conditions to protect domestic industries. In 2004, a first technical workshop was held to prepare for the implementation of the customs union in the near future. In 2005, the first round of negotiations on the realisation of a Common Investment Area took place, and the establishment of a regional investment agency is projected. Other measures include the relaxation of quantitative restrictions and further NTBs. When Egypt joined COMESA, several partner countries expressed reservations with respect to its potential economic dominance and alleged hegemonic pretensions in Northeast Africa.⁵⁷

Morocco reinforced relations with the West African Economic and Monetary Union (UEMOA). In the course of preparation for the introduction of the customs union (realised in 2000), previous bilateral agreements with individual member countries became null and void. To replace them, Morocco negotiated a preferential trade and investment agreement, which was initialled in 2000. It provided for a reduction of tariffs by 50% for a limited number of products immediately after its coming into force, and the abolition of NTBs. However, the ratification initially scheduled for 2002 never came to fruition. Meanwhile, Moroccan economic operators have been demanding greater trade liberalisation, whereas West African business representatives have reservations about the economic strength and competitiveness of their Northern partner, which could harm local production and divert international investment.⁵⁸ Tunisia and Egypt are negotiating similar agreements with UEMOA; further negotiations with Algeria and Lebanon were mandated in 2003.⁵⁹

In 2001, Morocco, Tunisia and Egypt also joined the Community of Saharan and Sahelian States (COMESSA/SinSad). The community was founded by six countries in 1998 as a Libyan initiative and expanded rapidly to now cover 21 North, West, Central and East African states.⁶⁰ It is a multi-purpose organisation, with economic co-operation as a common denominator. Establishing a common market is a medium to long-term objective. In 2001, the agricultural ministers decided to abolish customs duties on agricultural products. At their summit in 2003, the heads of state instructed the organisation's Secretary General to prepare the technical conditions for the creation of an FTZ in the foreseeable future.⁶¹

51. See Zorob, *op.cit.*

52. For UMA integration, see Steffen Wippel, 2005, "Regionale Integration im Maghreb: Wirtschaftliche, kognitive und räumliche Aspekte", in Steffen Wippel (ed.), *Wirtschaft im Vorderen Orient, Interdisziplinäre Perspektiven*, Berlin: Klaus Schwarz Verlag, p. 112-141; Moulay Hamid Touiti, 1996, *L'Union du Maghreb Arabe 1989 - 1995*, Casablanca.

53. See Englert, *op.cit.*, p. 19.

54. See *ArabicNews.com*, 24/10/2001; www.mees.com/postedarticles/finance/general/a45n13b01.htm.

55. For a survey, cf. Steffen Wippel, 2003/04, "Le renouveau des relations transsahariennes. Etude comparative des cas marocain et égyptien", *Maghreb Machrek*, 178, p. 89-108; for details on COMESA and UEMOA www.comesa.int and www.uemoa.int.

56. Two further countries joined the FTZ in 2004.

57. According to www.moft.gov.eg/english/Trade_Agreements/Comesa.stm, Sudan does not apply 100% tariff reduction currently in the case of Egypt. As an exception it banned a list of import goods from Egypt, while Kenya and Mauritius temporarily "re-introduced" duties on some Egyptian imports (Tamer Afifi, 2005, *Egypt in an Arab-African Sandwich: Are GAFTA and COMESA to be implemented?*, Paper, Conference on Middle East and North African Economies: Past Perspectives and Future Challenges, Brussels: Free University of Brussels, p. 9, 30).

58. See also *Le Journal de l'Economie*, 11/04/2005. In fact, the interim regulations applied are not clear, thus leaving room for arbitrariness. In addition, Morocco conceded duty-free import for a number of products from African least-developed countries in 2001.

59. Contrary to this, Mauritania has increasingly turned away from integration with the South, as demonstrated by its withdrawal in 1999 from the Economic Community of West African States that is progressing towards deeper political and economic integration.

60. See also Hanspeter Mattes, 2005, "Die Sahel- und Sahara-Staatengemeinschaft (SinSad)", in Dirk Nabers and Andreas Ufen (eds.), *Regional Integration - Neue Dynamiken in Afrika, Asien und Lateinamerika*, Hamburg: Deutsches Übersee-Institut, p. 137-155; www.cen-sad.org.

61. See www.essor.gov.ml/cgi-bin/view_article.pl?id=6813. Further regional FTAs are projected between the Mercosur and Morocco and Egypt respectively, and later between all Latin American and Arab countries (*Le Matin*, 27/11/2004 and 09/05/2005; *ArabicNews.com*, 11/05/2005).

Table 6
Bilateral Trade Agreements of
AMPC with Arab countries, Turkey,
and the USA

List not comprehensive; data from different sources in part inconsistent. Shaded in grey: Full GAFTA applicants among MAFTA countries. Two dates: Date of signature/in force.

CA: (Economic, commercial, trade) co-operation agreement.

IF: In force (no date given).

FA: Framework agreement.

FT: Free trade (with negative lists).

neg.: Negotiations.

proj.: Projected.

prot.: Protocol.

PT: Preferential trade (with positive lists).

rat.: Ratified.

TA: Trade (and tariff) agreement (PT if not marked otherwise).

TIFA: Trade and Investment Framework Agreement.

a. ROOs: 40% local value added.

b. According to 2000 Arab summit decision, total tariff exemption for Palestinian exports.

With Egypt, Jordan and Saudi Arabia duty free imports and exports according to positive lists in the 1994 Economic Agreement with Israel, establishing a de facto customs union; ROOs with Egypt: 40% local input; Jordan: 35% Palestinian plus Jordanian input; Saudi Arabia: 40% Arab origin.

c. ROOs: 41% local value added.

d. ROOs: change of classification or percentage rule (according to specified lists); bilateral cumulation, full cumulation with Tunisia and Algeria (provided identical ROOs exist).

e. Morocco/Jordan: ROOs 35% local content as a basic rule. Jordan/Egypt: Plus Qualifying Industrial Zones Agreement (free access to US market; ROOs: 35% value added plus Israeli content).

Compiled according to various national and international sources.

	Morocco	Tunisia	Egypt	Jordan						
Agadir	bilateral FTAs									
Algeria	TA 1989/89 (FTA) ^d	TA 1981/91 (FTA) ^d		CA/TA 1997/IF	Algeria					
Lebanon	CA 1972/73 (PT)	FTA 1972 1998/99	FTA 2002/IF	CA/TA		Lebanon				
Syria	CA/TA 1972/IF	TA 1977/IF (FT)	FTA 2002/IF	FTA 2001/02	TA 1979 (& 1997)	FTA 1993/94 & 1998/98	Syria			
Palestine /PLO ^d		FA 1994	CA/TA ^d	CA/TA 1995/IF				Palestine /PLO ^d		
Mauritania	TA 1986/93 ^d	TA 1984/89 prot.1986, 1988 (FT)			TA (FT)					Mauritania
Libya	TA 1990/90 (rat. 1992) (FT) ^{a++}	FTA 2001/02	TA 1990/91	CA/TA 2002/IF	(PT)	neg.	CA/TA 1978/IF	(PT)	(PT)	Libya
other Arab countries (selection)	UAE: FTA 2001/03 ^d Saudi: TA 1966/68, prot. 1987/87 ^a Iraq: TA 1976 (FT) ^c Sudan: TA Kuwait: TA	Kuwait: CA 1988/88 (FT) Iraq: FTA 2001 Yemen: CA 1983/83	Iraq: FTA 2001/01 GCC: FTA neg.	Bahrain: FTA 2001/02 UAE: FTA 2000/IF Sudan: FTA 2003/IF Kuwait: FTA 2001	Iraq: FTA 2001 Bahrain: FTA 2001	Bahrain: FTA 2002/02 ^d Kuwait: FTA 1998/98 ^d UAE: FTA 2000/01 ^d Saudi: CA & TA 1971/71 ^a Yemen: TA 1999/2000 (FT)	Iraq: CA/TA 1979 frozen (FT) Sudan: CA/TA 1974/IF Saudi: CA/TA 1972/IF (PT/FT) Kuwait: CA/TA 1991/IF (FT) Qatar: CA/TA 1990/IF Bahrain: CA/TA 1994/IF	Saudia: (PT) ^d		unilateral FT with Arab countries
Turkey	FTA 2004 ^d	FTA 2004	FTA neg.	FTA neg.		FTA neg.	FTA 2004	FTA 2004		
USA	FTA 2004 ^d	TIFA	TIFA 1999; FTA neg. ^d	FTA 2000/01 ^e	TIFA					

To these regional accords, we have to add an increasing number of bi-national trade agreements, either those in existence, under negotiation or planned, especially with Arab countries, Turkey, and the USA. Their coverage is quite heterogeneous, starting with trade liberalisation for limited lists of commodities, as documented in the older accords, and progressing to (nearly) full, immediate or gradual abolition of tariffs in most of the recent agreements. However, the question is to what degree they have been implemented and how they fit into larger multilateral FTAs. Some of the older agreements with Arab states have in the meantime been superseded by broader Agadir and GAFTA arrangements.

In principle, this multiplicity of trade and co-operation agreements concluded by the countries under review corresponds to their desire to weave a multi-oriented network of economic exchanges in order to loosen dependency on European markets and themselves become a sort of (secondary) hub of North-South and South-South exchange. At the same time this reflects the historical ties and different directions involved in the existing trade links of each country. However, the question of compatibility of the different FTAs, of which the Agadir countries hold simultaneous membership, remains.⁶² Here again the issue of rules of origin is crucial.

Compatibility is particularly problematic when it comes to the Arab integration scheme. GAFTA, to which all Agadir and most potential MAFTA members adhere, has quite different ROOs to those of the future Pan-Euro-Med system. The Executive Program

⁶²On the question of compatibility of overlapping FTAs in the region, see, e.g., Jamel Zarrouk and Franco Zallio, 2000, *Integrating Free Trade Agreements*, Paper, Third Mediterranean Forum, Cairo; and Afifi, *op.cit.*

calls for the implementation of Arab ROOs to be worked out by a Rules of Origin Committee.⁶³ Interim rules refer to the 1981 Pan-Arab agreement which provides for value added in local treatment of at least 40%, including diagonal cumulation with other Arab inputs, or for the change in tariff classification after transformation (currently not applied).⁶⁴ Most bilateral intra-Arab trade agreements abide by the 40% rule, including bilateral cumulation. UMA also adopted an (ineffective) system of ROOs, determining products to be of Maghreb origin if 40% value is added in a Maghreb country or at least 60% of the raw material used originates from the latter; however, no cumulation was mentioned in the trade and tariff agreement of 1991.⁶⁵

So if, for example, a product is assembled or processed in Tunisia and includes material from another Agadir country such as Egypt, different ROOs are to be applied depending on the ultimate European or Arab destination of the product. This complicates already costly certification procedures further, requires adjustment of production processes, and is, therefore, not an incentive to more trade and industrial co-operation among Arab countries, nor does it invite investment.⁶⁶ This discrimination against intra-Arab trade is particularly dubious since the EU is simultaneously in the final stages of negotiating an FTA with the GCC, and it remains to be seen what cumulation regime will finally be agreed upon.

However, the Committee on Rules of Origin seeks conformity between Arab and European rules. In meetings that took place in 2001 and 2002 to draft new unified ROOs, however, no consensus was reached. Several countries supported existing rules provided that the local component in export commodities rose to 60%, whereas others favoured maintaining the 40% quota and introducing more flexible rules to take the limited availability of raw material and intermediary goods into account.⁶⁷ Countries like Jordan, Lebanon and most of the Gulf countries expressed reservations, as the rules planned seemed too similar to those of the EMAAs. Since the idea of introducing a customs union between MAFTA and GAFTA countries to avoid the strict Pan-Euro-Med rules being applied to the rest of the Arab world seems currently unrealistic, it was suggested that ROOs be softened to allow full cumulation and include the remaining GAFTA countries in the system.⁶⁸

The same problem arises with respect to other FTAs. Egypt's trade with other COMESA members requires a change of tariff heading, a minimum of 35% of local value added in the production process (25% for goods of particular importance) or a maximum content of 60% of non-COMESA materials in total costs of material used.⁶⁹ Morocco had in principle agreed on a 40% local value added for industrial products with UEMOA countries⁷⁰; and the bilateral US-American FTAs with Jordan and Morocco respectively stipulate local contents of 35%.

Verification procedures may, however, be facilitated in the future. The European Commission published a Green Paper in 2003 initiating a wide-ranging debate on the future of ROOs with third countries.⁷¹ As a result existing rules were seen as too complicated, too restrictive and lacking in transparency; they were also considered as not corresponding to new complex production models.⁷² In 2005, the Commission decided on certain changes to simplify the system, which will be introduced over time into all preferential trade agreements.⁷³ Implementation begins in 2006 with the new Generalised System of Preferences, including all AMPC with the exception of Palestine and Mauritania. Shortly after, it will continue with the Regional Partnership Agreements under negotiation with the ACP countries, and finally with existing FTAs, such as those with the Mediterranean countries.

One of the main reform elements is to reduce the number of criteria to define the origin of goods: a single, across-the-board rule will be based on a fixed minimal percentage of value added for all products instead of the existing multiplicity of rules varying from one product to another.⁷⁴ Simultaneously, this will allow for adapting more easily to the needs and objectives of each regional arrangement. In the Pan-Euro-Med area the new instrument should take the form of a regional convention on origin. Instead of the simultaneous existence of bilateral, diagonal and full forms of cumulation, progressive extension of full cumulation to the various preferential frameworks should be considered. All of this will not immediately mean the introduction of an entire Pan-Euro-Arab or Euro-African system of cumulation, but will at least facilitate the handling of procedures.

63. See Englert, *op.cit.*: 18; www.erf.org/eg/html/economic_00/html/body_intra-regional.html.

64. For details, see [www.douane.gov.ma/Accords/Regles_Origine/Detail.asp?Num=6; http://user1041620.wx19.registeredsite.com/ALI/CERTIFICATE_OF_ORIGIN.asp](http://www.douane.gov.ma/Accords/Regles_Origine/Detail.asp?Num=6;http://user1041620.wx19.registeredsite.com/ALI/CERTIFICATE_OF_ORIGIN.asp).

65. See Touiti, *op. cit.*

66. I owe much of this argument to Anja Zorob, who has presented the rules of origin problem on several occasions. In the following, see especially Zorob, *op. cit.*

67. For positions, see *Jordan Times*, 03-04/08/2001; www.sis.gov.eg/online/html/0020722p.htm.

68. The 1981 agreement had already planned to increase percentages, and the Executive Program wanted to achieve full cumulation of origin among GAFTA members.

69. See www.comesa.int/trade/goods/origin/Rules%20of%20Origin/en. The COMESA Council recently demanded working towards the establishment of a Pan-African cumulation principle as part of NEPAD and AGOA/African Growth and Opportunity Act (*Official Gazette of the Common Market for Eastern and Southern Africa*, 7(2), 2002, p. 12 and 7(3), 2002, p. 5f.).

70. See *Projet d'accord commercial et d'investissement entre le Royaume du Maroc et l'Union Economique et Monétaire Ouest Africaine* (no date).

71. See www.europa.eu.int/comm/taxation_customs/customs/customs_duties/rules_origin/preferential/article_777_en.htm; Commission of the European Communities, 2004, *op. cit.*

72. Commission of the European Communities, 2004, *op. cit.*

73. See Commission of the European Communities, 2005, *Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee. The rules of origin in preferential trade arrangements. Orientations for the Future*, COM(2005) 100 final, Commission of the European Communities: Brussels. See also www.europa.eu.int/comm/taxation_customs/customs/customs_duties/rules_origin/preferential/article_403_en.htm. The WTO Rules of Origin Agreement also established a harmonisation work program, for that in the longer term common ROOs will be implemented among all WTO members (www.wto.org/english/thewto_e/whatis_e/eol/e/wto03/wto3_46.htm).

74. See www.europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/format=HTML&aged=0&language=en&guiLanguage=en.

Trade Orientations beyond the Arab Mediterranean

Striking for most MAFTA countries is their external trade dependency on Europe. In the last few years, Tunisia and Libya exchanged about three-quarters of their trade with the former EU 15, whereas Jordan showed the smallest percentage (less than a quarter on average 2000-03). For most countries, the future Pan-Euro-Med area adds only a few points to these shares, with the biggest increase showing for Syria, Lebanon and Libya (16 to 19 additional points), and thus the greatest benefit from the pending installation of such a comprehensive system. Among the core Agadir countries shares are very high (stable or with a slight increase since the 1990s) for Tunisia and Morocco, but relatively low (and slightly decreasing) for Egypt and Jordan regardless of the size of the European or Euro-Med group chosen.

Table 7
Trade Shares with Other Regional Groupings (2000-2003)

Pan-EEA 34: EU 25, accession candidates and EFTA. **Pan-Euromed 34+9:** EEA 34, AMPC and Israel.
Source: IMF, *op.cit.* Author's own calculations.

	Morocco	Tunisia	Egypt	Jordan	Algeria	Syria	Lebanon	Mauritania	Libya
MAFTA	2,7%	6,2%	2,5%	5,0%	2,2%	5,1%	8,3%	3,3%	6,2%
UMA	2,1%	5,5%	1,4%	1,2%	1,1%	1,5%	1,0%	2,6%	4,9%
GCC	3,0%	0,9%	5,0%	7,9%	0,4%	7,3%	7,4%	0,4%	0,5%
GAFTA	6,5%	6,6%	7,9%	29,2%	2,7%	12,0%	16,0%	2,4%	6,6%
EU 15	62,3%	74,1%	35,6%	22,5%	62,5%	41,4%	44,8%	55,3%	76,5%
Pan-EEA 34*	65,3%	77,9%	41,3%	26,4%	67,1%	53,8%	55,1%	59,0%	86,1%
Euromed	65,2%	78,0%	54,4%	31,2%	68,2%	53,6%	56,9%	59,3%	88,6%
15+12									
Pan-Euromed	67,3%	80,2%	57,9%	33,2%	69,2%	58,4%	63,3%	62,3%	92,3%
34+9									

Contrary to this, almost all countries show a low orientation of trade flows towards Arab groupings. Trade shares with GAFTA countries are obviously higher, ranging from 2% to 3% for Algeria and Mauritania as non-members to nearly 30% for Jordan. Consequently there is an obvious divergence in trade dependency on the Arab world between Jordan and the three remaining Agadir countries. The shares of intra-MAFTA compared to all GAFTA trade combined are relatively similar for Tunisia, Algeria and Libya, but differ greatly in the case of Jordan. Members of UMA only exchange between 1% and 5% of their respective external trade between each other; in comparison, Mashreq countries trade to a greater degree with GCC, of which however they are not members. Jordan is apparently the Agadir member oriented most to Arab non-MAFTA countries.

With respect to African regional communities, trade shares in Agadir countries are low too (Morocco-UEMOA 0,4%; Egypt-COMESA 1%), even for the trans-Saharan SinSad (Egypt 1%; Morocco 2%; only for Tunisia 5%). Trade with the USA, however, is relatively important for Egypt and Jordan (15% and 10%), whereas it plays only a minor role for the two Maghrebi Agadir members (2% to 4%).

Looking at relative trade intensities, the picture is almost the reverse. Trade with the EU, which holds a vast share in global trade, shows only a low degree of "regionalisation" with intensities ranging between 1 and a maximum of 2 in Tunisia and Libya; for Jordan, however, intensity is even below the threshold of 1. Figures for the larger Pan-European or Euro-Med areas differ only slightly. Here too, a clear (and continuous) distinction can be made within the Agadir group between Morocco and Tunisia on the one hand, and Egypt and Jordan on the other.

Table 8
Trade Intensities with Other Regional Groupings (2000-2003)

Intensities equal to one or below in white.
For definition of groupings, see precedent table.
Source: IMF, *op.cit.* Author's own calculations.

	Morocco	Tunisia	Egypt	Jordan	Algeria	Syria	Lebanon	Mauritania	Libya
MAFTA	3,0	6,7	2,9	5,0	2,6	5,2	8,3	3,1	6,6
UMA	4,2	10,4	2,1	1,9	2,7	2,3	1,6	4,0	9,1
GCC	1,6	0,5	2,6	4,0	0,2	3,8	3,8	0,2	0,2
GAFTA	2,3	2,3	2,8	10,0	1,0	4,2	5,5	0,8	2,3
EU 15	1,7	2,1	1,0	0,6	1,7	1,1	1,2	1,5	2,1
Pan-EEA 34	1,6	1,9	1,0	0,6	1,6	1,3	1,3	1,4	2,1
Euromed	1,7	2,0	1,4	0,8	1,8	1,4	1,5	1,5	2,3
15+12									
Pan-Euromed	1,6	1,9	1,3	0,8	1,6	1,3	1,5	1,4	2,1
34+9									

Trade intensities within the Arab world are revealed to be much higher, indicating *de facto* regionalisation, with the sole exception of Mauritania and Algeria. Jordan's trade in this context is at its most intense with GAFTA, with Syria and Lebanon also showing high intensities. For Morocco, Tunisia and Libya, however, intra-Arab trade intensities are not that much higher than for trade with the EU. The most intensive trade with the GCC is carried out by the Mashreq countries, but this trade is less intense than their goods exchange with all of GAFTA together. Conversely, Maghreb countries regionalised trade much more among each other. Furthermore, for all other current and potential member countries apart from Jordan, intra-MAFTA trade is more intense than trade with GAFTA.

Regionalisation also exists with areas south of the Sahara: e.g., Morocco's trade with UEMOA (3, 4) is nearly as intense as Egypt's with its COMESA partners (4). Both also show higher trade than expected with the SinSad (intensities of 1,7 and 2,5 respectively), and Tunisia has a conspicuously higher intensity of 6,4. No sign of intense trade, however, could be detected between the Agadir countries and the United States; intensities range from 0,2 for Tunisia to 1,0 for Egypt.

Overall, we can observe quite different regional orientations even for the core Agadir countries. Morocco and Tunisia have a strong trade orientation towards the North and South Western Mediterranean, the Sahel and francophone West and Central Africa. Conversely, Egypt and Jordan show intense trade integration more with the Southern and Eastern Mediterranean, the Mashreq and the Arab Peninsula, Northeast Africa and the Indian sub-continent. Hence, optimal institutional framing must involve quite different regional organisations as *de facto* reflected by the partly divergent involvement of the countries in multiple regional arrangements.

Economic regions are not only formed by human economic activities and economic institutions, but also have to be imagined by the politically responsible and economically active who contribute to their formation and who have to live and act there. Simultaneously, they must recognise common grounds and assess consequences of regional action. Human action is frequently led by mentally fixed "meta-regions", whose shapes are comparatively clear and easily identifiable.⁷⁵

This chapter presents views expressed by the Moroccan politically interested general public.⁷⁶ The analysis includes general and party newspapers in particular, as well as programmatic and academic publications by political representatives. This is eased by the fact that the kingdom is one of the rare countries in the Arab world to have experienced a multi-party system for the last fifty years, thus enabling a historical perspective. Although royal decisions, especially on foreign policy, were in principle not open to public discussion, vigorous political debates were held on economic and cultural issues concerning Europe, Africa and the Arab world. I will concentrate on the three major secular parties, i.e., the Istiqlâl Party that led the country to independence; the National, later Socialist Union of Popular Forces (UNFP/USFP), that broke away as the ideologically left wing in the late 1950s; and finally, the former Moroccan Communist Party (PCM), now the Party for Progress and Socialism (PPS).⁷⁷

As the Agadir Agreement is the first South-South co-operation project in the Euro-Mediterranean context, Moroccan perceptions of relations with Europe are essential to its understanding; it likewise points to other regional references that must also be considered.

Since the late 1950s, Moroccan monarchs have always favoured close association with Europe. However, this has been heavily disputed among the main political parties. Existing agreements with the EC were criticised as unbalanced, not least because the vital agricultural sector was for the most part excluded. The two leftist groups were in particular of the opinion that maintaining close economic ties with Europe was "subordination" and constituted a "neo-colonial" relationship. According to prevalent third world theories of the time, they favoured their country's dissociation from its dominant neighbour and a strategy of import substitution. Instead, the Socialists pleaded for close co-operation with other developing countries, whereas for the former communists the "progressive" Eastern bloc was the natural ally of the developing world. Finally, the Istiqlâl vacillated between even more opposition to

75. See in analogy Gisela Kubon-Gilke, 1997, *Verhaltensbindung und die Evolution ökonomischer Institutionen*, Marburg: Metropolis.

76. This confinement is due to a huge bulk of information to be analysed. For details and bibliography, see in the following Steffen Wippel, 2001, "Von 'Tanger' bis 'Barcelona', Zwischen Abgrenzung und Außenöffnung im marokkanisch-europäischen Verhältnis", in Henner Fürtig (ed.), *Islamische Welt und Globalisierung: Aneignung, Abgrenzung, Gegenentwürfe*, Würzburg: Ergon-Verlag, p. 213-247; and "L'attitude des élites marocaines face à une plus grande coopération entre l'UE et les pays du Maghreb" in Mohamed Berriane and Andreas Kagermeier (eds.), 2001, *Le Maroc à la veille du troisième millénaire - Défis, chances et risques d'un développement durable*, Rabat: Publications de la Faculté des Lettres et des Sciences Humaines de Rabat, p. 57-67.

77. Apart from the party-affiliated newspapers, such as today *Liberation* (USFP), *Al Bayane* (PPS) and *L'Opinion* (Istiqlâl), the semi-official but comprehensive *Le Matin*, the economic daily *L'Economiste* or the weekly *Maroc Hebdo International* were included in the analysis.

V. Perceptions of Regional Orientations and an Arab Mediterranean Area

Disputed Relations with Europe and Dissociation of the Maghreb

association with the EC and asking Europe to give Moroccan products easier access to its markets.

The leftist parties pushed first and foremost for integration of the Maghreb.⁷⁸ This idea of the political and economic unity of the region and its institutional integration was quite a recent “invention”⁷⁹ of the 20th century, and had evolved gradually since the struggle of French North Africa for independence.⁸⁰ In the 1960s, ambitions to form an economic union that would enable deeper integration and an auto-centred development predominated among the left. At the same time, integration was usually conceived of, particularly by the PCM, as a political project that could lead to a complete fusion of the new nation states. Both parties considered Maghreb integration as the first step towards realising further pan-Arab aspirations. For a long time, alternative regional projects were regarded suspiciously as attempts to wreck Arab unity. The Istiqlâl heavily stressed Morocco’s Islamic and Arab heritage, but its representatives likewise declared themselves in favour of Maghreb economic co-operation. Although frequently vast differences in concept existed, the Maghreb idea seems to have lodged itself in the political thinking of the region since the 1960s.

Growing Readiness for Integration in a Common Mediterranean Space

Positions on Europe slowly began to change from about the second half of the 1970s. Not surprisingly, the Istiqlâl was the first to display more openness towards Europe, whereas most PPS members continued up to the beginning of the 1990s to argue with the logic of dependence. Southern enlargement of the EC in the 1980s and the common market project fostered fears of growing European protectionism, but did not lead to a turning away from Europe. Party representatives realised that the world economy in the 21st century would be based on large regional entities and that Morocco would not be in a position to overcome global challenges on its own. The parties repeatedly asked Europe to establish a comprehensive and more equal partnership that would include deeper economic co-operation, but also contain political and cultural dimensions. The government went so far as to demand full EU membership.

Parallel to this, preoccupation with the Mediterranean had intensified. Seen as a link between its southern and northern shores rather than a separating barrier, the Mediterranean was regarded as part of Morocco’s identity and a common economic and cultural space towards which it should take a more open stance; internally, Morocco was asked to develop its own domestic Mediterranean façade. However, a genuinely innovative European approach to the Mediterranean and its problems was first recognised in the mid-1990s. All political parties cherished the Barcelona Declaration, which in their eyes constituted the comprehensive programme they had sought for so long. The overall positive assessment of the long-term prospects of free trade was quite astonishing considering its inherent insecurities and dangers. European support for political rights and democratisation was welcomed, too, although party representatives reacted with irritation when they thought European institutions were interfering too much in national affairs. Strong reservations still prevailed in the cultural field due to apprehension in relation to Western influence and domination. However, there was more openness towards European values and mediation than towards the US-American hegemonic trends in the region.

This predisposition to develop closer relations with Europe was not unconditional nor was it without severe criticism, and party representatives still saw enormous deficits in recent agreements. In general, Europe was reproached for ignoring social issues and concentrating far too much on its “security syndrome”.⁸¹ It was also emphasised that economic and social progress alone could create adequate conditions for permanent stability. Agricultural exports were still a huge problem and according to all three political parties a constant demonstration of European egoism and inconsistency. Raised repeatedly, European migration policy was yet another issue surrounded by criticism. From the 1980s, the closing of European borders became the key issue. At the same time, xenophobic excesses in Europe were under critical observation. Furthermore, Moroccans regularly accused Europe of overexploiting its fishing resources and of disregarding agreements, both in relation to biological pauses and co-operation in fish processing.

The old ideas on Maghreb integration gradually gave way around the 1980s to more pragmatic approaches to limited economic co-operation – already favoured early on by the Moroccan government. With the growing inclination towards Europe, the

78. For the Maghreb perception, see Wippel, *op.cit.*

79. In analogy to Eric Hobsbawm and Terence Ranger (eds.), 1995, *The Invention of Tradition*, Cambridge: Cambridge University Press.

80. Up to the 1960s, the Maghreb was mostly conceived as a community of three, later of five countries, including Libya and Mauritania.

81. See here Fathallah Oualalou: *Après Barcelone... le Maghreb est nécessaire*, Les Editions Toubkal/L’Harmattan, Casablanca/Paris 1996. Oualalou (USFP) has been minister for economics and finance since 1998.

Maghreb was seen less and less as an alternative and more as a supplement. It was principally conceived as a vehicle for common economic integration with the Northern partners, and seen as part of an overarching Mediterranean area. Simultaneously, regional integration of the Maghreb was perceived less and less as a first step to comprehensive political and economic unity of the Arab world, although traditional pan-Arab and pan-Maghreb wings still persisted in the leftist parties.⁸²

With improved political conditions in Morocco, the three parties finally became part of the government and participated in the management of the country's economic and regional policies. The new ministers responsible repeatedly emphasised their desire to deepen co-operation with the EU, but also to renegotiate Euro-Med partnership in an effort to achieve a greater balance between the different co-operation fields. They received a great deal of support from the new king, who before his accession to the throne had also had an open, yet critical approach to Europe.⁸³ An "advanced statute" in relation to Europe was a key demand by political representatives at the beginning of the new century. In 2000, Mohamed VI officially claimed a special relationship that was to become broader and deeper than the current association status. This has now become compatible with the development of more intense relations through the new ENP.

When parallel to this at the end of the 1990s it was evident that the EMP would not meet expectations, a sense of disappointment made itself felt and efforts were made to strengthen complementary South-South relations and thus lessen the consequences of unilateral linking in the direction of the already integrated North. However, scepticism seems to have been rife with respect to the Maghreb idea, too. Parallel to institutional developments, political debates on Morocco's other regional orientations have increased. Morocco is perceived more and more as a country at the intersection of several world regions, which has simultaneously Mediterranean, Arab-Muslim and Saharan-African characteristics and an economically pivotal role to play in trade and investment. Hence, for instance, Morocco's revived African policy has led to a new emphasis on common trans-Saharan heritage and history, especially in Northwest Africa.⁸⁴

In addition, the "Arab Mediterranean" area has recently been created as a new region in the Agadir context. This agreement is primarily seen as directly linked to the Euro-Med programme and an initial step towards the much needed South-South co-operation with other AMPC, bringing their "highly committed core"⁸⁵ together. However, it has almost achieved the same significance in relation to a future common Arab market that has replaced the notion of complete unification at the centre of Arab integration ideas. The Agadir process is regarded as a means of achieving sustainable development and confronting the challenges of globalisation.⁸⁶ Europe is taken as an example of deepening integration, whereas the Arab world still seems blocked.⁸⁷ Referring to the Maghreb, some have pessimistically asked whether the "all azimuths" FTA strategy might not lead to its dilution in a larger market and the loss of its specific characteristics.⁸⁸

Moreover, it was claimed that despite the often deplored weakness of intra-regional trade, the Agadir countries have potential for regionalisation due to their linguistic, cultural and geographical proximity.⁸⁹ Others underlined geography as one of the principal handicaps, as no two group members have common borders.⁹⁰ However, numerous newspaper articles and commentaries fail to make a clear distinction between the Pan-Arab and the Mediterranean-Arab FTZ, and sometimes even confuse them. This also points to the fact that the Agadir group is not yet a deeply-rooted entity with a strong identity of its own, even in more informed Moroccan circles.

At the same time national entrepreneurs were concerned about the impact of the intra-Agadir trade opening. Common criticisms referred to the fact that no impact assessment study was carried out before the agreement was concluded, that a "black list" of goods exempted from free trade did not exist, and that no concerted action had been initiated together with the business community.⁹¹ Whereas the EU progressive dismantling of trade barriers allows for gradual adaptation and upgrading, the Agadir process is considered to be progressing too fast. A well-known economist stressed that Tunisia and Egypt were Moroccan rivals rather than trade partners, whereas an FTA with Algeria would be much more advantageous.⁹²

Protests came from sectors that could be negatively affected. The Moroccan association of cement producers urgently demanded accompanying measures for the

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⁸². However, these regional identities re-emerged temporarily in times of great crisis, such as during the Second Gulf War.

⁸³. See, for instance, Mohamed Ben El Hassan Alaoui, 1994, *La coopération entre l'Union européenne et les pays du Maghreb*, Paris: Nathan.

⁸⁴. See Laurence Marfaing and Steffen Wippel (eds.), 2004, *Les relations transsahariennes à l'époque contemporaine. Un espace en constante mutation*, Paris/Berlin: Karthala/ZMO. The idea of a (trans-)Atlantic component as a potential supplement to Northern, Eastern and Southern orientations is gradually beginning to take shape parallel to the growing attention given to agreements with the Americas and to reinforced co-operation with the nearby "Macaronesian" Islands.

⁸⁵. The last term was used, suspiciously, by www.usfp.ma/article_print.php?t=4&id=44 or, more neutral, in Tunisia by *L'Economiste Maghrébin* 338, 16-30/04/2003.

⁸⁶. See, e.g., *Libération*, 10/05/2001; *Arabic News*, 27/03/2002; *Le Matin*, 10/01 and 24/02/2004.

⁸⁷. *L'Opinion*, 05/05/2004.

⁸⁸. See *Maroc Hebdo International* 593, 20-26/02/2004. In the same context, representatives from Algeria and Tunisia stressed the need to revive the UMA (*Le Matin*, 09/05/2001; *Libération*, 10/05/2001). In 2003, Algeria welcomed the fact that European representatives spoke of Maghreb integration once again, this time without referring to the Agadir process (*Le Quotidien d'Oran*, 05/11/2003).

⁸⁹. *Le Matin*, 25/08/2003.

⁹⁰. *Le Matin*, 11/11/2003.

⁹¹. *L'Economiste*, 05/05/2004.

⁹². *L'Economiste*, 20/01/2005.

industry. Representatives of the Moroccan rice sector feared that cheap rice would soon arrive from Egypt, where it is produced under far more favourable conditions.⁹³ Professionals of the poultry sector demanded time to reorganise and upgrade the domestic industry and called for a harmonisation of legislation first.⁹⁴ Other sectors, however, expected positive effects, such as the otherwise quite protectionist textile industry, which hoped for diagonal ROOs to be more favourable vis-à-vis Asian competition on the European market, and to some extent the Moroccan electronic industry and the agro-industrial sector.⁹⁵

Moroccan politicians and the media also emphasised their country's role in pushing the new agreement forward. In their eyes, Morocco took the initiative to sign an FTA with Egypt in 1998 to accelerate the somewhat slow GAFTA programme.⁹⁶ Both countries were seen as the driving force behind aspirations towards an Arab market, similar to the role played by Germany and France in the European integration process.⁹⁷ Finally, the Agadir countries are also regarded as an "example" of economic co-operation to other Arab countries.⁹⁸ Likewise, they emphasise that it was the Moroccan king who asked his peers at the Arab economic summit to attend to real economic co-operation, and who finally initiated the Agadir declaration.⁹⁹ In this sense Morocco consolidated its position as a leading actor in the Maghreb, the Arab World and the Mediterranean.¹⁰⁰

The Agadir debate is therefore only the final building block in a lasting discussion on opening up towards the Mediterranean and the country's regional belonging, the diversity of which has been increasingly acknowledged. However, the debate is in its early stages, as the Arab Mediterranean area has just begun institutionalising among its core members. In addition, the huge geographic distances still constitute an obstacle to the emergence of a "closed" shape and an easily recognisable identity. Consequently the Arab Mediterranean is not understood as a world apart but as one dimension of Morocco's multiple regional orientations.

VI. The Arab Mediterranean, Multiple Orientations and Open Regionalism

The Agadir association has proved to be an important achievement in an Arabic environment that has for a long time shown a low profile in relation to regionalisation and South-South co-operation. The scheme – albeit delayed – has relatively far-reaching ambitions that go beyond pure tariff-free trade. Summarising the process is best done by taking several complementary perspectives, the first of which is Euro-Mediterranean. "Agadir" is first and foremost a reaction to the EMP, its disappointingly meagre results and the need for complementary South-South relations to overcome the unfavourable hub-and-spokes structure and install a Euro-Mediterranean FTZ on the 2010+ horizon. The process was launched at a time when positive attitudes towards Euro-Med integration had become more critical again. From the Euro-Med perspective, the extension of the current group of four to all AMPC is needed urgently, so that multilateral free trade and diagonal cumulation of origin can be implemented in the now larger Pan-Euro-Med zone.

Expectations should not, however, be too high with regard to mutual trade, attractiveness for investment, or economic outlook. Much more depends on domestic policies, particularly on the reliability of the institutional, regulatory framework. Time will tell whether declared policy co-ordination in various fields takes place; infrastructure to ease economic flows must be developed not only in the EMP/ENP context, but through the efforts of the Southern Mediterranean countries themselves as well; and finally, instruments designed to support an intra-regional policy and which are complementary to EU funds should be introduced. At the institutional level, a supra-national authority must be established to ease internal decision-making processes and implementation, as well as, outwardly, co-ordination and representation of common interests.

The above-mentioned points deal with the Agadir process from a more internal perspective. The question arises here as to the adequacy of a unique Arab Mediterranean institutional framework considering the very different regional orientations of the countries involved. As emphasised repeatedly, there is an obvious gap between the Maghreb and Mashreq countries with respect to intra- and extra-regional trade orientation. Furthermore, the Maghreb countries have a keener interest in close co-operation with the EU and a strong sense of their own regional (albeit multi-faceted) identity.

The somewhat weak identity of the recently "invented" Arab Mediterranean meso-region in the public perception not only reflects its relative newness but also the

93. *La Vie économique*, 10/09/2004.

94. *L'Economiste*, 09/03/2004.

95. *L'Economiste*, 24/12/2004.

96. *Maroc Hebdo International* 464, 11-17/05/2001.

97. *Al Bayane*, 14/01/2004; *Le Matin*, 15/01/2004.

98. *Le Matin*, 24/02/2004.

99. *Le Matin*, 07/05/2001 and 23/02/2004;

Maroc Hebdo International 464, 11-17/05/2001.

100. *Le Matin*, 07/05/2001.

genuine material division of the area. From this perspective, we should plead in addition for two – complementary – sub-regional entities, each with a multidimensional, i.e., geographical, historical and cultural, proximity and a stronger identity. This would mean a revival of the somewhat faltering UMA and the establishment of an Eastern counterpart. However, cleavage is not completely straightforward and countries like Libya or Egypt have an in-between position with substantial ties and interests on both sides. But double membership will not be excluded, especially in the light of “open regionalism” schemes in other parts of the world, provided that appropriate tuning of the respective rules can be achieved.¹⁰¹ A proposal of this kind would also be in accordance with the more differentiated, sub-regional approach repeatedly demanded by researchers working on the Euro-Med process¹⁰² or as provided for in the new ENP. Furthermore, it fits into a renaissance of the Western Mediterranean “5+5” forum in 2001 or the older, now re-emerging calls for a special EU-Maghreb co-operation.

Another perspective looks at the relations of the Agadir group with other regional groupings, particularly the Pan-Arab FTZ. Pushing forward Arab integration is the second publicly declared objective of the Agadir Agreement, which in many areas goes beyond GAFTA provisions. However, it lost much of its vanguard position when it was slower to come into effect than GAFTA.¹⁰³ In addition, considerable inconsistencies exist in relation to trade regulations, primarily incompatibility in the rules of origin.¹⁰⁴ Final rules have not yet been established; now is the golden opportunity for alignment, i.e., bringing Arab ROOs closer to the revised Pan-Euro-Med rules. Moreover, both the Arab world and the Agadir group show similar sub-regionalisms and different outward alignments. Finally, from the perspective of the individual countries, each is placed in a specific set of (often fuzzy) regional affiliations that penetrate and overlap, which shapes their differentiated and multiple institutional involvement.

To sum up, “Agadir” displays multi-regional references and connections, particularly when it combines Mediterranean and Arab aspirations and orientations, as well as a sense of belonging to both “worlds” on the part of its member states. It thus constitutes a common denominator. At the same time it is merely one of many facets of regional integration and affiliation, which in turn corresponds to the principle of “open regionalism”, with geographical and institutional differentiation of content and co-operation fields. The dilemma of balancing a certain distinctiveness and specificity of individual regions vs. a certain degree of harmonisation of rules and regulations is apparently not easy to manage. In fact, the world is not divided into distinct, contiguous blocs, and overlapping regions are a reality to which politics and institutions must adapt as far as possible.

In conclusion, this implies that the Agadir trade measures must be implemented rapidly and consistently, and the area covered extended to include other AMPC with the aim of developing a truly promising example of South-South co-operation. However, for complementary deeper integration with and within the Southern Mediterranean region, a sub-regional approach should be (re)considered. Harmonisation with GAFTA is vital in view of a future Euro-Arab rather than Euro-Med free trade area. All of this could be realised in the medium to long term as a further step in the “differentiated” European integration process, now officially designed to establish rings of closely associated neighbours around the formal EU.

101. The fact that neither customs authorities nor business representatives know all the regulations currently in force means that implementation and exploitation are not always guaranteed on the ground, as reported from Egypt (*Al-Ahram Weekly* 691, 20-26/05/2004; Afifi, *op.cit.*, p. 29).

102. For instance, Stephen Calleya, 2004, *Sub-Regional Dynamics in the Mediterranean Area*, Paper, EuroMeSCo Working Group “Sub-regional co-operation within the EMP”, Lisbon: EuroMeSCo and Stephen C. Calleya and Mark A. Heller, 2004, *After EU Enlargement: The Logic of Sub-Regionalism in the Euro-Med Partnership*, Paper, EuroMeSCo Working Group “Sub-regional co-operation within the EMP”, Lisbon: EuroMeSCo. Felix Neugart and Tobias Schumacher, 2003, “The EU’s Future Neighbourhood Policy in the Middle East. From the Barcelona Process to a Euro Middle East Partnership” in Christian-Peter Hanelt, Giacomo Luciani and Felix Neugart (eds.), *Regime Change in Iraq: The Transatlantic and Regional Dimensions*, San Domenico di Fiesole: Robert Schuman Centre for Advanced Studies/European University Institute, p. 169-191 called for enlarging EMP to a more open Euro-Middle East partnership as an umbrella both for free trade as well as for several sub-regional co-operation clusters.

103. One advantage might be stronger “lock-in effects” for implementation compared to GAFTA, as it is intimately linked to the Euromed process.

104. Similar observations have been made in relation to African institutions, particularly for Egypt and the COMESA, which is probably the most advanced of the relevant South-South co-operation schemes.

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EuroMeSCo Secretariat
Instituto de Estudos Estratégicos e Internacionais
Largo de São Sebastião, 8
Paço do Lumiar
1600-762 Lisboa - Portugal
E-mail: mednet@mail.telepac.pt

