

FREE TRADE AREAS, EURO-MEDITERRANEAN PARTNERSHIP AND PROSPECTS OF SOUTH-SOUTH INTEGRATION IN THE MEDITERRANEAN

Nabiha MAAMRI
University of Al Manar, Tunis

1. Introduction

Regional relations in Europe and the Mediterranean since the launching of the Euro-Mediterranean Process (EMP) in November 1995 have underlined the fundamental fact that this geo-strategic area continues to be dominated by a widening gap between North and South. At the same time the analysis of the societies of countries, that are geographically proximate to the Mediterranean basin, reveals how the Mediterranean world continues to be characterized by both cooperative and conflictual patterns of relations.

North-West of the Mediterranean is the geographical space which is labelled the European Union (EU), while South-East of the Mediterranean basin is known as the Middle East and North Africa (MENA) region. If the relations across Southern Europe are largely cooperative dominant, in contrast, conflictual relations have hindered close cooperation inside MENA region. Intra-regional Mediterranean trade remains stagnant. South-South cooperation is dormant with a very low rate of trade exchange in the Maghreb representing some 5% and approximate 7% in the Mashrek.

As a consequence, the technology and prosperity gap between the EU and the Mediterranean has been widening in recent years. The large gap in development trends in adjacent regions of the EU is clear when one compares the Eastern borderlands to those of the South.

Given such a heterogeneous cluster of regional dynamics, some questions raise today 10 years after the Conference of Barcelona.

- What are the global complexities and challenges of the new world era to which the Mediterranean is facing?
- Is the Barcelona Process the correct mechanism to contend with the plethora of political, economic, social and cultural security challenges emanating along the Mediterranean periphery?

- What is the future of regionalization process in the Southern borderlands of the Mediterranean and particularly in the Arab world?

Like in Eastern and Northern Europe, for the regional development of the South, stability, steady social and economic growth are a vital precondition for the whole European Union to keep abreast of the mega-regions in the global context (NAFTA and AFTA).

This South-South regionalization process is also of primary interest to the Arab Mediterranean countries, considering that the final responsibility for the successful transformation on all levels rests with the States and societies of the MENA themselves.

This research has three main objectives.

- To analyze the effects of globalization, regionalism and trade agreements in the Mediterranean and its consequences on the potential development of the Arab countries.
- To analyze the potential of Arab regional integration (Maghreb-Mashrek) and the factors of correlations and discrepancy with the Euro-Mediterranean Partnership.
- To determine the impact of the Barcelona Process on South-South integration and to define the appropriate strategy towards deep South-South regional integration in the Mediterranean.

In this respect, the main purposes of this paper are:

- 1) to assess the interactions of the Euro-Mediterranean Partnership Agreements, signed or to be signed by Arab Southern Mediterranean countries with the EU (Tunisia, Morocco, Jordan, Palestinian Authority, Egypt, Algeria, Lebanon and Syria, with the exception of Libya);
- 2) to assess the Arab League initiative known as GAFTA (Great Arab Free Trade Area) establishing a single Free Trade Area (FTA) among 22 Member States starting January 1st 1998 (Cairo Treaty, 19 February, 1997) and also the Agadir Declaration (8 May, 2002) setting up an Arab-Mediterranean Free Trade Area between 4 Southern Mediterranean countries, which are Morocco, Tunisia, Egypt and Jordan;
- 3) to undertake a comparative study of the main features of the Euro-Med Agreements and the Arab regional FTA to highlight areas of intersection between the two sets of agreements and to suggest ways to link them, so that membership in both agreements will contribute to boost the process of integration between the EU and the Arab Mediterranean countries;

- 4) to underline what kind of measures and correct mechanisms could be introduced to make this process of South-South integration more effective and sustainable.

2. The Mediterranean in a new evolving international era: globalization and new regionalism processes

2.1 The Mediterranean and global complexities and challenges: conceptual framework

The last 20 years have been characterized by the resurgence of Regional Integration Agreements (RIAs) in both developing and developed countries. Between 1990 and 1994, the General Agreement on Tariffs and Trade (GATT) was notified of 33 regional trade arrangements. This constitutes some 300% increase compared with 1980s and nearly 30% of all international agreements since 1948.

This new wave of regionalism came after the signature of the Maastricht Treaty (1992) and the foundation of the EU which intensified the process of European economic integration. This process has created both hopes and fears in the countries outside the EU. Hopes linked to the evidence that deeper levels of markets integration can be achieved fears due to the fact that a deeper integration in the EU would mean a more protected and competitive European market.

The most important new RIAs, in terms of population involved and aggregate wealth (measured by GDP) are found in Latin America (Mercosur and NAFTA), Africa (SADC, ECOWA), Middle East and North Africa (GAFTA), South-East Asia (ASEAN) and the Pacific area (APEC). According to Marchand, regionalization can be seen as a part of globalization processes, *i.e.* the transformation of the global political economy, a kind of social amalgamation of trans-border activities through networks of the second economy or underground economy (Marchand, 1999). It can also reflect a formal counterforce against the new wave of globalization¹.

Aggressive globalization emerging from the global village, increasing homogenization of tastes and attitudes, deregulation and removal of physical, fiscal/financial and technical barriers, rapidly scientific and technological innovations, and predictive uncertainty, are some factors that underlay the

¹ B. Marchand M&M and T. Shaw (1999), "The Political Economy of New Regionalism", *Third World Quarterly*, Vol. 5, pp. 897-910.

importance of the new economic integration approach and of relationships among bloc of countries.

As far as this first feature is concerned, that is region-building process, international relations literature is characterized by a strong variety of interpretation of the phenomenon and by definitional ambiguities. We could start by adopting the international region's definition given by Nye (1968). According to him, a region can be defined as «*a limited number of States linked by a geographical relationship and by a degree of mutual interdependence*». So, it follows that regionalism is «*the formation of interstate groupings on the basis of region*»².

In order to define international regions, some authors refer to criteria such as geographical proximity, common bonds (ethnic, linguistic, cultural, historical and social) and some identity, which is emphasized by external States' behaviour (Cantori and Spiegel, 1970). Nye (1968) distinguishes micro-economic organization involving formal economic integration from macro-regional organization, concerned with controlling conflicts (Europe).

In order to explain *region-building processes*, international relations literature makes reference to power distribution in the international system (realist and neo-realist theories, for example, explain regionalism as a return to a multipolar balance of power system – Waltz, 1993), economic interdependence, cultural affinity, intensity of transactions and flows of communications.

Practically, region-building is a multi-dimensional process, and economic regionalization can be considered as a first step in order to achieve wider political and security objectives. A further characteristic is represented by the fusion of developed and developing countries in a single regional integration scheme. We can cite Mexico and its inclusion in the NAFTA (North American Free Trade Area). In a list of examples, we can easily put the regional integration process between the EU and the Mediterranean countries in the framework of the EMP.

The Mediterranean region has not been exempted from these tendencies, and following the initiative of the EU, a Euro-Mediterranean Partnership (EMP), which included an FTA by 2010 between the EU and 12 Mediterranean Partners countries, was launched in 1995 in Barcelona. In this context, the EMP can be considered as an instance of *regional security*

² J. Nye (1968), *International Regionalism*, Little Brown & Co., Boston. See also, Stanley Fischer, (1993), "Prospects for Regional Integration in the Middle East", in J. de Melo and A. Panagariya (eds.), *New Dimensions in Regional Integration*, Centre for Economic Policy Research (CEPR) and Cambridge University Press, Cambridge.

partnership (Attinà, 2002), a format able to evolve towards the form of a *security community* over the time.

2.2 *The Barcelona Process and the Southern Mediterranean countries*

By 2010 the EU will have to become by far the biggest single market and the world's most concentrated area of economic prosperity and internal stability. It will comprise essentially all of Europe, East and West, more than 90% of total European population, *i.e.* almost 500 million people (half of China or India), having a combined GDP of some 12,000 US billion Dollars³.

How will the 12 non-EU Mediterranean countries, from Turkey to Morocco, adapt to the profound geopolitical changes that will take place North of them in the next 12 years? How will they coexist with the future European giant? To what extent will they be drawn into its economic and political orbit? To what extent will they have to integrate with the European and, consequently, the world economy? These are questions of vital importance for both the EU and each its Mediterranean neighbours. Do the Mediterranean countries still have a real alternative to joining the Euro-Mediterranean free trade area?

To date, Mediterranean trade with Europe is marginal. The majority of Mediterranean countries are dependent on European markets. If Mediterranean countries are to increase their ability to penetrate the global market, they must diversify and improve their export capabilities. Economic development is mainly an internal process which could be enhanced by external factors like high level of foreign investments and technology. It is matter of the right mixture between individual freedom of action and the right government policies.

It was this basic philosophy, the conviction that prosperity is best enhanced in a climate of competition and free trade, that induced the EU and its Mediterranean neighbours 10 years ago, in Barcelona, to envisage the setting up of a vast Euro-Mediterranean free trade area. This free trade area will be a zone where goods and, progressively, also services should be traded free of restrictions, as if within national borders. Deregulation and liberalization are, therefore, very much the name of the game.

This objective was elaborated on in a comprehensive policy document, the Barcelona Declaration, in November 1995. The 27 Foreign Ministers of the signatory States, that is all 15 EU Member States and 12 Mediterranean

³. M. Hadhri (2000), *La Grande Zone Arabe de libre échange et les perspectives d'intégration Sud-Sud en Méditerranée*, CETIMA/FEMISE Institut de la Méditerranée, juillet 2001, 167 pp.

countries, agreed to work towards establishing a Euro-Mediterranean free trade within 15 years, by 2010.

2.2.1 The Euro-Mediterranean Partnership (EMP): a general outlook

Initially proposed in 1992 to the three Maghreb countries, the EMP concept was extended in 1995 to all countries to the South and East of the Mediterranean basin. The 12 partners are: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. After the suspension of the UN Security Council sanctions, Libya participated as guest of the Presidency to the Third Euro-Mediterranean Conference of Foreign Ministers held on 15-16 April 1999. The Ministers agreed that Libya will become a full Member as soon as the UN Security Council sanctions had been lifted and Libya has accepted the whole *acquis* of the Euro-Med process. For the EU, the EMP implied the upgrading of its relations with Mediterranean countries from the narrow Cooperation Agreements to the much more complex Association Agreements, which until then were applied only to Cyprus, Malta and Turkey. A political and social partnership were added to the traditional economic issues; the economic partnership covered many new issues (such as cross-border supply of services and policy harmonization) not covered by the previous Cooperation Agreement. However, given that Cooperation Agreements already granted Mediterranean countries nearly duty-free access for industrial goods to the EU markets, there is little room for further trade concessions⁴.

Given their complex structure, the development of such three partnerships is bound to be unbalanced, and the same holds true for the different issues included in each partnership. At the same time this structure offers a welcome flexibility that allows the partner countries to speed up the implementation or widen the scope of the agreements.

Notwithstanding the broad EMP agenda, the economic provisions of the already signed Euro-Mediterranean Association Agreements (EMAAs) include only a few detailed commitments, mainly related to trade liberalization. The key commitment concerns the establishment of a free trade area in industrial goods over a 12-year-period (liberalization will mostly occur on the partner countryside). On agricultural and fishery trade, the EMAAs call for gradual and reciprocal liberalization while offering very limited improvements in the access to the EU market. Talks to improve on existing

⁴. J.L. Reiffers (1999), *La Méditerranée aux portes de l'An 2000*, Institut de la Méditerranée, Economica, Paris.

agricultural concessions started 5 years after the signature of the EMAAs (talks with Morocco and Tunisia have begun during the year 2000; talks with Jordan during 2002), with new concessions implemented the following years⁵.

The only commitment on policy harmonization concerns competition policy in relation to reciprocal trade. The EMAAs require that partner countries adopt the basic competition rules of the EU (explicit references are made to some provisions of the Treaty of Rome); the Association Council is required to adopt the implementation rules within 5 years of the entry into force of the EMAA.

2.2.2 Evaluating ten years of the Barcelona Process (1995-2005)

Ten years after its launching in Barcelona, the EMP displays a remarkable resilience, having managed to survive during a difficult political phase in the Middle East, which does not seem to be ending. The economic side of the EMP is however facing serious delays and difficulties⁶.

Since the launching of the Barcelona EMP many countries in MENA region are committed to the implementation of major trade liberalization programmes within the framework of the multilateral trading system as embodied in the WTO and, more importantly, through bilateral cooperation agreements with their most important trading partner, the EU. Tunisia and Morocco signed bilateral EMAAs in 1995 and 1996; Jordan and the Palestinian Authority followed in 1997 and 1998. After a period of long negotiations, Egypt, Algeria and Lebanon have successively concluded their own EMAAs during 1999 and 2001.

Ten years after the Barcelona Declaration, all the Arab Southern Mediterranean countries have achieved the process of joining the Euro-Med Partnership, including Syria which has signed the Euro-Mediterranean Agreement during 2004 and with the exception of Libya, which is not for the moment Member of the EMP.

Tab. 1 – Status of the Association Agreements with the EU (June, 2005)

⁵. Second FEMISE Report (2000), *The Euro-Mediterranean partnership in the year 2000*, Institut de la Méditerranée, Marseille.

⁶. S. Calleya (2000), “Evaluating Five years of the Barcelona Process”, *Mediterranean Academy of Diplomatic Studies of Malta*.

MED Partners	End of negotiations	Signature	Entry into force
Tunisia	June, 1995	July, 1995	March, 1998
Israel	September, 1995	November, 1995	June, 2000
Morocco	November, 1995	February, 1996	March, 2000
Palestine	December, 1996	February, 1997	July, 1997
Jordan	April, 1997	November, 1997	January, 1999
Egypt	June, 1999	February, 2000	
Algeria	June, 2001	December, 2001	
Lebanon	January, 2002	May, 2002	
Syria	April, 2004		

The European initiative encompasses aspects related to trade, finance, culture and political cooperation, but its main component involves liberalizing trade according to a pre-defined schedule extended over a 12-year-period. The revival of interest in building regional trading blocs throughout the world, a movement led by the NAFTA, has certainly influenced the EMAAs.

Most studies have focused on the static effects of import liberalization in MENA partners. Dynamic effects to which policy-makers accord relatively more importance, have received far less attention. One effect that MENA governments anticipate, and in fact count on, is the attraction of larger foreign investment inflows, from both the EU and other regions of the world. Some analysts argue that the effects of the partnership agreements on FDI are a crucial issue (Page and Underwood, 1997).

As shown by the Second FEMISE Report (2005), the partnerships results, 10 years after the Partnership's official creation, display the following features:

- an increase in trade deficits *vis-à-vis* the EU, which will shoot up with the implementation of the free trade area;
- the risk of a great reduction in fiscal earnings resulting from customs dismantling alongside increasing unemployment and social difficulties;
- contrary to the expectations, FDI inflows benefiting MENA partners have not intensified. The region has failed to take part in the worldwide expansion in FDI flows;
- a feeble development in intra-Mediterranean trade which is still extremely weak⁷.

2.3 Importance and features of trade between the EU and the Arab Southern Mediterranean countries

⁷. Document du FEMISE (2000), *Le Partenariat euro-méditerranéen, dix ans après Barcelone*, Institut de la Méditerranée, Marseille.

The Member countries of the Arab League have a relatively diverse economic and geographic sizes, natural resource endowments and per-capita GDP. These features in turn have a significant impact on the region's trade pattern and performance. The EU is the major trading partner of the Arab world accounting for an average of 26% of total Arab countries exports and 46% of total imports during 1995-2000. At the same time, the share of the EU imports from Arab countries has declined sharply from an average of 26% in 1980 to 7% of EU global imports in 2000. This decline reflects in part the fall in world price of oil, and for another part the loss of competitiveness as a result of the increase of Asian and Central-East European countries (CEECs) exports to the EU. Japan absorbs around 16% of the region's exports and accounts for 12% of the total imports. Trade with the US has been relatively less important to the region with 9% of exports and 13% of imports⁸.

For these reasons, the establishment in 1997 of the GAFTA constitutes a new major factor in the process of regional integration in the South of the Mediterranean. Today, and 5 years later, there is a legal framework allowing for greater South-South integration: the GAFTA, signed by 14 Arab countries that have declared their commitment to reduce tariffs between them by 10% until 2008, when a free trade area will be established. Various bilateral agreements and actions by the EU also encourage mutual customs dismantling among partners. Implementing this framework will be one of the most ambitious gambles of the region for the coming years. It will require changes for all actors: the EU for the rules of origin and exchanges system (doubtless by proposing a flexible anchorage to the euro, without a formal commitment on the part of the European Central Bank) and equally for the Mediterranean countries which have to reduce the cost of transactions among themselves⁹.

3. The Great Arab Free Trade Area (GAFTA) and the prospects of South-South regional integration

⁸. A. Al Shibani (1997), "Arab Trade Liberalization: The Arab Free Trade Area", *Economic Paper* (Arabic), The Secretariat of the General Union of Chambers of Commerce in the Arab Countries, pp. 67-114.

⁹. I. Sirageldin (2000), "Globalization, Regionalism and recent Trade Agreements Impact on Arab Economies", *ERF Paper*, No. 9817, Cairo.

Globalization and economic integration among countries, involving the formation of free trade areas, customs unions, common markets or full economic unions, have become a fact for most of developed or Western countries. EU as well as other positive forms of economic integration have gone successfully and taken place in Latin America, the Pacific Area via APEC (Asia Pacific Economic Cooperation), and in the NAFTA. This globalization and economic integration are still a desirable objective in developing countries. The challenge is all the greater in the Arab world¹⁰.

3.1 Past and present of regionalism in the Arab world: a historical overview of intra-regional agreements

Greater economic integration in the Arab world has consistently been a stated goal of public policy and a yardstick for evaluation of the achievements of Arab nationalism in the post-independence era. The quest for economic integration since the 1960s lays behind the launch of numerous regional initiatives aimed at deepening trade and investment links between Arab countries. As regards the Arab world, there have been several attempts for economic integration.

Historical overview of intra-regional agreements

The idea of regional integration among the Arab countries is not a new idea.

- ❖ Cooperation agreements among Arab States began in 1953, when the first Agreement on Trade Facilitation was approved by the Economic and Social Council of the Arab League (Agreement on Trade Facilitation and Organization of Transit Trade).
- ❖ In June 1957, the project for the constitution of an Economic Union among the Arab States was approved. This project foresaw free circulation of persons and capital and, first of all, the setting up of a common customs area.
- ❖ In August 1964, the fundamental decision for the creation of an Arab Common Market was signed. It is a middle course between the Agreement on Trade Facilitation and Organization of Transit Trade signed in 1953 and the Convention for the creation of the Economic Union among the Arab States, approved by the Arab League in 1957.

¹⁰. M. Zineldin (1998), "Globalization and Economic Integration among Arab Countries", The Fourth Nordic Conference on Middle Eastern Studies, Oslo, 13-16 August.

- ❖ In 1981, the Agreement for the Facilitation and Promotion of Trade among Arab States was signed in Tunis.
- ❖ Finally, in June 1996, the programme for the creation of the GAFTA was adopted by the Arab Summit, convened in Cairo. To set up this free trade area, 18 Arab States approved a working programme that came into force on January 1st 1998.

On a sub-regional level, the principal and best-known trade agreements are the following.

- The *Union du Maghreb Arabe* (UMA) [less often termed the Arab Maghreb Union (AMU)]. It was proclaimed by the 5 Maghreb countries (Algeria, the Libyan Arab Jamahiriya, Mauritania, Morocco and Tunisia) meeting in Marrakech in February 1989, based on an agreement foreseeing the progressive achievement of free circulation of persons, goods, services and capital among the Member States.
- The *Cooperation Council of the Arab States of the Gulf* (*Gulf Cooperation Council - GCC*) was established in 1981. The Member States are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The GCC issued an Economic Unified Convention aiming at achieving free circulation of persons and capital.

Despite this progress, proponents of regionalism in the Arab world remain pessimistic about the prospects of further regional integration in the future. Underlying the pessimism of the 1990s are concerns about the impact of globalization, the emergence of powerful regional trading blocs and the signing of free trade agreements between several Arab countries and those outside the region¹¹.

Tab. 2 – Former Arab regional integration initiatives: a retrospect review

Date	Places	Representation	Treaties and Official Documents
7 Sept. 1953	Cairo	Trade Ministers (Arab League)	First Arab Regional Cooperation Agreement on Trade and Transit

¹¹ S. Fawzy (2003), “The Economics and Politics of Arab Economic Integration”, in Galal, Ahmed and Bernard Hoekman (eds.), *Arab Economic Integration: Between Hope and Reality*, Brookings Institution Press and ECES.

3 June 1957	Cairo	Trade Ministers	Signature of the Economic Arab Union setting up free circulation of persons, goods and capital
13 Aug. 1964	Cairo	Ministerial Commissions (Arab League)	Founding of the Arab Common Market setting up the Arab Free Trade Area and Custom Unions
Jan. 1964	Tunis	Trade Ministers of the 5 Maghreb Countries	Founding of the Maghreb Permanent Consultative Committee (CPCM) setting up a 5 years programme for liberalization of trade and economic integration (Tunisia, Algeria, Morocco, Libya, Mauritania)
1980	Tunis	Arab Trade and Economic Ministers	Signature of the Accord de Facilitation et du Développement des échanges commerciaux entre les Etats Arabes AFDEC/EA
25 May 1981	Doha	Trade Ministers of the Arab Gulf Countries	Adoption of the Gulf Cooperation Council Convention setting up a regional free trade zone between the Arab Gulf States
17 Feb. 1989	Marrakech	The 5 Maghreb Head of States	Signature of the Marrakech Treaty setting up the Arab Maghreb Union (AMU)
19 Feb.	Cairo		Adoption of the Declaration setting up the Great Arab Free Trade Area (GAFTA)

Source: M. Hadhri (2001), *La Grande Zone Arabe de libre échange*, FEMISE.

Unless a serious movement towards regional economic integration, Arab countries are under threats from the global market economy. Global economy now sets the rules for the economic policies which should be adopted by the region's countries. This economic integration is a prerequisite for facing or achieving some level of globalization.

3.2 The weakness of Arab Mediterranean trade

A question that has become central for the Euro-Mediterranean region is the development of South-South trade that, since 1970, has maintained its 4% to 6% of trade between Mediterranean countries, whereas from 1970 to 1998 it increased from 11% to 25% for South American countries (Argentina,

Chile, Brazil, Paraguay), from 19% to 22% in East Asian countries and from 1% to 11% for Pact of the Andes countries (Colombia, Ecuador, Peru, Venezuela).

Most economists believe that a greater integration among Arab countries would generate large profits if it were carried out in conformity with multilateral liberalization. Such benefits are:

- (1) a greater efficiency thanks to the scale economies that can be realized in an enlarged South-South market;
- (2) a higher level of investment, thanks particularly to foreign and portfolio investments;
- (3) a greater variety of products with the development of intra-branch trade.

Tab. 3 – Global Arab trade in the world economy

TRADE AREAS	US billion Dollars			US billion Dollars	
	1996	1997	1998	1999	2000
Arab Exports	167.5	178.7	139.0	170.0	243
Arab Imports	139.5	143.4	151.4	144.4	152
World Exports	5305	5305	5476.5	5473	6180
World Imports	5470	5470	5635.7	5729	6485
% Arab Exports	3.2	3.4	2.6	3.1	3.9
% Arab Imports	2.6	2.5	2.8	2.5	2.4

Source: FMI (2001), *Statistiques sur les tendances du commerce international 2000*, Annexe du Rapport Economique Arabe Unifié.

The reasons that account for the weak development of trade among the Mediterranean partners are, above all, the customs duties and other several non-tariff barriers (imports licenses, State monopolies, restrictive allocations of currencies, multiple exchange rates). According to an IMF classification, the Arab region (including the Gulf countries) is, with the exception of Africa, the world most protected region. This might result from similar production in the Mediterranean partners countries. However, several studies (see Havrylyshyn and Kunzel, 1997) demonstrate that the complementarity of productive structures in the Arab countries is very similar to that of Mercosur. A recent study (Al Atrach and Youssef, 2000) showed, on the basis of a gravitational model, that:

- ⇒ trade among Arab countries is noticeably lower (10% to 15%) than it should normally be taking the present structures into account;
- ⇒ the different trade agreements signed between Arab countries have not yet increased the level of integration among them. We also see that, despite the absence of regional trade agreements, the Mashreq countries have attained stronger regional integration than the Maghreb countries;
- ⇒ linguistic proximity plays an important role in the development of mutual trade;
- ⇒ geographical distance plays a capital role, which means that the absence of the high of transport costs and related services are considerable impediments to the development of South-South trade¹².

3.3 *Intra-regional trade and the GAFTA*

In February 1997, the Arab League launched a free trade programme, known as GAFTA, in which Member States were asked to come up with specific commitments regarding elimination of tariffs, non-tariff measures and rules of origin. The so-called Executive Programme was an effort to revive the 1981 Agreement for Facilitation and Promotion of Trade among the Members.

The programme calls for tariff reductions over a 10-year-period at a rate of 10% per year, meaning that tariffs would be reduced to zero by 2007. In addition, the Members agreed to bind their national tariff schedules as of December 31st, 1997. By September 1999, 14 countries had applied tariff reduction schemes and fulfilled the tariff commitments. For the rest of the Members who did not ratify the agreement, the bound tariffs will be applied at the time they notify the Arab League of their endorsement of the programme.

Regarding liberalization of industrial products, Members are allowed to draw up a list of exceptions from tariff reductions during the first years of the programme. The exceptions are intended to enable local industry to restructure and improve its competitiveness before having to face competition from other GAFTA countries' imports¹³.

¹². See H. Al Atrach and T. Youssef (2000), "Why the Arab Trade is so Little?", *IMF Paper*.

¹³. See in French the Official Document, "*L'Accord de Facilitation et de développement des échanges commerciaux entre les Etats Arabes*". See also, "*Les Règles d'origine arabes aux fins de l'Application de l'Accord de Facilitation des Echanges Commerciaux entre les Etats Arabes*", Arab League, Cairo, 1999.

Tab. 4 – GAFTA and major trading blocs in the world

Trading Blocs	Founding Treaties	Population (in mil.)	Intra-zonal Trade	GNP (billion Dollars, 2000)	Share in world trade
EU	Rome Treaty 25-03 1957	375	58%	8.540	21%
NAFTA	Washington Treaty 7-12-1992	382	32%	9.540	22%
APEC	Declaration of Canberra 1989	2032	75%	16.000	42%
MERCOSUR	Anuncias Treaty March, 1991	201	43%	958	5%
ASEAN	Bangkok Treaty 1967	482	20%	838	5%
GAFTA	Cairo Convention 19-02-1997	195	11%	590	3%

Sources: www.wto.org/wto/int.trade/internt.htm Eurostat (Comext) and IMF 1999, *World Economic Outlook*, 2002.

The GAFTA programme calls for across-the-board tariffs offering the advantage of transparency and ensuring that high tariffs are reduced faster than lower ones. However, the extent to which this approach will boost intra-regional trade flows depends on the magnitude of tariff dispersion as well as on the effective rate of protection across industries in various countries. Tariff structures among the Members are uneven. Low tariff countries, namely the Gulf countries (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates) have simple average tariffs of 4 to 12%, while countries such as Egypt, Jordan, Morocco, Syria and Tunisia have tariffs of 40 to 100%. Tariffs reach 235% in Syria. In addition, tariffs escalation exists in many countries, particularly in textiles, clothing, leather and basic metal industries, where average tariffs on finished products are multiples of the lower tariff levels on raw materials.

An across-the-board tariff reduction could have a significant effect on trade creation. However, the most serious shortcomings of the programme are

loopholes allowing the exclusion of certain industrial agricultural products from tariff reduction. The list of exceptions already submitted includes consumer goods competing with domestic production (*e.g.*, textiles, clothing and leather articles). Moreover, the transition period for the excluded industrial products would allow for pressures from interest groups to resist market opening at all. The exclusion of certain agricultural products during the crop harvest seasons for the full transitory period of 10 years would also substantially limit the trade creation effect.

The use of quotas has been declining in GAFTA countries partly as a result of unilateral trade reforms implemented by countries such as Morocco, Tunisia, Egypt and Jordan. In these countries, non-tariff barriers take the form of import licensing for safety and health standards. Transportation also is a problem. The Members signed an earlier agreement to simplify the transit of goods and persons, but there has been no legal enforcement for the implementation of this agreement, and there are periodic reports citing barriers to cross-border trade, such as closure of roads, delays and complicated cross-border regulations.

At first, the accumulation of rules of origin for products made in GAFTA countries may help create backward and forward linkages between the Member countries and increase the potential for trade. However further extension and overlapping of the Euro-Mediterranean Agreements and the GAFTA would be even more beneficial to Member countries and would also help reduce the emerging hub and spoke nature of the Euro-Mediterranean Agreements.

3.4 The potential for increased intra-Arab trade and investments

For the free trade area to truly exist, it must allow for the development of South-South trade. Several factors confirm this viewpoint. First, the current weakness in trade among Mediterranean countries, which accounts for less than 5% of commercial trade in these countries, is of structural origin, linked to the similarity of production patterns, to the stagnation of integration efforts in Maghreb and in Mashreq, as well as to the lack of cross-border transport infrastructure. Second, an analysis of South-South trade patterns nevertheless reveals a clear trend towards the development of trade in manufactured goods, indicating that the Mediterranean countries internal market may eventually become an important element of scale economies. This is confirmed by other studies that disclose a significant rise in intra-industry trade, even if it is still

incomparable with South-South Asia and Mercosur experiences (FEMISE, 2000).

One important factor limiting North-South and South-South trade is regulations on rules of origins. Under current agreements, different tariffs categories are applied to inputs imported by a third country and used in domestic industries. Such goods do not benefit from free access to the EU market. Although the accumulation of rules of origin (total or partial) which stipulate that they must be met within individual customs territories, provides less restrictive conditions on the customs free access of products, current mechanisms still probably represent a significant limitation to the trade creation that the agreement could promote. According to the mechanism of complete accumulation of rules of origin, all intermediary operations which take place within the same territory are considered local operations, whatever the criterion of origin. Only Maghreb countries currently benefit from full accumulation treatment, while other Mediterranean countries are limited to a partial accumulation.

In the light of this analysis, it is highly recommended a revision of the rules of origin system, which today hampers to perform considerably the development of South-South trade, especially between Maghreb and Mashreq countries. It would be advantageous to institute a total accumulation system of rules of origin similar to that in protocol n. 4 (the so-called “*EC Accumulation Protocol*”) from which Member countries of the European economic area benefit¹⁴.

3.5 Intra-MENA bilateral free trade agreements

The development of trade along Mediterranean countries has been weak, representing some 5% of total trade of the Southern Mediterranean countries. In this context and in order to enhance the South-South trading exchanges, several Arab countries have concluded a new generation of bilateral FTAs following the implementation of the Executive Programme establishing GAFTA.

Currently, three bilateral trade agreements exist between countries covered in this report, namely Egypt, Morocco and Tunisia.

The ***Egypt-Tunisia Free Trade Agreement*** was completed in 1998 and came into effect in 1999. A positive and negative list approach to the phasing

¹⁴. Economic Research Forum (2002), *Economic Outlook and Trends in the MENA*, Cairo.

out of tariffs and other import charges was pursued, and a three-tier liberalization scheme was adopted. Initially, immediate exemptions from tariffs and other taxes were granted to a list of imported raw materials and industrial products in each of the two countries. The Agreement then specifies that the products that are subject to *ad valorem* tariffs duty and other charges in excess of 20% in each country will be phased out progressively and will be totally abolished by the end of 2007. The Agreement includes a negative list excluding from the liberalization scheme products that are deemed sensitive in terms of competition with domestic production. The Agreement excluded raw and processed agricultural products and does not extend liberalization to trade in services. As far as preferential rules of origin are concerned, the Egypt-Tunisia Free Trade Agreement sets the minimum required local content at 40%.

The ***Egypt-Morocco Free Trade Agreement*** was concluded in 1998 and came into effect in 1999. The Agreement is similar to that between Egypt and Tunisia, in opting for a positive and negative list approach to trade liberalization and a three-tier scheme to phase out tariff and other import surcharges within 12 years. The Agreement also specifies a negative list of products from each country that will remain subject to Most Favoured Nation (MFN) tariffs rates until future negotiations are held. The Agreement excludes agricultural products from liberalization, as well as trade in services. The minimum required local content is 40%.

Egypt, Morocco and Tunisia are also involved in Free Trade Agreements with other Mediterranean countries, namely Jordan and Lebanon. As it is mentioned below, Tab. 5 presents a Matrix of multilateral and bilateral free trade agreements in the South Mediterranean area.

Tab. 5 – Matrix of multilateral and bilateral Free Trade Agreements in the Mediterranean region

	Algeria	Libya	Egypt	Morocco	Tunisia
WTO Status	Observer		Member 06/95	Member 01/95	Member 03/95
Med-Partnership Status	[1]	[2]	[3]	[4]	[5]
GAFTA Status		Signed 02/97 Effective '98	Signed 02/97 Effective '98	Signed 02/97 Effective '98	Signed 02/97 Effective '98

UMA	Signed 02/89	Signed 02/89		Signed 02/89	Signed 02/89
Algeria					
Libya					
Egypt				FTA Signed 05/98 Effective '99	FTA Signed '98 Effective 05/99
Morocco			FTA Signed 05/98 Effective '99		FTA Signed 03/99
Tunisia			FTA Signed '98 Effective '99	FTA Signed 03/99	

Notes: FTA = Free Trade Agreement. For Egypt, Morocco and Tunisia, the Association Agreements replace the earlier Cooperation Agreements.

[1] Cooperation Agreement 07/1976; Euro-Mediterranean Agreement under negotiation. See "Cooperation Agreement between the European Economic Community and the People's Democratic Republic of Algeria", *Official Journal* L 263, 27/09/1978.

[2] The Conference of Foreign Ministers of the EU held in Stuttgart on April 1999, in which the Libyan Arab Jamahiriya participated as guest of the Presidency, agreed that the country would become a full Member of the Barcelona Process as soon as the UN Security Council sanctions had been lifted. Meanwhile, the Libyan Arab Jamahiriya accepted the whole Barcelona *acquis*.

[3] Cooperation Agreement 09/1978; Association Agreement signed 06/2001. See "Cooperation Agreement between the European Economic Community and the Arab Republic of Egypt", *Official Journal* L 266, 27/09/1978.

[4] Association Agreement signed 02/1996, effective 03/2000. See "Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, on the one hand, and the Kingdom of Morocco, on the other hand", *Official Journal* L 70, 18/03/2000.

[5] Association Agreement signed 07/1995, effective 03/1998. See "Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, on the one hand, and the Republic of Tunisia, on the other hand", *Official Journal* L 97, 30/03/1998.

A ***Tunisia-Morocco Free Trade Agreement*** was signed in 1998. This Free Trade Agreement was the first one signed by Tunisia with a Maghreb country and was effective since 1999. It includes a wide range of primary products and raw materials (zinc, aluminium and phosphor) and also manufactured articles such as metallic cables, pneumatic and medicament articles). This Agreement had a positive impact on bilateral trade and contributed to boost commercial relations between Morocco and Tunisia¹⁵.

¹⁵ M. Hadhri (2000), "La Grande Zone Arabe de libre échange", Etude du FEMISE, pp. 57-60. See also, M. Hadhri (2001), "The Great Arab Free Trade Area: A new step towards South-South Cooperation in the Mediterranean", in International Seminar of Odensee University titled, "Globalization and Comparative Regional Integration", 24-27 May.

4. From Barcelona to Agadir: towards a more equal and balanced partnership between the EU and the Arab Southern countries

A further stream of literature on regionalism claims that much larger welfare gains are achievable through the so-called deep integration (Lawrence, 1996). Deep integration requires “*explicit actions by government to reduce the market segmenting effect of domestic (non-border) regulatory policies*”, through coordination, harmonization or mutual recognition of rules, regulation and enforcement measures. Typical areas to be involved are: competition rules, licensing and certification regimes, product standards, safety regulations, accounting and prudential standards, administrative procedures related to trade (Hoekman and Konan, 1999).

4.1 Towards deep South-South regional integration in the Mediterranean

If the “*deep integration*” is really deep and brings about a strong reduction of tariffs and other regulatory barriers, its effects will be remarkable: according to estimations (Hoekman and Konan, 1999), a “*shallow*” EU-Egypt free trade agreement has a negligible impact while a deep integration with the EU produces significant welfare effects; if liberalization of services is added, welfare effects will become very impressive. Another simulation of the Egyptian economy reaches similar results: a deep integration with the EU procedures produces welfare gains higher than in the case of unilateral trade liberalization *vis-à-vis* all countries¹⁶.

So far, GAFTA has been limited to regional liberalization of merchandise trade. This effort at regional integration alone is not sufficient to ensure a more credible path for further domestic market efficiency allowing GAFTA Member countries to face grater competitiveness from world exporters. There is a need to extend regional liberalization to the areas of trade in services and labour. Linking GAFTA with the Euro-Mediterranean trade areas through incorporation of binding rules and various policy harmonization that are included in the Euro-Mediterranean Agreements would enhance market

¹⁶. Ahmed F. Ghoneim (2003), “Helping to Identify the Potential and Mode for Liberalization of Trade in Services in the Southern Mediterranean Countries: The Case of Egypt”, presented at the University of European Union Annual Meeting, Florence Italy, 19-24 March, published as *ERF Working Paper*.

efficiency, allowing GAFTA countries to face greater competition from emerging world exporters in Asia and Eastern Europe.

There is no substitute for mutual trust and commitment as well as for Arab common market and economic integration. Without such a mutual trust, commitment and interdependence, economic cooperation and integration will be limited and will fail to achieve its ultimate goal. An Arab economic integration or real cooperation will provide better economic opportunities for all Arabs. Most of Arab Nations are buying goods and services from Europe, Asia and the US. A free trade agreement or Arab common market will naturally speed up their industrialization and substantially increase the wealth of almost all the Arab Nations. Such economic cooperation will increase the market size of any Arab country and naturally create the factors necessary for them to become producers and exporters rather than just importers and consumers. It also will create what is needed for Arab Nations to be equal partner in the global era and give them the fair opportunity to build better competitive markets and industries, which is a prerequisite for the Euro-Mediterranean area to be established by 2010¹⁷.

In 2002, facing these delays and difficulties, the European Commission proposed some new measures aimed at strengthening regional cooperation, building upon the experience gained with the EU's single market. These measures include technical assistance, training advice and cooperation; they could be financed by MEDA, the European Aid Programme for Mediterranean partner countries¹⁸.

The reaffirmation of the Partnership's regional ambition requires clear goals and objectives. We believe that the adoption of a credible Charter of Peace and Security would be a major element towards the economic development in the area, leading to a better perception by investors of the region's stability. Partners must agree also to consolidate a system of economic interdependence that would favour the economic development of Southern Mediterranean countries, as an indispensable resource base, given the proximity that binds Mediterranean partners and that will be reinforced over the next 20 years by the rising labour supply in the South and an aging population in Europe.

¹⁷. European Commission (2003), *Europe and the Mediterranean, Towards a Closer Partnership: An Overview of the Barcelona Process in 2002*, Brussels.

¹⁸. F. Zallio (1998), "Deep Integration, Euro-Med Free Trade and the WTO 2000 Negotiations", *ERF Working Paper*, No. 2014, Cairo.

4.2 Linking GAFTA and the Euro-Mediterranean Free Trade Agreements

Linking GAFTA with the Euro-Mediterranean Agreements would also enhance market efficiency and allow GAFTA countries to face greater competition by emerging world exporters in Asia and Eastern Europe. Some argue that locking in preferential trade agreements with Europe is a second best option, and that adopting international rather than EU standards is assuming that countries take more advantage from the world markets at large than from the EU¹⁹.

The creation of an Arab free trade area is nevertheless certain to boost trade. The increase of transparency and the removal of opaqueness in the economic sector will have a commercial multiplier effect in the Southern Mediterranean region as domestic restructuring deals with issues such as public procurement, state aid, monopolies, norms and certification. But there should be no reason for euphoria. Even supposing the Mediterranean countries will be successful in streamlining and restructuring their manufacturing industries and in developing competitive export opportunities, this will not transform all of them into Mediterranean “*tigers*”.

The completion of the Association Agreement between Algeria, Lebanon, Syria and the EU will give a boost in that direction. The inclusion of the Gulf countries into this network will substantially strengthen Euro-Arab relations, both in a vertical and a horizontal sense. If international economic organizations, such as the European Investment Bank (EIB), are serious about assisting the Mediterranean countries, they should adopt more pro-active strategies towards this area. This should include offering developing States credit guarantees and introducing measures to address the serious debt burden several countries in the region are coping with.

Now that a period of time has lapsed since the launching of the Barcelona Process the following questions should be addressed.

- How realistic and feasible is the goal of creating a *Euro-Mediterranean Free Trade Area* given the enormous socio-economic disparities which exist across the Euro-Mediterranean area?
- Should a more flexible integration model and timeframe be considered given the heterogeneous nature of the partner countries?

¹⁹ J. Zarrouk (2001), “Linkages between Euro-Mediterranean and Arab Free Trade Agreements”, in S. Dessus, J. Devlin and R. Safadi (eds.), *Towards Arab and Euro-Med Regional Integration*, OECD, ERF and the World Bank.

4.3 The Agadir Declaration setting up an Arab Mediterranean Free Trade Area

Regional economic integration among the Southern Mediterranean countries continues to be weak, only a meagre share of exports being sent to regional destinations. This pattern largely reflects the paramount importance of national security for most of the countries, the absence of broadly-based interaction among the Southern Mediterranean societies, and the absence of complementarities among national economies.

The **Agadir Declaration** (8 Mai, 2001) providing a multilateral agreement for free trade between Morocco, Tunisia, Egypt and Jordan sent a powerful signal for the horizontal integration of the Southern partner countries. An increase in South-South trade driven by diversification and specialization of the national economies of the Arab countries is the only way of preventing the emergence of a *hub-and-spokes* pattern which focuses all major investment of the European core. At the Marseilles ministerial Meeting (November, 2000) it was agreed to introduce the possibility of a diagonal overlapping between countries which have identical rules of origin. The EU should encourage all partner countries to rapidly follow the Agadir example by signing free trade and cooperation agreements among themselves and by offering to provide technical assistance. In turn, the EU should substantially improve the access of agricultural products coming from the South to the common market²⁰.

From this perspective, it becomes necessary:

- ❖ to reaffirm that every effort will be made so that Mediterranean partner countries become capable of attracting a greater share of European and global savings, and that these are invested in the private sector;
- ❖ to encourage South-South integration and to make it one of the explicit objectives of partnership, so much that it would render relations less vertical between each Mediterranean partner and the EU.
- ❖ to contribute to the *emergence of a wide trading area in the Maghreb* and, more largely, in the GAFTA in order to develop a market that enjoys scale economies, diversifies products and attracts investors in the South.

²⁰. See Hind Jalal and A. Sabry (2002), Déclaration d'Agadir, *Projet de création de la zone de libre échange entre les pays arabes méditerranéens*, Document de Travail No. 14, Mars 2000, Ministère de l'Economie et des Finances, Rabat, Maroc.

5. Concluding remarks

Different scientific researches have established that intra-Arab trade is less than what would be consistent with the economic fundamentals of geography, income and trade barriers. Empirical analysis shows that this is particularly the case for Arab Maghreb Union countries, where trade agreements have failed to promote significant integration among Members.

Today, one of the major issue concerns the prospects about regional Arab integration, the impact of globalization and the emergence of powerful regional trading blocs. The proliferation of Euro-Med Agreements between the EU and each of the Arab Southern Mediterranean countries has raised reasonable expectations of expanding intra-regional trade among States. In light of these developments, the Euro-Mediterranean Free Trade Area could act as a *binding mechanism* for bilateral FTAs and the GAFTA, by inducing greater credibility in the implementation of these regional trade agreements. This binding mechanism would be a source of efficiency improvement in the Arab Southern Mediterranean countries and have a spillover effect on the intra-regional free trade option²¹.

If the Euro-Mediterranean Process is therefore to be regarded as a credible initiative, it will have to identify and operationalize a series of cooperative cross-border projects that will act as a catalyst factor to increase the interest of European and international investors to this part of the world. However, the provisions of the Euro-Med Agreements are not enough to insure a more credible road to intra-regional trade expansion. Many new trade areas such as services, investment and agricultural products that have not been covered in the EU Agreements and also in the GAFTA should be included in the future negotiations in order to achieve a broader regional integration between the EU and the Arab world.

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²¹. S. Dessus, J. Delvin and R. Safadi (2001), *Towards Arab and Euro-Med Regional Integration*, OCDE, ERF, Paris, 267 pp.

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Annexe

I. Déclaration du Caire sur la création d'une Grande Zone Arabe de Libre Echange (Décision du CES n. 1317 SO .59 du 19/02/1997)

Le CES, réuni pour sa 59ème session, au siège du SG de la LEA au Caire, a adopté la Décision 1317 qui stipule la Déclaration d'une Grande Zone Arabe de Libre Echange, et l'approbation de son Programme Exécutif; Le texte de la Décision étant comme suit:

L'objet de l'ordre du jour de la session:

“Le Programme Exécutif de l’Accord de Facilitation et de Développement des Echanges Commerciaux entre les Etats Arabes de Libre Echange”;

Ayant pris connaissance du rapport de la Commission ministérielle des Six, chargée de l’étude du Programme Exécutif pour l’instauration de la GZALE, le Conseil a exprimé son appréciation pour les efforts fournis par la Commission lors de l’exécution de sa mission de rédaction d’un Programme Exécutif concrétisant l’AFDEC/EA et aboutissant à l’instauration d’une GZALE, adaptée à la situation et aux besoins de tous les Etats Arabes, conforme aux dispositions de l’OMC, préservant les intérêts économiques des Etats Arabes, développant les relations économiques et commerciales inter-Arabes ainsi qu’avec le monde extérieur, et représentant le premier pas – concret – vers la construction d’un bloc économique Arabe qui devrait avoir son poids sur la place économique mondiale;

Ayant suivi l’exposé judicieux présenté par son Excellence l’ingénieur Ali Abou Erraghab, Ministre de l’Industrie et du Commerce Jordanien et Président de la Commission ministérielle;

Et la déclaration de son Excellence le Secrétaire Général de la LEA, traitant des horizons de l’instauration de la GZALE et de la précarité de l’étape historique que traverse la Nation Arabe;

Et les précisions présentées, dans ce sens, par Monsieur Abdrahman Sehebani, Secrétaire Général Adjoint des Affaires économiques;

Et après discussions,

Le Conseil décide

- 1- La Déclaration de l’Instauration de la GZALE sur une période de dix années à dater du 1-1-1998.
- 2- L’Approbation du Programme Exécutif institué pour l’instauration de la GZALE sous sa forme ci-jointe.
- 3- De charger le SG de prendre les mesures adéquates et de développer la mission et les activités de la DGAE, conformément à la concrétisation de la GZALE.
- 4- D’inviter les Comités constitués par le Programme à prendre fonction et à établir leurs programmes exécutifs et leurs calendriers de travail, en vue de l’instauration de la GZALE dans les délais fixés; Ces Comités doivent tenir le CES régulièrement informé de l’avancement de leurs travaux.
- 5- De charger les Organismes Arabes spécialisés, les Institutions Monétaires Communes Arabes et les Unions Arabes, chacun dans le cadre de sa spécialité, de superviser l’application de cette Décision, et d’oeuvrer pour adapter leurs règlements et leurs activités conformément à la concrétisation de l’instauration de la GZALE.
- 6- De charger le SG d’élaborer une étude détaillée sur les zones “hors taxes” établies dans les EA, et de la présenter au CES avant la fin de l’année 1998, afin de lui permettre de prendre une Décision quant au traitement des marchandises produites par ces zones dans le cadre du Programme Exécutif.
- 7- D’inviter la Commission ministérielle à poursuivre sa mission durant les premières étapes de la réalisation du Programme Exécutif afin de pallier à toute

difficulté pouvant l'entraver; Sachant que la République Tunisienne se rallie à la Commission.

- 8- La mise en vigueur de la GZALE constituera, dorénavant, le point essentiel de l'ordre du jour des prochaines sessions du Conseil et ce jusqu'à l'achèvement de son instauration.

(D 1317 – SO .59 – 2ème séance du 19-2-1997)

II. Déclaration d'Agadir instituant la création d'une Zone de Libre Echange entre les Pays Arabes Méditerranéens (8 Mai, 2001)

Paraphé par la Jordanie, l'Egypte, la Tunisie et le Maroc, cet accord se présente comme un cadre ouvert aux adhésions futures des autres pays arabes ainsi que comme une étape vers la création d'un marché arabe commun. Les six autres pays arabes présents lors de la signature de l'accord d'Agadir, à savoir l'Algérie, la Mauritanie, la Syrie, le Liban, la Libye et la Palestine, pourront rejoindre la ZLEA des que leurs accords d'association avec l'Union européenne seront signés.

Voici la traduction du texte de cette déclaration:

“A l’initiative de Sa Majesté, le Roi Mohammed VI, et en application des résolutions du 13ème Sommet arabe d’Amman, au Royaume Hachémite de Jordanie, les Gouvernements du Royaume du Maroc et du Royaume Hachémite de Jordanie, de la République de Tunisie et de la République Arabe d’Egypte,

Convaincus de l’importance de soutenir la coopération arabe commune et en vue de l’établissement et du développement de la grande zone arabe de libre échange et dans le but de contribuer aux efforts déployés pour la création d’un marché arabe commun,

Partant des accords bilatéraux qui les lient et en relation avec les conventions de partenariat conclues avec l’Union européenne,

Persuadés de la nécessité d’instaurer un espace économique fort pour parvenir à un développement global, à même de faire face aux défis, enjeux, contraintes et exigences de la mondialisation, conformément à la Charte de la Ligue Arabe et aux principes énoncés dans les conventions de l’Organisation Mondiale du Commerce,

En perspective des échéances de l’année 2010, liées à l’instauration d’une zone euro-méditerranéenne de libre échange,

Eu égard à l’importance de l’action pour la libéralisation des échanges économiques et du partenariat entre les pays arabes méditerranéens, à travers de nouvelles formules qui soient adaptées aux orientations économiques modernes sur les scènes régionales et internationales,

Il a été décidé ce qui suit

- 1-** Oeuvrer pour la création d’une zone élargie de libre échange regroupant les pays arabes méditerranéens, tout en restant ouverte aux autres pays arabes.
- 2-** Charger des groupes de travail formés d’experts des quatre pays membres de soutenir le cadre politique et de mettre en place les mécanismes nécessaires à l’instauration de cette zone.
- 3-** Tenir des réunions périodiques des groupes d’experts en vue de préparer le projet de convention pour la création de la zone élargie de libre échange.
- 4-** Désigner une commission de hauts fonctionnaires pour évaluer les rapports des groupes d’experts en vue de présenter une conception globale à soumettre, dans les plus brefs délais, aux Ministres des Affaires Etrangères”.

Agadir, 8 Mai 2001