THE EURO-MEDITERRANEAN FREE TRADE AREA (EMFTA) IN 2010 AND BEYOND, AND THE ECONOMIC AND FINANCIAL COOPERATION

General Economic Context

The first question of the thematic dossier asks respondents about the plausibility of six scenarios related to the effects of the economic crisis on the Euro-Mediterranean Partnership (the first part focuses on the possible positive implications and the second on negative implications).

For respondents, the negative scenarios are slightly more probable (averages above 6) than the positive (all with an average between 5 and 6). The most probable for all respondents is that the economic crisis *"will highlight the focus of the EU to resolve its own economic problems without integrating the MPCs in its economic strategies*" (average probability of 6.6 on a scale 0-10) while the least probable scenario is that which postulates that *"(the crisis) will highlight the need for more Euro-Mediterranean cooperation and for joint strategies across the Mediterranean*" (average of 5.3). The most probable scenario postulates that European companies will invest in the MPCs to reduce costs and expand markets (average of 5.9).

> I purposely rated these at five as things are definitely clouded at this point. It all hinges on the ability of the EU to bounce back by coming out of the global crisis. The EU's search for new markets in the MPCs will depend on the degree of attractiveness of these markets, the political stability, and the quality of infrastructures.
>
> Israeli respondent

> Il paraît évident que les délocalisations et investissements européens privilégient d'autres espaces économiques, notamment asiatiques: en Chine, en Inde, au Vietnam, etc.
>
> Algerian respondent.

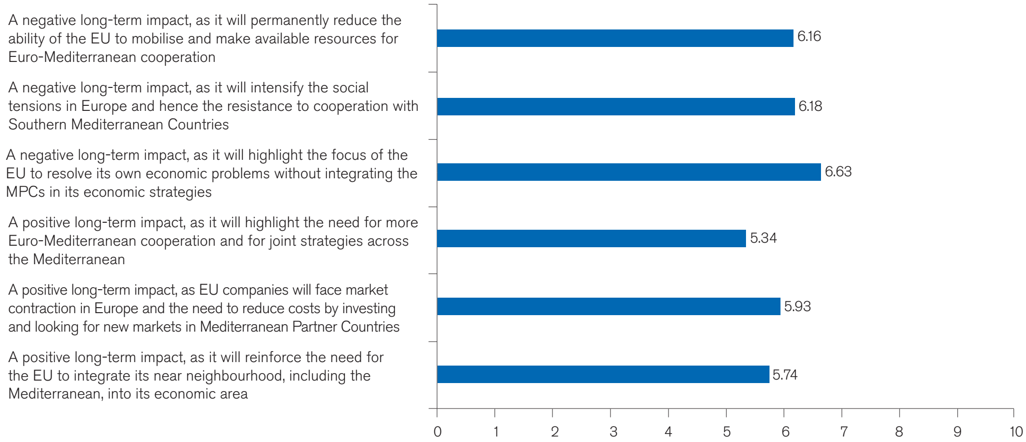
> The EU (…) is a transient body, a way-station in a process from past to future: it will not, nor could or should, exist for ever. That is, the concepts of "EU" and "Neighbourhood" have a limited lifetime. Either the EU will expand to extend full membership to non-European countries (e.g. Turkey, Israel, Morocco, Armenia, Lebanon, etc), thus being by definition no longer "European", or it will inevitably act in its own interests (especially in times of crisis).
>
> British respondent

The differences according to geographical origin of the respondent are minimal, especially in the negative scenarios, which are assessed very similarly by the different respondents. In terms of positive scenarios, there are few differences between respondents from the MPCs and EU countries. MPC respondents are slightly more optimistic than Europeans (and, among the latter, respondents from a non-Mediterranean origin are even more pessimistic than their Mediterranean counterparts).

Differences between categories are also very small for the remaining groups analysed. We should point out that, when assessing the positive aspects, both experts (in terms of institutional affiliation) and professionals of political cooperation and security (in terms of area of specialisation) give the systematically lower grades.

Graph 1: Degree of probability of the following scenarios about the impact of the global economic crisis on the Euro-Mediterranean Partnership

(average on a scale of 0-10, where 0 stands for low probability, and 10 for very high probability)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

When asked to qualify the added value of the Euro-Mediterranean Free Trade Area (EMFTA) in relation to the overall globalisation process and trade liberalisation, respondents express clearly positive views (the generic average is 6.6, where 0 stands for no added value and 10 for very high added value. Moreover, more than 70% of respondents grade it above 5 and more than 56% above 6).

For economic prosperity in the region, the quest for governance is vital, along with human rights issues, which the EU must also focus on, although many members have difficulties with it.

Slovenian respondent

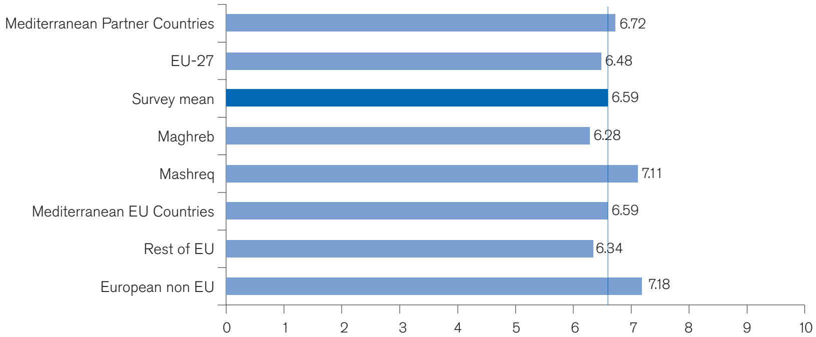
Convergence of Mediterranean Southern Neighbours into the EU level of legislation and procedures will enhance the transparency, effectiveness and competitiveness of the MPC markets. Hence, allow more global integration and convergence of values and culture.

Egyptian respondent

From the analysis of results according to geographical origin, it is notable that Mashreq respondents grade economic integration most positively (7.1 on average). It is significant that, although very close to the overall average, the region that grades this added value least positively is in fact the Maghreb (6.3).

Graph 2: Grading the added value of regional economic integration in the Mediterranean (in particular through the creation of the Euro-Mediterranean Free Trade Area) in relation to the general process of globalisation and global trade liberalisation

(average on a scale of 0-10, where 0 stands for no added value, and 10 for very high added value)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

In addition, overall, respondents consider it quite plausible that economic actors outside the Partnership — USA, China and the Gulf countries — are gradually displacing the prevailing economic role of the EU, both in the Maghreb (5.8 on average) and the Mashreq (6.6 on average).[1]

It is paradoxical that respondents from the Maghreb, whose countries are proportionally more integrated into the EU at trade level, consider the displacement of the EU as a preponderant economic actor both in the Maghreb and the Mashreq more plausible (respective averages of 7.3 and 6.7). Meanwhile, the predictions of respondents from the Mashreq and non-Mediterranean EU countries are more cautious (Mashreq respondents grade the probabilities of the displacement taking place in their own region slightly below the overall average – 6.43 – while in the Maghreb they grade the possibilities below the overall average – 5.1 –).

> With regard to trade, the EU has a deep and multileveled presence which distant actors or hydrocarbon giants are unlikely to rival.
>
> Irish respondent

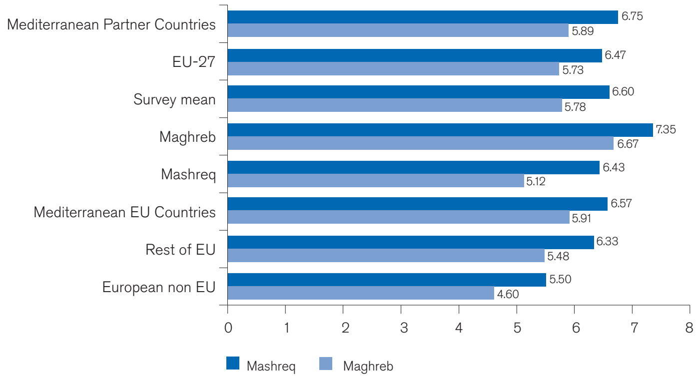
> A probability of an increased role of external actors is positive since the Middle East region attracts economic powers for investments and cooperation with its potential of growth.
>
> Egyptian respondent

> La Turquie prend une place régionale prépondérante en réaffirmant sa centralité régionale et historique, avec de nouveaux arguments économiques.
>
> French respondent

> Les acteurs économiques extérieurs profitent déjà de l'hésitation des européens à s'impliquer sérieusement en Méditerranée.
>
> Algerian respondent

1. These perceptions are not surprising if we consider the growth rate of MPC exports between 1996 and 2006. When exports to the EU have increased at a rate of 6.4%, those targeted to the rest of the world have increased at a rate of 15.6% per year. Significantly, exports to NAFTA countries and the Gulf Cooperation Council increased at a rate of 14% and 18%, respectively.

Graph 3: Assessment of the probability that the external economic actors, such as the United States, China, the Gulf countries or others, will gradually displace the prominent economic role of the EU in the Mediterranean (average on a scale of 0-10, where 0 stands for low probability, and 10 for very high probability)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

I. The Euro-Mediterranean Free Trade Area and the EU-Turkey Custom Union

A set of questions asked about the implementation of the EMFTA both at a regional and national level.[2]

The progress in the implementation of the EMFTA at a regional level obtains an average grade very close to 5 (4.9), which corresponds to an almost symmetrical distribution of answers around the average (5). Specifically, 34.3% of respondents grade the implementation with a 5. The remaining 65.7% is equally distributed between those who grade it positively – above 5 – and those who grade it negatively – below 5.

However, respondents believe that progress in the implementation of the EMFTA has been unequal depending on the country concerned. In accordance with the data available, we can establish three country categories. Those in which the implementation is considered positive (with averages above 6) – Morocco, Tunisia and Israel –; a second category of countries in which the average assessment of the implementation is slightly positive (between 5 and 6) – Jordan, Lebanon and Egypt –; and, finally, a third category, which includes Algeria and the Palestinian Occupied Territories, for which it is considered that the progress in the implementation of the EMFTA has been negative (between 4 and 5).

Returning to the assessment of the implementation of the EMFTA at a sub-regional level, the grades of respondents from the Maghreb and Mediterranean EU are systematically lower than the whole, while the grades of respondents from the Mashreq and the non-Mediterranean EU are higher.

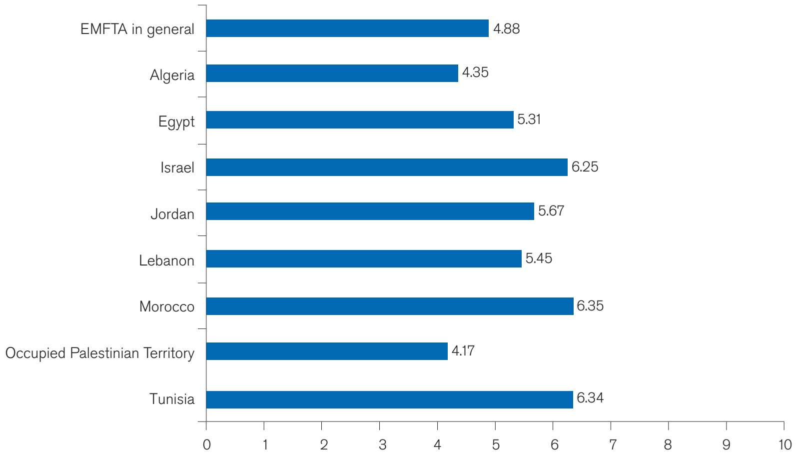
> Le Maroc et la Tunisie sont des bons élèves, l'Algérie traîne, le Liban progresse, la Jordanie est le meilleur élève du Mashreq et l'Egypte se réforme mais lentement.
>
> Belgian respondent

> The agreements with the largest technical components will be the one to progress and survive. Whereas, political agreements are bound to crash.
>
> Egyptian respondent

2. The set of countries included all those that until today have signed Association Agreements: Morocco, Algeria, Tunisia, Egypt, the Palestinian Authority, Israel and Lebanon. Given that the Association Agreement with Syria has not yet been signed and ratified and the economic integration between the EU and Turkey after the signing of the Customs Union exceeds the prospects of a traditional free trade area, neither country was considered in the questionnaire.

Graph 4: Assessment of the progress of the implementation of the Euro-Mediterranean Free Trade Areas between the EU and its Mediterranean Partner Countries

(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

The assessment of the progress made in the implementation of the EMFTA in each country is quite disparate.[3]

The assessment of the EMFTA in **Tunisia,** average 6.3, is logically one of the highest in keeping with its impact on macroeconomic development. The assessment of the implementation in **Morocco** is around 6.3 (both for Moroccans themselves – 6.2 – and for all respondents – 6.3). In the case of Morocco, in contrast with Tunisia, econometric impact studies do not yet show significant effects on the volume of trade flows. However, the current negotiations in terms of liberalisation of the service market, along with the close trade relationship that has traditionally linked Morocco and the EU,[4] can explain the positive perception of respondents in relation to the implementation of the EMFTA.

The response of Israelis to the implementation of the ZEMLC in **Israel** is identically high in the overall average (6.2), although grades from the Maghreb and the Mashreq are higher than the average.

In general, the implementation of the EMFTA in **Jordan** is seen more positively by the whole of the sample (5.7) than by Jordanian respondents themselves (4.9). The differential in perceptions could have its origin in the unawareness of Jordan trade exchanges by Southern Mediterranean countries (with which there is hardly any trade) and an over-assessment of trade benefits by EU respondents (perhaps due to the trade imbalance between the EU and Jordan which, in 2010, reached €2,231.1 million in favour of the former).[5]

In the case of **Lebanon**, Lebanese nationals give an average grade (5.2), very similar to the whole of the sample (5.4). Again, Mashreq respondents assess the progress of the implementation in this country slightly more positively than the rest.

3. Data by national origin of respondents in this section must be considered as merely indicative.
4. While 57.2% of Moroccan exports are targeted to the EU, 59.3% of its imports originate in the EU-27.
5. In fact, the greater scepticism of Jordanian respondents is not surprising if we analyse the evolution of their exports between 1996 and 2006. Exports of non-energy products from Jordan to Europe have only increased by 3.6% in comparison to 25.8% of annual growth of imports to the rest of the world. Moreover, the United States, Iraq and India receive the largest of volume of Jordanian exports, while overall imports of EU-27 products mean a total volume which is practically equivalent to imports of Saudi products alone (2010 data).

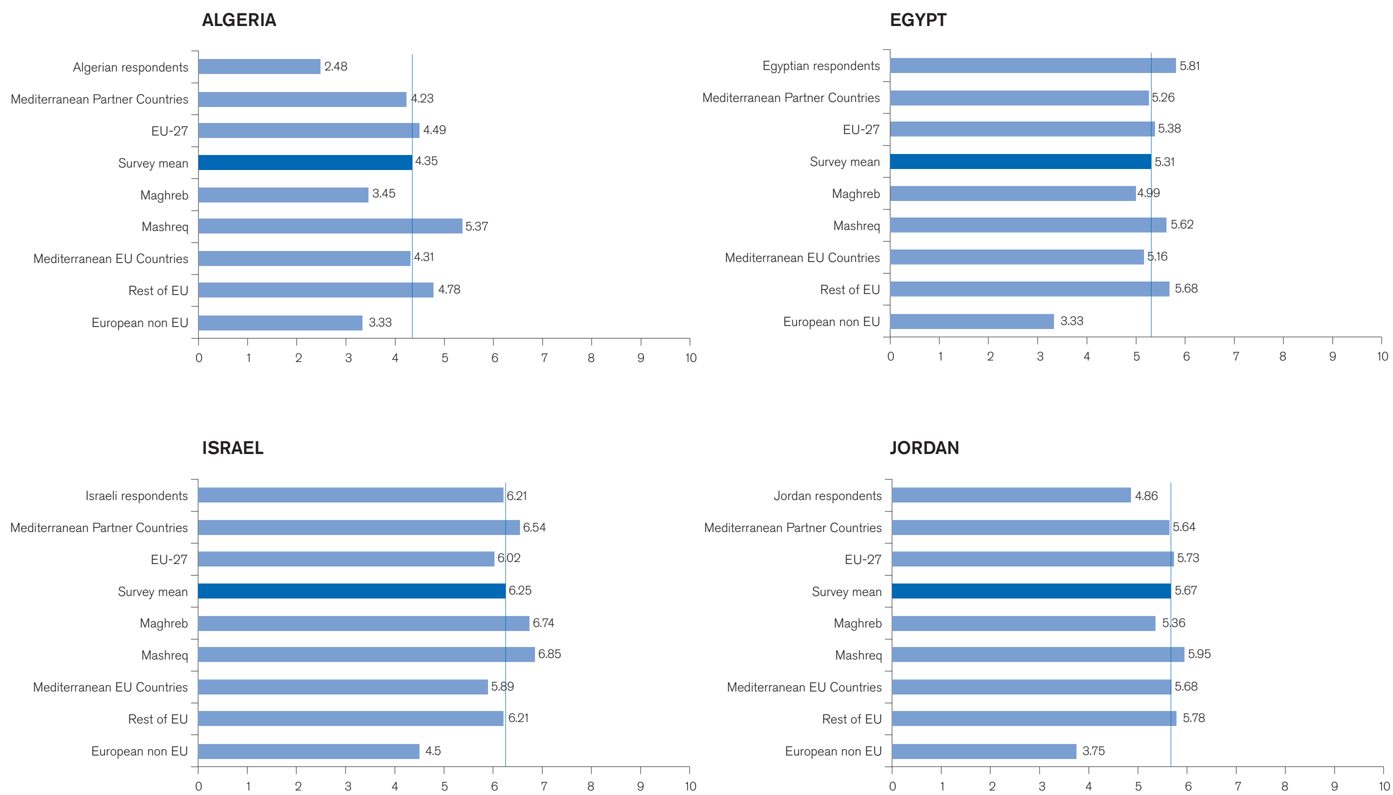
In the case of **Egypt**, the assessment made by Egyptian respondents is more positive (average of 5.8) than that of the total of the sample (5.3) and Mashreq respondents (5.6).

In the case of **Algeria**, the assessment by Algerians themselves is 2.5. Along with the low assessment of the whole of the sample (4.3), we should add that Maghrebian respondents make the least positive assessment (3.5). These results are not at all surprising. In fact, after five years of application, its trade imbalances have meant the renegotiation of the calendar established for tariff dismantlement.[6]

In terms of progress in the implementation of the EMFTA in the **Occupied Territories**, graded with 4.5 on average by Palestinians themselves, whose potential for free trade is obviously limited by the socioeconomic conditionings of the zone, the low assessment of Maghrebian respondents stands out (3.5).

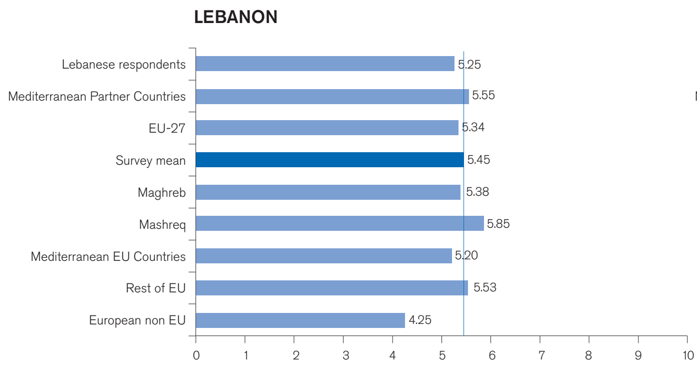
Graph 5: Assessment of the progress of the implementation of the Euro-Mediterranean Free Trade Areas between the EU and its Mediterranean Partner Countries

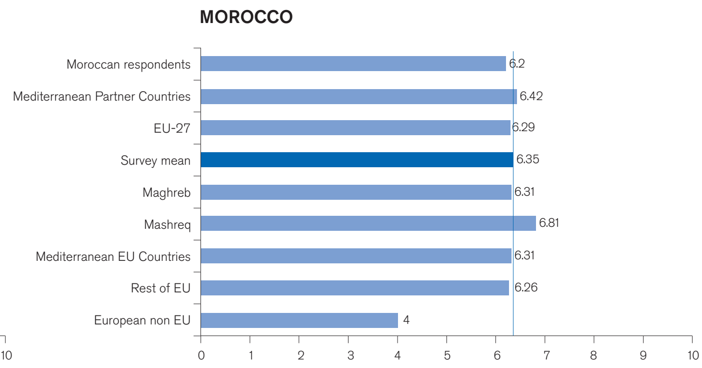
(Assessment for each partner country. Average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)

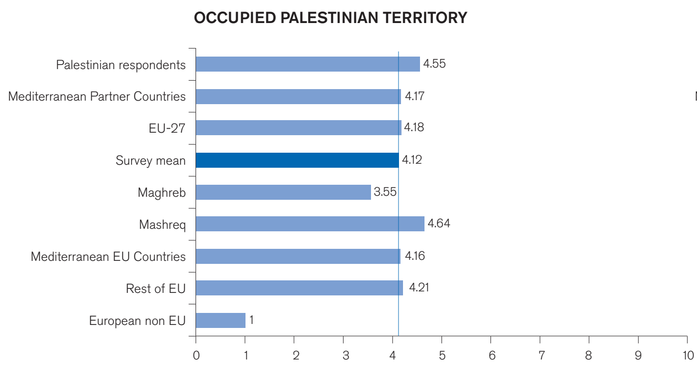


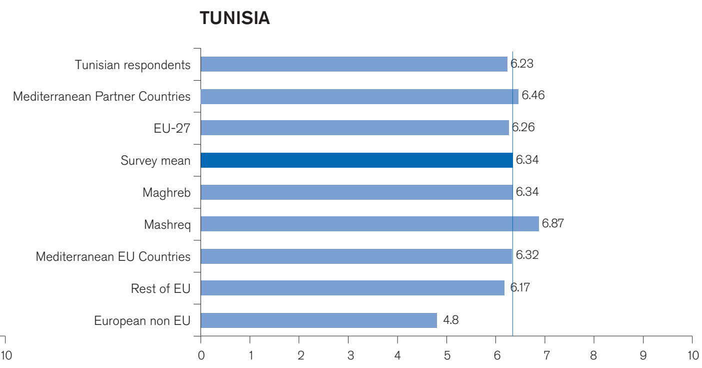
Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

6. Moreover, the lack of diversification of its export structure is notable: in 2010, 96.5% of Algeria's total exports to the EU were energy-related. Exports of non-energy products from Algeria to the EU are, therefore, marginal and between 1996 and 2006 they fell by 10.2% annually. In the same period, imports of European products, mainly manufactured products, increased by 10.7% annually.









Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

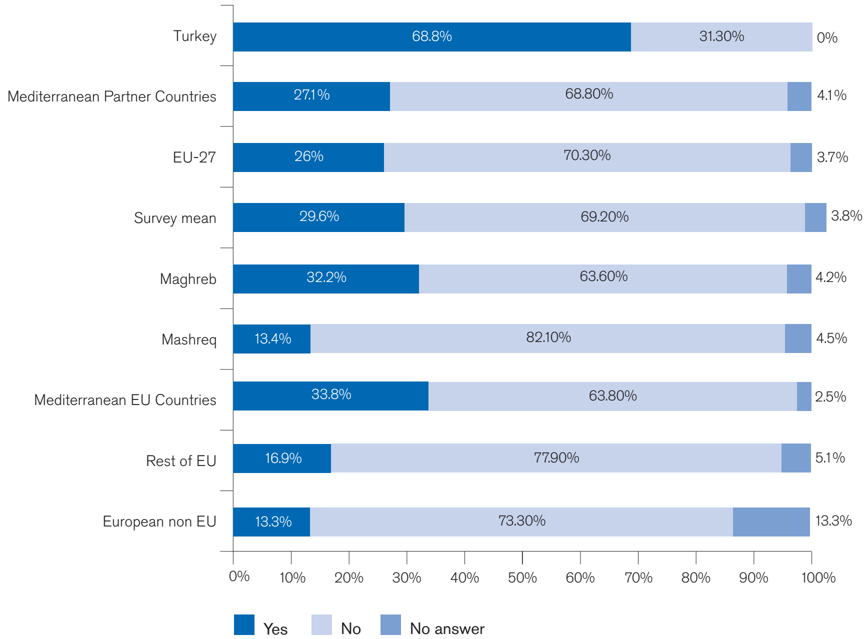
In data by institutional affiliation, we note a subtle trend for policy-makers to give slightly higher grades than experts and, at the same time, slightly higher than actors from civil society. In terms of area of specialisation, political cooperation and security professionals have a systematically higher average than the other groups.

The Impact of the EMFTA

Block C5 – devoted to the specific impact of the EMFTA and the EU-Turkey Customs Union on the economies of the MPCs – was only asked to some of the participants in the Survey. Through a filter question, those who consider that they did not have a clear perception of the implications of the economic integration between the EU and Southern Mediterranean Countries were eliminated. It is striking that only 28% of all respondents answered this block of questions. Given that the sub-sample is reduced to 160 people, any disaggregation must be analysed with the due precaution.

Graph 6: Knowledge or a clear perception of the impact of the Euro-Mediterranean Free Trade Area and the EU-Turkey Customs Union

(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

The first block of specific questions made reference to the impact of the EMFTA on the MPCs in general and, for the nationals of these countries, on the impact on their own country, in terms of "growth, competitiveness and investment", "employment", "SMEs" and "State revenues".

The results for the total of respondents show how the perception of the greatest impact of the EMFTA is on *"growth, competitiveness and Foreign Direct Investment*" (6.1 on average, on a scale from 0 to 10, where 0 stands for very negative impact and 10 for very positive) followed by the impact on "*local Small- and Medium-Sized Enterprises*" (5.8), the impact on *"employment*" (5.6) and on "*State revenues*" (5.3). It is important to point out that EU respondents consider the impact of the EMFTA on *"economic growth, competitiveness and investment in the MPCs*" and on "*Small- and Medium-Sized Enterprises*" more positive than the MPC respondents themselves.

El impacto social sería bajo ya que las condiciones de empleo no siguen los mismos estándares que en Europa (sueldos bajos, falta de estándares mínimos de seguridad e higiene, ausencia de derechos de los trabajadores, etc.).

Spanish respondent

The economic integration and the EMFTA will enhance the economic sector in the MPCs, which will create jobs and boost the social impact in the long term; no emphasis was made on the SMEs until now.

Egyptian respondent

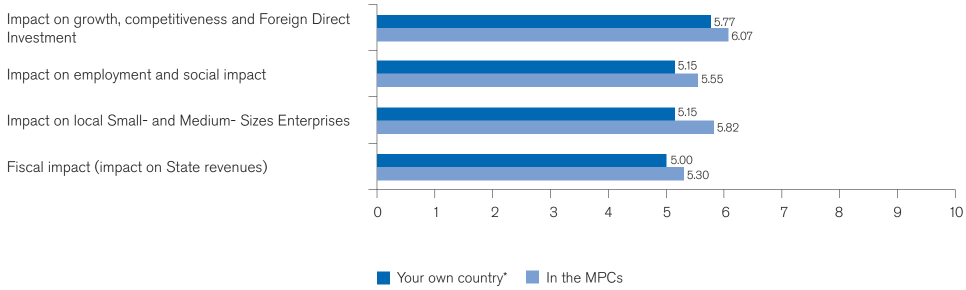
Les Impact légèrement sont positifs mais limités en raison notamment de la persistance de barrières non tarifaires, de la protection agricole de l'UE, de l'absence de libéralisation des services, etc.

French respondent

As for the impact of the EMFTA according to the national origin of the respondent, the perception of respondents for their own country is always lower than the overall perception of the MPCs in all fields. Mashreq respondents consider that the impact of the EMFTA in terms of "*economic growth, competitiveness and FDI*", "*impact on the enterprises*" and "*employment*" has been higher throughout MPCs than the Mashreq itself. Maghrebian respondents consider, however, that the impact in terms of State revenues has been more negative in their region than in the rest of the MPCs concerned.

Graph 7: Assessment of the impact of the EMFTA in the economies of the Mediterranean Partner Countries in terms of:

(average on a scale of 0-10, where 0 stands for very negative, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

The Impact of the EU-Turkey Customs Union

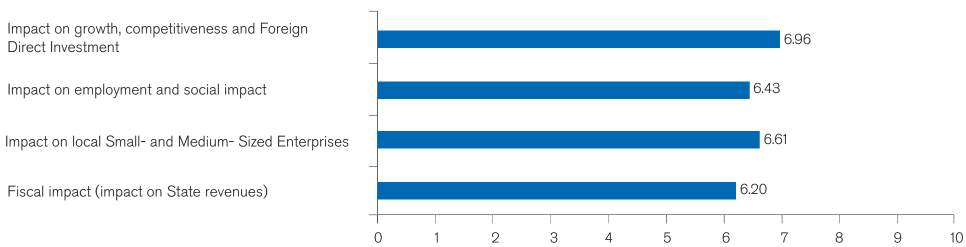
The second block repeated the same questions, this time exclusively in reference to the impact of the Customs Union on Turkey. The results of all respondents follow the same pattern as for the EMFTA although with significantly higher grades. The impact on "*growth, competitiveness and investment*" receives an especially positive assessment (average grade of 7.0). The implications of the Customs Union on *"SMEs*" (6.6) and "*employment*" (6.3) as well as on "*State revenues*" (6-2) are more positively graded.

In relation to the impact on "*growth, competitiveness and investment*", it is notable that the average assessments of respondents from EU countries (7.2), Turkey (7.1) and Israel (8.0) are slightly above the general average (7.0). In contrast, respondents from the Maghreb and, especially, the Mashreq least positively assess the impact of the Customs Union.

In terms of SMEs, Turkish respondents (6.6) and EU respondents (6.7) assess the implications of the Customs Union equally positively to the overall average (6.6). Significantly, respondents from Turkey express the worst perceptions of the implications of the Customs Union on employment (6.1) and on State revenues (5.9).

Graph 8: Assessment of the impact of the EU-Turkey Customs Union (established in 1996) on the Turkish economy

(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)

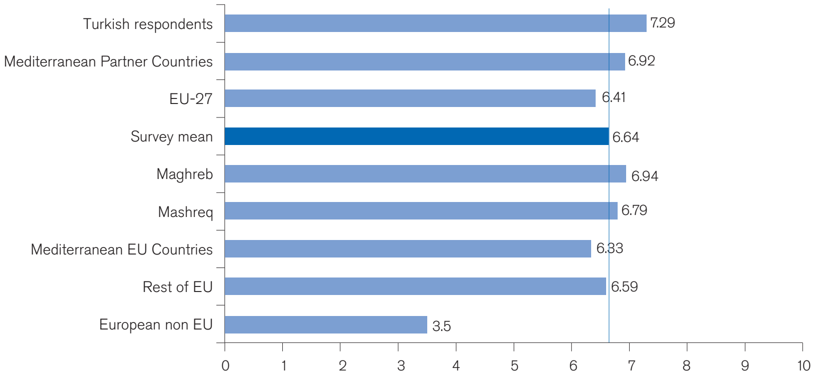


Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

In relation to the added value of the conclusion of free trade agreements between Turkey and some MPCs,[7] all respondents consider that the signing of these agreements efficiently contributes to the consolidation of the Euro-Mediterranean Free Trade Area (overall average of 6.6). The assessment is higher among respondents from Turkey (7.3), the Maghreb (7) and the Mashreq (6.8) than among those from the EU (6.4).

Graph 9: To what extent the bilateral free trade agreements concluded between Turkey and the MPCs contribute to the establishment of the Euro-Mediterranean Free Trade Area

(average on a scale of 0-10, where 0 stands for no contribution, and 10 for very positive contribution)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

These effects are rather long-term effects. In the short term the Customs Union had rather negative effects on small- and medium-sized enterprises as well as on employment.

Austrian respondent

Il suffit de comparer l'attractivité des investissements en Turquie avec l'Egypte pour comprendre les effets positifs de l'Union Douanière.

Belgian respondent

La Turquie dispose d'une capacité de production agricole et industrielle qui la rend capable d'absorber les bienfaits de la zone du libre échange.

Algerian respondent

Without this form of South-South integration, the EMFTA will be totally unbalanced.

Irish respondent

South-South Integration and System of Pan-Euro-Mediterranean Rules of Origin

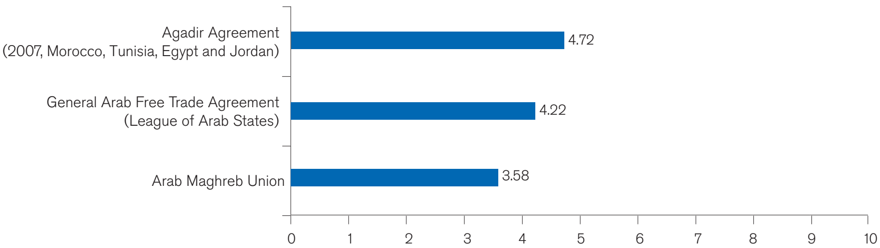
In relation to South-South integration, the question (Q C.6) is dedicated to the assessment of progress in the implementation of the Agadir Agreement, the Greater Arab Free Trade Area (hereafter GAFTA) and the Arab Maghreb Union (AMU).[8]

7. According to the World Trade Organization, to date, Turkey has concluded free trade agreements with the following countries of the Mediterranean regions: Albania (in force since 2008), Bosnia and Herzegovina (in force since 2003), Croatia (in force since 2003), Egypt (in force since 2007), Israel (in force since 1997), Jordan (in force since 2011), Montenegro (in force since 2010), Morocco (in force since 2006), Palestinian Authority (in force since 2005), Syria (in force since 2007), and Tunisia (in force since 2005).
8. Agadir Agreement (entry into force: 2006; current signatories: Morocco, Tunisia, Egypt and Jordan); Greater Arab Free Trade Area (entry into force: 1997; current signatories: Algeria, Bahrain, Egypt, Iraq, Jordan, Saudi Arabia, Kuwait, Lebanon, Libya; Morocco, Oman, Qatar, Sudan, Syria, the Palestinian Authority, Tunisia, United Arab Emirates and Yemen), Arab Maghreb Union (entry into force: pending ratification; current signatories: Algeria, Libya, Morocco, Mauritania and Tunisia).

The first notable aspect is that, in contrast to the North-South integration initiatives, none of the initiatives has received an assessment above 5. This is not surprising, if we bear in mind that the Southern Mediterranean Continues to be the region of the world with one of the lowest rates of regional integration (only 5.7% of total trade). Only the Agadir Agreement has an average close to 5 (4.7). Meanwhile, the GAFTA and the AMU are manifestly more negatively assessed (average grades between 4.2 and 3.6, respectively).

Graph 10: Assessment of the progress in the implementation of South-South free trade areas in the Mediterranean

(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)

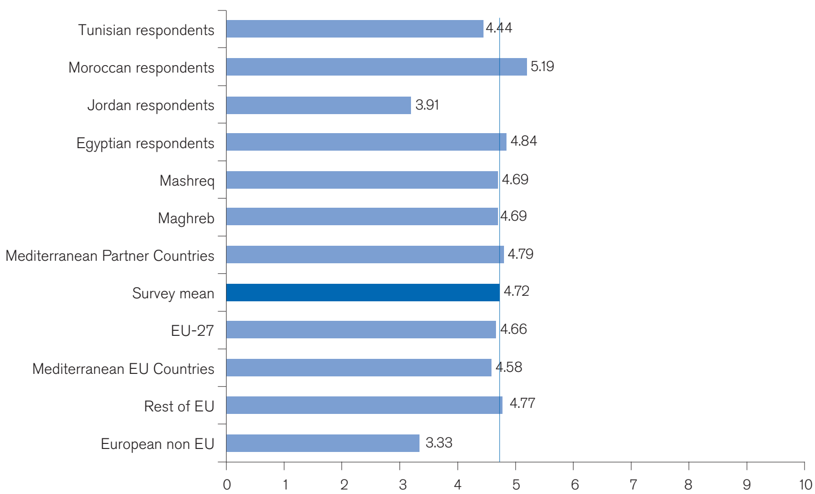


Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

The Agadir Agreement is the most positively assessed of the three initiatives and its assessment has few differences between regions. The GAFTA has a lower general assessment and significant differences between respondents from southern and Eastern Mediterranean Countries: respondents from the Mashreq grade its implementation a little more positively than most respondents; in contrast, Maghrebian respondents make the lowest average assessment (3.6 on average and 35% of respondents that grade it between 0 and 2). This trend worsens with the results of the AMU – the least positively assessed of the three. The results of respondents from the Maghreb, the most affected by the lack of ratification of the "Declaration establishing an Arab Maghreb Free Trade Area", are extremely low (average grade is only 2.6, partial result of the 40% of respondents who grade the progress between 0 and 1).

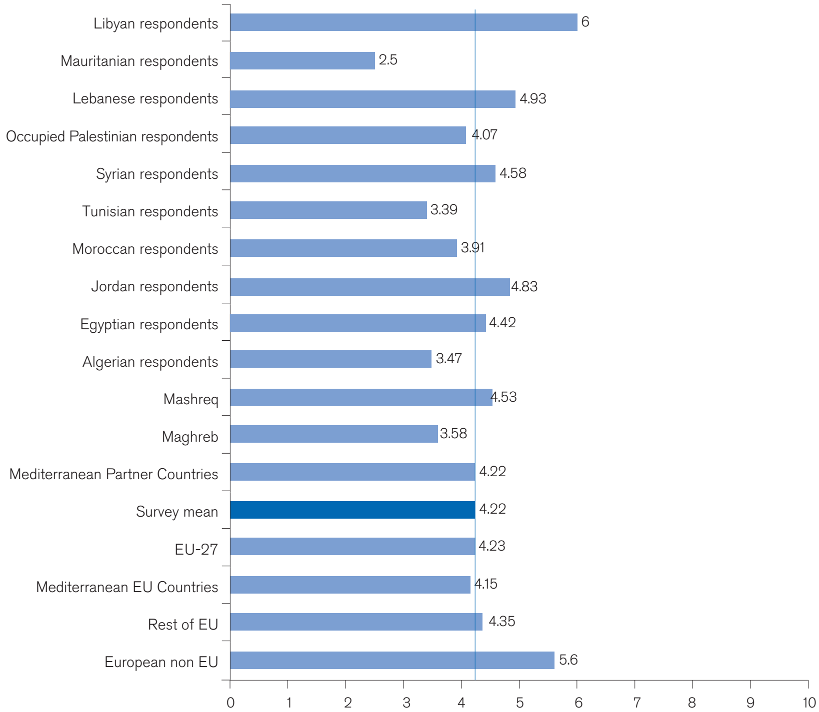
Graph 11: Assessment of the progress in the implementation of South-South free trade areas in the Mediterranean: Agadir Agreement (2007, Morocco, Tunisia, Egypt and Jordan)

(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



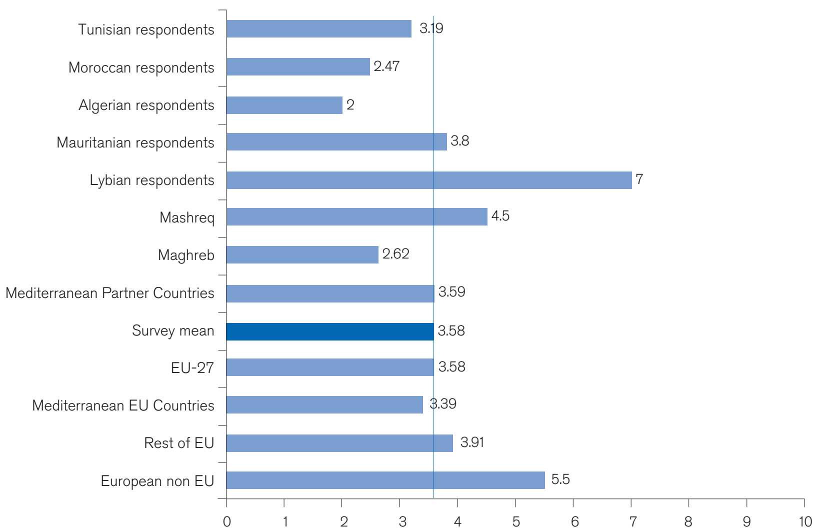
Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

Assessment of the progress in the implementation of South-South free trade areas in the Mediterranean:
General Arab Free Trade Agreement (League of Arab States)
(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

Assessment of the progress in the implementation of South-South free trade areas in the Mediterranean:
Arab Maghreb Union
(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

Southern countries have nothing they would like to trade with. No technology, no consensus, no will and no clear objectives. They do not know what governance is.

Moroccan respondent

A part l'accord d'Agadir, établi à partir d'un examen d'une situation objective et qui pourrait se développer, les accords découlant d'institutions n'ont vraiment pas d'avenir, surtout pas entre les pays arabes rongés par les conflits politiques.

Tunisian respondent

Siempre es mejor que estos acuerdos existan pues ello fomenta el diálogo entre los países participantes y se limitan los peligros de enfrentamientos.

Spanish respondent

Creating more awareness is needed.

Egyptian respondent

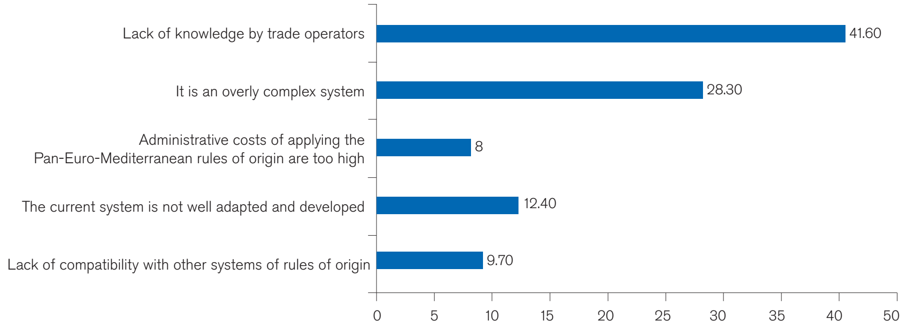
The analysis both by institutional affiliation and by areas of specialisation reveals similar trends in the assessment of the three initiatives. On the one hand, experts assess more negatively the progress in terms of South-South trade integration than the other two categories. On the other, "political cooperation and security" professionals assess the three initiatives more negatively than those in the socio-cultural area. The "economic and financial cooperation" professionals (more familiar with the issue) express an intermediate position.

II. The System of Pan-Euro-Mediterranean Rules of Origin[9]

The question about rules of origin was asked only to respondents who declared themselves to be familiar with the subject (19.1% of respondents). The question referred to the reasons why that the System of Pan-Euro-Mediterranean Rules of Origin is used so little. Of the five reasons proposed, respondents had to choose the two they considered most important. For respondents as a whole, the two most important reasons are the "*lack of knowledge by trade operators*" (56.6%) and the fact that "*it is an overly complex system*" (54.0%). The other reasons are that "*the current system is not well adapted and developed"* (32.7%), the "*lack of compatibility with other systems of rules of origin*" (30.1%) and the fact that the "*administrative costs of applying the Pan-Euro-Mediterranean rules of origin are too high*" (26.3%).

9. The pan-Euro-Mediterranean system of cumulation of origin is made up of a multiplicity of agreements, setting out, i.e. free trade provisions based on a network of identical rules of origin allowing for diagonal cumulation, among the countries of the zone. This cumulation zone is bound to grow in the future. At present, the pan-Euro-Mediterranean cumulation zone includes the European Union, the EFTA States (Iceland, Norway, Switzerland, Liechtenstein), the participants in the Barcelona Process (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey, Palestine) and the Faroe Islands. (European Commission; COM(2010)168 final).

Graph 12: How would you explain the low use of the System of Pan-Euro-Mediterranean Rules of Origin? (% choosed as first option)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

From the analysis by geographical origin of respondents, it is important to note that in the case of the Maghreb, together with the fact that "*it is an overly complex system*" and the "*lack of knowledge by trade operators*", both the fact that "*the current system is not well adapted and developed*" and the "*lack of compatibility with other systems of rules of origin*" are considered important reasons (39.3% of respondents mention them).

Among respondents from the Mashreq, the view that "*it is an overly complex system*" is seen as primordial. Also notable is the importance given to the fact that the "*administrative costs of applying the Pan-Euro-Mediterranean rules of origin are too high*" (42.3% of respondents from the Mashreq consider that it is one of the two greatest impediments to the use of the Pan-European System of Rules of Origin). For both Mediterranean and non-Mediterranean EU respondents, the "*lack of knowledge by trade operators*" is the main determinant in assessing its lack of use (respectively, 63.6% and 66.7% of respondents from the European Union point it out). However, the second most cited reason differs between Mediterranean and non-Mediterranean EU countries. While for respondents from Mediterranean countries the second most important reason is that *"it is an overly complex system"*, respondents from the non-Mediterranean EU consider the fact that the "*the current system is not well adapted and developed*", more than the complexity, is responsible for its scarce use.

Il ne faut pas surestimer cette question et son effet sur les économies méditerranéennes.

French respondent

La première raison me semble être le manque d'intégration des économies concernées.

Moroccan respondent

The main problem is trade regulation and quality of products.

Moroccan respondent

At a global level, with the exception of professionals of migratory affairs and justice, it is considered that the "*lack of knowledge by trade operators*" and the fact that "*it is an overly complex system*" are the main impediments to the exhaustive application of the system.

For policy-makers, the fact that *"it is an overly complex system*" is the main reason, more than any other, for the low use of Pan-Euro-Mediterranean rules of origin. However, for both experts and actors from civil society[10] the "*lack of knowledge by trade operators*" is the reason obstructing its application (57.9% of experts and 69.0% of actors from civil society – including business people – cite this reason).

Liberalisation of Trade in Services

The assessment of the progress of negotiations for the trade in services liberalisation between the EU and Morocco, Tunisia, Egypt and Israel in the framework of the ENP is around 5.0. The average assessments by respondents of the EU (5.4), Turkey (5.6) and Israel (5.7) are slightly higher than the assessments of respondents from the Maghreb (5.0) and the Mashreq (4.9).

The difference in assessments could be in the divergence of interests between the northern and southern Mediterranean. While the EU has a comparative advantage in modes 1 (cross-border supply) and 3 (trade presence) of General Agreement on Trade in Services (GATS), the MPCs have interests in the liberalisation of modes 2 (consumption abroad) and 4 (presence of natural persons). The European Member States are reticent about making concessions in mode 4 which, in its turn, prevents the MPCs from granting the right of establishment to European service providers. Consequently, progress is difficult.

> It has the chance of going slightly more rapidly than WTO trade in services liberalisation, but don't expect any great progress.
>
> Egyptian respondent

> C'est exactement la même situation qu'à Doha. Pourquoi-t-on considère les services mais on ne considère pas les produits agricoles?
>
> Algerian respondent

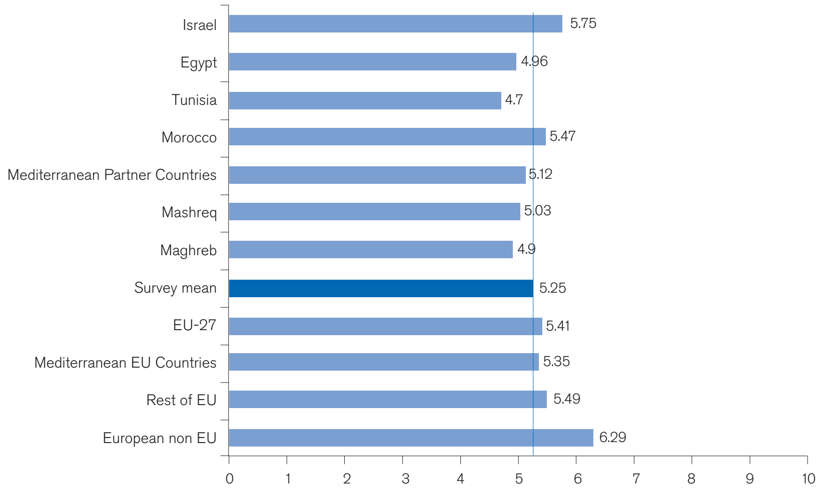
> La India carece de acuerdos semejantes y se ha convertido en el hub mundial de deslocalización de servicios.
>
> Spanish respondent

The assessment by respondents from the countries with which these negotiations are carried out (Egypt, Israel, Tunisia and Morocco) shows that only respondents from Israel and Morocco positively assess the progress of the negotiations.

Another important point is the level of lack of knowledge about the issue exemplified by the 36% of "Don't know" answers.

10. It is important to note that this category includes business people.

Graph 13: Assessment of the progress of on-going negotiations for services trade liberalisation between the EU and Mediterranean Partner Countries (negotiations with Morocco, Tunisia, Egypt and Israel)
(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



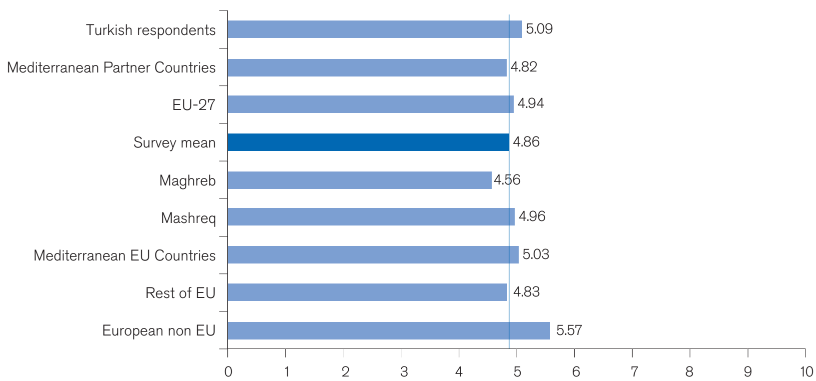
Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

III. The Impact of Agricultural Liberalisation

This question (Q C.9) introduces one of the most sensitive issues in the debate on the EMFTA: agricultural liberalisation. The assessment as a whole is not positive although not especially negative. (The average is around 4.8 and almost 50% of respondents grade it between 4 and 6.)

By geographical origin, respondents from the Maghreb give the lowest regional average grade, although not greatly different from the whole (4.5 on average). This circumstance is repeated in the analysis by institutional affiliation (the lowest grade – also 4.5 – is given by experts) and by area of professional specialisation (4.5 is also the lowest average and corresponds to professionals in the economic area).

Graph 14: Assessment of the progress in trade liberalisation of agriculture and processed agricultural products in the Euro-Mediterranean framework
(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

The protectionism exerted by the EU in the agricultural sector is preventing southern partners from receiving a very important source of income, and it is affecting the internal social security.

Lebanese respondent

Les européens ne prônent le libre échange que quand cela les arrange (produits industriels). Néanmoins, ils trouvent d'autres arguments quand il s'agit de produits agricoles ou ils n'ont pas d'avantage comparative.

Algerian respondent

Hay que confiar en que el acuerdo agrícola en el GATT-OMC que nos acerca la supresión de las subvenciones y la próxima reforma de la PAC ayuden.

Spanish respondent

Liberalisation of Trade in Agricultural Products

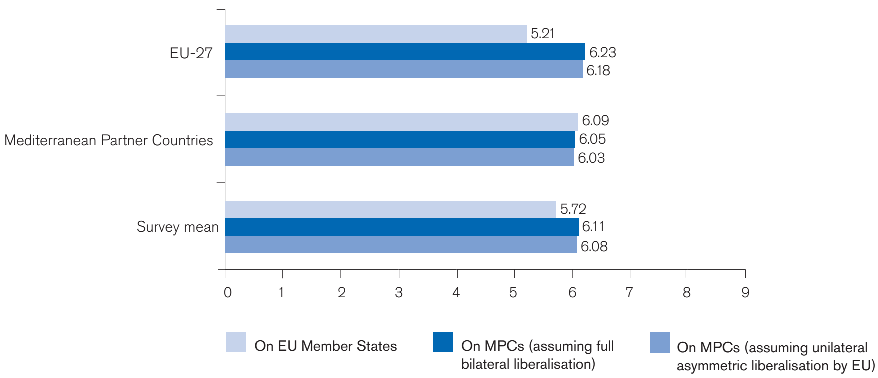
In addition to a general approach to the issue, the Survey included a series of more specific questions about agricultural liberalisation aimed at those respondents who considered that they had a good knowledge of the issue (25.3% of respondents).

In the first place, they were asked about the impact of agricultural liberalisation on the EU Member States and the MPCs. In the case of the MPCs, based on two assumptions: one of full bilateral liberalisation and the second in the case of unilateral asymmetric liberalisation by the EU.

For all respondents, the impact would be more positive for the MPCs (6.1 average in both assumptions) than for the EU (5.7). However, these results have variations according to origin of respondents.

Graph 15: Assessment of the potential impact of full agricultural liberalisation on the EU Member States and MPC agricultural sectors

(average on a scale of 0-10, where 0 stands for very negative impact, and 10 for very positive impact)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

EU respondents consider that the impact on the EU will be significantly more negative (5.2) and slightly more positive on the MPCs (6.2). However, within this group, there are significant differences between respondents from Mediterranean EU countries and those from the rest of the EU.

Respondents from non-Mediterranean EU countries give the most extreme grades both for the impact of liberalisation in the EU (the group that grades most negatively, 4.9) and the MPCs, especially full liberalisation (6.4).

In contrast, grades by respondents from Mediterranean Europe are closest to the overall average (average of 5.4 for the EU, 6.1 for MPCs assuming a total and reciprocal liberalisation, and 6.2 assuming a unilateral liberalisation by the EU).

Among MPC respondents, who make practically the same overall assessment of the three scenarios (6.1, 6.0 and 6.0), there are also important differences between them. For Mashreq respondents, agricultural liberalisation will be positive both for the EU (6.2) and the MPCs, and especially for the MPCs in the case of a full bilateral liberalisation (6.9 on average). Meanwhile, for respondents from the Maghreb the trend is the opposite: the liberalisation would be more positive for the EU than for the SMEs (the average impact declared is 6.2 in the first case and below 6 in the other two). Specifically, respondents from the Maghreb consider that unilateral liberalisation will have more positive effects than full bilateral liberalisation (respective averages of 5.8 and 5.2).

Es necesario un proceso de adaptación de las zonas agrícolas de la UE que competirían con las de los PAM para evitar un colapso de sus producciones (zonas mediterráneas de la UE, especialmente de España e Italia).

Spanish respondent

Je pense que la situation n'est pas encore claire au sein de l'UE (système de subventions et accrochages fréquents avec les agriculteurs); donc, je vois mal l'apport d'une prochaine libéralisation.

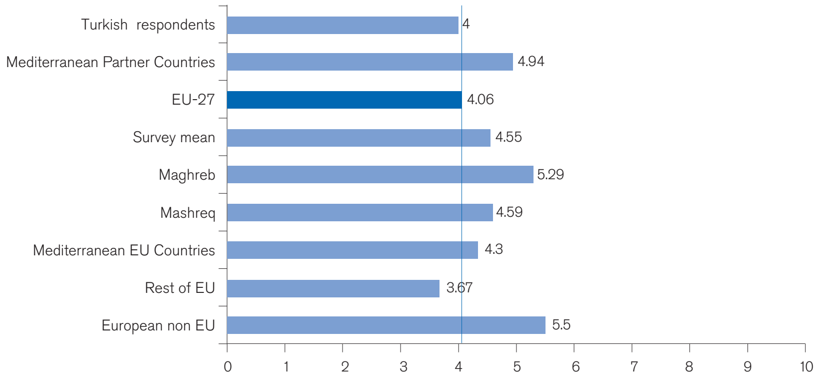
Tunisian respondent

The common agricultural policy guarantees best prices for EU agriculture products which causes distortion in the agricultural products markets. Full liberalisation will guarantee lower prices in both shores, and better quality of agricultural commodities.

Egyptian respondent

The block of questions on agricultural liberalisation closes with a question about the probabilities that, in the future, the EU will offer MPCs an agreement to enter the single market without barriers. None of the respondents are very optimistic (4.6 on average). Turkish and EU respondents – especially those of non-Mediterranean countries – are the most sceptical (the average probability is 4 for the first two categories and 3.7 for the other one): the most optimistic (whose predictions do not differ much from the average) are respondents from the Maghreb.

Graph 16: Probability of the EU offering to the Mediterranean Partner Countries anytime in the foreseeable future a full agricultural trade liberalisation to access the single market free of any barrier
(average on a scale of 0-10, where 0 stands for no probability, and 10 for very high probability)

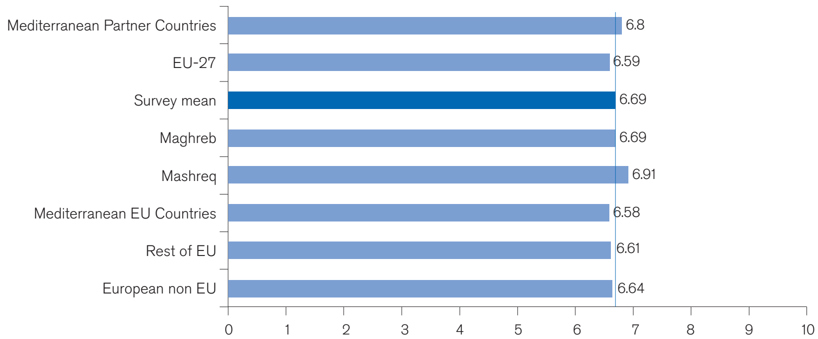


Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

New Deep and Comprehensive Free Trade Areas

All respondents were asked about the new "Deep and Comprehensive Free Trade Areas" which are planned to be established with the MPCs. The overall results indicate that these kinds of areas are considered to have high added value. This positive assessment is reproduced homogenously if data is disaggregated by regions. In terms of institutional affiliation and area of specialisation, the high assessments given by policy-makers and "economic and financial cooperation" professionals stand out.

Graph 17: Assessment of the added value of the new Deep and Comprehensive Free Trade Areas to be established by the EU with the Mediterranean Partner Countries
(average on a scale of 0-10, where 0 stands for no added value, and 10 for very high added value)



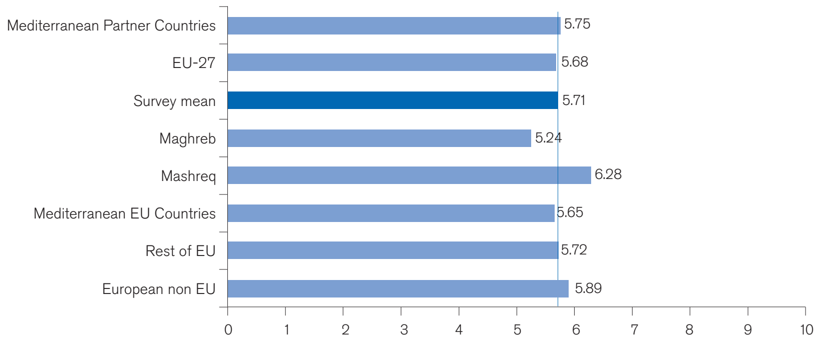
Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

Financial Cooperation Assessment

The final two questions in this section of the Survey refer to financial cooperation. First, there are questions about the effectiveness of bilateral assistance through the ENPI. Respondents considered it slightly effective (5.7 on average and 40% of responses between 6 and 7). The great differences of opinion have their origin in the divergent assessment of the ENPI among MPC respondents. While respondents from the Mashreq make the most positive assessment of the effectiveness of the ENPI (6.3 on average and 61% of responses between 6 and 8) those from the Maghreb make the most negative assessment (5.2 on average and 47% of responses between 3 and 5).

Graph 18: Assessment of the effectiveness of the bilateral assistance granted through the European Neighbourhood and Partnership Instrument

(average on a scale of 0-10, where 0 stands for very disappointing, and 10 for very positive)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

The ENPI is a good tool, but deserves to be more results and target oriented.

Lebanese respondent

Too much is spent on traditional projects focusing on technical public sector reform that have marginal positive effects but not on core governance questions that would really change the fundamental political dynamics for the better, simply because the last thing Europe wants is political instability in the Mediterranean.

Swedish respòndent

La question du respect des droits humains posée comme une exigence pour l'IEVA n'a aucune validité puisque certains pays qui portent atteinte flagrante à ces droits humains ont signé cet instrument. Il y a plusieurs exemples, dont la Tunisie.

Algerian respondent

Tant que la FEMIP n'a pas été transformée en Banque Euro-Méditerranéenne, cette assistance reste au-delà des attentes des pays du voisinage. Les montants alloués au Partenariat sont dérisoires"

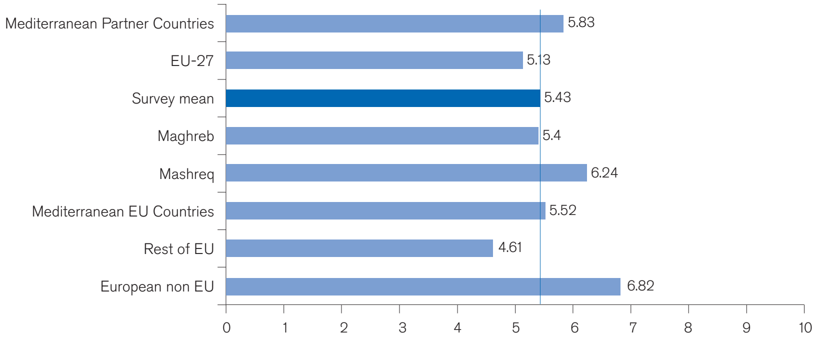
Tunisian respondent

Effectiveness of Direct Budget Support

The last question is about how respondents would assess the effectiveness of direct budget support as a financial aid mechanism for the MPCs. As a whole, the assessment is slightly lower than the ENPI of the previous question (5.4). Curiously, there are practically no differences between the assessment of direct support or the use of the ENPI between respondents from the Maghreb, the Mashreq or the Mediterranean EU. However, respondents from the rest of the EU consider that direct budget support is far less effective than the ENPI (the average reduces from 5.7 in the case of the ENPI to 4.6 in the case of direct budget support). The decrease in the assessment by these respondents explains almost all the differences between the assessments of the mechanisms.

Graph 19: Assessment of the the effectiveness of direct budget support as a mechanism for EU financial aid to Mediterranean Partner Countries

(average on a scale of 0-10, where 0 stands for very ineffective, and 10 for very effective)



Source: Compiled by the IEMed based on the results of the 2nd Euromed Survey

Budget support relates to trust; so it could become an important mechanism if effectively allowed as a trustworthy mechanism for financial aid to the Mediterranean Partners.

German respondent

Direct budget support is an effective support mechanism but for dictatorships, which is what most of the countries in the southern Mediterranean are.

Egyptian respondent

Il faut d'abord soigner la gouvernance et améliorer les compétences (la ressource humaine).

Algerian respondent

Do not aim to create a subsidy culture. It encourages dependency. Rather teach self-sufficiency.

Dutch respondent