

# The Evolution of the Euro-Mediterranean Trade Framework

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The year 2008 was an important one for Euro-Mediterranean trade relations. Tariffs were completely dismantled in the first southern Mediterranean country, Tunisia, within the framework of the Euro-Mediterranean Free Trade Area, and the direst scenarios regarding the potential economic impact did not come to pass (nor, it must be said, did the rosier ones). At the same time, significant advances were made on certain points of the negotiations on trade in services and agricultural products with several countries from the southern shore, although, overall, progress continues to be slow and uneven. This is a constant of the Euro-Mediterranean trade liberalisation process, which, albeit at great pains and with considerable delays, nevertheless does progress.

At the institutional level, the Union for the Mediterranean (UfM) was approved, whose Secretariat is headquartered in Barcelona in a nod to the origins of the Euro-Mediterranean Partnership and to the continuity of its founding principles. Among them, free trade plays a pre-eminent role, indeed, to such an extent that the Barcelona Process is often blamed for having given rise to excessive polarisation with regard to trade issues and, within them, to trade policy measures. Finally, in October, Morocco was granted advanced status as the next step in the Neighbourhood Policy and eventual successor to the EU-Morocco Association Agreement. It thus seems appropriate to examine the recent evolution of Euro-Mediterranean trade relations, which, in light of the latest developments, are a key facet of the geo-economic interests on both shores of the Mediterranean.

Broadly speaking, Euro-Mediterranean trade integration is evolving along three main policy lines: efforts

to widen the integration, efforts to deepen it and efforts to make it more complete. The first line refers to the inclusion of more Mediterranean Partner Countries (MPCs) and to the broadening of the different lists of products included in the tariff reduction timetable for each one. Deepening the Euro-Mediterranean Free Trade Agreements (FTAs) is the latest Community mantra, which, as explained below, does not necessarily have any of the linear effects implicitly contained in the Commission's discourse. In the following pages, it will be argued that the evolution in both these spheres has been positive, although progress has undeniably been quite gradual and efforts should ideally be intensified, especially with regard to the institutional aspects of trade. Finally, the most complex process is that of completing the current agreements through the full inclusion of trade in agricultural products and services. This article will examine each of these lines, and the ensuing additional challenges, in the respective sections.

## The Widening and Implementation of the Euro-Mediterranean Free Trade Area

The criticism received by the Euro-Mediterranean trade liberalisation process as a result of the Barcelona Process stems from the fact that the process has not achieved its objectives, in part due to the greater weight given to free trade over the other Euro-Mediterranean Partnership baskets. However, the latter point can be qualified in that, whilst tangible progress has indeed largely been confined to the conclusion of FTAs with the MPCs, this should not be understood as owing to any fault on the part of the economic basket, but rather to foot-dragging on the other dimensions set out in Barcelona. Thus qualified, there exists a broad consensus on this aspect, too, although it is worth wondering what

## SIGNIFICANT EUROMED PROGRAMMES AND PROJECTS: ECONOMIC AND FINANCIAL PARTNERSHIP

This is the pillar that has the greatest number of initiatives, grouped under the categories of: Economy; Energy; Environment; Information Society; and Transport. It aims to foster economic conditions favourable to growth, the reform of key sectors, and above all, the establishment of a Free Trade Area by 2010. In order to attain these objectives, the regional programme is currently funding a total of 27 different projects. Under the category of Economy, the regional programme funds some ten projects that foster opportunities for investment, the establishment of priorities and good statistics-keeping in or among Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Occupied Palestinian Territories, Tunisia and Turkey.

- **Agadir Agreement – EU Support Project (2004-2008) – 4 million euros (MEDA funds):** This is an EU project to support the efforts of four **Mediterranean** Partner Countries –Egypt, Jordan, Morocco and Tunisia– to develop a Free Trade Area. The Agadir 2 Project should start in 2009, with a budget of 4 million euros.  
[www.agadiragreement.org](http://www.agadiragreement.org)
- **ANIMA Investment Network – Investment Promotion (2002-2007) – 3.95 million euros (MEDA funds):** This multinational platform encourages investment in the Euromed Region by increasing the efficiency of Mediterranean Investment Promotion Agencies (IPAs) via international conferences, studies and travelling events.  
[www.animaweb.org/en/index.php](http://www.animaweb.org/en/index.php)
- **INVEST in MED (2008-2011) – 9 million euros (funds from the European Neighbourhood and Partnership Instrument, ENPI, for the South Mediterranean):** The programme organises Business to Business (B2B) meetings to develop long-term partnerships among the Small and Medium-Sized Enterprises (SMEs) on both the South and North shores of the Mediterranean, as well as workshops to consolidate institutional ties among business organisations with a view to fostering investment and facilitating trade between the EU and the Euromed Region.  
[www.invest-in-med.eu](http://www.invest-in-med.eu)
- **Euromed Quality (2004-2008) – 7.26 million euros (MEDA funds):** This awareness-raising programme trains experts in the Mediterranean Region on the different stages of quality control in order to facilitate the development and commercialisation of quality products, that is, products competitive on the export market.  
[www.euromedquality.org](http://www.euromedquality.org)
- **Euromed Market (2002-2008) – 9.2 million euros (MEDA funds):** Fosters improved comprehension of the regulatory framework necessary for implementing the Association Agreement between the EU and Mediterranean Partner Countries and strengthens economic cooperation.  
[www.euromedmarket.org](http://www.euromedmarket.org)
- **FEMISE – Socioeconomic Research (2005-2009) – 4.9 million euros (MEDA funds):** Funds a network of research institutes with a view to assisting MPCs to undertake economic and social reform. The aims are to begin economic transition towards a Free Trade Area and to make progress in social policy matters.  
[www.femise.org](http://www.femise.org)
- **Support to FEMIP (2007-2013) – 32 million euros:** It contributes to the FEMIP (Facility for Euro-Mediterranean Investment and Partnership) effort. FEMIP was set up in 2002 by the European Investment Bank (EIB) to foster the sustainable economic development of the MPCs via investment in infrastructures, particularly fostering the development of the private.  
[www.eib.org/projects/regions/med/index.htm](http://www.eib.org/projects/regions/med/index.htm)
- **ADR MEDA – Alternative Commercial Arbitration (2005-2008) – 1.1 million euros (MEDA funds):** Strengthens methods for settling commercial disputes, with particular attention to the SMEs, in order to facilitate international South-South trade and foreign investment.  
[www.adrmeda.org](http://www.adrmeda.org)
- **Medibtikar – Innovation and Technology (2006-2009) – 7.25 million euros (MEDA funds):** Offers MPCs new instruments to stimulate innovation in public and private enterprise and to encourage the establishment of networks.  
[www.medibtikar.net](http://www.medibtikar.net)
- **MEDSTAT II – Statistics Cooperation (2006-2009) – 30 million euros:** Steps up the capacity of the pertinent authorities of the MPCs to collect updated, appropriate and relevant statistics, guaranteeing reliability and coherence.  
[www.ec.europa.eu/eurostat/medstat](http://www.ec.europa.eu/eurostat/medstat)
- **EAMGM - Euro-Arab Mashreq Gas Market Project, (2005-2008) – 6 million euros (MEDA funds):** Supports the development of an integrated gas market in four countries (Egypt, Jordan, Lebanon and Syria) in view of creating a regional gas market as a preliminary step to integrating with the EU Internal Gas Market.  
[www.eamgcc.org](http://www.eamgcc.org)
- **Integrated Electricity Market Development (2007-2010) – 4.9 million euros (MEDA funds):** Supports the development of an integrated electricity market in Algeria, Morocco and Tunisia, and between these three Maghreb countries and the EU by harmonising their legal and regulatory frameworks.
- **MED-EMIP – Euro-Mediterranean Energy Market (2007-2010) – 4.1 million euros (MEDA funds):** Platform for dialogue and exchange on energy issues with a view to integration of energy markets and improved security and sustainability.  
[www.medemip.eu](http://www.medemip.eu)
- **MED-ENEC – Energy Efficiency in the Construction Sector (2005-2008) – 4 million euros (MEDA funds):** Encourages energy efficiency and the use of solar energy in the construction sector by strengthening skills, fiscal and economic instruments and pilot projects.  
[www.med-enec.com](http://www.med-enec.com)
- **MED-REG – Energy Regulators (2008-2009) – 300,000 euros (MEDA funds):** Supports the development of a modern, efficient regulatory framework on energy matters in MPCs and strengthens their cooperation with energy regulators of the EU.  
[www.remep.org/medreg](http://www.remep.org/medreg)
- **EMWIS – Cooperation in the Water Sector (2004-2008) – 3.3 million euros (MEDA funds, Spain, Italy, France):** A tool for the exchange of information and implementation of cooperation programmes in the water sector, both within each MPC and among them.  
[www.emwis.net](http://www.emwis.net)
- **MEDA Water – Resource Management (2003-2008) – 40 million euros (MEDA funds):** Encourages regional cooperation and develops proposals for water management by increasing skills, training, information and exchange of experiences.  
[www.medawater-rmsu.org](http://www.medawater-rmsu.org)
- **SMAP III – Sustainable Development (2005-2008) – 15 million euros (MEDA funds):** Promotes sustainable development and fosters priority environmental activities by providing technical and financial assistance.  
[www.smaponline.net](http://www.smaponline.net)

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#### SIGNIFICANT EUROMED PROGRAMMES AND PROJECTS: ECONOMIC AND FINANCIAL PARTNERSHIP *(continuation)*

- **Civil Protection (2004-2008) – 1.9 million euros (MEDA funds):** Supports the development of a Euro-Mediterranean system of reducing, preventing and managing natural or man-made disasters by providing technical assistance and strengthening skills.  
[www.euromed-protection-civile.eu](http://www.euromed-protection-civile.eu)
  - **Avian Influenza and Global Influenza Pandemic Preparedness (2006-2009) – 10 million euros (MEDA funds):** Seeks to minimise the socioeconomic impact of avian influenza in the MPCs.
  - **EUMEDIS – Information and Communication Technologies (1999-2007) – 65 million euros (MEDA funds); New Project: EUMEDRegNet (2008-2011) – 5 million euros:** Supports the development of the information society in MPCs by fostering Information and Communication Technologies (ICT).  
[www.eumedis.net](http://www.eumedis.net)
  - **NATP II – Telecommunications Policies (2005-2008) – 4 million euros (MEDA funds):** Offers assistance to the regulatory authorities in the MPCs in their efforts to liberalise their telecommunications markets by providing technical assistance and study visits.  
[www.natp2.org](http://www.natp2.org)
  - **Euromed Transport Programme (2003-2008) – 9.7 million euros (MEDA funds):** Aims to improve the transport interconnections in the Euro-Mediterranean Region by fostering economic and social development and ensuring safe transport systems.  
[www.euromedtransport.org](http://www.euromedtransport.org)
  - **Euromed Aviation Project (2007-2010) – 5 million euros (MEDA funds):** Promotes the establishment of a Euro-Mediterranean common air space and an open, secure aviation market in the MPCs.  
[www.euromedtransport.org](http://www.euromedtransport.org)
  - **Motorways of the Sea (MoS) – Transport Connections (2006-2008) – 4 million euros (MEDA funds):** Promotes the Motorways of the Sea concept and the creation of better transport connections in the Mediterranean by funding pilot projects, raising awareness, modelling processes and disseminating information.  
[www.euromedtransport.org](http://www.euromedtransport.org)
  - **SAFEMED – Maritime Safety and Pollution Prevention (2006-2008) – 4.5 million euros (MEDA funds):** Designed to develop cooperation with MPCs in the fields of maritime safety and security and pollution prevention.  
[www.safemed-project.org](http://www.safemed-project.org)
  - **Euromed Satellite Navigation Project - METIS (2006-2008) – 4.5 million euros (MEDA funds):** This aim of this project is to define a common policy for implementing Global Navigation Satellite System (GNSS) services in the MPCs.  
[www.aui.ma/GNSS/metis/metis\\_project/](http://www.aui.ma/GNSS/metis/metis_project/)
- For further information:  
[www.enpi-info.eu](http://www.enpi-info.eu)

would have become of Euro-Mediterranean relations in such a rocky period as the one experienced in the region since 1995 had the Euro-Mediterranean Partnership not existed.

It is true that the FTAs concluded, many of which have not yet reached the stage of substantial liberalisation, have not galvanised the economies of the MPCs or sparked an overall process of economic and institutional reform, let alone led to the region's democratisation. However, free trade in and of itself cannot be expected to solve such a complex issue as the development and democratisation of the MPCs. At most, free trade can contribute to the economic development and modernisation of certain institutions directly involved in trade activity, especially given that the FTAs are glaringly incomplete due to their failure to fully include trade in agricultural goods and services.

Upon closer inspection, it is clear that, despite the shortcomings and delays in the trade liberalisation process, the countries on the southern shore of the Mediterranean have indeed made progress in this area. Tariffs have gradually been reduced in accordance with the FTAs that have entered into force and Euro-Mediterranean trade has become increasingly dynamic. Over the 2000-2006 period, MPC

exports to the EU registered an annual growth rate of 10%, which can be explained not only by the rising prices of hydrocarbons (as was the case in Algeria and Egypt, whose exports grew by 17%), but also by the robust behaviour of the most diversified MPCs' manufactured exports (e.g., Tunisia and Jordan, whose exports over the same period saw annual growth of around 6%). In contrast, MPC imports from the EU registered a more modest growth rate of 4% a year. This bustling trade is in large part due to trade liberalisation and the modernisation of the infrastructure and institutions involved in foreign trade. Both factors can essentially be explained by the anchoring effect of the trade reforms undertaken under the different FTAs. Their provisions were implemented according to the agreed timetables, whose intentional gradualism was both criticised for allowing an increase in effective protection during the transition period and defended, given the advisability of enabling the gradual adjustment of the MPCs' industry.

Today, only Syria, whose agreement, at the time of the writing of this article, seems to be growing closer each day, and Libya, which is not a formal member of the Euro-Mediterranean Partnership, do not have FTAs. Moreover, so far, the MPCs have not resorted to safeguard measures to stall or block the process.

Slowly but surely, and with significant lags between their signing and actual implementation, these agreements have been broadened to include most of the southern Mediterranean.

The FTA with Tunisia was completed in January 2008 without the need for safeguard measures of any kind. Morocco has likewise progressed according to the timetable set out under its FTA and is currently in the final, and most costly, stage of the process, dismantling the tariffs on locally manufactured goods. It thus seems likely that the FTA will have been completed by 2012. Other countries, such as Egypt and Jordan, have also made progress, albeit more slowly, on trade liberalisation with the EU. Even the Algerian government, one of the last to implement its FTA and only in the early stages of the tariff reduction process, has expressed satisfaction with the results of its implementation to date. Syria, although a late-comer to the trade liberalisation process as the only member country of the Barcelona Process that, at the time of the writing of this article, has not ratified its Association Agreement, has likewise taken major steps, including signing the Association Agreement (December 2008) amending the draft agreed in 2004, which is slated to be ratified in 2009.

Finally, a key issue is the lack of economic integration among the countries on the southern shore. The inability of the Euro-Mediterranean Partnership to promote greater sub-regional integration on the southern shore has been one of the strongest criticisms levied against it. Increased integration of the MPCs' production systems is certainly desirable, although perhaps more for political reasons than economic ones. As the potential for trade among small economies such as those of the MPCs is minor in comparison to the powerful draw of the much larger EU market, significant intensification of intraregional trade flows should not be expected and would moreover have to overcome serious political obstacles. Gravitational models show that the greatest economic potential lies between Algeria and Morocco on the one hand and Israel and its neighbours on the other.

The history of southern Mediterranean integration is not encouraging, and the Agadir initiative promoted by the EU is but the latest to highlight the limits of a strategy based on simply widening and adding new trade agreements. Unlike the Euro-Mediterranean Partnership, whose objectives do include (if somewhat optimistically) intraregional integration, the Neighbourhood Policy is silent on the issue, and this absence of the southern dimension of the integra-

tion has spawned some of the harshest criticism received from economists. The UfM, in contrast, addresses the issue differently, following a physical integration approach based on the construction of regional energy and transport infrastructure. Most likely, the solution will hinge on surmounting the obstacle entailed by the rules of origin and technical standards; however, this aspect will be discussed at greater length in the following section.

### **The Deepening of the Euro-Mediterranean Free Trade Area**

In addition to the issue of tariff reductions by the MPCs, recent years have seen a growing emphasis on the institutional component of trade liberalisation. The most important aspects are the handling of the rules of origin, industrial standards and dispute settlement mechanisms. Although these highly technical issues are hardly riveting at first glance, they are critical due to their bearing on the argument of institutional development as a key factor in the economic development of the MPCs. More specifically, they are critical to the European vision of promoting the MPCs' institutional modernisation through selective convergence with the EU acquis on the internal market (Escribano, 2005).

### **In addition to the issue of tariff reductions by the MPCs, recent years have seen a growing emphasis on the institutional component of trade liberalisation**

Cumulation of origin allows the parties to an FTA to use inputs from another member in the production of goods that will ultimately be considered as originating in the country where the final processing is performed. Cumulation is based on a network of preferential agreements, whose origin protocols must include identical rules. The Pan-Euro-Mediterranean cumulation of origin project was launched at the Euromed Trade Ministers' Meeting held in Toledo in March 2002, during the Spanish Presidency of the EU, and includes the expansion of Pan-European diagonal cumulation to include all Mediterranean partners. To this end, it was necessary to adopt a Pan-

Euro-Mediterranean Protocol on Rules of Origin (2003) and to change all the origin protocols of the FTAs, a process that has gradually been completed. The European Commission is currently working on the design of a single 'regional convention' to replace the complicated network of protocols, which would considerably reduce transaction costs for Euro-Mediterranean trade.

Another key factor in deepening the FTA lies in the negotiation of bilateral agreements on conformity assessment and acceptance of industrial products. Some MPCs have shown interest in bringing their technical regulations into line with the conformity assessment standards and procedures applied in the EU; however, it is quite a costly process, even for countries with more institutional resources, such as Turkey (Togan and Dogan, 2009). A large share of the institutional argument in favour of deepening the FTA is based precisely on regulatory convergence. At present, only Israel appears to be in a position to undertake such a commitment more or less immediately, although Israeli regulations are geared more toward the US model than the Community one (Sadeh, 2004). In other words, it is not the differences in the regulations that must be overcome, but rather the lack of institutional and infrastructure capacity to successfully implement them. By way of example, the conclusion of Agreements on Conformity Assessment and Acceptance (ACAAs) in certain sectors has no effect where there is not also a network of suitable laboratories, personnel and resources.

The third factor related to deepening consists of establishing a common dispute settlement mechanism. The European Commission tabled a proposal to this end in January 2006 and, following its approval by the Council, began bilateral negotiations with Algeria and, subsequently, Morocco. It is expected to begin similar talks with Lebanon, Jordan, Turkey and the Palestinian Authority shortly. In very simplified terms, these negotiations pose two problems and have one limitation. First, by definition, trade defence and anti-dumping measures are not covered by such mechanisms. Second, in keeping with the principle of transparency, the procedures must include public hearings, which tends to provoke resistance on the part of less transparent countries, which in turn, are the ones most in need of these mechanisms.

Finally, the serious limitation of these mechanisms is that they only affect bilateral disputes, that is, a European company's business may be afforded

stronger protection in an MPC than a company from that country itself. This aspect is crucial as it runs counter to the modernisation argument: the property rights of the citizens of the MPCs are not better protected and this curtails their impact as a factor in institutional modernisation. In short, the different aspects of the deepening of the Free Trade Area address only the trade dimension of the challenge of institutional modernisation, which is logical; however, they do not do so in an operational manner, as the improvement of institutional capacities, which requires its own financing facility, is not explicitly contemplated.

### **Completing the Euro-Mediterranean Free Trade Area by Including Agriculture and Services**

In any event, progress on free trade in manufactured goods is the most advanced aspect of the process, especially in terms of the widening and application of tariff reductions to new countries and groups of industrial products. In contrast, progress on the liberalisation of trade in agricultural products and services has been even slower than on the institutional deepening of international trade activity. The following pages offer a brief overview of current trends with regard to both issues.

The Association Agreements include revision clauses concerning the provisions on the liberalisation of trade in agricultural, processed agricultural and fishery products. In November 2005, the EU Council adopted a negotiating mandate to continue with the liberalisation of trade in these types of agricultural products. In theory, the Rabat Road Map of the same year provides for reciprocal and asymmetric trade liberalisation for these products, except for those sensitive products included on a negative list, which were determined based on overlapping production calendars, local and regional impact, and development and competitiveness levels by sector. This new focus is promising insofar as it includes the concepts of reciprocity, gradualism and asymmetry (Lorca *et al.*, 2006); however, it has proven to be slow and quite costly politically. Talks were initiated at the Marrakech Conference of Trade Ministers (March 2006) and, at the time of the writing of this article, the EU had reached new agricultural agreements with Israel, Egypt and Jordan.

The negotiations with Jordan were completed in 2005, prior to the Marrakech Conference. They



entered into force in 2006 and are slated to be taken up again in 2009 with a view to making further progress on liberalisation. With regard to the EU, the European market has been completely open to Jordanian agricultural products since 2006, except for seven sensitive products (cut flowers, new potatoes, garlic, cucumbers, lemons, strawberries and virgin olive oil), for which it has been only partially liberalised and is regulated by means of quotas. These quotas will be gradually increased through 2010, when the products will have unfettered access to the EU (except for cut flowers and olive oil). Entry prices will be kept in place, but will be reduced for certain products at certain times of year. As for Jordan, the opening of its markets under the agreement will be more gradual (asymmetry); however, most agricultural trade, except for 12 products, will be liberalised by 2013.

The revised agricultural protocol for the Agreement with Israel was signed in July 2008 and entails a greater liberalisation of trade in agricultural and processed agricultural products between the parties. Under the protocol, stock will be taken of the situation three years from the protocol's entry into force with a view to increasing concessions. It includes a limited list of sensitive products for both parties, which will nevertheless receive preferential treatment, which, in the case of the EU, shall be implemented by means of duty-free tariff quotas, entry calendars and entry prices. The revision of the agricultural protocol with Egypt was signed in June 2008 and entails progress on bilateral concessions on agricultural, processed agricultural and fishery products. The revision establishes certain sensitive products for both parties (for the EU, tomatoes, garlic, courgettes, cucumbers, artichokes, grapes and strawberries; for Egypt, processed agricultural products), maintains the entry price system in the EU for all products and provides for a meeting two years from its entry into force to further the liberalisation.

The Commission hopes to reach similar agreements with the other MPCs as soon as possible. The negotiations with Morocco are fairly advanced, and talks have begun with Tunisia. The case of Algeria is different, since the recent entry into force of the FTA (2005) already includes major concessions and a status review with a view to making further commitments in five years. With Morocco, the starting positions reflect the differing views of what constitutes 'completing' the FTA through the inclusion of agriculture. Thus, the EU's offer specifies six sensitive products

(courgettes, garlic, strawberries, cucumbers, clementines and, above all, tomatoes) for which access conditions to the EU market are improved, through both increased quotas and greater flexibility thereof, whilst entry prices are maintained. Morocco, in contrast, has made the revision of the agricultural agreement contingent on broadening its advanced status to include agriculture based on the Green Morocco Plan and seeks to join the Common Market Organisation for fruit and vegetables.

This notwithstanding, the differences appear to lie in the degree of reciprocity that Morocco is willing to grant the EU, deemed insufficient by the European Commission. At present, virtually all Moroccan agricultural exports receive preferential treatment (96%) and the EU believes that Morocco should open its market more (62% of Community agricultural exports receive preferential treatment in Morocco), in particular with regard to continental products, such as grains and dairy products. Morocco also disagrees with the liberalisation timetable, offering periods of five to ten years, which the European Commission considers too long.

Regardless of how quickly or slowly tariff barriers are reduced, the Commission seems to be aware of the importance of technical barriers, especially the regulations on sanitary and phytosanitary (SPS) measures, which once again raises the issue of the MPCs' institutional capacity, not so much to adopt the regulations as to enforce them. As noted by Lorca *et al.* (2006), mere trade measures cannot comprehensively address issues as complex as Mediterranean agriculture, whose development in the MPCs requires a political commitment between both shores and within the EU itself, in order to encompass measures for rural development and agricultural modernisation that require a more global approach and significant support measures for the sector.

The second factor required to complete the FTAs is the liberalisation of trade in services, which, in keeping with the General Agreement on Trade in Services (GATS), includes the right of establishment. Talks began in 2006 at the Marrakech Conference based on the principles of the GATS, respect for the economic development of the MPCs and trade in services between the MPCs themselves. By November 2005, the EU Council had already adopted a mandate establishing the guidelines to be followed by the European Commission. The Commission is pursuing a two-track approach: at the regional level, it aims to agree to a common template with elements acceptable to all par-

ties; subsequently, and based on this template, it aims to negotiate bilateral agreements including lists of specific commitments with each MPC.

The Association Agreements would thus be completed with additional protocols on trade in services. Since then, bilateral talks have been undertaken with Morocco, Egypt, Tunisia and Israel, and the Commission is expecting to complete the bilateral phase by late 2009. This differentiated approach would make it possible to reflect the preferences of each MPC with a view to ensuring that the economic development of each country is not hindered by the opening of those services in which it is not currently competitive but could be in the future.

With regard to promoting the sub-regional dimension (liberalisation of services among MPCs themselves), two mechanisms are used. First, the negotiations provide for the application of the most-favoured nation (MFN) clause at the sub-regional level, whereby concessions granted between the EU and an MPC are automatically extended to the other MPCs. Second, the regional MFN clause allows MPCs to make additional concessions amongst themselves without the obligation to extend them to the EU (Aparici and Betés, 2009).

## The MPCs are wary of irreversibly damaging the national capacities of a service sector that is hard-pressed to compete with the EU

In July 2008, in Marseille, the Ministers of Trade agreed to continue holding regional meetings and to prepare those MPCs that had not yet begun these meetings for them. Despite the Commission's intentions, the perspectives for liberalisation are limited. The EU's controversial experience with the Bolkestein directive, which did not prosper in the EU itself, underscores the difficulties in liberalising services in the Euro-Mediterranean sphere. On the one hand, the MPCs are wary of irreversibly damaging the national capacities of a service sector that is hard-pressed to compete with the EU, especially with regard to advanced services, such as telecommunications, financial services, etc. On the other hand, the MPCs insist on including labour mobility under Mode 4 of the GATS, which would consolidate the liberalisation of

the provision of services by citizens from the MPCs who have migrated to the EU. This would allow professionals from the MPCs to benefit from their comparative advantages vis-à-vis EU citizens.

For now, the EU has been quite reluctant to accept this demand and, especially, to broaden it to include not only the high value-added professional services that the EU might sanction but also less qualified, albeit no less necessary, services, such as seasonal agricultural or hospitality-industry workers. A step of this kind would be a major qualitative change and a very strong incentive for one of the groups that has least benefited to date from the Euro-Mediterranean Partnership, namely, immigrants from rural areas. Even if it did not affect seasonal workers, a mechanism that contributed to legalising labour flows would have a considerable impact. Indeed, the search for legal channels for labour flows is one of the factors to be promoted in the emerging European immigration policy, although the economic difficulties make it more politically costly at present, as seen in the lack of definition in the handling of this issue in the advanced status granted to Morocco.

## Conclusions

This overview of the recent evolution of Euro-Mediterranean FTAs highlights the transition from a debate based on the static effects of free trade, understood as the mere dismantling of tariffs, to a debate on the best way to accompany free trade with other types of measures. In other words, as far as policy formulation is concerned, the debate consists of determining which additional measures are required for free trade and market integration to have a more positive impact on the lives of the citizens of the MPCs and, in particular, on the most disadvantaged among them. On the one hand lies the transition from a trade liberalisation process based on tariff measures to one based on the convergence of standards and institutional improvements, with a view to allowing participants to capitalise on the opportunities afforded by free trade. On the other lies the question of how to make the liberalisation process inclusive, in the sense of improving living conditions for the most disadvantaged.

It is important to understand the dual dimension, convergence of rules and institutional improvement, of the MPCs' trade framework. Merely adopting rules will not lead to their immediate implementation if the

institutions responsible for enforcing them are not up to the task. Regulatory convergence toward the EU *acquis* on the single market calls for a major effort to provide the necessary institutional resources for implementation and enforcement. These shortcomings require more technical cooperation, but also budgetary support when the appropriate conditions are met. In a sense, the time has come for a second transition from an emerging model based on regulatory deepening to a new model offering the necessary resources to ensure that this deepening can be implemented and that it has the effects that regulation alone cannot set into motion.

## The debate consists of determining which additional measures are required for free trade and market integration to have a more positive impact on the lives of the citizens of the MPCs

As for how to improve the quality of life of the most impoverished segments of the populations of the MPCs, completing the FTAs by including agriculture and, in the medium-term, services would seem to be the most cogent policy. Again, the full inclusion of agriculture in the FTA requires technical and financial cooperation to modernise the agricultural structures of the MPCs. To date, trade liberalisation measures have largely tended to benefit the economic elites of the MPCs. As a result, large segments of the MPCs' populations are completely indifferent to the Barcelona

Process and trade liberalisation as a whole (to speak of disaffection would be to imply the existence of a significant impact on their lives). In this context, one must ask whether the three main lines of EU trade policy toward the MPCs should be given the same priority. If the guiding principle were to be inclusiveness, these lines might be better summed up as completing, completing and completing.

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