

The Agadir Agreement, South-South Integration and the Euro-Mediterranean Partnership

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The world economy is increasingly dominated by two phenomena: on the one hand, globalisation, and on the other, regionalisation and integration. In order to integrate themselves into these twin processes, the various national economies are increasingly tending to liberalise themselves and develop trade, leading to a certain revival of the various types of integration at regional and international level.

The Mediterranean region has not escaped this general irreversible tendency, trying to adapt itself to this new context through a more progressive policy of liberalisation and economic openness, firstly within Europe and secondly between Europe and the countries on the southern shore of the Mediterranean.

One of the strategic aims of Europe's Mediterranean policy is to promote integration and regional cooperation between countries on the southern shore of the Mediterranean. It is within this context that the scheme to establish a new free trade area (FTA) between the four Southern Mediterranean countries who have signed the declaration of Agadir must be placed. They are Morocco, Tunisia, Egypt and Jordan.

It must be emphasised that these four countries have concluded bilateral FTA agreements with each other, as is the case between Morocco and Tunisia, (16th March 1999), Morocco and Egypt (27th May 1998) and Morocco and Jordan (16th June 1998) [Boussetta 2002].

Moreover, these countries are some of the furthest advanced in the process of

association and integration with the EU. So, on 8th May 2001, in Agadir, Morocco, these four Mediterranean countries signed a multilateral FTA agreement with the aim of creating a space for free trade between one another and strengthening sub-regional South-South co-operation. This agreement was signed by the Foreign Affairs Ministers of these countries on 8th February 2004 in Rabat. This kind of South-South integration is very important:

- First of all for the countries involved in it, which seek to benefit from the many advantages of the creation of a huge free trade area. Among these advantages, the following possibilities should be emphasised:

- benefiting from huge export markets and considerable economies of scale. The Agadir Agreement means a market can be created consisting of more than 100 million inhabitants;
- strengthening the competitiveness of national production networks. In particular, this involves the national production networks measuring themselves against sub-regional competition before allowing themselves to become exposed to Mediterranean and international competition;
- promoting the flow of foreign investment, which can benefit from transnational markets (in itself an essential factor which helps determine the location of these investments). The creation of a large market would increase the growth potential of these four countries and encourage investors to establish themselves there.

It can generally be said that the success of this South-South integration is a key

component of success for the region as a whole, notably because it would be likely to create economies of scale that would compensate for the small size of local markets (taken separately) and which would thereby encourage the entry of investment into this region. [Femise, Report 2002].

- Secondly, in terms of the whole Euro-Mediterranean process begun in Barcelona in 1995. In effect, one of the basic aims of the Euro-Mediterranean Partnership is to put in place and strengthen horizontal integration between the countries on the southern shore of the Mediterranean in the perspective of the expiration date of 2010 concerning the creation of a Euro-Mediterranean FTA, as the Barcelona Declaration also proposes.

Technical and financial support was also envisaged within the MEDA programme, which is the Euro-Mediterranean Partnership's financial tool. So, a four-million-euro programme, financed under MEDA, is planned for providing technical assistance to both, the signatory countries of the Agadir Agreement and to the secretariat created for the purpose.

Specifically, the Agadir agreement initially foresees the creation of an FTA between Tunisia, Jordan, Egypt and Morocco, which would be introduced progressively during a transitional phase and would come into force not later than 1st January 2005.

Within the framework of this agreement, provisions concerning the liberalisation of foreign trade between these countries provide for complete exemption (100%) for industrial products from 1st January 2005 onwards. Moreover, it has been agreed to liberalise trade in agri-

cultural and agro-industrial products in accordance with the executive programme of the trade management and development agreement between Arab countries for the creation of the Great Arab Free Trade Area.

The service sector will be liberalised in accordance with the terms of the World Trade Organisation's (WTO) general agreement on trade in services. [Boussetta, 2004].

So, free trade will take immediate effect for industry and services, while a 2-year transition period is planned for agriculture (from 1st January 2006 onwards). The terms of the agreement also stipulate the application of rules of Arab-Mediterranean origin which are in accordance with the rules of Euro-Mediterranean origin.

Concerning customs barriers, subsidies, dumping, preventive measures, balance of payments deficits, intellectual property, health measures and the phytosanitary sector, the measures adopted under the relevant WTO agreements will apply. At an institutional level, several structures will be charged with ensuring that this agreement is put into practice:

- The Committee of Ministers of Foreign Affairs, charged with supporting the political framework of the agreement and the definition of political measures to foster and enlarge this instrument;
- The Committee of Ministers of Foreign Trade, whose job will be to study the application of the agreement and define the means of developing co-operation;
- The Technical Committee, responsible to the Committee of Ministers of Foreign Affairs, which will be charged with monitoring the application of the agreement and with providing assistance on regulating litigation, except for issues which will be submitted to it by the ministerial committee;
- Finally, the Technical Unit, based in Amman, whose task will consist of putting into practice the decisions taken by the first two committees and playing the role of technical advisor on various issues raised by the agreement.

Concerning affiliation to the Agadir agreement, it has been agreed that any Arab

TABLE 18	Development of trade between Morocco and Egypt (in millions of dirhams)					
	1998	1999	2000	2001	2002	2003
I. Foreign trade						
Imports	119,6	317,8	122,9	153,2	194,4	204,5
Share of the total in %	0,2	0,4	0,2	0,2	0,2	0,2
Exports	19,1	34,0	33,4	115,1	112,5	117,8
Share of the total in %	0,1	0,1	0,1	0,3	0,3	0,3
Trade balance	-100,5	283,8	-89,5	-38,1	-81,9	-
Reserve ratio in %	16,0	10,7	27,2	75,1	57,9	-
II. Travel revenues	137,5	158,5	141,3	142,5	280,0	295
Share of the total in %	1,2	1,4	1,0	1,0	1,7	1,8
III. Incomes from residing abroad Moroccans	2,0	2,0	9,3	5,6	3,8	3,9
Share of the total in %	-	-	0,1	-	-	-
IV. Investments	-	-	-	-	-	-
Share of the total in %	-	-	-	-	-	-

Source: Office des changes

TABLE 19	Development of trade between Morocco and Tunisia (in millions of dirhams)					
	1998	1999	2000	2001	2002	2003
I. Foreign trade						
Imports	266.4	280.9	368.1	363.5	415.0	423.2
Share of the total in %	0.4	0.4	0.5	0.5	0.5	0.5
Exports	384.1	451.9	517.1	380.8	396.6	431.6
Share of the total in %	1.1	1.1	1.3	0.9	0.9	0.9
Trade balance	117.7	171.0	149.0	17.3	-18.4	-
Reserve ratio	142.2	160.9	140.5	104.8	95.6	-
II. Travel revenues	72.4	41.9	204.4	79.0	55.7	61.8
Share of the total in %	0.6	0.4	1.4	0.6	0.8	0.9
III. Incomes from residing abroad Moroccans	6.2	11.2	11.5	10.8	4.3	4.5
Share of the total in %	-	0.1	0.1	0.1	0.1	0.1
IV. Investments	11.1	3.7	2.8	0.4	3.6	3.8
Share of the total in %	0.2	0.1	0.1	-	0.1	0.1

Fuente: Office des changes.

TABLE 20	Development of trade between Morocco and Jordan (in millions of dirhams)					
	1998	1999	2000	2001	2002	2003
I. Foreign trade						
Imports	41.4	52.1	53.1	45.5	47.0	51.2
Share of the total in %	-	-	-	-	-	-
Exports	39.1	40.9	41.1	42.8	43.6	49.3
Share of the total in %	-	-	-	-	-	-
Trade balance	-	-	-	-	-	-
Reserve ratio	-	-	-	-	-	-
II. Travel revenues	11.4	12.9	23.4	21.0	24.7	23.6
Share of the total in %	0.1	0.08	0.2	0.2	0.16	0.15
III. Incomes from residing abroad Moroccans	-	-	-	-	-	-
Share of the total in %	-	0.03	0.03	0.03	0.03	0.03
IV. Investments	1.1	1.7	0.6	-0.4	0.6	0.5
Share of the total in %	-	-	-	-	-	-

Source: Office des changes.

country which is a member of the Arab League and of the Great Arab Free Trade Area and linked by an association or free trade agreement to the European Union can join the Agadir Agreement following the consent of all member states at the Committee of Ministers of Foreign Affairs level.

This agreement will certainly encourage trade, develop the industrial fabric, support economic activity and employment, increase productivity and improve living standards in the signatory countries.

At the same time, it should encourage the co-ordination of macro-economic and sectorial policies of the countries involved in the agreement, particularly in the areas of foreign trade, agriculture, industry, taxation, finance, services and customs, as well as contributing to harmonising legislation about economy in the signatory countries.

It must be pointed out that the quantitative importance of trade between these southern Mediterranean countries appears very weak, if not insignificant. Many obstacles and tariff and non-tariff barriers still stand in the way of the encouragement of this kind of trade. In addition, the trade agreements signed between these countries during the 80s and 90s have never been applied.

It is precisely to overcome these obstacles and give a real impulse to trade between these southern Mediterranean countries both with each other and with EU countries, that the Agadir Agreement has been signed.

This integration process is all the more important as the factors favourable to this type of integration and the strengthening of trade between these southern countries are quite considerable and appear a great deal stronger than the factors that stand in their way. This is particularly the case concerning historical, cultural and linguistic links. The basic problem is more linked to the absence of a real political will than to purely economic factors;

This type of integration appears, then, not only to be a necessity from the point of view of southern Mediterranean countries but also a vital prerequisite for the strengthening of the Euro-Mediterranean Partnership, which is to some extent running out of steam because, among other reasons, of the very poor progress made in this very process of integration between southern Mediterranean countries. The enlivening of this partnership comes through developing this kind of south/south integration. This is also one of the priorities of EU Mediterranean policy.

Although this South-South regionalisation has had little impact up to now on bilateral, let alone multilateral, relations, it could be a trump card in the Euro-Mediterranean integration project. Firstly, it enables these countries to come together in a dialogue with Europe. Secondly, it could be an advantage through which the heterogeneity of the countries is made use of in order to establish complementary features in production structures.

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ASSOCIATION OF MEDITERRANEAN CHAMBERS OF COMMERCE AND INDUSTRY (ASCAME)

The Association of the Mediterranean Chambers of Commerce and Industry (ASCAME) was created in 1982 and has become consolidated in recent years throughout the Mediterranean region. In this context, the 2010 Strategic Plan of ASCAME has as an objective to consolidate the role of Mediterranean Chambers of Commerce and Industry as key agents of economic and industrial development of the region.

Among the main activities organized by ASCAME during the period 2003-2004 the following ones should be emphasized:

1. *North Africa Business and Development Forum* (NABDF), 29th and 30th September 2003 (Barcelona), forum organized by the European Institute of the Mediterranean (IEMed) in collaboration with the Barcelona Chamber of Commerce. Throughout the sessions, several topics were discussed, such as the investment opportunities arising from

the liberalisation of the energy market in the EU, the consequences of free agricultural trade, the financial architecture of the private sector in the Maghreb, the need for adequate regulation that ensures the success of private-public partnerships and the role that the Maghreb plays between the Mediterranean and the Atlantic.

2. 2nd edition of the Mediterranean Franchise Forum, 19th and 21st February 2004, held within the framework of the Barcelona Business and Franchise Exhibition (BNF) and dedicated to analysing the role of franchises as a model for economic development of countries in the south of the Mediterranean and the strategies for their establishment in view of the Mediterranean free trade area in 2010.

3. Second Mediterranean Logistics and Transport Forum, Barcelona, 25th and 26th

May 2004, held in the framework of the International Logistics Exhibition (SIL), which had the objective of analysing topics related to logistics and transport in the Mediterranean region.

4. 1st Mediterranean Insurance Conference, from 7th to 9th July 2004 (Barcelona). This was the first initiative promoted from the "Mesa Mediterránea" (Mediterranean Round-table), which has the fundamental premise to carry out the objectives fixed in the Barcelona Declaration, which created a specific observatory of the insurance sector in southern European countries.
5. MEDIBIT, Mediterranean Tourism Exhibition, from 1st to 3rd October 2004 (Palermo).
6. 5th Euro-Mediterranean Technology Transfer Convention, 18th and 19th October 2004 (Genoa).

For further information, see: www.ascame.com