

Advances in the Association Agreements and Free Trade Zone

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The Barcelona Process, which started with the Euro-Mediterranean Conference of Ministers for Foreign Affairs in November 1995, is the mechanism of the EU designed to give support to the political, economic and social reforms of its Mediterranean partners, and aid the work for the establishment of closer Euro-Mediterranean relations. One of its objectives was to create an area of shared prosperity through an economic and financial partnership. To this end, it is necessary to establish a Euro-Mediterranean free trade zone that includes both the EU's commercial relations with its partners and the extension of the free trade agreements between the countries of the Mediterranean that are also EU partners.

The development of the process in commercial matters was encouraged during the period from 2002 to 2003. We have not advanced very much, but at least we appear to have left behind the impasse that had existed since the Barcelona Declaration. An indication of this relaunch was the «informal» meeting in Brussels of 29th May 2001, which was the first meeting of Euro-Mediterranean ministers of Trade to take place after the 1995 Barcelona agreements. It would not have been easy to advance in the development of the regional dimension of the free trade aspects of the Barcelona Process if the ministers of Trade had not started a process of meetings with a clear agenda that defined the path to follow. Ten months after the Brussels meeting,

the ministers of Trade met for a second time in Toledo on 19th March 2002, within the framework of the subject of the Spanish Presidency of the Council of European Union. After this meeting came that of Palermo of 7th July 2003, under the Italian Presidency. It seems, therefore, that the Euro-Mediterranean meetings of the Ministers for Trade will continue with a certain regularity.

At the time of the Toledo Meeting, some advances on pending association agreements had already taken place. We should bear in mind that in the process of setting up a Euro-Mediterranean free trade area, the association agreements signed by the EU with each of its Mediterranean partners constitute the foundations of that free trade area, given that trade between Mediterranean countries from outside the EU is very small due to certain political and economic factors.

When the Toledo meeting was held, of the twelve EU Mediterranean partners only in Syria was the establishment of an association agreement still pending. The road towards a Euro-Mediterranean trade area was thus quite visible, despite the economic and technical difficulties and the policies still to be established.

The pragmatic approach that had started in Brussels nine months beforehand followed this direction, so as to extend the Pan-European system of accumulation of origin to the Mediterranean partners. The objective of the adoption of this system is to finally produce a freer flow of trade between the EU, the EFTA (European Free Trade Association) and the candidate and Mediterranean countries. This extension of the Pan-European system of accumulation of origin to the Mediter-

anean partners is important because when it is achieved it will mean that manufactured products will benefit from the preferential tariffs within the entirety of the «Pan-Euro-Mediterranean» system.

A Working Group on «Trade Measures Relevant for Regional Integration» was created in Toledo with the priority of examining the measures of synchronisation, simplification and automation of the customs proceedings, which though a basic system, constitutes an impediment to commerce.

The subject of a Mediterranean Bank, in order to facilitate an additional financial mechanism was once again raised by the Mediterranean partners, in giving support to the conclusions of the Laeken European Council. Despite the often-proposed creation of a Mediterranean Bank, the direction has so far been to strengthen the financial scheme in the European Investment Bank (EIB) in order to fund investments in infrastructures and private funding in the Mediterranean countries, establishing a non-executive supervising council that includes all the Euro-Mediterranean partners (Committee for Economic Cooperation and Dialogue). This initiative was launched in Barcelona at the meeting of the Euro-Mediterranean ministers of Finance on 18th October 2002 as a Facility for Euro-Mediterranean Investment and Partnership (FEMIP) with the majority participation of the EIB, which will open several offices in the region under a budget of between 8,000 and 10,000 million Euros, available until 2006.

The third Euro-Mediterranean meeting of trade ministers held in Palermo on 7th July 2003 was basically a revision of the advances and pending is-

sues in a positive atmosphere of the conclusion of bilateral agreements. Since the Toledo Meeting, association agreements had been signed with Algeria (April 2002) and Lebanon (June 2002). In May 2002 the agreement with Jordan entered into force, and the Interim Agreement with Lebanon followed in March 2003. The process of completion of the Interim Agreement with Egypt was underway and the negotiations with Syria were progressing.

There was an exchange of points of view in relation to the Doha Development Agenda and the conclusion of negotiations at the end of 2004, and concerning the consequences that the enlargement of the EU will have on Mediterranean countries, both as a result of the risks involved and the cooperation opportunities that are opened. All the association agreements of the EU with its Mediterranean partners are about to be concluded. From this point of view, the situation is optimistic. From the twelve EU Mediterranean partners, four association agreements (Tunisia, Morocco, Israel and Jordan)

and two Interim agreements (the Palestinian Authority and Lebanon) have already come into force. Turkey has a customs union with the EU and its candidature for partnership in the EU has been accepted. Moreover, Cyprus and Malta will be EU partners in May 2004.

Despite the advance in bilateral association agreements of all the Mediterranean partners with the EU, these achievements are still not enough if the objective is to achieve a Free Trade Area by 2010. In order to achieve this, it is necessary to encourage the south-south dimension and a better integration of the economies through free trade agreements between the EU Mediterranean partners. The Agadir Initiative, which was launched in May 2001 and started in January 2003, is a step in this direction. The Agadir Process is a regional free trade agreement that includes Egypt, Jordan, Morocco and Tunisia, and to which the EU gives its support both from a technical and a financial point of view. In the field of the funding of private initiatives and infrastructures, the EIB's scheme is a very

pragmatic solution, given the experience of the EIB in the funding of investments in infrastructures. However, the funding of private initiatives in the field of small and medium sized companies is still pending. These companies are always important because of their capacity to generate added value and create employment.

The economic problems of the Mediterranean have been identifiable for a long time. The growth rates continue to be low and the commercial surplus of the EU with its partners continues to increase annually. Moreover, in the last few months the economic stagnation of the leading countries in Euro-Mediterranean trade, Germany and France, has been confirmed, which will undoubtedly have repercussions on the growth of the partners' economies. At least in the last year there has been an advance in the issues of trade and funding. This has not resolved the crisis, but it will allow the guarantee of a healthier and more sustainable growth when demand once again stimulates the economy of the Mediterranean countries.

FEMISE ACTIVITIES, 2002-2003

The FEMISE network involves more than seventy economic research institutes, which represent the twenty-seven partners of the Barcelona Process.

Backed by the European Commission, FEMISE is jointly promoted by the Institut de la Méditerranée (in France) and the Economic Research Forum (in Egypt). FEMISE has three main goals:

1. To participate in the strengthening of dialogue concerning the economic and commercial aspects of the Partnership, particularly among FEMISE's member institutes, civil servants from the competent ministries of Mediterranean partner countries, and Commission representatives.
2. To identify and monitor the progress of the Mediterranean partner countries in the process of transition and opening, with particular regard to the free-trade area and the south-south cooperation.
3. To extend economic research into issues that constitute priorities for the Partnership.

One of the network's main activities consists of carrying out socio-economic research

into matters that are regarded as priorities for the future of the Euro-Mediterranean region. The following are particularly notable among the major issues in question:

- The agricultural issue.
- Development and dealing with poverty.
- Health and labour policies.
- Education, training and the role of women in society.
- Integration and cooperation among southern Mediterranean countries.
- The role of the State.

The network's main undertakings for 2002 and 2003

The launch of the second call for Femise proposals and the selection of twenty research projects to receive up to 1,390,000 Euros in subsidies. The relevant research work must be concluded during the first half of 2004.

The organisation of the third call for proposals, the deadline for which is established as 30th January 2004.

The launch of the first four country profiles. The profiles of Egypt, Jordan, Morocco and Tunisia are currently undergoing the final editing

process and are scheduled to be made available during the first quarter of 2004.

The production of fifty-nine ERF working papers.

The organisation of the ninth and tenth ERF Conferences (in October 2002 and December 2003), as well as the third Femise Conference (in December 2003).

Production of six Femise reports, published in French and English:

- Agriculture report, to be published in December 2003.
- Annual Femise report, October 2003.
- Economic transition report: the effects of enlargement on Mediterranean partners, April 2003.
- Annual Femise report, July 2002.
- Report on the consequences for the Mediterranean partners of the attacks of 11th September, June 2002.
- Report on the evolution of the structure of trade and investments between the European Union and its Mediterranean partners, March 2002.

Femise's website:

www.femise.org