

“The Aghadir Process”

Presentation by:

*Majed Hamoudeh
Director, Foreign Trade Policy Department
Ministry of Industry and Trade
Amman – Jordan*

*Mediterranean Academy of Diplomatic Studies
University of Malta
Malta – 4-6 May 2002*

The Barcelona Process:

The Barcelona Process, established in 1995, is the means through which the EU supports building a closer EU-Med partnership. The three main goals of EU Mediterranean policy are set out in the Barcelona Declaration that can be summarized as follows :

- *The creation of an area of peace and stability based on fundamental principles, including respect for human rights and democracy.*
- *The creation of an area of shared prosperity through sustainable and balanced economic and social development, and especially the gradual establishment of free trade between the EU and its partners and among the partners themselves.*
- *The improvement of mutual understanding among the peoples of the region and the development of an active civil society.*

The Euro-Mediterranean Free-Trade Area:

As a concrete step to implement the Barcelona Declaration's objective of creating an area of shared prosperity, the Declaration establishes the objective to form, by the year 2010 as a target date, a Euro-Mediterranean Free-Trade Area. This free-trade area is supposed to link together the 15 EU Member States and the 12 Mediterranean Partners. Together with EFTA and Central and Eastern European candidate countries for EU enlargement, at a later stage, this zone will include some 40 States and 600-800 million consumers.

The mechanism established by the European Commission to implement this endeavor was the conduct of Association Agreements with the Med partners. The new generation of Euro-Mediterranean Association Agreements provides for the gradual implementation of bilateral free trade. The agreements entail on the part of the EU immediate free access to industrial products originating in the Med partner countries while gradually dismantling tariffs in the Med countries for the EU products. Trade in agricultural products will move to free trade in a slower manner.

Med Countries' response:

In the last few years since the Barcelona Declaration a new spirit of partnership has been built between the EU and its Mediterranean partners. Despite the ups and downs of the Middle East peace process all partners have participated in the Euro-Med Partnership. As regards the process of Association between the Mediterranean partners and the EU, a number of Association Agreements have entered into force and few others will close negotiations soon.

South-South Cooperation:

To make the Barcelona Process attainable, a need was seen to intensify "South-South" co-operation Mediterranean partners themselves starting, where appropriate, on a sub-regional basis. Each partner's willingness to build good relationships with its neighbors is an important determinant of its readiness to move closer to the goal of

close cooperation and integration with the EU. These regional relations can be defined as a series of economic policy objectives for the partners:

- (1) To use possibilities for sub-regional cooperation.
- (2) To build a multilateral network of close contractual relationships - the free-trade Agreements - between the signatories of the Euro-Mediterranean Association Agreements. Over time, these bilateral free-trade Agreements with other Association Agreement signatories should deepen cooperation and integration between the Mediterranean partners, and between them and the EU through:
 - (a) Bilateral free trade agreements in line with WTO provisions and based on continued asymmetric trade liberalization with the EU;
 - (b) Mutual concessions linked to the economic transition and the adjustment of economic and social structures, such as those concerning the liberalization of services, and the convergence of regulatory frameworks;
- (3) To face common regional challenges affecting the sustainability of Euro-Mediterranean integration such as sustainable development.

4th Euro-Med Conference of Foreign Ministers (Marseilles, 15- 16 November 2000):

The Conference was an important step in establishing links between the Med countries themselves in order to expedite their integration in the wider Euro-Mediterranean cooperation zone. Foreign Ministers noted that in article 17 of their declaration:

“After reaffirming the objective of creating a free-trade area by 2010, they stressed the need for the partner countries, with the support of the European Union, to open up further to one another economically in order to foster their successful integration into the world economy. In that regard the Ministers welcomed the desire already expressed by four countries – Morocco, Tunisia, Egypt and Jordan – to establish closer links by creating a free-trade area amongst themselves, and emphasized the need for suitable back-up from the European Union to that end”.

The Aghadir Process:

Because of the nature of the Mediterranean region, regional co-operation and integration between the Med partners themselves have historically always been tentative. However, recently an important initiative was that taken at Aghadir/Morocco in the Foreign Ministers meeting on 8th May 2001 by Morocco, Tunisia, Egypt and Jordan to establish a free trade area between the four countries. It was inspired by the consultations between the four countries made during the Marseilles conference that can be dated for the launch of this initiative. Med-Arab initiative (*MAFTA*) or as it is known as “*the Aghadir Process*” was also significant since it links Arab-Med countries in both sub-regions in the Maghreb and Mashreq.

The Aghadir Declaration sets out a clear three objectives for establishing the Med-Arab free trade area as follows:

- (1) To enhance mutual Arab cooperation and to further develop the Pan – Arab Free Trade Agreement and the efforts exerted to establish an Arab Common Market.
- (2) To establish a strong economic alliance responsive to challenges of sustainable economic development and global economic developments.
- (3) To arrive at a proper mechanism for trade liberalization between the Med-Arab countries and the EU, and compatible with contemporary economic trends on both the regional and international arenas.

The Aghadir Declaration envisaged the new free trade area as an “*open regionalism*” process that can be extended to the other six Arab countries in the Mediterranean. In this regards, the process can create the critical mass on the southern shores of the Mediterranean to rapidly integrate with the European mass in the Northern Mediterranean.

The different European institutions including the Council and the Parliament expressed their firm support for the Aghadir Declaration and strongly backed the creation of a free trade area between the four countries within the framework of the Aghadir process; and urged them to conclude an agreement during the first half of 2002, in order to help give a real boost to South-South trade as quickly as possible. The European Commission expressed readiness to support the establishment of the intended free trade area by both financial and technical means.

Progress at the negotiations level:

Foreign Ministers launched the Aghadir Process in May 2001 as a political process. Since then, senior officials and technical experts in trade and industry from Egypt, Jordan, Morocco and Tunisia have met four times to discuss the technical aspects pertaining to the text of a free trade agreement. One senior officials meeting was held Morocco in October 2001 and three experts meetings were held in Egypt in July 2001, Jordan December 2001, and in Tunisia in March 2002.

1st Experts Meeting: Cairo/Egypt, 14-15 July 2001:

- The aim of the meeting was to study the interrelationships between the four countries with respects to their bilateral free trade agreements appearing in table (1) below, the association agreements signed bilaterally with the EU, and membership in both the WTO and the Pan-Arab Free Trade Agreement.
- Experts arrived at the following conclusions with regards to the new proposed MAFTA agreement that should address the following objectives:
 - *Coordination of positions in trade relations with the EU*

Table (1)
MAFTA Countries Bilateral FTA's

JORDAN			
Country	Egypt	Morocco	Tunisia
Sign date	1998	1998	1999
EIF date	1999	1999	2000
Egypt			
Country	Morocco	Tunisia	
Sign Date	1998	1998	
EIF Date	1999	1999	
Morocco			
Country	Tunisia		
Sign Date	1999		
EIF Date	2000		

- *Achievement of economic and industrial integration that allows for the production of highly competitive products to increase intra-trade and able to compete in the European markets*
 - *Utilization of the “rules of origin” pertaining to the association agreements with the EU in order to enhance the MAFTA’s export capabilities to the EU*
 - *Encouragement of investment in industrial fields in the four countries*
 - *Achievement of the overall objective of enhancing the economic and trade relations between the four countries.*
- Experts agreed to carry out an analytical study for the bilateral agreements and the association agreements to determine the framework of the new agreement, and a detailed analysis for future discussions of the “rules of origin” to determine the most suitable framework for the new agreement that are conducive to better cummuration between the four countries.
 - They also agreed to identify any prevailing non-tariff barriers to trade with the objective to eliminate them, and to study the most suitable mechanism for follow-up of the implementation of the new agreement and the settlement of disputes arising from the implementation.

1st Senior Officials Meeting: Rabat / Morocco, 22-23 October 2001:

- The meeting aimed at arriving at tangible conclusions leading to the establishment of the new free trade agreement building on the experts meeting in Cairo. The meeting ended up with the following conclusions:
 - *Establishing two Working Groups; The 1st Working Group on trade issues to study the industrial and agricultural products lists to be covered by the new agreement and non-tariff barriers. The 2nd Working Group on rules of origin*

and customs cooperation to study the means for unifying the rules of origin to ensure greater harmony and utilization of trade with the EU.

- *Assigning the task for preparing a draft agreement for the Moroccan Government to be submitted to the following experts and senior officials meetings for discussion in line with the Working Groups findings.*

2nd Experts Meeting: Amman / Jordan, 26-27 December 2001:

- Experts reviewed the draft agreement submitted by the Moroccan Delegation and held intensive discussions and stressed the following issues:
 - *The new agreement should include advantageous and concessions not less favorable than those included in the bilateral agreements.*
 - *The status of the bilateral agreement*
 - *The application of the European rules of origin for the purposes of achieving diagonal cummulation vis-à-vis the Arab rules of origin under the Pan – Arab Free Trade Agreement*
 - *The call on experts from the EU in the field of rules of origin to participate in the 3rd meeting of experts to shed more light on the issue.*
- Experts agreed to further study the gradual tariff dismantling on both industrial and agricultural products and present their conclusions for the next meeting, and to include provisions in the new agreement that call for immediate elimination of all non-tariff barriers to trade. Experts also agreed to determine products not excluded from the scope of the agreement for reasons related to security, environment protection, health, public morals.. etc.
- Experts also agreed to establish a follow-up mechanism on implementation on a ministerial and technical experts levels to be determined during the next meeting. And finally to include a provision allowing for Arab countries members to the Pan – Arab agreement and signed association agreements with the EU to join the new agreement.

3rd Experts Meeting: Tunisia, 27 – 28 March 2002:

- Experts reached agreement as to the products lists that are going to be traded freely with the entry into force of the new agreement while fixing the deadline of 1/1/2006 as the date for full liberalization of all industrial products that are not immediately liberalized and according to the following schedule:
 - *In 2003 when the agreement enters into force, customs duties will be decreased by 65%*
 - *1/1/2004 decrease to 80%*
 - *1/1/2005 decrease to 90%*
 - *1/1/2006 reach 100% tariff reduction*
 - *The status of agricultural products will be discussed during the next meeting*
- Jordan proposed to establish a Secretariat to facilitate the work of the Aghadir process and the resulting MAFTA agreement, and offered to host the proposed Secretariat. The other three countries welcomed the Jordanian proposal, and a decision will be reached during the next meeting.

Future work:

There will be an experts final meeting in May 2002 to be followed by a senior official meeting to approve the final draft of the agreement. A foreign Ministers meeting will convene shortly after that for a signature ceremony. By this, an important chapter will be closed and a new era for cooperation will start.

Prospects for success:

Aghadir countries (Jordan, Egypt, Morocco and Tunisia) have bilateral free trade agreements signed during the end of the second half of the 1990's as table (1) above shows. Such agreements have not been successful so far in boosting trade ties as table (2) below shows and as compared to the four countries ties with the EU as appeared in Annex (I) to this paper. The intra trade between the four countries represent very shallow amount of their total trade.

Table (2)

Jordan's trade with MAFTA countries						
(US \$ Million)						
Exports			Imports			
Year	Egypt	Tunisia	Morocco	Egypt	Tunisia	Morocco
1996	19.8	9.8	1.9	93	0.9	12.3
1997	21	5.6	2.7	36.3	7.1	5.5
1998	19.5	4.7	4.6	44.5	5.3	5
1999	21	7	3.6	41	8.5	4
2000	23.9	5.2	2.2	43.6	0.6	0.6

Egypt's trade with MAFTA countries				
(US \$ Million)				
Exports			Imports	
Year	Tunisia	Morocco	Tunisia	Morocco
1996	24.1	8.1	19.9	6.8
1997	18.8	11.4	14	6.9
1998	20	12.9	11.7	6
1999	20.3	13.2	16.1	6.7
2000	14.5	30.3	16.5	6.7

Tunisia's trade with MAFTA countries			
(US \$ Million)			
Exports		Imports	
Year	Morocco	Morocco	
1996	8.1	6.8	
1997	11.4	6.9	
1998	12.9	6	
1999	13.2	6.7	
2000	30.3	6.7	

Annex I:

Overview of Aghadir countries relations with the EU

Morocco:

More than half of Morocco's trade is with the European Union. In 1998, Morocco exported goods with a value of US\$ 4,791 million to the EU and imported goods worth US\$ 5,812 million from the EU. The balance of trade is therefore still in favor of the EU. Morocco's main exports to the EU are foods (fishery products, fruit, fresh produce –particularly tomatoes and citrus fruit), flowers, and finished consumer products (mainly textiles). While it imports fabrics, various types of machinery and equipment, chemicals, plastics and wheat from the EU. Where terms of trade are concerned, Moroccan industrial products already enter the EU market duty-free. There are quotas for some agricultural products but, as long as quotas are not exceeded, imports of these goods into the EU are zero-rated. For others, such as tomatoes, potatoes, oranges, small citrus fruit and flowers, there are custom duties

Trade is set to expand with the recent entry into force of the Euro-Mediterranean Association Agreement on 1 March 2000. The Agreement includes clauses on the gradual liberalization of trade over a period of 12 years, by the end of which a free-trade area will have been established. It also sets a timetable for dismantling customs tariffs for industrial products entering Morocco. Negotiations on the gradual liberalization of trade in agricultural products will take place soon

Tunisia:

Tunisia was the first Mediterranean country to sign a Euro-Mediterranean Association Agreement with the EU (in July 1995). It began the process of tariff dismantling in 1996 well before the agreement's entry into force in March 1998, thus boosting the country's trade integration into the European market. The EU accounts for 78% of Tunisian exports and provides 72% of the country's imports.

In the agricultural field, Tunisia has a strategic interest in the conditions of access for its olive oil to the European market. Its trade policy aims to improve access to the EU markets for other agricultural products. The Association Agreement provides for negotiations for increased liberalization of this sector to start in the first half of 2000, and for the scope of the agreement to be extended to include the right of establishment and the liberalization of the provision of services

Egypt:

Egypt's main exports are oil (26%), textile (15%), engineering (9%), and agricultural products. Major imports are transport equipment and machinery (31%), food products (17%), fats/minerals/oils (15%), chemicals (13%), and wood/paper/textiles (11%). Egypt has a serious trade deficit which has put pressure on the Egyptian Pound which is currently tied to the US\$.

The EU is Egypt's major trading partner and currently accounts for 32% of Egyptian exports and 42% of its imports. Trade relations with the EU are good although there

are several outstanding trade barriers and phyto-sanitary trade issues. Egypt signed an association agreement with the EU in June 2001.

Jordan:

Jordan signed an association agreement with the EU in November 1997 and entered into force in 1 May 2002. The agreement grants Jordanian industrial exports immediate duty free access while Jordan dismantles tariffs on European industrial products over a period of 12 years although there are product groups that will be freed earlier. Agricultural products trade between the two sides will be subject to future negotiations on the dismantling of tariffs in the near future.

The EU is major trading partner to Jordan in terms of its imports that account for US\$ 1,541 million in 2000 constituting about 33% of Jordan's imports, to be followed by Arab countries that account for 20% then USA and Japan. Jordan suffers a huge trade deficit with the EU as it exports only US\$ 60 million to the EU while 40% of Jordan's exports are destined to the neighboring Arab markets followed by India and the USA.

Jordan exports mining products of Phosphates, Potash and manufactures fertilizers, pharmaceuticals, fresh produce of fruits and vegetables, chemical products and recently garments. It imports food products and grains, machines and automobiles, chemical and oil products and textiles.