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**DEEP INTEGRATION,
EURO-MED FREE TRADE
AND THE WTO 2000 NEGOTIATIONS**

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SUMMARY AND POLICY RECOMMENDATIONS

1. The Euro-Mediterranean Free Trade Area affords modest benefits to Mediterranean countries given that nearly duty-free access to EU markets for industrial goods was already granted to Mediterranean countries in the Seventies.
2. The Euro-Mediterranean Association Agreements include few concessions on agricultural trade. Albeit limited, these concessions met with strong opposition coming from European agricultural interests. This slowed down ratification process (*e.g.* Morocco's Association Agreement, signed in February 1996, is not yet in force). To enhance the policy credibility effect of the Association Agreements, Mediterranean countries should implement them even before ratification (as Tunisia did in 1996).
3. New bilateral negotiations on Euro-Med agricultural trade, which will start next year, are expected to achieve little progress. Mediterranean countries should therefore concentrate upon new multilateral negotiations on agriculture trade to attain a significant increase in market access.
4. Economic benefits of the Euro-Mediterranean Free Trade Area will strongly increase if deep regional integration is achieved. This requires co-ordination, harmonisation or mutual recognition of rules in areas such as competition policy, licensing and certification regimes, product standards, safety regulations, accounting and prudential standards, administrative procedures related to trade. An ambitious agenda on these subjects was approved last April by the Third Euro-Mediterranean Conference of Foreign Ministers.
5. Upon request, the EU will grant to Mediterranean partner countries technical and financial assistance, which will support the definition and implementation of a regulatory policy reform agenda. Mediterranean countries should take advantage of the "deepening" of the Euro-Med agenda in order to design a domestic policy reform strategy.
6. This will strengthen their stand in the WTO 2000 negotiations, giving them more bargaining power when it comes to the defence of their interests in issues of great concern to them (such as agricultural trade or textiles). The "deepening" of the Euro-Med agenda will therefore assist Mediterranean countries in maximising the benefits of new multilateral trade negotiations. Moreover partner countries which are not yet members will become more interested in WTO membership.

1. Introduction

In a few month's time Mediterranean countries will be involved in several negotiating processes, at multilateral and regional levels: on the one hand, the negotiations called for by the Uruguay Round Agreement on Agriculture and by the General Agreement on Services plus the other issues, old and new, which will fill the agenda of the WTO 2000 negotiations; on the other, the negotiations on additional agricultural concessions foreseen by the Euro-Mediterranean Association Agreements (EMAAs) and the re-examination of a number of issues mentioned in the EMAAs without detailed commitments. The interaction between Euro-Med and the WTO 2000 negotiations is therefore an issue of some importance.

This paper will not dwell upon individual negotiation subjects; the issue will be tackled from the point of view of the growing relevance of deep integration issues in the Euro-Med agenda. The plan of the paper is as follows. After a short description of EMAA economic provisions, section 2 describes the results of some *ex ante* assessments of its impact on partner countries. Section 3 summarises recent developments in the implementation of the Euro-Mediterranean Partnership (EMP) while current moves towards deep regional integration are covered in section 4; section 5 concludes on the potentialities for a positive interaction between regional and multilateral negotiations.

2. In quest of welfare gains

Initially proposed in 1992 to the three Maghreb countries, the partnership concept was extended in 1995 to all countries to the South and East of the Mediterranean Basin (1). For the European Union, the EMP implied the upgrading of its relations with Mediterranean countries from the narrow Co-operation Agreements to the much more complex Association Agreements, which until then were applied only to Cyprus, Malta and Turkey. A political partnership and a social partnership were added to the traditional economic issues; the economic partnership covered many new issues (such as cross-border supply of services and policy harmonisation) not covered by the previous Co-operation agreement. However, given that Co-operation Agreements already granted Mediterranean countries nearly duty-free access to EU markets for industrial goods, there is little room for further trade concessions.

Given their complex structure, the development of the three partnerships is bound to be unbalanced, and the same holds true for the different issues included in each partnership. At the same time this structure offers a welcome flexibility, that allows the partner countries that so wish to speed up the implementation or widen the scope of the agreements. We shall take up this subject again later.

Notwithstanding the broad EMP agenda, the economic provisions of the already signed EMAAs include only a few detailed commitments, mainly related to trade liberalisation (2). The key commitment concerns the establishment of a free trade area in industrial goods over a 12-year period (liberalisation will mostly occur on the partner country side). On agricultural and fishery trade the EMAAs call for a gradual and reciprocal liberalisation while offering very limited improvements in

(1) The 12 partners are: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. After the suspension of the UN Security Council sanctions, Libya participated as guest of the Presidency to the Third Euro-Mediterranean Conference of Foreign Ministers held on 15-16 April 1999. The Ministers agreed that Libya will become a full member as soon as the UN Security Council sanctions have been lifted and Libya has accepted the whole *acquis* of the Euro-Med process.

(2) A thorough analysis of the EMAA with Tunisia may be found in Hoekman (1996); Ghesquiere (1998) compares the EMAA signed with Tunisia to the EMAAs signed with Morocco and Jordan and to the draft agreements under negotiations with Egypt and Lebanon.

the access to the EU market (3). Talks to improve on existing agricultural concessions will start five years after the signature of the EMAA (talks with Morocco and Tunisia will start in the year 2000; talks with Jordan are planned for 2002, etc.); new concessions will be implemented the following year.

The only commitment on policy harmonisation concerns competition policy: in relation to reciprocal trade, the EMAAs require that partner countries adopt the basic competition rules of the EU (explicit references are made to some provisions of the Treaty of Rome); the Association Council is required to adopt the implementation rules within five years of the entry into force of the EMAA (in the EMAA with Israel, as in the Association Agreements with Central and East European countries, the target date is three years after the entry into force).

Within five years the Association Council will also make recommendations for widening the EMAA to cover the right of establishment and the liberalisation of cross-border supply of services (4); for the time being the EMAA simply refers to the commitments made under the General Agreement on Trade in Services (5). The EMAAs mention, but without detailed commitments or target dates, other issues such as the liberalisation of government procurement (6) and the adoption by partner countries of EU technical rules, standards and certification procedures. Therefore the EMAAs have the potentiality to achieve a deep regional integration, but their limited commitments may reduce the EMP to a shallow (and incomplete) free trade agreement.

The first *ex ante* assessments of its long run impact have therefore circumscribed the analysis to the free trade area (whether inclusive of agricultural goods or not), comparing it to an unilateral tariff elimination vis-à-vis all trading partners. These assessments are based upon computable general equilibrium models and compare the initial situation (base year usually ranges from 1990 to 1994) with the equilibrium after full implementation of the relevant policy changes. Their results are not very encouraging (Table 1): static welfare effects of a free trade area in industrial goods are small in size and even negative in one case (it must be recalled that partner countries already had nearly duty-free access to EU markets for industrial goods). Modest improvements derive from the extension of free trade to agricultural goods (the increased access to EU markets is partially compensated by growing costs of food imports); much greater gains derive from unilateral trade liberalisation vis-à-vis the rest of the world.

(3) Modest improvements were offered to Tunisia. Greater, but still limited, improvements were included in the EMAAs with Morocco, whose agricultural sector is particularly relevant. In 1998, Morocco's agricultural exports accounted for 30% of total exports; however this percentage falls to 19 if the estimates of outward processing trade are included; cp. Office des changes (1999). Significant reciprocal concessions are included in the forthcoming EMAA with Egypt.

(4) There is no explicit reference to movement of labour in the Economic partnership; the equal treatment accorded to nationals of the partner country residing or working legally in the EU is included in the Social partnership.

(5) Limited commitments are included in the EMAA signed with Jordan, pending its accession to WTO. Lebanon too is still in the accession process; however, given the large role of the service sector in its economy, the EMAA under negotiations with Lebanon includes more detailed commitments on liberalisation of services and right of establishment; Ghesquiere (1998).

(6) The EMAA with Israel differs from the others because both the EU and Israel are members of the plurilateral Government Procurement Agreement, which is attached to the WTO but binds only its members.

Table 1 Welfare effects of the Euro-Med FTA (in percent of GDP)

	Euro-Med Static gains	+ Agricultural Liberalisation	+ Liberalisation vis-à-vis Rest of World	Euro-Med Dynamic gains
Egypt	0,2-1,8	..	2,6	..
Morocco	1,3	1,6	2,5	..
Tunisia	-0,9-1,6	1,7	5,3	4,6

Source: Havrylyshyn (1997), based on Galal and Hoekman (1997), Rutherford, Rutström and Tarr (1993 and 1995), Brown, Deardoff and Stern (1997).

Table 2 Welfare effects of Egyptian-EU Trade Agreement (in percent of GDP)

	Egypt-EU FTA	+Arab League FTA
Shallow integration	-0,14	0,78
Deep integration (service costs fixed)	4,15-5,63	5,30-7,15
Deep integration (service costs removed)	13,46-20,64	16,70-21,13

Source: Hoekman and Konan (1999).

Other assessments reach less depressing results introducing dynamic effects (Table 1). A number of explanations have been provided for the related increase in welfare gains. In a North-South regional agreement the most important ones are the increased inflow of foreign direct investment (due to enhanced policy credibility and larger market size) and the relocation of industries among member countries in a way that increases growth potential (7).

A further stream of literature on regionalism claims that much larger welfare gains are achievable through the so-called deep integration (Lawrence, 1996 and 1997). Deep integration requires “explicit actions by government to reduce the market segmenting effect of domestic (non-border) regulatory policies” (Hoekman and Konan, 1999) through co-ordination, harmonisation or mutual recognition of rules, regulation, enforcement measures. Typical areas to be involved are: competition rules, licensing and certification regimes, product standards, safety regulations, accounting and prudential standards, administrative procedures related to trade. The rationale for the benefits of policy integration lies in the increased market contestability.

If the “deep integration” is really deep and brings about a strong reduction in “red tape” and other regulatory barriers, its effects will be remarkable: according to the estimations (Hoekman and Konan, 1999) summarised in Table 2, a “shallow” EU-Egypt free trade agreement has a negligible impact while a deep integration with the EU produces significant welfare effects; if liberalisation of services is added, welfare effects will become very impressive. Another simulation of the Egyptian economy

(7) Schiff and Winters (1998a).

(Dessus and Suwa-Eisenmann, 1998) reaches similar results: a deep integration with the EU produces welfare gains higher than in the case of unilateral trade liberalisation vis-à-vis all countries.

These estimations raise the question whether EMP members would be able and willing to achieve policy integration. Therefore the two following sections are devoted respectively to an assessments of recent developments in the implementation of the EMAAs and to an analysis of the current evolution of the Euro-Med agenda.

3. The EMP: a very preliminary assessment

Nearly four years after its launching in Barcelona, the EMP displays a remarkable resilience, having managed to survive during a difficult political phase in the Middle East which only now seems to come to an end. The economic side of the EMP is however facing serious delays and difficulties.

First of all, delays emerge in the conclusion of EMAAs. After a quick start (negotiations were concluded in 1995 with Tunisia, Israel and Morocco), the process slowly came to a halt: negotiations with the PLO for the benefit of the Palestinian Authority (an interim agreement awaiting the outcome of final status negotiations) were concluded in 1996; negotiations with Jordan were concluded in 1997; no Agreement was reached in 1998. Initialling of the EMAA with Egypt is however at hand (negotiations have been going on since 1995) while negotiations with Lebanon, Algeria and Syria, launched respectively in 1996, 1997 and 1998, are still under way (8).

These delays risk to widen the already large differences among partner countries in terms of economic liberalisation. Three partner countries are, at various stages, involved in the process of accession to the EU, other partner countries launched economic liberalisation programmes already in the Eighties while others started economic reforms only this decade (in few cases, economic reforms are at a very early stage). Speeding up economic reforms in late-comers, the EMP may narrow these differences; however, delays in the conclusion of EMAAs may waste this chance.

Delays in ratification and implementation are also worrisome. Apart from the interim Association agreement with the PLO and an interim agreement on trade and trade-related matters with Israel (pending the entry into force of its EMAA), only the EMAA with Tunisia is already in force (March 1998, 33 months after the signature). Delays in conclusion and ratification of the agreements extend the time-horizon of the Euro-Mediterranean Free Trade Area, weakening the policy credibility effect of the agreements. In order to avoid this problem, Tunisia wisely implemented the trade liberalisation provisions of the EMAA even before its ratification.

Delays in ratification are worrisome also from a different point of view. These delays raise the issue of the role played by European special interests, mainly the agricultural ones, in slowing the implementation of the EMP (9). Future negotiations on additional agricultural concessions should be viewed against this background.

The South-South component of the EMP also shows mixed results. A number of bilateral free trade agreements (FTAs) have been reached, supported by economic and political reasons. For instance, Tunisia signed bilateral FTAs with a number of Arab countries (Egypt, Jordan, Libya and Morocco),

(8) Relations with the other three Mediterranean partners are governed by previous Association agreements. A customs union with Turkey entered into force in 1996; the final phase for the completion of the customs union with Cyprus entered into force in 1998; the Association agreement with Malta provides for the progressive establishment of a customs union, but this target is still far away.

(9) The ratification of the EMAA with Morocco (signed in February 1996) is currently blocked by the Italian Parliament. After a 2-year delay, mainly related to controversies about the impact on Italian citrus fruit sector, the Italian Senate approved the relevant bill last February; the bill is now before the Lower House.

a bilateral FTA was reached by Israel and Turkey, another one by Lebanon and Syria. Furthermore, in 1997 the Arab League members agreed on a FTA to be implemented over a ten-year period starting in 1998. On the whole, however, we are still far away from that web of FTAs which is supposed to eventually cover the Euro-Mediterranean area. South-South integration, necessary to avoid the well known “hub-and-spoke effect,” would be supported by cumulation of origin (10); the utilisation in the EMAAs of identical rules of origin began in 1996 (up to now it has been applied only to the EMAA with Jordan and to the interim agreement with the PLO) but it is only a preliminary step.

Moving from the implementation of the Partnership to its early economic impact, it must be stressed that very little can be inferred from recent macroeconomic developments in the region. Only the EMAA with Tunisia is in force; moreover, given its import liberalisation schedule, the negative fiscal impact has been very limited during the first years (the back-loaded liberalisation of consumer goods has not yet started). It is therefore not surprising that for the time being the EMAA impact on Tunisian trade and fiscal balances has been modest. Between 1995 and 1998, trade and fiscal deficits were stable, at about \$2,000 million and 3-4 percent of GDP, respectively. During the same period total imports increased (in local currency) by 27 percent, while imports of capital goods (whose liberalisation under the EMAA is front-loaded) expanded by a much greater 49 percent; in spite of that, public revenue from tariff and dues declined (by 4 percent in 1996 and by a further 5 percent in 1997) but the loss was easily offset by VAT proceeds, which increased by 12 percent in 1996 and by a further 16 percent in 1997; preliminary budget results for 1998 do not show major changes in this trend.

An increase in the inflow of foreign direct investment (FDI) is among the expected benefits of regional trade agreements; not being strictly linked to their provisions, it may materialise even before the entry into force. Therefore, it is worthwhile to monitor recent trends of FDI flows into Tunisia and Morocco (although not yet in force, the EMAA with Morocco was signed only seven months after the Tunisian one). Actually, in both countries FDI inflows significantly increased in recent years: Morocco’s peak year was 1997 (+162 percent with respect to the 1991-96 average, in dollar terms) while FDI flows into Tunisia registered a sharp increase in 1998 (+73 percent with respect to the 1991-1997 average). However this exploit is largely due to a one-time increase in privatisation proceeds. In 1997 Morocco privatised two refineries and a power plant but the following year the privatisation process was halted and FDI inflows sharply declined (-73 percent on previous year). In 1998 Tunisia privatised two large cement plants: their proceeds make up no less than 46 percent of the total amount raised by the privatisation process, which was launched in 1987.

Actually, in countries as Morocco and Tunisia, which have been implementing economic reform programmes since the Eighties, credibility gains from the EMAAs are difficult to identify. Their assessment might be easier in countries neither involved in IMF programmes nor members of WTO (11). Unfortunately the three partner countries which fit this definition are the very same countries whose EMAAs are still under negotiations (12).

An increased bargaining power with respect to third countries is also mentioned among the benefits of regional trade arrangements. Recent initiatives such as the US-North Africa Economic Partnership (the so-called Eizenstat Initiative) and the Trade and Investment Framework Agreement just signed

(10) At present full cumulation of origin applies only to Maghreb countries, according to a clause of the Co-operation agreements of the Seventies which was restated in the EMAAs signed with Morocco and Tunisia.

(11) Five of the 12 partners are not member of the WTO; however Working Parties for the accession to the WTO of Algeria, Jordan and, since few months, Lebanon have been established; the other two non-members are the Palestinian Authority and Syria.

(12) Lebanon’s planned fiscal reform, which entails the introduction of VAT in 2001, may be linked to the EMAA under negotiations: the reform makes room for future tariff reductions and increases tax harmonisation in the region.

by the United States and Egypt (which may lead in due course to a free trade agreement) point out the increased international attention to the countries involved in the EMP. This seems mainly due to the economic reform programmes implemented in recent years by North African countries; however the EMP does play a role, stimulating third countries to develop their relations with Mediterranean countries in order to reduce discrimination (an especially significant factor when the EMAA is bound to create strong trade diversion, as in the case of Egypt; Hoekman, Konan and Maskus, 1998). From this trend, Mediterranean partner countries may derive improved access to third markets while economic liberalisation in the area may increase; it must be noted however that recent initiatives fall short of free trade.

All told, the current status of the EMP is not very satisfactory; it is therefore not surprising that the European Commission decided last year to submit new proposals designed to facilitate the creation of the Euro-Mediterranean Free Trade Area.

4. Towards deep regional integration

Last year, facing these delays and difficulties, the European Commission proposed some new measures aimed at strengthening regional co-operation, building upon the experience gained with the European Union's Single Market (European Commission, 1998). These measures include technical assistance, training, advice and co-operation; they could be financed by MEDA, the European aid programme for Mediterranean partner countries.

The broad agenda proposed by the European Commission aims at activating many co-operation areas that the EMAAs left without any detailed commitment; a few issues not mentioned in the EMAAs are also included. The proposed fields of action are as follows:

- * customs and taxation (implementation of the rules governing cumulation of origin; approximation of laws and standards; modernisation and some harmonisation of customs and tax administrations; mutual assistance in customs matters);
- * free movement of goods (a bilateral and multilateral co-ordination framework aimed at removing technical barriers to trade through administrative co-operation and mutual assistance);
- * government procurement (approximation of laws and alignment of practices; gradual liberalisation of cross-border trade which, during a transitional period to be defined, may be asymmetrical, as in the Association agreements with some Central and East European countries);
- * intellectual property rights (improved levels of protection, exceeding the standards set by the TRIPS agreement; introduction of effective provisions and of measures to ensure their enforcement);
- * financial services (setting-up of an adequate regulatory framework for prudential supervision; strengthening co-operation between supervisory authorities; given the large differences among partners, liberalisation measures may be agreed on a bilateral basis or inside small groups of partners whose financial markets show a similar level of development);
- * data protection (this issue is not directly mentioned in the EMAAs; no legislation exists in partner countries: data protection rules have to be agreed and special measures should be adopted in sensitive areas);
- * accounting and auditing (upon request, financial assistance and training would be granted to partner countries in order to support the establishment of new rules);
- * competition rules (with respect to the approximation already foreseen in the EMAAs, the Commission calls for the adoption of necessary measures, the establishment or strengthening of administrations responsible for competition rules and a regular dialogue between competition

authorities of European and partner countries) (13).

The fields of action suggested by the European Commission were endorsed in principle by partner countries and approved, with minor exceptions, by the Euro-Mediterranean Conference on Regional Co-operation held in Valencia on 28-29 January 1999. The Conference “welcomed the proposal by the Commission for accompanying measures at regional level to permit greater harmonisation and greater compatibility” and identified the following areas for a strengthened co-operation: “customs co-operation, free movement of goods, public procurement, harmonisation and certification of standards, intellectual property rights, taxation, data protection, competition rules, accounting and auditing” (14). This list is strictly similar to that proposed by the Commission, with few exceptions: the reference to financial services was dropped while harmonisation and certification of standards were added, increasing the role of deep integration issues.

The agenda was further approved by the Third Euro-Mediterranean Conference of Foreign Ministers held in Stuttgart on 15-16 April 1999, which endorsed the list adopted by the Regional Co-operation Conference (15). Moreover, with reference to another subject raised by the European Commission (1998), the Conference mentioned the “central role that cumulation of origin has to play in enhancing effective economic integration in the region. [Ministers] called for all necessary measure to be taken to ensure that a system with identical rules of origin opens the way to full cumulation throughout the Euro-Mediterranean area as soon as possible” (16).

Therefore deep integration is now high on the EMP agenda. According to the estimations summarised in Section 2, deep integration would strongly increase the growth potential of EMP. However, whether deep integration is an objective consistent with the circumstances described in Section 3 remains very much an open question. In its turn, this question will lead us to the possible interaction between a “deep” Euro-Mediterranean free trade area and the WTO 2000 negotiations.

5. Conclusions

It is often maintained that the EMP has the potential to pursue a deep integration agenda but this potential is left unexploited. This assessment is confirmed by the limited provisions included in the EMAAs; however from previous pages an already well-defined deep integration agenda, inclusive of action plans ranging from technical and financial assistance to training and administrative co-operation, emerges. This “deepening” of the EMP agenda will have some effects on future multilateral trade negotiations.

First of all there is clear parallelism between the “deepening” of the EMP agenda and the possible inclusion in future multilateral trade negotiations of issues as competition policy and trade facilitation. This should increase partner country attention to the so-called new trade agenda, with a positive impact on multilateral negotiations. At the same time, partner countries which are not yet members should become more interested in WTO membership.

Moves towards deep regional integration do not require changes in the signed EMAAs (which already mention many deep integration issues): it is up to partner countries decide whether and when commit themselves to further liberalisation or harmonisation in specific fields. The European Commission aims at a general consensus in the region but, as a matter of fact, this will be reached only in a very

(13) Only Algeria, Cyprus, Israel, Malta, Tunisia and Turkey have so far enacted competition laws.

(14) Euro-Mediterranean Conference on Regional Co-operation, Concluding Statement by the Chairman, Brussels, Press Release 5460/99.

(15) Third Euro-Mediterranean Conference of Foreign Ministers, Chairman’s Formal Conclusions, § 21.

(16) *Ibid.*, § 22. The objective is therefore the extension to the entire Euro-Mediterranean area of the full cumulation already available to Maghreb countries.

long run. In the meantime actions may be taken bilaterally (*i.e.* between the EU and one partner country) or with a subset of the 12 partners countries (17).

In a few month's time the European Council will decide on renewing MEDA, the multi-year aid programme for Mediterranean partner countries. After the approval of MEDA II, technical and financial assistance to regulatory policy reforms may be included in the relevant National Indicative Programmes, which are agreed between the EU and each single Mediterranean partner.

The definition of a regulatory policy reform agenda will therefore become a priority for partner countries. Unilaterally or bilaterally (*i.e.* through a "deepening" of their EMAA), a number of partner countries will reform their domestic regulatory policies. This will strengthen their negotiating stand, giving them more bargaining power in multilateral negotiations when it comes to the defence of their interests. The "deepening" of the EMP agenda may therefore assist Mediterranean partner countries in maximising the benefits of the WTO 2000 negotiations.

At the same time, future multilateral negotiations may be helpful in curtailing the possible negative impact of the "deepening" of the EMP agenda. Given the circumstances described in Section 3, moves towards deep regional integration may further widen the differences in economic liberalisation among partner countries. To the extent that these differences have an influence upon the inflows of FDI into partner countries, differences in growth potential may also widen. The benefits of the Euro-Mediterranean Free Trade Area would be very irregularly distributed among the partner countries. In this case, new or strengthened multilateral agreements on deep integration issues, even of limited scope, may be helpful in curbing this negative trend (18).

Moreover the "deepening" of the EMP agenda may distract from issues of greater concern to partner countries, such as agricultural trade. The EMAAs foresee the re-examination of current situation with a view to grant new reciprocal concessions on agricultural trade. However, taking into account the role that European agricultural interests are playing in slowing down EMP implementation, the future WTO negotiations on agriculture may be a more appropriate forum for Mediterranean countries to achieve a significant increase in market access. While in this case multilateral negotiations seem more useful, regional agreements would still play a role supporting domestic regulatory policy reforms, which will give Mediterranean countries more bargaining power in agricultural negotiations (cp. Hoekman and Anderson, 1999).

Taking it all in all, a positive interaction between regional and multilateral negotiations may emerge; to achieve it, Mediterranean partner countries should take advantage of the "deepening" of the Euro-Med agenda in order to define their own regulatory policy reform agenda. This would both strengthen Mediterranean country positions in the WTO 2000 negotiations and greatly increase the economic benefits of the Euro-Mediterranean Free Trade Area.

(17) The Third Euro-Mediterranean Conference of Foreign Ministers maintained that regional co-operation activities "are open to all partners, while consisting in many cases of several inter-linked projects, each involving a group of partners". Facing the risk of widening economic differences among partner countries, the Ministers "asked the Commission to contribute a reflection paper on the methodology for regional co-operation" (*Ibid.* § 3).

(18) This opportunity should increase the interest in acceding to the WTO of non-member Mediterranean partner countries.

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