The Political Economy of Governance in the Euro-Mediterranean Partnership

Deliverable No. 2
Working Package I: The Political Economy of Euro-Med Trade

The European Union's Trade Policy towards the Southern Mediterranean: Coherence or Chaos?

Go-EuroMed Working Paper No. 0601

Pablo Gándara / Max Büge
Jean Monnet Centre of Excellence
Freie Universität Berlin
Germany

Date: 31/12/2006

The Sixth Framework Programme
Contract No. 028386

www.go-euromed.org

Contents

1. Introduction 3
2. EU Policy towards the Mediterranean 4
3. EuroMed Trade Relations 6
4. The EU's FTAs with Tunisia, South Africa and Chile: Incoherent Policies? 11
5. Mediterranean Trade Policy-making in the EU 18
6. Conclusions and Recommendations 24
7. References 27

Abstract

The European Union began establishing trade relations with its Mediterranean partners in the early 1970s. These relations were initially based on bilateral agreements for preferential market access for agricultural products. However the EU embarked upon setting up a more coherent trade strategy towards its Mediterranean partners by launching the 1995 Barcelona process, including several bilateral Euro-Mediterranean Association Agreements (EMAAs).
The key goal of this paper is to analyse whether the EU's trade liberalization agendas towards its Mediterranean partners, embodied in each of the individual EMAAs as part of a EuroMed Free Trade Agreement (FTA), are coherent with the FTAs that the EU has signed with other regions of the world (*horizontal coherence*).
To answer this question, we first run a comparison between Tunisia's FTA and the EU's FTAs with South Africa and Chile. We find major differences in the scope and depth of trade liberalization between the analyzed FTAs. We then explain this incoherence in the EU's trade policy using two-level-game instruments which assess the interests, preferences and coalitions involved.
The thesis of this paper is that EU trade policy towards the Mediterranean is, on the one hand, volatile as there are strong divergences between the policies of various EU Council Presidencies. On the other hand, it is also far less comprehensive in terms of liberalizing trade as compared with other FTAs between the EU and third countries.

Keywords: EU trade policy, EU FTAs, EMAAs, EuroMed, EU Council Presidency
JEL codes: F13, F53

We would like to thank specially Matthias Keese for remarkable comments and contributions to this paper.

1. Introduction

Euro-Mediterranean trade relations have been the focus of major economic analysis throughout the last few decades [Tovias 1977, Aliboni 1990]. Especially since the launch of the *Barcelona Process* in 1995, scholars have developed theoretical models to quantify the impact of the free trade agreements (FTAs) established between the European Union (EU) and the Mediterranean countries[1] [Hoekman/Konan 1999, Escribano 2000, Auguier/Gasiorek 2003, Nugent/Yousef 2005]. Whereas most of these studies conclude that trade liberalization will increase welfare in both regions, others assess the importance of broadening these FTAs, coupled with further liberalization within the World Trade Organization's (WTO) framework [Galal 1997, Zarrouk/Zallio 2000]. In addition, several analyses concentrate on specific trade liberalization issues like agricultural goods [Akder 1998, Chaherli/El-Said 2000, Bayer et al 2000], services [Ghoneim 2003, Rabaud/Montalieu 2006] and labour [Bougroum/Ibourk 2001, Büge 2003].

However, only limited research has been performed on the driving forces of trade liberalization across the Euro-Mediterranean area, and on the institutional context that shapes this policy [Bicchi 2002, Schumacher 2005]. Indeed, no political economic analysis assesses the impact of the European trade policy-making framework on the Mediterranean region and compares this with the framework's impact on other regions. The aim of this study is to analyse whether the EU's trade policy towards the Mediterranean is coherent[2] with the EU's trade strategy towards the rest of the world. This paper focuses on the decision-making process of European trade policy towards the Mediterranean, putting a special emphasis on the institutional framework. As Tsebelis notes, "*the policy outcomes are the result of two factors: the preferences of the actors involved and the prevailing institutions*" [Tsebelis 2002:33]. Why and when does the European Union launch trade policy initiatives aimed at the Mediterranean region? Which EU member states control political power and set the agenda in these initiatives? What is the status quo in EuroMed trade liberalization as compared to other regions? These questions will be addressed in this working paper.

This paper is structured as follows: We first give a short overview of EuroMed trade relations. We then analyse the trade liberalization patterns of the newly signed Euro-Mediterranean Association Agreements (EMAAs). Thirdly, we run a comparison between Tunisia's EMAA

[1] We refer to the Mediterranean region or to the Mediterranean Partner Countries (MPC) as the EU defines it, i.e. encompassing those non EU member states countries which border the Mediterranean (Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, the Palestinian Territories, Israel, Lebanon, Syria and Turkey). The Mediterranean bordering countries Croatia, Bosnia Herzegovina, Serbia-Montenegro and Albania have a special status (Balkan Pact for Stability) and are not part of the EU's Mediterranean Policy.

[2] We will not refer to the concept of *policy coherence* as defined by development policy [OECD 2003]. Our concept of policy coherence is defined as *policy actions consistent with policies undertaken before.*

and the EU's FTAs with Chile and South Africa. The comparison with both countries showed major differences in the scope and depth of trade liberalization between Tunisia's EMAA and the other FTAs. To explain these differences we then develop an EU trade policy-making model identifying actors (EU Council[3], European Commission [EC] and European Parliament), their preferences, the decision rules, the institutional setting with regard to trade issues and their impact on evolutive bargaining. We conclude that the EU's trade policy incoherence has negative consequences for the Mediterranean countries and make policy recommendations.

Based on rational choice approach our core assumptions are:

a) The EC's trade mandate is the result of three factors: member states preferences aggregated through the European Council of Ministers and the European Union's Presidency, EC's policy activism (agenda setting) and sectoral interests catalyzed through lobbying at both the national and European level.
b) On trade policy making, there is a remarkable interplay between the changing EU presidency and the EC on preparing member states coalitions.
c) In EU's foreign trade liberalization rounds, agriculture and the influence of agricultural lobbying play a key role. Here counts: The more EU agricultural *losers of liberalization* are concentrated locally and sectorally, the weaker the agricultural component of EC's mandate.

2. EU Policy towards the Mediterranean

Relations between the European Union (EU) and the Mediterranean countries have varied since the very beginning of the European Economic Community (EEC) in the Treaty of Rome 1957. As the EEC was created to remove trade barriers among the member states towards building a common market[4], trade relations with third countries were also supranationalized. However, in a first period bilateral agreements between the EU member states and the Mediterranean countries characterized their relations. As Bicchi notes [2002:15], these agreements widely differed in both scope and depth: on the one side countries like Greece and Turkey got an accession perspective, whereas on the other, further Mediterranean countries got only a preferential market access to the EEC's internal market.

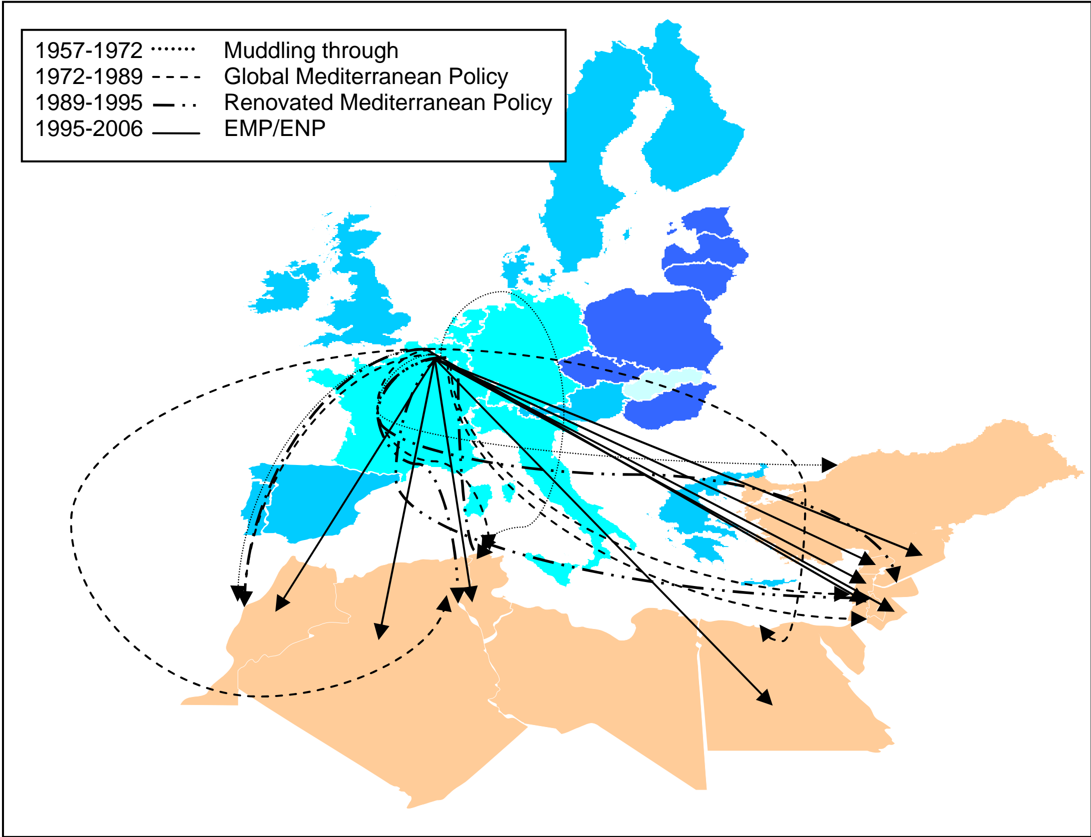
---

[3] We will use the word Council loosely, meaning the combination of the European Council and the Council of Ministers. By Council we mean those of the formal EU institutions that represent the collection of the members' governments.

[4] Meaning the free movement of goods, service, labour and capital.

The EU first formulated a comprehensive foreign policy approach towards the Mediterranean region in the early 1970s. In 1972, it adopted the *Global Mediterranean Policy*, which was complemented in 1974 by the Euro-Arab Dialogue. In the following few years, agreements of a similar nature were signed with the majority of Mediterranean non-EU members. Subsequently, no single EU Mediterranean policy was established and the dialogue between the two regions was not renewed until the end of the Cold War – firstly in 1990, with the *Renovated Mediterranean Policy*. Secondly, in the mid-1990s, due particularly to pressure from Spain [Bicchi 2002:20], there was an attempt to breathe new life into the Euro-Mediterranean relationship through the *Barcelona Process* or *Euro-Mediterranean Partnership (EMP)*. This was launched by the Barcelona Declaration issued following a conference of the 15 EU member states and 12 Mediterranean countries in November 1995. Figure 1 shows the trade relations between Mediterranean Countries and the European Union as a result of the different regional policies.

Figure 1: EU's relations with the Mediterranean 1957-2006



Source: own elaboration.

The new approach of the EMP was celebrated as a cornerstone of the EU's policy consistency towards the Mediterranean region. However, different studies have shown that the contents of the trade agreements reflect the more narrow, and diverging, economic interests of specific

EU member states, therefore putting the coherence of the approach in question [Kuiper & dell'Aquila 2003, Brenton & Manchin 2003].

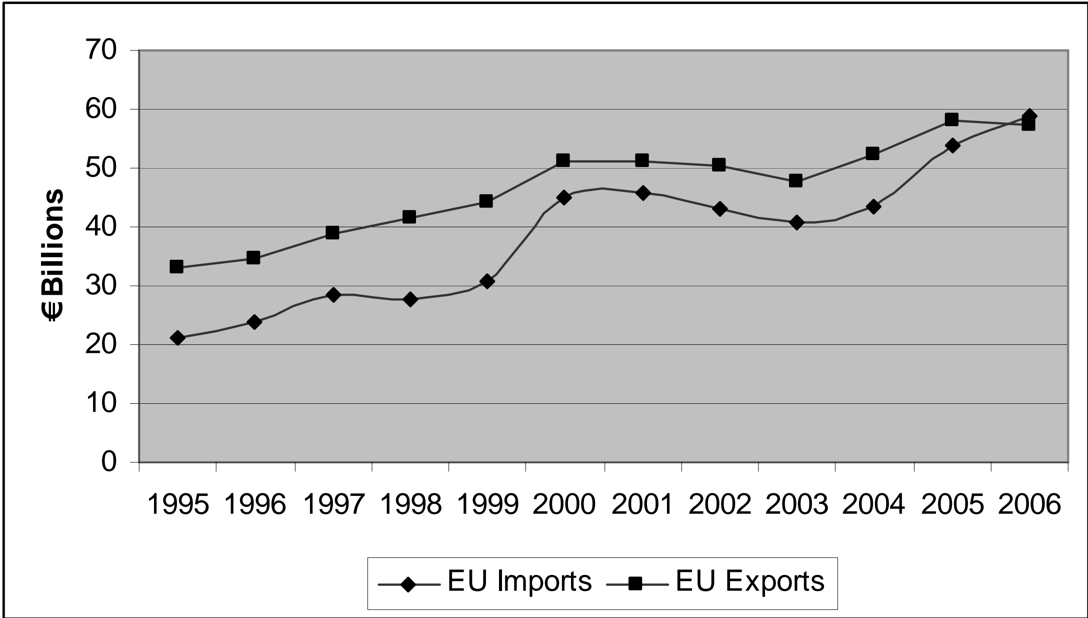
3. EuroMed Trade Relations

Overview

The Mediterranean Region is characterized by an unequal distribution of wealth. Today, France, Italy and Spain account for 80% of regional GDP.

The MPCs were recipients of about 5.5 percent of total EU exports in 2005, amounting to some €57 billion (see Figure 2). Seen from the MPCs perspective, this corresponds to almost 45 percent of their imports. EU exports to the MPCs have grown at an annual average of 5.2 percent since the mid-1990s, which is equal to an increase in export value of about 60 percent. 2006 was the first year in which MPCs achieved a positive trade balance with the EU. This shows the enormous potential of MPCs exports to the EU and its positive prospects. Nevertheless there appear to be several initiatives which, if implemented, could further speed up the trade liberalisation process.

Figure 2: EU trade with the MPCs (€billion)



Source: EuroStat COMEXT 2007. MPCs do not include Turkey and Israel.

Up to now, the European Union has concluded FTAs that have entered into force with Algeria, Egypt, Israel, Jordan and Morocco. In the case of Lebanon and the Palestinian Authority, interim agreements have currently validity until the signed agreements enter into

force. An agreement between Syria and the European Union was initialled in October 2004. Between the European Union and Turkey, a customs union was created with the beginning of 1996.

We identify agriculture, fisheries, services, investment and industrial goods as the key issues of EuroMed trade relations. All these topics are explicitly discussed above. In addition to that, other trade related aspects have an impact on EuroMed trade extent as well. Rules of origin are an important policy instrument to ensure that trade concessions are not assigned to third parties [Naumann 2006]. But so far, the new protocol of cummulation of origin of goods has been integrated only in the EMAAs with Morocco, Egypt and Israel [Meyer 2000]. To reduce the probability of misconduct and to deal with controversial issues, numerous FTAs provide Dispute Settlement Mechanisms that, as Szepesi states, *"determine the overall credibility of any international agreement"* [2004]. Notwithstanding, no Dispute Settlement Mechanism has been established in the existing agreements between the European Union and the Mediterranean Countries [Meyer 2000].

Agriculture

Agriculture is one of the key issues of Euro-Mediterranean trade relations. As Agricultural Commissioner Fischer Boel recently noted, the EU is "*the largest buyer of agricultural products from the Mediterranean, accounting for around 46% of farm exports from this region*"[5]. In 2004, 7% of the EU's imports from and 8% of the EU's export to the region were agricultural goods [EC 2006a]. Annual EU imports of fruit and vegetables are valued at nearly 1.5 billion euros. On the other hand, 37% of the Mediterranean area's agricultural imports came from the European Union. The MPCs are major importers of the EU's basic produce such as cereals, sugar and milk. The value of these flows varies between 3 and 4 billion euros per year. Almost 80% of EU agricultural imports from Mediterranean partners are subject to no import duty, whereas this is the case for slightly more than 20% of Mediterranean imports from the EU [EC 2006b].

Traditionally, agriculture has been the most sensitive issue in EuroMed trade relations. In some cases, northern and southern Mediterranean countries are competing in the same agricultural product markets (e.g. olive oil, fruit and vegetables).

Therefore, strong interest groups on both sides of the Mediterranean have hampered past trade liberalization in agricultural products. As Rudloff and Simons [2004] state, Tariff Rate Quotas (TRQs) remain the most important aspect to guarantee MPC market access to the EU. However, in November 2005, the EU launched talks on agricultural trade liberalization.

[5] Speech by Mariann Fischer Boel during EuroMed Agricultural Conference in Strasbourg, 28.09.2006.

The special significance of agriculture for the southern Mediterranean countries is evident: More than 40% of the MPC's population live in rural areas. At the same time, 25 to 30% of the active population work in the agricultural sector. But also in the northern basin of the Mediterranean agriculture plays a major role: although employment levels in the agricultural sector have decreased greatly in the last three decades, it still accounts for about 4 million jobs (or 5.5% of the active workforce).

However, agriculture does not have the same significance for all MPCs: Whereas the agricultural sectors in Turkey and Morocco employ between 30 and 40% of the active work force, only 3 to 5% of the active work force is employed in agricultural jobs in Libya, and only 3% in Lebanon. Turkey currently accounts for around half of the MPCs' agricultural exports to the EU [Hervieu 2006].

Today, the European Union is conducting negotiations regarding agriculture with Morocco, Tunisia and Israel, while consultations with Egypt and Lebanon are to be opened. In the case of Jordan, further progress has been partly achieved [Meyer 2006].

Fisheries

Fisheries have been always an important sector in EuroMed trade relations. Countries on the Mediterranean coast of Africa and countries of southern Europe (France, Greece, Italy, Spain and Portugal) have common features reflecting their same geography and their similar food preferences. Therefore, the EU accounted for 56% total fish exports from the North African area in 1999 [FAO 2002:18]. Of the five North African countries, Morocco is the largest exporter to the EU; in 2000, 93% of fish products (in quantity terms) exported to the EU from this area originated in Morocco [FAO 2002:19]. Particularly sensitive are the fishery agreements between the EU and Morocco. Through these agreements, EU vessels are allowed to fish in Morocco's territorial waters. As pay-off, Morocco receives financial compensation[6]. A divergence about the financial framework of the agreement between both sides led to its suspension. Only five years after a new agreement was signed in July 2005. The suspension of the earlier EU-Morocco fisheries agreements played a vital role for the fishery industry in Spain and Portugal, leading to large unemployment in these countries fisheries sector in preceding years. However, the new agreement has still not been ratified by the European Parliament as it includes the waters of occupied Western Sahara[7].

Services

[6] The new fisheries partnership agreement for the period 2006-2010 contains financial means of 144 million euros, far less than the 500 million euros of the former agreement for the period 1995-1999.

[7] The agreement considers Western Sahara as part of the deal as they were "under Moroccan administration". However, this view runs against a legal ruling by the UN in 2002, which concludes that Morocco is not the administrative power of Western Sahara. See section 5.

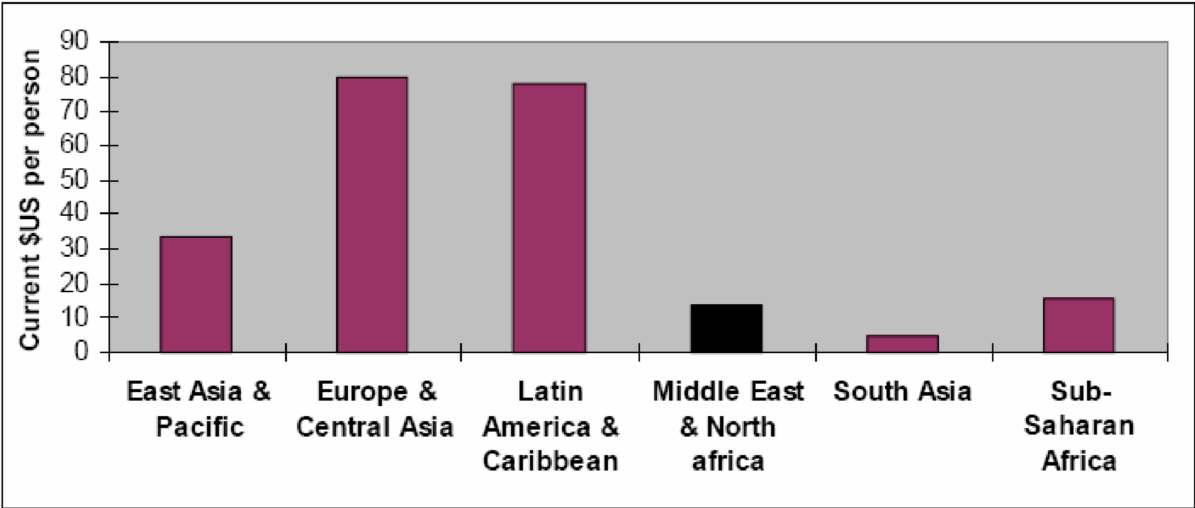
The services sector is as important for the MPC economies as it is for the EU economies. According to the European Commission [2006c:3], services account for more than 50 percent of GDP in most of MPCs[8]. However, the volume of services trade flow between both regions is still very low: in 2004 only around 4% of MPC exports to the EU were services [ibd. 4]. According to several studies [Hoekman/Konan 1999, Müller-Jentsch 2003, SIA 2006], the key sectors for potential growth through liberalizing services are business, communication, construction and related engineering, educational, environmental, energy, financial, health services, tourism and transport.

The EMAAs all entail provisions for the future widening of the scope of the agreements to cover the liberalisation of the service sector and the right of establishment. Therefore, within five years of the agreements coming into force, it is intended that the relevant Association Councils examine the situation and make recommendations in this respect. In a number of cases, this deadline has already lapsed or is about to expire (e.g. Tunisia, Morocco, Israel, Lebanon). In March 2006, trade talks on liberalization of the service sector were launched by the EuroMed Trade Ministerial Conference in Marrakesh with Morocco, Tunisia, the Palestinian Authority, Lebanon, Jordan, Egypt and Israel.

Investment

Even though Foreign Direct Investment (FDI)[9] has increased in recent years, the MPCs show one of the lowest FDI levels and growth rates worldwide [OECD 2004:7]. Figure 3 resumes the region's FDI inflows as compared to other regions:

Figure 3: FDI Inflow per Capita in MENA Compared to Other World Regions 2005



Source: OECD 2006, based on Development Gateway Foundation.

[8] Algeria is the only country whose economy is dominated by the energy sector rather than by services.

[9] We use the OECD concept of FDI: "*Foreign direct investment (FDI) is the category of international investment that reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in another economy*" [OECD 2006].

The reasons for this negative performance are various: on the one hand, the region shows relatively closed and dirigiste economic strategies in which many sectors remain closed to foreign investment or are subject to foreign purchases of domestic shares. Traditional constraints like market size, macroeconomic stability, bureaucratic environment, location, labour costs, infrastructure provision or security-related concerns are significant factors. However, also soft issues like corruption perception and weak investment protection laws play a key role when explaining low FDI flows. All these factors contribute to building a negative investment climate in MPCs as compared to other regions.

The EU follows here a twofold strategy: on the one side it supports MPC when implementing domestic reforms (which are crucial to attract FDI), and it spreads regional integration as "*a huge incentive to invest as the size of the market may become sufficient to justify setting up a local supplier"* [EU 2006c:5].

Industrial Goods

The coverage of industrial products in the Association Agreements provides primarily for reduction of tariffs and other barriers in MPCs. The EC launched 2006 a three year MEDA programme on Euro-Med innovation and technology, for supporting competitiveness and innovation of enterprises in MPCs[10]. On trade liberalization, the EU already gave duty free access to most MPC industrial products before the EMAAs were accomplished on the GSP basis[11]. Therefore, the additional effects of the EMAAs on market access for industrial products from MPCs are small. Of particular importance is the regulatory convergence for industrial products. In fact, talks on the approximation and harmonization of technical legislation, standards and conformity assessment procedures with the EU system are a key part of trade-facilitating measures financed by the EU. As the EuroMed trade ministers noted, "*Such a convergence would remove regulatory and technical barriers and facilitate the free circulation of industrial products in the Mediterranean region*" [European Council 2006:2]. Here, the next step is to open negotiations for Agreements on Conformity Assessment (ACAA). In March 2006, the EU received the Sustainability Impact Assessment on the Euro-Mediterranean Free Trade Area (SIA-EMFTA) final report analyzing the effects of trade liberalization in industrial products. The key findings of the report are: a) impacts in the EU will arise mainly from increased exports to MPCs and, b) there will be a significant economic

[10] Statement by Günter Verheugen, Vice-President of the European Commission responsible for Enterprise and Industry during the EC Euro-Mediterranean Conference of Ministers for Industry (Rhodes, 22. September 2006).
[11] Under the Generalised System of Tariff Preferences (GSP) implemented in the early 1970s, industrialized countries grant trade preferences to all developing countries. The EU has GSP schemes on a ten year basis.

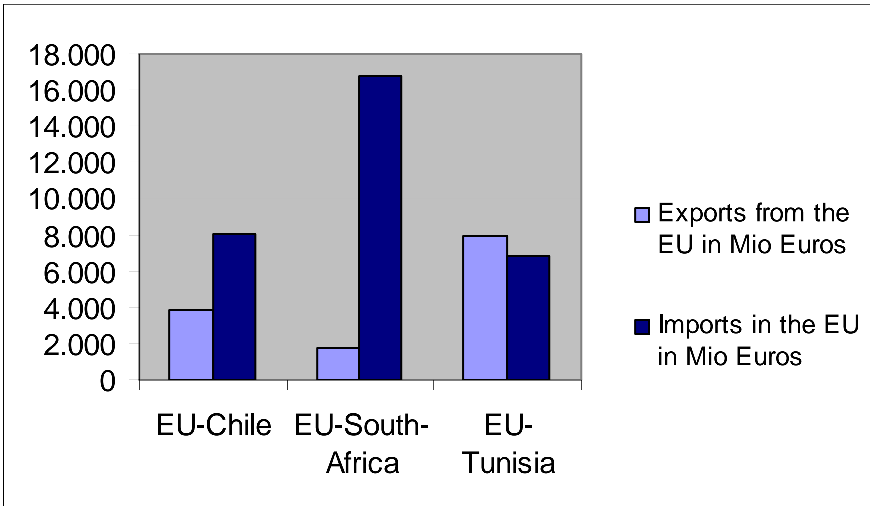
benefit to producers in the EU, and corresponding social benefits, but these will not be major, since the extra production is a small proportion of total EU exports.

4. The EU's FTAs with Tunisia, South Africa and Chile: Incoherent Policies?

As noted in the previous chapter, the EU has played a leading role in the proliferation of bilateral FTAs since the mid 1990s. Today, the EU has 26 bilateral trade agreements with non-EU members which are currently in force and registered in the World Trade Organisation [WTO 2006]. As the former EC Trade Commissioner Pascal Lamy noted, current geopolitical interests of EU member states push free trade agreements with different regions linked to their political development [Lamy 2002:1404].

In this chapter, we seek to assess the trade policy incoherence between the EU's FTAs with Mediterranean Partners and those with other regions. We have chosen to compare three different cases of EU trading agreements with third countries. The choice of the cases followed the two guidelines of 'structure' and 'focus'. The selection of the three cases is structured in the regard that they were concluded by respectively one common actor, the EU, within the same period of time, the last decade. The most effective tool in social science research to avoid autocorrelation and autoregression is variance in the observed cases, which is a principle borrowed from John Stuart Mill's 'method of difference'. To increase variance two different preconditions were made: firstly variance in the geographical dimension and secondly variance in the vertical dimension of trade flows. Countries belonging to different geographic regions were chosen; the Mediterranean, Sub-Saharan Africa and Latin America. Trade relations between the EU and the three respective countries vary to a high percentage in the quantity of both, imports and exports (Figure 4).

Figure 4: EUs Trade relations with Chile, Tunisia and South Africa in 2005



Source: Eurostat 2006

The comparison of cases has to be focused, since not all theoretically interesting aspects of the subject of investigation can be usefully addressed in a single analysis. We decided to focus on four different aspects of the agreements, which attracted in the past major attention by the academic and the policy communities: agriculture, services, industrial goods and investment.

The agreements

The Trade, Development and Cooperation Agreement (TDCA) between the EU and South Africa was signed on October 11th 1999 in Pretoria.[12] The agreement was the successor to a Cooperation Agreement from 1994 and entered partly into force in January 2000 and fully in 2004. The South African minister of industry and trade Alec Erwin described it as 'the most comprehensive agreement' his country has ever concluded with another partner [Irving 1999:1].

In regard to the EU's 2004 enlargement round, an additional protocol to the TDCA was signed in 2005, extending the TDCA's provisions to the 10 new EU member states. In 2006 the Commission proposed to further upgrade the bilateral relations to a strategic partnership.[13]

The EU is South Africa's main trade partner and the country's most important source of investment. The TDCA established a Free Trade Are in conformity with WTO rules. The transition period to reduce and dissolve barriers to trade was structured asymmetrically. The period of time allowed South Africa to establish the FTA was 12 years while it was 10 years for the EU.

An Association Agreement between the EU and Chile was concluded in 2002 and entered into force on an interim basis on February 1st 2003. The conclusion of the Agreement was preceded by ten negotiation rounds, starting in April 2000. The European Commission states: *'The trade part of this Agreement has given the most innovative and ambitious results ever negotiated by the EU'* [EC 2006d].

Tunisia was the first country in the Southern Mediterranean region to sign a FTA with the EU in 1995. It has maintained close trading relations with Europe, particularly with France.

Agriculture

Agriculture plays a minor role in the South African Economy, representing only 3.8% of GDP in 2004 [EC 2006e: 1]. The share of agricultural products in EU imports from South Africa

[12] According to Decision 1999/753 of the Council of 29 July 1999.
[13] IP/06/869.

amounts to 9.1% while agricultural products represent 2.2% of the EU's exports to South Africa [EC 2006e: 8]. TDCA's Article 14 states that *'Customs duties applicable on import into the Community of agricultural products originating in South Africa [...] shall be abolished on the entry of force of this Agreement.'* However, the liberalisation is de facto a progressive one. The treaty lists several categories of agricultural goods whose tariff elimination follows specific time schedules [TDCA, Annex IV]. These schedules foresee transition periods of up to 12 years. The schedules foresee an asymmetrical reduction of trade barriers for the relevant categories of goods, with the EU committing to a faster reduction of barriers than South Africa, as explained below.

Agriculture accounted for 8.8% of Chilean GDP in 2004[14]. The EU 25 imported agricultural merchandise valued at almost 1.5 billion Euro in 2004, while exporting agricultural goods valued at 107 million Euro to the Latin American country[15]. The Association Agreement with Chile categorizes agricultural and processed agricultural goods in several categories and applies different schedules for these categories. The Agreement distinguishes four categories of agricultural and processed agricultural goods originating in Chile and three categories originating in the EU. Despite this differentiated approach, both contracting parties agree to completely eliminate barriers to agricultural trade within ten years of the agreement entering into force. Both Agreements contain an emergency clause; "*given the particular sensitivity of the agricultural markets*" [Article 16 TDCA, Article 73].

The agricultural sector plays an important, but declining, role in the Tunisian economy, representing 12.6% of GDP and almost 30% of employment [Rudloff & Simons 2004: 3][16]. In 2005 the EU imported agricultural goods worth 432 million Euro from Tunisia, while exporting goods worth 325 million Euro in the opposite direction. Agricultural trade relations between Tunisia and the EU are subject to the bilateral Association Agreement's chapter II. Contrary to the Agreements between the EU and Chile/South Africa, the Association Agreement with Tunisia does not provide any schedule for liberalisation in agricultural trade. While there is a detailed liberalisation scheme for industrial goods in the very same agreement, it foresees further negotiations, a future examination of agricultural products and eventual concessions [Article 18].

Services

Services currently contribute to two-thirds of world GDP [WTO 2006]. Trade in Services can be distinguished by four modes of supply. The first mode, *cross-border supply*, occurs when only the service, e.g. via telecommunication, crosses the border. The second mode,

[14] DG trade, country statistics Chile, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113364.pdf.
[15] Idem
[16] DG trade, country statistics Tunisia, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111593.xls.

consumption abroad, defines a service which is consumed abroad, e.g. tourism. The third mode, *commercial presence*, occurs when the service is provided by a branch or a subsidiary in a foreign country. The fourth mode, *presence of natural persons*, occurs when the service provider in the form of a natural person works abroad on a temporary basis.

The service sector amounted to more than 65% of South African GDP in 2004.[17] Trade in services between the EU and South Africa amounted in the same year to 8 billion euro, with the EU importing services worth 3.9 billion euro and exporting to the tune of 4.1 billion Euro. In Article 19 of the EU-South Africa TDCA GATS obligations are confirmed and Article 30 comprises the liberalisation of trade in services in all four modes of supply. The TDCA does not detail any precise liberalisation scheme but names the Cooperation Council responsible for providing recommendations for the reduction of barriers to trade, taking into account experience gained under GATS. Furthermore, the TDCA foresees an examination of the liberalisation in services by the Cooperation Council five years after the agreement enters into force. Some services receive particular consideration within the TDCA. These are communication technologies (Article 55), tourism (Article 60) and services in the area of banking, insurance, and other financial services (Article 63).

The share of services in Chilean GDP amounted to 56.9% in 2004.[18] In the same year, the EU's trade in services with the Latin American country accounted for 2 billion Euro, or 0.3% of the EU's total trade in services. The Association Agreement between the EU and Chile includes cooperation in services under its Article 20. This Article also asserts that *"development and diversification of productivity and competitiveness in Chile's service sector will be stepped up"*. The Agreement's Title III comprises the liberalisation of services. Comparable to the TDCA with South Africa, the Association Agreement foresees a liberalization of all four modes of supply (Article 95, 1 a-d). However, the entire service sector is not subject to reciprocal liberalization. Services such as financial services, audio-visual services, national maritime cabotage and others are explicitly excluded from the Agreement or subject to regulation under other chapters (Article 95, 2 a-d). The Agreement between Chile and the EU is far more progressive than those between the EU and South Africa or Tunisia, since it obliges the contracting parties to guarantee "national treatment" of services from the partner country. Under this obligation, both contracting parties guarantee "*treatment* [of services and service suppliers of the other Party] *no less favourable than that it accords to its own like services and services suppliers*" (Article 98).

[17] DG trade, country statistics South Africa, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf.

[18] DG trade, country statistics Chile, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113364.pdf.

The services sector contributed to approximately 60% of the Tunisian GDP in 2004.[19] Trade in services between the EU and the North-African country is composed mainly of transport and tourism. In contrast to the Agreements between the EU and South Africa, and with Chile, the Association Agreement with Tunisia does not foresee a liberalisation in all four modes of supply. As Title III, Article 31,1 states: *"the parties agree to widen the scope of the Agreement to cover the right of establishment of one Party's firm on the territory of the other and liberalisation of the provision of services by one Party's firms to consumers of services in the other"*. Hence, the liberalisation of trade in mode 1 and mode 3 shall be encouraged and the Association Council is instructed to make recommendations to achieve this objective (Article 31, 2). A further liberalisation in mode 2 and mode 4 is not mentioned. Instead, Agreement underlines pre- existing multilateral obligations under GATS and the MFN principle (Article 32).

Industrial goods

The liberalisation of trade in industrial goods is specified in all three Agreements, and is the mechanism with the most far-reaching consequences in the Agreements. The share of the industrial sector in South African GDP amounted to 31% in 2004.[20] Manufactured goods contributed to 43% of the EU's imports from South Africa, representing 0.99% of EU's total imports on manufactured goods. The export portfolio from the EU to South Africa in 2005 was characterized by machinery and transport equipment (60.4%), chemicals and related products (12.4%) and manufactured goods (11.1%). The share of these goods amounted to 5.2% of EU's total exports. The EU-South Africa TDCA distinguishes between 6 categories of industrial goods, listed in the treaty's Annex II and III. The reduction of barriers to trade in these goods follows an asymmetrical liberalisation scheme (Article 10-12). Ten years after the agreement enters into force, the EU will have completely abolished barriers to trade in the goods of categories 1-4. The liberalisation scheme for South Africa provides a transition period of up to 12 years for these goods. For the liberalisation of goods in the automotive sector and other products mentioned in Annex III List 5 and 6, a specific schedule applies.

The Chilean industry accounted for more than a third of national GDP in 2005.[21] Manufactured goods made up 43.9% of the EU's imports from the Latin American country, representing 3% of total EU imports in manufactured products. Machinery (57.1%), manufactured goods (13%) and chemicals (12.9%) are the main exports from the EU to Chile, representing 0.5%, 0.4% and 0.3% respectively of total EU exports of the products. The

[19] DG trade, country statistics Tunisia, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111593.xls.
[20] DG trade, country statistics South Africa, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf.
[21] DG trade, country statistics Chile, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113364.pdf.

Agreement between Chile and the EU distinguishes between two categories of industrial products originating in Chile and between 3 categories of industrial products originating in the EU. The liberalisation scheme involving EU tariff reduction establishes transition periods of up to 3 years for these reductions. The reductions on the Chilean side are subject to longer transition periods, of up to seven years.

The Association Agreement between the EU and Tunisia interdicts in its Article 8 the introduction of new customs duties or equivalent charges on industrial imports from both parties. Tunisia has had free access to the EU's industrial market since 1976. The Agreement's Article 9 underlines this right. The transition period for liberalizing Tunisia's markets for industrial products originating in the EU is 12 years. A number of exceptions are mentioned in Article 12 and Annex 6.

Investment

South Africa attracted FDI from the EU to the magnitude of 2.5 billion Euro in 2000. This increased the EU's FDI stock in the country to 19,7 billion Euro[22]. The TDCA's Article 32 underlines the right of both contracting parties to undertake transactions in freely convertible currency. Article 33 expresses that capital relating to direct investments can – according to current law – move freely. However, Article 34 states that the contracting parties can, in accordance with GATT conditions and the relevant IMF Articles of Agreement VIII and XIV, adopt restrictions in the case of balance of payment difficulties. As long as the TDCA does not provide a specific chapter on investment, bilateral investment agreements between South Africa and a number of EU member states (Austria, Belgium, the Czech Republic, Finland, France, Germany, Greece, the Netherlands, Spain, Sweden and the United Kingdom) remain valid.[23]

While the EU did not receive any FDI from Chile in 2000, it invested 1.4 billion Euro in the Latin American country in the same year, thereby increasing the EU's capital stock there to 13.7 billion Euro. Since 1974 Chile has had a comparably liberal investment policy, incorporated in the Decree Law 600.[24] The Agreement between the EU and Chile comprises investment related provisions under different titles. The strengthening of financial and commercial cooperation, amongst other things, is expressed in the Agreement's Articles 2 § 4 and Article 16 § 2. Article 21 is dedicated to the promotion of investment and singles out the areas of investment in which both parties will cooperate.

[22]EU trade issues, South Africa, http://ec.europa.eu/trade/issues/bilateral/countries/southafrica/index_en.htm.
[23] US State Department 2006, http://www.state.gov/e/eb/ifd/2006/62034.htm.
[24] US State Department http://www.state.gov/e/eb/ifd/2006/61970.htm.

Tunisia attracted a total of 514 Million Euro worth of foreign direct investment in 2004. The EU represents, with a share of 17% of this sum, the nation's largest single foreign direct investor.[25]

Investment in the North African country is regulated by the Code Law 93-120 from December 1993. This Code Law contains two major barriers hindering foreign direct investment in Tunisia: Firstly, investors from abroad are denied national treatment in the agricultural branch of the economy and, secondly, onshore companies need a governmental approval if the share of foreign capital exceeds 49% of an investment object.[26] The Association Agreement's Article 33 obliges both contracting parties *"to allow all current payments for current transactions to be made in a freely convertible currency."* Article 34 provides for the free movement of capital relating to direct investments in Tunisia.

Summary

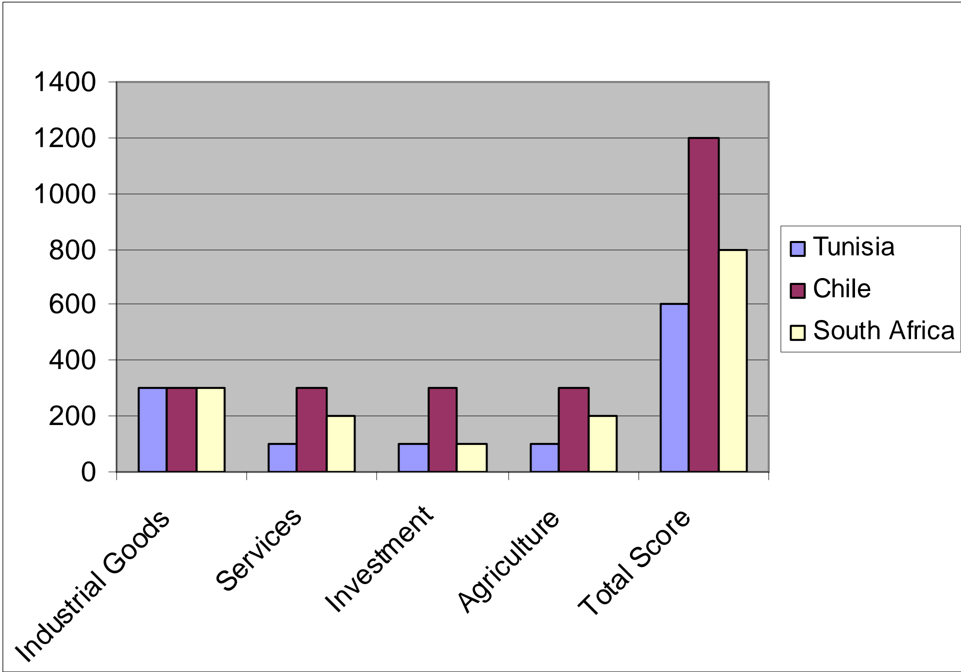
As became apparent during the above analysis, the EU's agreements with the three relevant countries are not coherent, neither in their structure nor in their content. Hence a comparison of the Agreements, especially one of a quantitative nature, meets with several obstacles. To reduce complexity, several simplifying assumptions for modelling the scope and the depth of EU's FTAs have to be made.

First, we will assume an FTA to be broader and deeper the more complete the liberalization schemes included in it are. Secondly, we will define this completeness of trade liberalization included in the Agreements by comparison of the three different Agreements, not by an absolute standard. Lastly, the horizontal dimension of the liberalisation scheme, i.e. the timetable, will also not be surveyed.

Therefore, our model functions in the following way: The most comprehensive arrangement included in the Agreements – in industrial goods, services, investment and agriculture – is weighted with a score of 150. An arrangement which is mentioned in the agreement without concrete conventions going further than the GATT's most favoured nation principle is weighted with a score of 50. Issue-relevant sections with conventions beyond the mfn-principle but not as those included in at least one another agreement are weighted with a score of 100.

[25] EU, trade issues, Tunisia, http://ec.europa.eu/trade/issues/bilateral/countries/tunisia/index_en.htm.
[26] US State Department 2006, http://www.state.gov/e/eb/ifd/2006/63603.htm.

Figure 5: Comparing EU FTAs with Chile, Tunisia and South Africa



Source: own elaboration

Using this assessment of the Agreements, it becomes evident that that between the EU and Chile is the most comprehensive of the three. The EU's trade concessions to Tunisia, in contrast, fall short, as the EU's liberalization in services, investment and agricultural products is less comprehensive than its agreements with both other countries. The only equal liberalization between the EU and Tunisia is in the industrial sector, where South Africa and Chile are gaining new access to the EU market, while Tunisia has had free access since the 1976's Association Agreement.

5. Mediterranean Trade Policy-making in the EU

As we have seen, the EuroMed FTAs are incoherent with the European Union's broader trade policy in two respects: Firstly, they are incoherent in scope and timeframe with respect to each other; and secondly, as they are far less ambitious than the EU's FTAs with other regions.

Although political priority has been assigned to the EuroMed Partnership, the question why its trade liberalization schedule is incoherent remains. In this section we will briefly analyze the institutional framework for EU trade policy decision-making[27]. As a first step we analyze the EU's trade policy-making in order to understand how the interests and preferences of the

[27] The way in which EU-member states aggregate their preferences in this common policy area should be considered as the framework which determines the scope and deepness of EuroMed FTAs.

EU's member states are aggregated in this process, and which supranational policy actors play a leading role in shaping trade policy. We then focus on the role of the EU Council Presidency as a framework to explain actors' behaviour.

EU Trade Policy – Actors and Powers

As already established, trade policy has carried central importance in the European Union since the signing of the Treaty of Rome in 1957. Indeed, as Meunier notes, "*Trade is the oldest, and most successfully integrated, common policy in the EU. For almost four decades, trade policy was the matter of complex, technical deals between obscure negotiators, and as such raised little media and public interest*" [Meunier 2003:69]. Today, EU's trade policy is based on articles 131-134 of the EU Treaty, whose objective is "*To promote (…) the progressive abolition of restrictions on international trade and the lowering of customs barriers*" [Art. 131 EU-Treaty].[28]

The decision-making process for trade policy in the EU is lead by the European Commission, which has the "right to initiate" or propose policy measures.[29] As Wyplozs/Baldwin note "*neither the Council nor the Parliament can adopt legislation until the Commission presents its proposals*" [2005:53]. This is the reason why the Commission is the gatekeeper and the driving force of EU integration. However, its proposals are normally based on general guidelines established by the European Council or by the Council of Ministers and in the *comitology* consultation process.[30]

A proposal from the Commission to the Council is a *Take-it-or-leave* one, i.e. there is no possibility to change its contents (similar to a US President's *Fast Track* proposal). The European Council – represented by its COREPER – then decides *formally* by qualified majority (QMV) on the Commission's proposal.

During negotiations the Commission maintains a constant dialogue with *Art. 133 Committee* (where national bureaucracies are represented). The Art. 133 Committee constitutes the link between the European Commission and the Council. It is made up of delegates of whom the majority work in the permanent representations of the Member States in Brussels. The Committee also sets up sectoral committees to consult on specific issues (e.g. Textiles, Services).

---

[28] However, as Hix points out (2004:7-8), the Common Commercial Policy (CCP) acts with *protectionist* policy instruments like the Common External Tariff, import quotas, anti-dumping measures and voluntary export restrictions. There is also a set of measures to *restrict* trade (trade sanctions, countervailing duties, safeguard clauses, rules of origin).

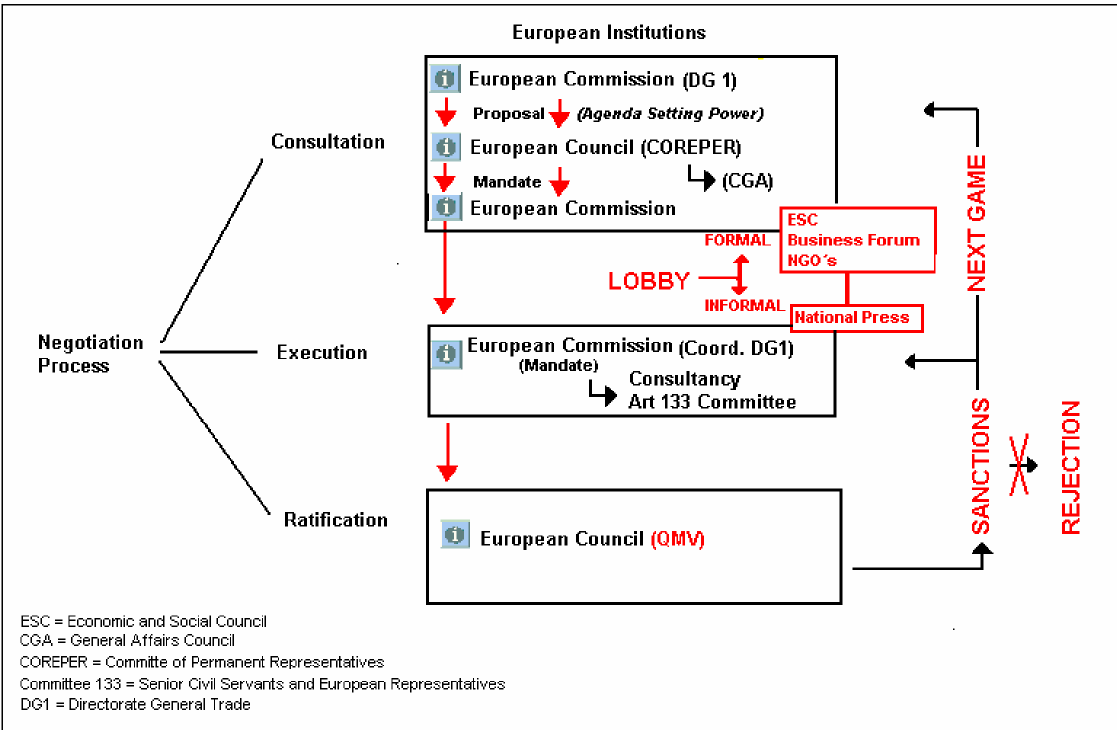
[29] In trade policy, the Commission has also the power of executive decree, i.e. to adopt trade restrictive measures, which can be reviewed by the Council after a certain time period (Hix 2004:8).

[30] This is the informal denomination for consultations between several EU-actors (national parliaments, European Parliament, national governments, professional and civil society groups).

The European Parliament has no formal role in this policy formulation process, as neither their co-decision nor their consultation is necessary for the adoption of negotiations. The amendments to the text of the Treaty ratified by the Conference of Nice (1999) did not affect the decision-making procedure of Article 133, leaving the European Parliament out of the process.[31] However, both the Council and the Commission regularly brief the European Parliament on the salient aspects of the Community's trade policy and the Council keeps the European Parliament informed about trade agreement negotiations with third countries before the negotiations begin, as they progress, and when they are concluded.

The national parliaments are not formally involved in the formulation of EU trade policy at all.[32] Because of the strong cooperation between the national and European bureaucracies, and due to this lack of formal parliamentary control, a rejection of negotiated agreements by the Council by national parliaments does not appear plausible [Gándara 2003:57][33]. The following chart shows the framework of EU-trade policy:

Figure 6: The EUs Trade Policy Making Process



Source: Gándara 2003

[31] There is one European Parliament committee on Trade and Energy, but its role is restricted to monitoring the implementation of policy, not inputting into its formation.

[32] The national parliaments have to ratify the political part of the agreements, i.e. cultural, cooperation aid and social issues. Therefore there are different national procedures.

[33] For a comparison between the EU's and the US's institutional frameworks for trade policy and their impact on trade negotiations see Gándara (2003:50-62).

To sum up, EU trade policy is the result of a strong interaction between EU institutions, member states and lobbying groups.
However, who plays a decisive role in shaping trade relations towards the Mediterranean? What causes the trade policy identified above? Scholars agree that the EU trade policy towards the Mediterranean has been traditionally lead by the so-called *Club-Med* EU States, i.e. France, Italy and – since their accession – Greece, Spain and Portugal [Tovias 1996, Bicchi 2002, Büge 2005]. European Institutions have played a changing role in this area.

European Commission

The European Commission has gained remarkable faculties throughout the last few decades: Whereas in the 1970s it could only mediate between member states' positions – and was *permanently a step behind France* [Bicchi 2002:18] – it introduced its own concepts and acted indeed as a *policy entrepreneur* in the early 1990s [Bicchi 2002:20]. In the mid-1990s – when formulating the EMP – the Commission went back to its *coordination* role by aggregating Spanish, French and Italian initiatives and ideas [ibda. 21].
As trade policy is voted on in the Council under the QMV, the Commission prepares package deals and winning coalitions between the member states. Although all member states try to influence the Commission when preparing the policy proposal, due to its long-term horizon it can be seen as the gatekeeper for policy consistency and coherence. However, due to its composition, the Commission itself can not be seen as a homogenous body. In fact, there are divergent interests manifested in the different Directorate-Generals (DGs) themselves[34].
Even though all EMAAs have been negotiated and coordinated by the DG 1 (Trade), the DG1 had to consider different preferences and interests when designing the negotiation agenda. As Velde et al [2006:15] note, when designing the allocation of trade related assistance (TRA)[35] funds there are several DGs involved, namely Relex, Trade, Development, Enlargement, Environment and the EuropeAid office. In fact, here we can see a principal-agent conflict between the Council and the European Commission: the Council's Trade Mandate for the Commission foresees only two DGs for allocating TRA (DG Development and DG Relex). But coordination between the EU and member states' activities is also quite difficult. *The Guidelines for EC Trade-Related Assistance* are designed to provide detailed practical advice to people involved in the design, planning and delivery of TRA projects on the ground and to facilitate coordination and coherence between activities [EC 2006:g].

[34] The European Commission is divided into 26 directorates-general (DGs) and nine services (Status 11/2006).
[35] TRA encompasses measures for supporting trade policy and regulation, trade development, adjustment to trade, and supply side measures (Velde et al 2006:11). The EC provides about two fifths of all TRA and in 2005 was the second largest spender of TRA, behind the US (ibd. p.11).

The Council

Not only were the Barcelona Process, but also earlier initiatives towards the Mediterranean (CSCM, 5+5, MFDC) characterized by a strong divergence between the Club-Med states and other coalitions [Schumacher 2005]. Although the Council has no formal power of initiative (and therefore to set the agenda), its Presidency controls several means for influencing the EU trade policy agenda.

As we described above, the work of the Council is coordinated by the COREPER Council's Presidency, which is held for a six month term on a rotating basis by each Member State. The Presidency plays a vital part in the organization of the work of the institution, and is described as "*the driving force in the legislative and political decision-making process"* [EC 2006f]. Particularly important is its task of organizing and chairing all meetings of the 250 committees and working groups consisting of delegates from the member states.

The Presidency plays also a key role in preparing winning coalitions for QMV voting issues. As Wallace notes, *"the system of the six-monthly rotating Council Presidency dates back to the fifties and sixties, when the job entailed merely chairing ministerial and official meetings, and was regarded as a chore to be shared among the member states"* [2003:25].

Even though the countries that will hold the Council's Presidency are keen to ensure coherent policy planning at least over the next twelve months,[36] their priorities for action usually reflect the particular interests and preferences of these countries. As Tallberg notes "*Presidencies tend to vary in their regional priorities. Depending on geographical and historical affinities, Presidencies prioritize alternative parts of the EU's near abroad, thus contributing to the regionalization of member state concerns in the EU*" [2003:9]. The Presidency also chairs the two shaping institutions of the EuroMed partnership, the EuroMed Conference of Ministers of Foreign Affairs and the EuroMed Committee [Philippart 2003:3]. So it is not surprising that the Euro-Mediterranean partnership was prepared and launched during the Council Presidencies of France and Spain respectively [Bicchi 2002:21].

The Presidency can also *raise awareness* of certain problems and define concerns. Here geographical interests are not necessarily the driving force: During the British Presidency in the second term of 2005 special priority was given to Euro-Mediterranean trade liberalization in agricultural issues, which the southern EU member states do not have a strong interest in promoting.[37] The reason for this was Britain's focus in implementing a deep reform of the EU Common Agricultural Policy (CAP). In the first term of 2005 the Luxembourg Presidency played a key role in achieving a compromise on the reform of the Generalised System of

[36] The member states which are to hold the Presidency in the following year must jointly present a draft annual programme (EC 2006).

[37] During the 10th Anniversary of the Barcelona Process in November 2005 trade liberalization talks in agriculture were launched.

Preferences (GSP), breaking a three month deadlock in Council that delayed the adoption of the new preferential access system[38].

Finally, when mandating the European Commission for trade negotiations, the Presidency sets the agenda by elaborating a number of priorities to be discussed and complemented by the Commission [Tallberg 2003:8]. In this sense, rotating Presidencies – and therefore rotating agenda-setting – has positive effects on the "*exploration of new mixtures of policies that might not be discovered or tried under other kinds of procedures*" [Kollmann 2003:51]. However, holding the *power of the chair* is also a difficult task for *small* and *middle-sized* member states, especially in "*ensuring effective and credible external representation of the EU during their time in the chair"* [Wallace 2003:25]. Coordinating and preparing each and every one of hundreds of meetings requires enormous resources. At the same time, the quality of EU Council's leadership will determine outcomes in trade negotiations. As Metcalfe points out, "*The key question is: What type of leadership strategy will be effective in moving the negotiation toward useful, efficient and equitable outcomes?*" [1998:426]. Especially since the EU enlargement has lead to 27 member states, rotating Presidencies may no longer be sustainable.

Lobbies

On the other hand, member states officials who participate in the trade decision-making process through the COREPER and the Art. 133 Committee are subjected to national influence and can be seen as 'lobbied lobbyists' [Spence 1993:48].

The multi-level governance system of the European Union by necessity makes lobbyists participate in a complex series of *nested games* [Tsebelis 1990], i.e. at the national, supranational (European) and international (WTO) level. Particularly in trade issues, the centralization of policy-making has increased lobbying [Persson and Tabellini 1994, Besley and Coate 2003]. As Roelfsema notes "*there are many case-study testimonies that show that lobbying these national delegates acting in Brussels is an important activity for domestic pressure groups to influence EU decision making*" [2004:2].

When bargaining with Mediterranean countries on trade liberalization, EC trade negotiators try to achieve an equitable result for all member states. As Metcalfe states, "*negotiators want to achieve an outcome which has a positive impact, is efficient in an economic sense, and results in a distribution of costs and benefits which is at least equitable"* [1998:426].

As we have established above, the main domestic policy concerns regarding the Mediterranean are protection of agricultural producers on the one side and fostering the interests of producers of manufactured goods on the other. In these policy areas, farmers in

[38] See EU press release of 23.06.05 at http://ec.europa.eu/trade/issues/global/gsp/pr230605_en.htm.

the southern member states (particularly in France and Spain) spend considerable resources to influence national policy-makers acting in Brussels.[39] At the same time, the German and British industrial federations push for deep market access of MPCs in the EU agricultural market.

But Mediterranean Partner Countries also lobby the European Institutions. In March 2006, after the EU signed a new fishery agreement with Morocco (section 3), representatives from the exiled Sahrawi government – which makes a claim for the inclusion of the waters of occupied Western Sahara into the agreement – put their case strongly to the representatives of Sweden, Denmark, Britain and Ireland, with the end result that these countries publicly expressed their doubts on the legality of the agreement.

In conclusion, the European Commission trade mandate – and its policy consequences – is the result of three factors: Member states' preferences aggregated through the European Council of Ministers and the European Union's Presidency; the Commission's policy activism (agenda setting); and sectoral interests catalyzed through lobbying at both the national and European level. Even though the lobbying efforts of both sides are concentrated on these three European institutions, they are especially focussed on the Council as the agenda setter. There is also a remarkable interplay between the rotating Council Presidency and the Commission on harmonizing policy coherence and continuity of objectives with ever-changing sectoral and short-term objectives.

6. Conclusions and Recommendations

The main arguments of this paper are that the EU trade policy towards the Mediterranean is a) volatile as there are strong divergences between the different EU Council Presidencies; and b) modest in terms of liberalizing trade as compared to other FTAs. Regarding the first argument, as we have seen, EU trade policies towards Mediterranean partner countries are in permanent conflict between foreign policy objectives (increased stability and prosperity on the EU's Southern border) and domestic policy concerns (protection of agricultural producers and fostering the interests of producers of manufactured goods).

European institutions play a key role in aggregating and shaping these conflicting interests. Contrary to statements in the EC treaty and in mainstream academic literature, the European Commission is not solely an agenda setter in the EU's trade policy making. We have seen that

[39] During the 2nd Euro-Mediterranean Conference on Agriculture in Strasbourg in September 2006, there were more than 25 representatives from France and 19 from Spain, but only 2 from Germany.

the interplay between the EU Council Presidency and the European Commission can have a positive impact on trade liberalization. However, the rotating nature of the Presidency causes a lack of coherence and continuity in European trade policy.

On the other hand, in comparison to early stages of the EMP, the EU's Mediterranean trade policy is no longer dominated by the interests and preferences of Spain, France and Italy. The UK's EU Presidency was especially important for the initiation of agricultural trade talks in the EMP. The new members of the European Union are also active players when allocating financial means to MPCs - and gaining compensation in return. However, this has also lead to a too wide scope of action due to package dealing ensuring that everybody is on board.

Regarding our second argument, EuroMed FTAs are far less ambitious than the EU's other FTAs. Our case study shows some of the big differences in both scope and depth (horizontal incoherence) between EuroMed FTAs and FTAs that the EU has signed with other regions of the world. The main differences are in the fields of agriculture, investment, services, rules of origin, SPS, trade facilitation and public procurement. But we also expect policy incoherence among the MPCs in the newly launched liberalization talks in agriculture and services: As the MPCs have different levels of agricultural inter-linkage with the EU we therefore expect different outcomes (both scope and depth).

Our recommendations for further steps on EuroMed trade encompass five key aspects:

1. Institutional Reform of the EU's Trade Policy

As the Presidency of the Council shapes the EU's trade policy and constantly shifting priorities – which should be conducted only the Commission – we conclude that a new institutional framework for trade policy making in the EU seems to be necessary. A long-term Presidency of the Council could be an alternative. One interesting proposal is building team Presidencies covering several years. However, ensuring adequate levels of coherence and coordination among the team Presidency members remains an unresolved problem (although the introduction of annual and multiannual work programmes was a first step). There is also a fear that the role of the Commission will be down-graded in any such reform.

2. Harmonization of Trade Preferences

The EuroMed Partnership is supposed to be a special, unique cooperation forum between the European Union and - as the EU states - a key strategic region. However, as our case study shows, trade liberalization benefits offered to MPCs are much lower than those offered to other regions. These preferences must therefore be upgraded and used as a benchmark for the benefits offered to other regions.

3. Ownership: Reform of EuroMed Trade Institutions

As we have seen, today the Commission is the only gatekeeper of long-term coherence in trade policy towards the Mediterranean. Creating a permanent Barcelona or EuroMed Secretariat with an internally defined agenda and autonomous management of resources would encourage participation of Mediterranean countries and would be a vehicle to enhance policy coherence and sustainability.

4. Prioritization of EuroMed Sectoral Issues

Agricultural goods should be recognized by the European Union as the most important sector of EuroMed trade relations. Therefore, there should be a stock-taking mechanism for interlinking progress on agricultural liberalization with progress in other areas (services, investment). Through this mechanism, the European agricultural lobby would have to resist strong pressures from other sectors like industry and finance when pushing for less trade liberalization.

5. Coordination and Consistency

The trade strategy of the European Union for the Mediterranean region should be coordinated not only with the WTO, but also with the trade strategies of other regional actors, especially with US free trade areas.

Supporting trade liberalization can feel like a Sisyphean task. But unlike Sisyphus, we also know that trade liberalization, which we push up the hill metaphorically, can succeed.

7. References

Treaties:

1. Euro-Mediterranean Agreement between the European Communities and their Member States, of the one part, and the Republic of Tunisia, of the other part. Official Journal of the European Communities L 097, 30/03/1998.
2. Agreement on Trade, Development and Cooperation between the European Community and its Member States, of the one part, and the Republic of South Africa, of the other part. Official Journal of the European Communities L 311/3, 4/12/1999.
3. Agreement Establishing an Association between the European Communities and their Member States, of the one part, and the Republic of Chile, of the other part. Official Journal of the European Communities L XXX, 03/10/2002.

Readings:

1. Akder, A.H. (1998). Agricultural Trade Around the Mediterranean. *Middle East Technical University*, Ankara/Turkey.
2. Aliboni, Roberto (1990): ‚The Mediterranean Dimension', in: W. Wallace (Hrsg.): *The Dynamics of European Integration*, London, S. 308-332.
3. Amirah Fernández, Haizam [Ed.]: The Euro-European Commission (1996). Coherence towards Mediterranean partnership : assessing the first decade. *Real Instituto Elcano de Estudios Internacionales y Estratégicos*. Madrid.
4. Augier, P. & Gasiorek, M. (2003). The Welfare Implications of Trade Liberalization between the Southern Mediterranean and the EU. *Applied Economics* (35, pp. 1171-1190). Routledge, Taylor & Francis.
5. Bayar, A., Xinshen, D., Yeldan, E. (2000). An Intertemporal, Multi-region General Equilibrium Model of Agricultural Trade Liberalization in the South Mediterranean NIC's, Turkey, and the European Union. *TMD Discussion Paper No. 56*. International Food Policy Research Institute, Washington, D.C.
6. Bicchi, Federica (2002). Actors and Factors in European Foreign Policy: Insights from the Mediterranean Case. *EUI Working Papers* (2002:47).
7. Bicchi, F (2006). "Our size fits all": normative power Europe and the Mediterranean. *Journal of European Public Policy* (13:2). Routledge, Taylor & Francis.
8. Büge, M. (2005). Bestimmungsgründe der Euro-Mediterranen Partnerschaft und wirtschaftliche Folgen: Ägypten. Freie Universität Berlin.
9. Bougroum, M. & Ibourk, A. (2003). The effects of job-creation schemes in Morocco. *International Labour Review*, Vol. 142 (2003), No. 3.
10. Brenton, P. & Manchin, M. (2003). Trade Policy Issues for the Euro-Med Partnership. *Center for European Policy Studies*, Working Paper Nr.7. Brussels.
11. Chaherli, N. & El-Said. M. (2000). The WTO and MENA Agriculture. *Paper presented at the Third Mediterranean Development Forum*. Cairo, Egypt.
12. Dodini, M. & Fantini, M. (2006). The EU Neighbourhood Policy: Implications for Economic Growth and Stability. *Journal of Common Market Studies*, Vol. 44, No. 3, (09/2006).
13. Escribano, G. (2000). Euro-Mediterranean and Arab Integration: Political Implications and Trade Policy Response. *Rivista Italiana di Economia Demografia e Statistica*, vol. LIV.

14. European Commission
- (2001). White Paper on European Governance: openness, participation, accountability, effectiveness and coherence. Brussels.
- (2004). Agriculture Countries: MEDA – Mediterranean Partners. Brussels.
- (2006a). EuroMed Trade Facts. DG Trade. 10.03.2006.
- (2006b). The Euro-Mediterranean Roadmap for Agriculture. Presentation of DG Agriculture and Rural Development during International Seminar in Cairo. 8-9. Febr. Egypt.
- (2006c). Services and Investment Liberalization in the Euro-Mediterranean Region.
- (2006d). Trade Statistic Sheet for EU-South Africa. DG Trade. Downloaded at 01.11.06.
- (2006e). Statement of the DG Trade on EUs bilateral trade relation with Chile. Download: http://ec.europa.eu/trade/issues/bilateral/countries/chile/index_en.htm
- (2006f). Overview of EU's Common Foreign & Security Policy (CFSP). DG Relex.
- (2006g). The Guidelines for EC Trade-Related Assistance. EuropeAid Office.

15. European Council (2006). 5th EuroMed Trade Ministerial Conference Conclusions in Marrakech, Morocco, 24 March 2006.
16. FAO (2002). The Fish Trade of North African Med-Countries: Intra-Regional Trade and import-export with the European Union. *FAO Fisheries Circular*, No. 978, Rome.
17. Francois, McQueen & Wignaraja (2005). EU-Developing Country FTA's: Overview and Analysis. Dept of Economics, University of Reading, UK.
18. Galal, A. (1997). The World Trade Organization, the European-Mediterranean Agreements and the Arab Common Markets: Complements or Substitutes? *Paper presented at the First Mediterranean Development Forum*. Marrakesh, Morocco.
19. Gándara, P. (2003). Internationale Freihandelsabkommen: eine Analyse der Verhandlungen zwischen Chile und der EU einerseits und Chile und den USA anderseits: Is Free Trade for Sale? Freie Universität Berlin.
20. Garcia-Alvarez-Coque, J-M (2002). Agricultural trade and the Barcelona Process: Is full liberalisation possible? *European Review of Agricultural Economics*, (29:3), pp. 399-422.
21. Ghoneim, A. (2003). Trade and migration, are they complements or substitutes: a review of four MENA countries. *Center for Economic and Financial Research and Studies*, Egypt.
22. Hervieu, B (2006). Agriculture: a strategic sector in the Mediterranean. Paper presented at the 2nd Euro-Mediterranean Conference on agriculture Strasbourg, 28-29 September 2006.
23. Hix, Simon (2004). The Political System of the European Union (2nd edition). Palgrave, UK.
24. Hoekman B. & Konan, D. E., (1999). Deep Integration, Non-discrimination and Euro-Mediterranean Free Trade, Washington DC: World Bank, Development Research Group.
25. Hoekman, B., Mattoo, A & English, P (2002). Development, trade and the WTO - a handbook. World Bank, Washington D.C.
26. Irving, J. (1999). South Africa and the EU conclude sweeping trade agreement. *Africa Recovery* (13: 1), United Nations, New York.
27. Junker, F. (2006). EU-Mercosur Free Trade Negotiations: What´s at Stake for Agriculture? Institute for Agricultural Policy, Market Research and Economic Sociology Department for Economic and Agricultural Policy. University of Bonn.
28. Kollman, K. (2003). The Rotating Presidency of the European Council as a Search for Good Policies. *European Union Politics*, Volume 4 (1): 51–74. SAGE, London.
29. Konan, D. & Kim, K. (2003). Beyond Border Barriers: The Liberalization of Services Trade in Tunisia and Egypt. University of Hawaii at Manoa.

30. Kuiper M. & Dell'Aquila C., (2003). Which Road to Liberalization? A first Assessment of the Euro-Mediterranean Association Agreements. *Working Paper N°2*. ENARPRI, Brussels.
31. Kuiper M. & Dell'Aquila C., (2004). Different Roads to liberalization. Scenarios for a Moroccan case study of the Euro-Mediterranean Agreements. *Working Paper N°9*. ENARPRI, Brussels.
32. Lamy, P. (2002). Stepping Stones or Stumbling Blocks? The EU's Approach Towards the Problem of Multilateralism vs. Regionalism in Trade Policy. *The World Economy* (25:10), 1399-1413.
33. Matthew, A. (2004). The EU and the Developing World. In: El Agra (ed.): The European Union: Economics and Politics. Prentice Hall, 2004.
34. McQueen, M. (2002). The EU's free-trade agreements with developing case of wishful thinking? *The World Economy* (25, 9), pp. 1369-1385.
35. Meunier, S. (2003). Trade Policy and Political Legitimacy in the European Union. *Comparative European Politics*, (67–90). Palgrave, UK.
36. Meyer, P. (2006), Trade as an integration istrument: what remains to be achieved in the Euro-Med Free Trade Area? (Lecture given on the Euro-Mediterranean Economic Transtition Conference, Brussels/Belgium, 6-7 June 2006).
37. Müller-Jentsch, D. (2003). Economic Prospects for the EuroMediterranean Partnership: Deeper Integration and Trade in Service", *paper in programme on Private Participation in Mediterranean Infrastructure*, World Bank / European Commission.
38. Naumann, E. (2006), Comparing EU free trade agreements, Rules of Origin, *InBrief No.6I,* April, European Centre for Development Policy Management, Maastricht.

39. Nicolaïdis, K. & Nicolaïdis, D. (2004). The EuroMed beyond Civilisational Paradigms. IN: Adler &Crawford (Eds.) The Convergence of Civilizations? Constructing a Mediterranean Region. Palgrave-Macmillan, 2004
40. Nougent/Youseff (2005). Does MENA Defy Gravity? How MENA has Performed in its Intra-regional, EU and Other Trade. *EUI Working Papers RCSAS No. 2005/26.*
41. OCDE (2001). The Development dimensions of trade. OECD Observer – *2nd Policy Brief*. Paris.
42. OECD (2003). Policy coherence: Vital for global development. OECD Observer – *Policy Brief*, Paris.
43. OECD (2004). Regulatory Environment for International Investment in MENA Countries, Paris.
44. OECD (2006). Trade Related Assistance – What do recent Evaluation tell us? COM/DCD/DEV, Paris
45. Panagariya, Arvind (2002): 'EU Preferential Trade and Developing Countries', *The World Economy*, 25, 1415-1432.
46. Patterson, Lee Ann (1997), Agricultural policy reform in the European Community: a three-level game analysis. *International Organization 51*, 1,Winter 1997, pp. 135-165
47. Persson, T. and G. Tabellini (1994). Does centralization increase the size of government? *European Economic Review,* (38:3), 765—773.
48. Philippart, Eric (2003) The Euro-Mediterranean Partnership: A Critical Evaluation of an Ambitious Scheme. *European Foreign Affairs Review,* Vol. 8.
49. Rabaud, I. & Montalieu, T. (2006). Trade in services: How does it work for MENA countries? Paper prepared for GO-EuroMed. LEO – University of Orléans.
50. Rudloff, B & Simons, J (2004). Comparing EU free trade agreements Sanitary and Phytosanitary. Paper Series *In Brief* (No. 6b, July 2004). European Centre for Development Policy Management (ECDPM). Maastricht.
51. Schumacher, T. (2001). Sweden and the Barcelona Process. *Mediterranean Politics*, Vol.6, No.3 (Autumn 2001), pp.81–102

52. Schumacher, T. (2004). Survival of the fittest: The first five years of the Euro-Mediterranean Economic Relations. *EUI Working Papers RSCAS,* No. 2004/13. Florence.
53. Schumacher, T. (2005). Die Europäische Union als internationaler Akteur im südlichen Mittelmeerraum. ZEI. Nomos, Baden-Baden.
54. Solana, J. (2003). A Secure Europe in a Better World, European Security Strategy, submitted to the European Council, S0138/03, Brussels, 11-12 December.
55. Spence, D. (1993). 'The role of the national civil service in European lobbying: the British case' in S. Mazey and J. Richardson (eds), Lobbying in the European Community. Oxford: Oxford University Press, pp 47-73.
56. Szepesi, S. (2004), Comparing EU free trade agreements, Dispute Settlement; *InBrief No.6G,* July, European Centre for Development Policy Management, Maastricht.
57. Tovias, A. (1977). Tariff Preferences in Mediterranean Diplomacy, London, Macmillan.
58. Tovias, A. (1997). The Euro-Mediterranean Partnership: A View from the South, EU/LDC
59. NEWS, 4, 1, (April)
60. Tsebelis, G. (2002): Veto Players: how political institutions work, Princeton NJ.
61. Velde et al (2006). A Critical Aseessment of the EU's Trade Related Assistance to Third Countries. Study for the International Trade Committee of the European Parliament. Overseas Development Institute. London.
62. Wallace, H. & Hayes-Renshaw, F. (2003). Reforming the Council: A Work in Progress.
63. Report No. 9 (6/2003). Swedish Institute for European Policy Studies.
64. Whalley, J. (2004). Assessing the benefits to developing countries of liberalisation in services trade. *The World Economy,* 27(8), pp.1223-1253.
65. WTO (2006), Regional Trade Agreements, Facts and Figures. http://www.wto.org/english/tratop_e/region_e/regfac_e.htm. Accessed at 06.07.2006.
66. Zarrouk, J. & Zallio, F. (2000), Integrating Free Trade Agreements. *Paper presented at the Third Mediterranean Development Forum*. Cairo. Egypt.