Journal of Economic Cooperation Among Islamic Countries **19**, 1-2 (1998) 171-190

IMPACT OF EURO-MEDITERRANEAN AGREEMENTS (EMAs) ON TRADE AND ECONOMIC CO-OPERATION AMONG IDB MEMBER COUNTRIES

Dr. Lamine Doghri[1]

In spite of the remarkable pursuit and potential success of multilateralism, regionalism remains an important option for the liberalisation of trade which constitutes a major policy issue facing almost all Islamic Development Bank (IDB) member countries. However, till now, trade barriers remain high in most of these countries. In this regard, the European Union (EU) has been offering to establish free trade agreements or association agreements with some IDB member countries, especially in the Mediterranean region. These agreements are expected to provide an institutional framework for enhancing the credibility of the economic and trade reforms of these countries.

While these new association agreements with the EU are being negotiated, little progress has been made among IDB Mediterranean countries in integrating their economies and liberalising their trade. Preferential trade agreements among these countries have not gone beyond the proposed free trade agreements with the EU. Actually, allowance has been made for the re-imposition of protection, through various types of non-tariff measures, and for the use of contingent protection.

The present study analyses the expected outcome of a preferential trade liberalisation agreement with the EU by summarising the recently negotiated Euro-Mediterranean Agreements (EMAs). In particular, it assesses the argument that these agreements are supporting regional economic arrangements among concerned IDB member countries. In Section 2, a survey is made of the major characteristics of EMAs, and detailed information is provided on the first EMA between the EU and Tunisia. The economic implications of EMAs, including their expected benefits and costs and their impact on trade and regional economic co-operation among IDB member countries in the region are analysed in Section 3. Finally, some concluding remarks are formulated in Section 4.

1. MAJOR CHARACTERISTICS OF EMAs

1.1. New EU Mediterranean Strategy

The IDB Mediterranean countries have traditionally close political, social, and economic relations with European countries. In 1995, a new EU Mediterranean strategy was adopted during the Barcelona Meeting. This strategy has the following three major objectives:

---

[1] IDB, Economic Policy & Strategic Planning Department.

i. Achieving political stability in the region and containing political tensions arising from immigration;
ii. Encouraging sustainable growth and reducing social disparities between the EU and Mediterranean countries; and
iii. Promoting co-operation in various areas of common interest, such as the protection of the environment.

1.2. Salient Features of EMAs

Before the introduction of EMAs, the economic relations between IDB Mediterranean member countries and the EU were governed by Co-operation Agreements dating from the 1970s. These agreements were not characterised by reciprocity because they provided only duty-free access for industrial goods, and preferential access for agricultural commodities from Mediterranean countries to EU markets. They were complemented by Financial Protocols, which determined the financial assistance to be provided by EU to each Mediterranean country over a five-year period.

The major aim of EMAs is, therefore, to introduce more reciprocity in the relations between the two parties by attaining the following basic economic objectives:

i. Creating a free-trade area between the EU and the Mediterranean countries over a period of 12-15 years;
ii. Increasing investment flows into the Mediterranean countries and providing performance-linked financial support from the EU;
iii. Encouraging the economic integration of the Mediterranean countries; and
iv. Establishing institutional mechanisms for political and economic dialogue.

However, it is to be noted that, although encouraging, the economic integration of the Mediterranean countries is considered as one of the basic objectives of EMAs, the approach adopted by the EU in negotiating this kind of agreements is different from the one used with the GCC countries where the ongoing negotiations on a free trade area concern the whole regional grouping rather than each country taken separately. This gives already an idea about the possible impact on trade and economic co-operation among IDB member countries in the region.

The first EMA was negotiated with Tunisia and signed in July 1995. An agreement with Morocco followed in February 1996 and discussions are ongoing with Egypt, Jordan and Lebanon. Algeria and Syria are also potential countries for negotiating such agreements. It seems that there will be very little differences between these various agreements. An EMA has the following six major elements which will be briefly described in the case of Tunisia:

i. Political dialogue,
ii. Free movement of goods,
iii. Right of establishment and supply of services,
iv. Payments, capital, competition and other economic provisions (e.g., safeguards),
v. Economic, social and cultural co-operation, and
vi. Financial co-operation.

1.3. EMA with Tunisia

1.3.1. Aims of the Agreement

As stated above, the EMA with Tunisia is the first agreement negotiated with the EU and signed in July 1995. It replaced the Co-operation Agreement between the two parties signed in April 1976. The major aims of EMA are highlighted in Article 1 of the Agreement. They are as follows:

> *"... provide an appropriate framework for political dialogue between the Parties, allowing the development of close relations in all areas they consider relevant to such dialogue;*
> *establish the conditions for the gradual liberalisation of trade in goods, services and capital;*
> *promote trade and the expansion of harmonious economic and social relations between the Parties, notably through dialogue and co-operation, so as to foster the development and prosperity of Tunisia and its people;*
> *encourage integration of the Maghreb countries by promoting trade and co-operation between Tunisia and other countries of the region;*
> *promote economic, social, cultural and financial co-operation."*

1.3.2. Political Dialogue

It is expected that a regular political dialogue will contribute to the prosperity, stability and security of the Mediterranean region by:

i. Developing a better understanding and regular co-ordination on international issues of common interest;

ii. Consolidating security and stability in the Mediterranean region and in the Maghreb in particular; and

iii. Developing joint initiatives[2].

As it will be stated later, this will need, *inter alia*, to support co-operation among the Maghreb countries. However, it is not mentioned explicitly that a regular political dialogue will be established at the level of the Arab Maghreb Union[3].

1.3.3. Free Movement of Goods

One major element in EMA with Tunisia is the free movement of goods. The necessary liberalisation will be achieved by Tunisia since it is already benefiting from duty-free access to EU markets for manufactured goods under the 1976 Co-operation Agreement, and additional Protocols (1982 and 1988) negotiated after the enlargement of the EU in 1981 and 1986. While quotas on industrial products and quantitative restrictions on imports are to be abolished upon the entry into force of the agreement, except as allowed by GATT rules, Tunisian tariffs will be reduced to zero over a twelve-year period.

Table 1 and Annex 5 provide details about the liberalisation commitments on industrial products by Tunisia. The manufactured products are classified in five groups, four of them are listed in annexes to the Association Agreement. Almost 60 percent of 6-digit lines of products will be subject to immediate liberalisation or a five-year transition period. These products are mainly machinery or intermediate inputs and account for around 34 percent of imports from the EU in 1994. Only products like bread, pasta and carpets listed in Annex 6 of the agreement will be exempted from tariff reductions and arrangements to be applied to such products will be examined four years after the entry into force of EMA. These products correspond only to 0.8 percent of 6-digit tariff lines and 1 percent of imports from the EU in 1994.

---

[2] Article 3 of the Agreement.

[3] While accepting other means for consolidating political dialogue, only the following levels are clearly indicated in Article 5 of the Agreement:

- Ministerial level particularly within the Association Council,
- Senior officials representing Tunisia, and those representing the Council Presidency and the Commission, and
- Diplomatic channels.

Table 1
Liberalisation Commitments on Industrial Products by Tunisia

Group of Products	Type of liberalisation	6-Digit Lines		Imports Share[1]
		Number	%	%
Not listed in an Annex	Immediate liberalisation	470	10.7	10
Annex 3	5-year transition	1810	41.2	24
Annex 4	12-year transition	1127	25.8	29
Annex 5	4-year exemption and then 8-year transition	944	21.5	36
Annex 6	Exemption	37	0.8	1
Total		4388	100	100

Note: 1. Share of imports from EU in 1994.
Source: Data from the World Bank, and Hoekman and Djankov (1996).

Table 2 gives an idea about the tariff revenue that the Tunisian Government will lose. It is evident that the losses will be important because import-weighted average tariffs at the moment of the entry into force of the agreement were very high, more than 20 percent, and imports from EU provided around 60 percent of tariff revenue. However, the tariff revenue derived from the imports of products subject to immediate liberalisation or the five-year transition period account only for around 16 percent of total tariff revenue in 1994. In other words, the impact of the liberalisation of consumer goods which have the highest average tariffs will be observed later on.

Table 2
Share of Industrial Products in Total Tariff Revenue

Group of Products	Type of Liberalisation	Weighted Average Tariff	Tariff Revenue Share[1]
Not listed in an Annex	Immediate liberalisation	21.6	3.6
Annex 3	5 year transition	26.7	12.5
Annex 4	12 year transition	30.4	9.2
Annex 5	4 year exemption and then 8 year transition	33.8	32.9
Annex 6	Exemption	n.a.	n.a.

Note: Share in total tariff revenue in 1994.
Source: Data from the World Bank, and Hoekman and Djankov (1996).

In sum, the kind of gradual liberalisation adopted aims at : (1) Better preparing domestic industries for greater competition by rapidly reducing tariffs on machinery and intermediate inputs and slowly tariffs on consumer goods, and (2) Giving more time for the Government to mobilise alternative tax bases. However, welfare losses may result from an increase of the effective rate of protection during the first phase of the implementation, while more pressures may be observed during the last phase of the implementation. Accordingly there is a high risk for using exceptional measures and safeguard actions in the future.

Exceptional measures may take the form of an increase or reintroduction of customs duties. According to Article 14, *"these measures may only concern infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce social problems"*. But these measures should fulfil the following main conditions:

- Limited duration not exceeding five years before the expiry of the transitional period;
- Increase of customs duties on products originating in the EU should not exceed 25% ad valorem;
- An element of preference for products from EU should be maintained; and
- Total value of imports of products from the EU subject to these measures should not exceed 15% of total imports from the EU.

In addition, measures can be taken on the basis of the following general safeguard provision made in Article 25 of EMA:

> *"Where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause:*
> - *serious injury to domestic producers of like or directly competitive products in the territory of one of the Contracting Parties, or*
> - *serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region."*

The objective of EMA is also to gradually liberalise trade in agricultural and fishery products. However, compared to the industrial sector, very few decisions were taken, including expansion of tariff quotas and reduction/elimination of tariffs for specific quotas. In reality, these measures will not change much existing preferential arrangements because they offer very limited improvements in access for agricultural and fishery products. Negotiations to improve these existing arrangements will be initiated after 1 January, 2000.

1.3.4. Right of Establishment and Services

Although the scope of the Agreement was widened to cover the right of establishment and the liberalisation of the provision of services, no specific recommendations were made for the time being. But the parties to the Agreements have reaffirmed their obligations under GATS, especially the obligation to grant reciprocal MFN treatment in the service sectors[4].

1.3.5. Payments, Capital, Competition and Other Economic Provisions

As far as payments are concerned, restrictions of limited duration on current transactions may be adopted in the case of serious balance of payments difficulties. These restrictions should be in accordance with the conditions of the GATT and the IMF[5].

Concerning capital, it was agreed that, from the entry into force of the Agreement, capital relating to direct investments in Tunisia can move freely and its profit can be repatriated. However, more consultations are necessary to achieve full liberalisation of capital movements between the EU and Tunisia[6].

Provisions on competition deal as usual with measures that may distort trade, including official aid aiming at favouring certain enterprises or products. In this respect, state monopolies of a commercial character should be adjusted. Other economic provisions concern the adoption of suitable and effective protection of intellectual, industrial and commercial property rights; the use by Tunisia of European technical rules and standards for industrial and agri-food products and certification procedures; and the achievement of a reciprocal and gradual liberalisation of public procurement contracts[7].

1.3.6. Economic, Social and Cultural Co-operation

The key word in EMA is partnership. The objective of economic co-operation is to support the efforts of Tunisia to achieve sustainable economic and social development. In particular, areas of activity affected by the liberalisation of trade between the EU and Tunisia will be targeted by this co-operation. In addition, co-operation should *"...foster economic integration within the Maghreb using any measures likely to further such relations within the region"*[8].

---

[4] Article 32 of the Agreement.
[5] Article 35 of the Agreement.
[6] Article 34 of the Agreement.
[7] Articles 36-41 of the Agreement.
[8] Article 43 of the Agreement.

In reality, provisions on co-operation in various areas aim mainly at integrating Tunisia into the European economy. For instance, according to Article 52 on *"Approximation of Legislation"*, co-operation will help Tunisia to bring its legislation closer to that of the EU. In addition, rules and standards in different fields such as transport, telecommunications and financial services should be those of the EU. Except in the area of scientific, technical and technological co-operation where activities aimed at establishing synergy at the regional level will be encouraged[9], no specific regional measures were defined at the sectoral and sub-sectoral levels.

Concerning co-operation in social matters, a regular social dialogue will be conducted with the objective *"...to find ways to achieve progress in the field of movement of workers and equal treatment and social integration for Tunisian and Community nationals residing legally in the territories of their host countries"*[10]. In particular, it was decided that workers should be accorded the national treatment as regards working conditions, remuneration, and social security. Priority is also given to reducing migratory pressure by creating jobs and developing training in areas from which emigrants come.

Finally, a cultural dialogue will also be conducted with special emphasis on young people, written and audio-visual means of expression and communication and protection of the heritage and the dissemination of culture.

1.3.7. Financial Co-operation

The major objectives of the financial co-operation between the EU and Tunisia are to facilitate economic reforms in Tunisia, update its economic infrastructure, promote private investment and job creation activities, and provide technical and financial assistance for facing negative effects of the progressive introduction of the free trade area on its economy, particularly on its industrial sector.

2. ECONOMIC IMPLICATIONS OF EMAs

2.1. Expected Benefits and Costs of EMAs[11]

The IDB Mediterranean member countries are considered small countries because they cannot influence their terms of trade. Accordingly, it is expected *a priori* that EMAs do not constitute for them the best option for trade reform

[9] Article 47 of the Agreement.
[10] Article 69 of the Agreement.
[11] See Hoekman and Djankov (1996), pp. 388-392.

because since a regional market is always smaller than the world market, by discriminating across potential trading partners, domestic firms and consumers will not buy goods and services from the most efficient suppliers. In other words, EMAs may imply welfare losses caused by trade diversion. In addition, it seems that in the short term, the benefits are unlikely to offset the loss by the concerned governments of tariff revenue on imports from EU. However, by signing these agreements, concerned IDB member countries are expecting that benefits are greater than costs in the long term. These benefits will consist of allocative efficiency gains and induced growth effects.

2.1.1. Benefits of EMAs

During the last decade, IDB Mediterranean member countries have undertaken economic reforms, particularly with the support of Bretton Woods institutions. However, it seems that more efforts are needed in order to reduce more significantly the intervention of the State in the economy, increase more effectively competition, and improve the transparency of the trade regime by reducing trade barriers. In other words, the challenge for these countries is to pursue far-reaching economic reforms in a politically sustainable manner. It is considered that the major benefit of EMAs with the EU is that they can help in adopting and implementing such reforms by providing an adequate institutional framework which may enhance the credibility of reform programmes undertaken by these countries. This greater credibility may lead to higher dynamic growth effects by, *inter alia*, enhancing investment and strengthening adjustment efforts. Unfortunately, it is very difficult to quantify such effects.

These benefits are reinforced by the adoption of measures aiming at harmonising regulatory regimes and administrative requirements relating, for instance, to product standards, testing and certification procedures, and common documents for customs clearance. This harmonisation along with the elimination of contingent protection such as anti-dumping measures will improve the security of market access. It is expected that the greater is the share of exports from an IDB Mediterranean member country to the EU, the greater the benefits of eliminating such non-tariff barriers. In this respect, according to Annex 1b, Mediterranean countries like Algeria, Morocco, Syria and Tunisia, with a share of exports to the EU exceeding 50% of total exports, may draw the maximum of gains associated with this harmonisation. On the contrary, no significant benefits from harmonisation may be registered by Jordan.

Finally, it is expected also that IDB Mediterranean member countries will benefit from additional transfers from the EU both financial or in the form of technical assistance. These transfers will help offset the possible losses associated with the reduction of tariff revenue and the costs of trade diversion. However, this additionality cannot be easily determined through the simple comparison between the present discounted value of the expected transfers under status quo arrangements or Co-operation Agreements and those that are expected under the new regime or Association Agreements. The reason is that taking past transfers as the basis may not be appropriate because of the generally declining trend in official aid and the emergence of the Central and Eastern European countries. In reality, it seems that there will be additionality because EU transfers outside Association Agreements will be uncertain. Under EMAs, previous financial protocols will not be renewed and EU has decided to provide a total amount estimated at ECU 4.7 billion in grants over the period 1995-99, with a similar amount of loans expected to be extended by the EIB. Individual allocations are not pre-determined and will depend on country performance.

2.1.2. Costs of EMAs

As stated above, trade diversion losses are associated with EMAs similar to any regional preferential arrangement. These losses will be important if trade barriers with non-EU countries are maintained. In reality, the possible trade diversion loss associated with these agreements are not very high because EU suppliers are very competitive in the international markets and their share in total imports of Mediterranean countries is very high. Table 3 indicates that this share varies, in 1993, between 33% for Jordan and 74% for Tunisia.

The IDB Mediterranean member countries, which were already granted duty-free access to EU markets for industrial (non-agricultural) goods under Co-operation Agreements negotiated in the 1970s, will lose the tariff revenue presently collected on imports of EU origin. This revenue loss, which implies a direct transfer from Mediterranean governments to EU exporters, is substantial for the same reason stated above, because the EU accounts for more than 50% of the total imports of these countries. Accordingly, IDB Mediterranean member countries will need to mobilise alternative tax bases in order to face these important fiscal implications of the Association Agreements.

The benefits of EMAs for many IDB Mediterranean member countries are also reduced by maintaining restrictions on imports of agricultural and fishery products. This is particularly evident for a country like Morocco where agricultural exports account, in 1994, for more than 29 percent and 23 percent of total exports and exports to EU respectively. As shown in Annex 4, failure in expanding export opportunities for agricultural products for Egypt, Syria and Tunisia, where this sector contributes more than 15 percent to GDP, will have a negative impact on their economic and trade development. In addition, no special treatment was given by the EU to IDB Mediterranean member countries as regards a more rapid elimination of textile quotas than agreed under the GATT.

Table 3
Trade with the EU and Import Duties in 1993

Percentage

Country	Share of Imports from EU1 %	Share of Import Duties[2] %	Average Collected Tariff[3]
Algeria	61.6	n.a.	n.a.
Egypt	41.6	9.1	19.7
Jordan	33.2	30.2	13.8
Lebanon	51.6	n.a.	n.a.
Morocco	56.9	17.6	19.6
Syria	39.4	11.9	23.7
Tunisia	74.0	27.8	19.3
All Countries	51.7	13.3	20.8

Notes: 1. Share of imports from EU in total Imports of the country.
2. Share of import duties in total Government revenue.
3. Average Collected Tariff = Import Duties/Total Imports.

Source: Annexes 1a and 3.

2.2. Merits of EMAs as Compared with Other Agreements

The approach followed by EMAs with respect to tariff elimination is similar to that adopted by the EU with the Central and Eastern European countries. However, in contrast to agreements with these countries, the process of liberalisation is more gradual because the IDB Mediterranean countries have a much higher level of initial tariffs, over 15 percent average protection levels as compared to 6 percent for Eastern Europe.

An Association Agreement with the EU may offer a better framework for conducting economic and trade reforms than the WTO because many policy questions are not yet addressed or not sufficiently covered by the multilateral agreement. Besides investment, services or factor market policies which are still relatively weak in the WTO agreement, trade policy itself is better covered by EMAs because the “binding of tariffs” is not voluntary and should be at zero rates. While the most that can be done under WTO is to encourage countries to bind their tariffs at applied rates. In other words, EMAs have greater credibility and may provide higher dynamic growth effects.

In addition, EMAs imply, as stated above, a harmonisation of regulatory regimes and administrative requirements, while the WTO agreement is restricted to general principles such as national treatment and most favoured nation (MFN). Unlike the WTO agreement, it does not retain the possibility of imposing contingent protection such as anti-dumping actions. This will better enhance the certainty of market access.

Finally, the chances of attaining liberalisation under EMAs may be greater than under WTO because they take into account many non-economic considerations which enhances political commitment to this kind of preferential arrangement.

2.3. Impact on Regional Economic Co-operation Arrangements

At the level of broad objectives, EMAs do not contradict existing regional economic co-operation arrangements. As stated above, one major aim of EMAs is to encourage the economic integration of Mediterranean countries. For instance, in the preamble of EMA with Tunisia, the contracting parties indicate that they are "*Conscious, on the one hand, of the importance of relations in an overall Euro-Mediterranean context and, on the other, of the objective of integration between the countries of the Maghreb"*. In this regard, they will *"encourage integration of the Maghreb countries by promoting trade and co-operation between Tunisia and other countries of the region"*.

The major motivation behind this objective is to avoid the so called "hub-and-spoke system". The negotiation of separate bilateral agreements between the EU and each of the IDB Mediterranean countries will encourage industrial firms to locate in the EU (i.e., the "hub") as this gives them free access to all Mediterranean countries (i.e., the "spokes")[12].

However, except for more liberal rules of origin which allows for cumulation of products produced in Algeria and Morocco as well as the EU and Tunisia, no other mechanism was defined in the same EMA in order to achieve the objective of encouraging integration of the Maghreb countries. It is only mentioned in Article 4 of the same Agreement that *"Political dialogue shall cover all issues of common interest to the Parties, in particular the conditions required to ensure peace, security and regional development through support for co-operation, notably within the Maghreb group of countries"*. But, as indicated above, it is not evident that a regular political dialogue will be established at the level of the Arab Maghreb Union.

In addition, it is worth noting that EMA with Tunisia has made no reference to the Maghreb agreement on free movement of goods. It has only mentioned that the gradual liberalisation over a transitional period will be

[12] Hoekman and Djankov (1996), pp. 399-400.

achieved in conformity with the General Agreement on Tariffs and Trade 1994. As a general provision in EMA with Tunisia, the maintenance or establishment of customs unions or free trade areas should not alter the agreed trade arrangements under EMA (Article 23). In other words, priority should be given by Mediterranean countries to EMAs by maintaining, *inter alia,* an element of preference for products imported from EU countries. In fact, there is an evident asymmetry in treating the European region and the Maghreb region. While EMA gives greater preference to products originating in the EU than to those in other Maghreb countries, a provision in Article 21 states that *"Products originating in Tunisia shall not enjoy more favourable treatment when imported into the Community than applied by Member States among themselves"*.

Article 25 of the EMA, however, allows Tunisia to take appropriate measures not only when the imports of a certain product may cause serious injury to domestic producers, but also, unlike the GATT Agreement, when there is a risk for serious deterioration in the economic situation of the region. In other words, this general provision gives Tunisia substantial opportunity to intervene to safeguard Maghreb interests if the political commitment to do so exists.

Unfortunately, the lack of political commitment constitutes one of the major reasons which explains why little progress has been made among IDB Mediterranean countries in integrating economies, liberalising trade, harmonising procedures or implementing mutual recognition arrangements. In practice, regional economic co-operation agreements among these countries have not gone beyond EMAs, and allowance has been made for the re-imposition of protection, for various types of non-tariff measures, and for the use of contingent protection.

Accordingly, it is expected that EMAs will be more welfare enhancing than existing regional economic co-operation arrangements because they will go significantly beyond not only regional arrangements but also the current WTO disciplines, especially in services and in the area of trade facilitation, including customs procedures, documentary requirements, product testing and certification. Moreover, less trade diversion losses are associated with EMAs since EU suppliers are more competitive than IDB Mediterranean member countries and their share in the total imports of these countries is high.

3. CONCLUDING REMARKS

EMAs do not constitute a new trend in the relations between IDB Mediterranean member countries and the EU since, before their introduction, these relations were already governed by other agreements, namely Co-operation Agreements and Financial Protocols. However, more reciprocity was introduced by EMAs, which means mainly commitment for liberalising the trade of manufactured goods on the part of Mediterranean countries.

Like any preferential agreement, an Association Agreement with the EU is expected to produce some benefits. The issue of whether EMAs will ensure a welfare gain for IDB Mediterranean member countries is an empirical one, because the final answer will clearly depend on the implementation of these agreements, the magnitude of the additional financial and other types of transfers, and the intentions of the governments involved. Similarly, the issue of whether EMAs will encourage the economic integration of Mediterranean countries is also empirical, because it will depend ultimately on the intentions and commitments of the concerned governments.

However, the chances of integrating IDB Mediterranean member countries in the European economy are greater than the chances of developing more integration among them. Although the introduction of liberal rules of origin may help create intra-industry linkages among the Maghreb countries, the economic integration among these countries will ultimately depend on their willingness to convert existing regional agreements into free trade agreements.

REFERENCES

Basic Document:

"Euro-Mediterranean Agreement Establishing an Association Between the European Communities and their Member States, on the One Hand, and the Republic of Tunisia, on the Other Hand".

Other Documents:

Chauffour, J-P., Eken, S., El-Erian, M.A. and Fennell, S., (1996). "Growth and Financial Stability in the Middle East and North Africa", *Finance & Development*, March 1996.

Hoekman, B. and Djankov, S., (1996). "The European Union's Mediterranean Free Trade Initiative", *The World Economy*, vol. 19, no. 4, July 1996.

Jbili, A. and Enders, K., (1996). “The Association Agreement Between Tunisia and the European Union”, *Finance & Development*, September 1996.

Nsouli, S.M., Bisat, A. and Kanaa, O., (1996). “The European Union's New Mediterranean Strategy”, *Finance & Development*, September 1996.

Annex 1a
Imports from EU, 1993-95

US$ Million

Country	1993		1994		1995	
	Amount	%	Amount	%	Amount	%
Algeria	5,397	61.6	5,731	59.9	6,888	64.7
Egypt	6,056	41.6	3,837	40.6	6,807	39.1
Jordan	1,175	33.2	1,085	31.8	1,227	33.2
Lebanon	2,320	51.6	2,939	54.5	3,562	55.5
Morocco	3,906	56.9	4,049	56.5	4,321	56.1
Syria	1,630	39.4	1,932	35.3	2,004	33.3
Tunisia	4,603	74.0	4,728	71.9	5,918	71.2
Total	25,096	51.7	24,301	51.7	30,727	51.1

Source : Data from IMF Direction of Trade Statistics Yearbook 1996.

Annex 1b
Exports to EU, 1993-95

US$ Million

Country	1993		1994		1995	
	Amount	%	Amount	%	Amount	%
Algeria	7,118	70.5	6,105	71.1	7,284	65.8
Egypt	2,475	48.3	1,527	44.3	2,618	49.0
Jordan	41	4.1	57	5.0	84	5.7
Lebanon	94	14.3	116	17.6	144	20.6
Morocco	2,410	63.4	2,556	64.4	2,565	63.0
Syria	1,912	60.8	1,979	55.8	1,947	57.2
Tunisia	3,022	79.3	3,724	80.2	4,539	78.5
Total	17,072	61.8	16,064	61.8	19,181	60.2

Source : Data from IMF Direction of Trade Statistics Yearbook 1996.

Annex 2
Imports from IDB Mediterranean Member Countries, 1993-95

US$ Million

Country	1993		1994		1995	
	Amount	%	Amount	%	Amount	%
Algeria	273	3.1	370	3.9	379	3.6
Egypt	65	0.4	71	0.7	100	0.6
Jordan	133	3.7	156	4.6	175	4.7
Lebanon	426	9.5	505	9.4	630	9.8
Morocco	174	2.5	186	2.6	219	2.8
Syria	177	4.3	224	4.1	250	4.1
Tunisia	206	3.3	188	2.9	246	3.0
Total	1,454	3.0	1,700	3.6	1,999	3.3

Source : Data from IMF Direction of Trade Statistics Yearbook 1996.

Annex 3
Data on Import Duties in 1992 or 1993

Millions of Local Currency

Country	Import Duties (1)	Total Government Revenue (2)	Import Duties Share % (1)/(2)	Imports (3)	Average Collected Tariff % (1)/(3)
Algeria	n.a.	n.a.	n.a.	204,533.0	n.a.
Egypt	5,428.0	59,443.0	9.1	27,553.8	19.7
Jordan	337.7	1,119.6	30.2	2,453.6	13.8
Lebanon	n.a.	n.a.	n.a.	n.a.	n.a.
Morocco[2]	12,286.0	69,907.0	17.6	62,804.0	19.6
Syria	10,999.0	92,619.0	11.9	46,468.0	23.7
Tunisia[2]	1,100.0	3,956.4	27.8	5,688.8	19.3
Total	30,150.7	227,045.0	13.3	144,968.2[3]	20.8

Notes: 1. Average Collected Tariff =Import Duties/Total Imports.
2. Data for 1992.
3. Excluding Algeria.

Sources: IMF International Financial Statistics, 1996.
IMF Government Finance Statistics Yearbook, 1995.

Annex 4
Importance of Agricultural Sector in 1994

Country	Share in GDP	Share in Employment	Share in Total Exports	Share in Exports to EU
Algeria	12.0	17.3	2.1	1.2
Egypt	19.8	39.9	5.7	4.4
Jordan	7.9	6.2	3.2	4.7
Lebanon	12.2	19.3	15.2	14.2
Morocco	21.2	43.4	29.3	23.4
Syria	21.1	22.9	5.2	2.1
Tunisia	15.4	26.2	11.3	12.1

Source: Hoekman and Djankov (1996).

Annex 5

Timetable for Abolishing Customs Duties by Tunisia (Article 11 of EMA).

1. Customs duties and charges having equivalent effect applicable on import into Tunisia of products originating in the Community other than those listed in Annexes 3 to 6 shall be abolished upon the entry into force of this Agreement.

2. Customs duties and charges having equivalent effect applicable on import into Tunisia of the products originating in the Community listed in Annex 3 shall be progressively abolished in accordance with the following timetable:

   On the date of entry into force of this agreement each duty and charges shall be reduced to 85% of the basic duty;

   One year after the date of entry into force of this Agreement each duty and charge shall be reduced to 70% of the basic duty;

   Two years after the date of entry into force of this Agreement each duty and charge shall be reduced to 55% of the basic duty;

   Three years after the date of entry into force of this Agreement each duty and charge shall be reduced to 40% of the basic duty;

Four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 25% of the basic duty;
Five years after the date of entry into force of this Agreement the remaining duties shall be abolished.

3. Customs duties and charges having equivalent effect applicable on import into Tunisia of the products originating in the Community listed in Annexes 4 and 5 shall be progressively abolished in accordance with the following timetable:

In the case of the list appearing in Annex 4:

On the date of entry into force of this Agreement each duty and charge shall be reduced to 92% of the basic duty;

One year after the date of entry into force of this Agreement each duty and charge shall be reduced to 84% of the basic duty;

Two years after the date of entry into force of this Agreement each duty and charge shall be reduced to 76% of the basic duty;

Three years after the date of entry into force of this Agreement each duty and charge shall be reduced to 68% of the basic duty;

Four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60% of the basic duty;

Five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 52% of the basic duty;

Six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 44% of the basic duty;

Seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 36% of the basic duty;

Eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 28% of the basic duty;

Nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 20% of the basic duty;

Ten years after the date of entry into force of this Agreement each duty and charge shall be reduced to 12% of the basic duty;
Eleven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 4% of the basic duty;

Twelve years after the date of entry into force of this Agreement the remaining duties shall be abolished.

In the case of the list appearing in Annex 5:

Four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 88% of the basic duty;

Five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 77% of the basic duty;

Six years of the date of entry into force of this Agreement each duty and charge shall be reduced to 66% of the basic duty;

Seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 55% of the basic duty;

Eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 44% of the basic duty;

Nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 33% of the basic duty;

Ten years after the date of entry into force of this Agreement each duty and charge shall be reduced to 22% of the basic duty;

Eleven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 11% of the basic duty;

Twelve years after the date of entry into force of this Agreement the remaining duties shall be abolished.

4. In the event of serious difficulties for a given product, the relevant timetable in accordance with paragraph 3 may be reviewed by the Association Committee by common accord on the understanding that the schedule for which the review has been requested may not be extended in respect of the product concerned beyond the maximum transitional period

of 12 years. If the Association Committee has not taken a decision within thirty days of its application to review the timetable, Tunisia suspend the timetable provisionally for a period which may not exceed one year.

5. For each product the basic duty to which the successive reductions laid down in paragraphs 2 and 3 are to be applied shall be that actually applied vis-à-vis the Community on 1 January 1995.

6. If, after 1 January 1995, any tariff reduction on an *ergo omnes* basis, the reduced duties shall replace the basic duties referred to in paragraph 5 as from the date when such reductions are applied.

7. Tunisia shall communicate its basic duties to the Community.