The Jordan-EU Association Agreement: Analysis of Process and Outcome

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ملخص

ورقة عمل حول اتفاق الشراكة بين الأردن والاتحاد الأوروبي

في ظل العولمة وانفتاح الأسواق وتوحيد المواصفات والمقاييس ، ينظر البعض إلى اتفاقية الشراكة مع الاتحاد الأوروبي على أنها جزء من التوجه العالمي نحو خلق التكتلات الاقتصادية ، وتقوم كل من الدول العربية الواقعة على الشاطئ الجنوبي للبحر المتوسط بالتفاوض على حدة مع الاتحاد الأوروبي بهدف الانضمام إلى هذه الاتفاقيات . غير أنه ، وبناء على تجارب البلدان المختلفة في عملية التفاوض وما ينتج عنها من حتميات طويلة الأمد لكل من هذه الدول تحتاج في الواقع إلى الكثير من التحسين سواء من حيث السيرورة أم النتائج .

يستنبط البحث نتائج أساسية من خلال تمحيص المفاوضات الأورو-اردنية ، والاتفاقية التي نجمت عنها وتم توقيعها في ١٩٩٧/١١/٢٤ ، والأسلوب الذي تم التحاور من خلاله ، وجوانب الاتفاقية المختلفة ، ودلالتها على الاقتصاد الأردني والمنطقة . كما يسلط الضوء على نقاط أساسية يجب التركيز عليها من قبل كل دولة تتفاوض مع الاتحاد الأوروبي في هذا المجال . ويخلص البحث إلى أن الإسراع في العالم العربي في تنفيذ برامج التصحيح الاقتصادي ، وقبل تحرير التجارة ، وتصعيد وتفعيل التنسيق العربي هى مدخلات مهمة في سبيل الحصول على نتائج أفضل من اتفاقيات الشراكة العربية الأوروبية .

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Introduction:

As the world moves increasingly towards economic integration, Jordan joins the global movement through two important measures : the signing of the EU-Jordan Association Agreement and accession into the World Trade Organization. While the latter is still under negotiation, the EU-Jordan Association Agreement was signed on November 24, 1997.

This paper provides a brief introduction into the Agreement, an analysis of the negotiation process and the subsequent outcomes of the process. It will be shown that Adam Smith's statement of "laissez faire, laissez passer" made in the Wealth of Nations (1779) still does not mean free trade. Moreover, it is emphatically not Alfred Marshall's interpretation of free trade in the Principles of Economics (1910), "that is, to let every one make whatever he chose, and take his labor and send his goods to whatever market he liked." In fact, the analysis may demonstrate results more consistent with the large country model of trade (see for example, Dixit, A. (1987), Eaton and Grossman (1986), Grossman and Richardson (1986), Helpman and Krugman (1989), and Krugman (1984), (1987), (1988).

Several lessons can be drawn from the Jordanian experience, which may be of particular relevance to other Mediterranean countries interested in similar agreements with the EU. Furthermore, the necessity of regional arrangements of free trade and negotiation coordination mechanisms among the countries of the Southern Mediterranean Region (SMR) may be necessary approach and prerequisite for global integration.

The EU and Development of the Mediterranean Policy

The Mediterranean policy of the EU was first formulated in 1994 to establish a pattern of relations with the Mediterranean countries in a "spirit of partnership", thus formally granting the EU a major role in a region where, as the largest trading partner, it already exerted significant influence in the area's socio-economic makeup(1). In 1995 at the Barcelona Conference, partnership policy was further canonized into three main objectives:

- The establishment of a common area of peace and stability through increased political dialogue and enhanced security;
- The building of an area of shared prosperity through economic and financial partnership and the gradual introduction of a free trade area by 2010; and
- Bringing different peoples together through a social, cultural and human partnership.

A mere eighteen months after the Barcelona Conference, a second Euro-Mediterranean Conference of the 27 foreign ministers of the Member States of the European Union and its Mediterranean partners was held in Valetta (Malta) on 15 and 16 April 1995 to review activities under each of the three objectives and design a future strategy for implementation of the objectives. At Malta, it was agreed that additional effort would be made to promote investment in the Mediterranean region and increase mutual understanding and cultural dialogue between the partners.

In June 1995, the Cannes European Council set financial cooperation with the Mediterranean countries at ACU 4 685 million for the period 1995-99. Of this sum, ECU 3 424 million could be granted under the MEDA program, for which a regulation was adopted on 23 July 1996 -- see Khader (1997). The fund provides assistance to countries that join the Agreement to support the execution of economic adjustment programs and to overcome the financial difficulties that may result from establishing a free trade area. Moreover, the European Investment Bank is to provide an equivalent amount in financial support in the form of loans. Other assistance may be provided through bilateral co-operation.

In bilateral terms, the Euro-Mediterranean Partnership materialized in a series of Association Agreements between the Mediterranean partners and the European Union[2]. Four of these so-called "new generation" agreements have been signed in the Mediterranean area; Tunisia on 17 July 1995, Israel on 20 November 1995, Morocco on 26 February 1996, and Jordan on November 24, 1997. Negotiations initiated with Egypt, Syria, Algeria and Lebanon in 1995 are still underway. Additionally, an Interim Agreement with the Palestine Liberation Organization on behalf of the Palestinian Authority was signed on 24 February 1997. The new generation Agreements do not have an expiration date, and are intended, among other things, to replace the Cooperation Agreements signed in the 1970's.

Aid from the EU and the 1997 Cooperation Agreement

The current Jordan-EU Association Agreement was preceded by several protocols signed over the past 20 years between Jordan and the EC, the first of which was the General Agreement for Cooperation signed on January 18, 1977. The agreement allowed for Jordanian industrial exports to enter the EU market free of customs duty and no quantitative restrictions; however the benefits to Jordan were felt largely in the technical and financial aid area: By 1995 imports from the EU represented 39.6% of total imports, exports were only 8.3% of total exports, and foreign direct investment from the EU reached a total of US$43 million. Jordan's exports to the EU market were very limited because of, among other factors, the restrictions on rules of origin and product standards imposed by the EU on industrial exports. Moreover, these restrictions exist in the Association Agreement; the trade deficit with the EU totaled US$ 1.2 billion, almost one fifth of the GDP, by 1997.

From 1977-94, four technical and financial protocols were signed, covering the period 1977-96, through which the EU extended to Jordan a total of ECU 329 in the form of grants and loans as follows :

Type of Aid	ECU millions
EIB Commercial Loans	198
EU Soft Laons	15
Grants	116
Total	329

Outside of these protocols, and in line with its new Mediterranean policy initiatives, the EU extended two loans to Jordan in 1995 to finance Telecommunications Projects I and II for ECU45 million and ECU25.2 million, respectively. In 1991, another grant of ECU150 million was given to Jordan to offset losses resulting from the Gulf War crisis. Two other EU grants for supporting the Structural Adjustment Program were provided totaling ECU80 million (ECU50 million in 1992 and ECU30 million in 1994).

The EU-Jordan Association Agreement

I. The Three Main Components of the Agreement.

The formal negotiations for a Euro-Jordanian partnership agreement was initiated in the middle of 1995. Six rounds of negotiation between the EU and Jordan have taken place, with the last round culminating in the signing of the Agreement on November 24, 1997 in Brussels.

The Agreement was expected to enter into force on January 1, 1999; however, it was not presented to the Jordanian Parliament for ratification until February 2, 1999. Moreover, the Agreement has not been ratified by several of the parliaments of EU Member States. Because of these circumstances, it will most likely enter into force on January 1, 2000.

The partnership Agreement between Jordan and the European Union consists of three major components of the Agreement are :

1. Political and Security Issues :

This section aims at establishing a number of common principles which the partners would undertake to promote jointly. The respect for fundamental freedom is recognized, and the rule of law is established as a basis for all relations. Moreover, relations between states are to be guided by certain principles acceptable to all.

The initiative involves a dialogue that leads to the adoption of common principles by the partners, emphasizing the achievement or movement toward peace, security, democracy, human rights, and regional development as the engine for change. In this respect, a comprehensive agreement was reached between the EU and Jordan[(3)].

2. Economic and financial Partnership :

This component aims at establishing a Euro-Jordanian Trade Area, to be established in progressive steps by the year 2010. The fields of economic development, resources and infrastructure are also to be included with particular importance attached to regional integration. The free agrement is based on the provisions of the Agreement as well as the General Agreement to Tariffs and Trade (GATT) and the General Agreement to Services (GATS).

The partnership covers: trade in agriculture and industrial products, right of establishment and services, payments and capital movements, competition, intellectual property rights, financial co-operation, economic cooperation in the fields of industry, agriculture and investment, standards and measurements, transportation, telecommunications and energy, science and technology, environment and tourism, statistics, and the fight against illegal drugs.

This is probably the most important component of the Association Agreement because it covers the issue of trade. Jordan's trade deficit with the EU in 1997 was US 1.2 million, almost one-fifth of its GDP. Therefore, based on trade alone the Agreement is indefensible, particularly in the short run where budget revenues arising from customs proceeds will decrease. However, welfare gains are dependent upon the level of restructuring that is achieved in the economy.

3. Partnership in Social and Human Affairs :
This partnership aims at encouraging exchanges among civil societies. In the context of decentralized co-operation, the emphasis is placed on education, training, young people,. culture and the media, migrant population groups and health. Greater co-operation in the field of home affairs and justice is also envisaged, with action in particular against drug trafficking, terrorism, and international crime. There is comprehensive agreement between the EU and Jordan in this regard.

II. Pertinent Features of the Agreement:

1) Free Movement of Industrial Products :
The partnership agreement aims at establishing free trade in industrial goods between Jordan and the EU, as follows:

One) Imports into the Community of products originating in Jordan shall be allowed free of customs duties and of any other charges having equivalent effect from the date of the entry into force of this agreement.

Two) Imports into Jordan of products originating in the Community shall be allowed free of customs duties and of any other charges having equivalent effect. This is to be achieved over a transitional period lasting 12 years starting from the date of entry into force of the Agreement, except for a list of specific products.

2) Cumulative Rules of Origin:

It is worthwhile to note that the EU has agreed to provide Jordan and the countries of the Mediterranean the right to diagonal cumulation if these countries have initiated negotiations (bilateral or otherwise) among themselves to set up free trade areas. This stipulation has no mention in the Association Agreement and the EU has offered only bilateral cumulation between Jordan and the EU Member Countries.

Imports of industrial goods from the EU are divided into five lists:

1. A negative list of some industrial goods originating in the EU and imported into Jordan: the Agreement exempts these products from custom duties liberalization:
   One) cigarettes
   Two) used cars
   Three) tomato paste
   Four) used clothes
   Five) furniture, shoes, and carpets (partial exclusion)
2. The list of industrial good originating in the EU and imported into Jordan (492 capital goods).
3. The list of the industrial goods originating in the EU and imported into Jordan with applicable duty of 5% to 10%. Customs duties and charges having equivalent effect shall be progressively abolished with a rate of 20% annually, starting from the first year of the entry into force of this agreement. The list includes : basic consumers commodities, medical equipment, industrial raw material, spare parts for industrial machinery, industrial inputs, industrial mechanical materials, pharmaceuticals, and fertilizers.

4. The list of the industrial goods originating in the EU and imported into Jordan with applicable duty of 20%, 30%, or 40%. Customs duties and charges having equivalent effect shall be progressively abolished with a rate of 12.5% annually, starting from the fifth year to the entry into force of this agreement. The list includes industrial goods that are produced locally and need a transitional period for adaptation.

The Agreement gives the right to Jordan to take exceptional measures of limited duration in the form of an increase or reintroduction of customs duties to protect infant industries or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce major social problems. These measures may not exceed 25% ad valorem and the total yearly average value of imports of the products, which are subject to these measures, may not exceed 20% of the total yearly average value of imports of this industrial product. No such measures may be introduced in respect of a product if more than four years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having equivalent affect concerning that product. Moreover, the Agreement provides Jordan an additional period of three years after the stated transitional period, by which Jordan is allowed to take the exceptional measures concerning the industries established during the transitional period.

It is worthwhile to note that the reduction of customs duties and charges with equivalent effect on imports into Jordan of products originating in EU, will result on the reduction of the prices of these products in the Jordanian market, and therefore will increase real incomes of local citizens. This will redistribute the real wealth of the nation, from the state to the citizens., which can not be considered as a loss of national economy. Notwithstanding, the need, for new measures to compensate some of the losses of the state treasury revenues resulting from the customs reduction is in order. Some possible resources to compensate these losses are :

1- EU financial assistance;
2- Imposing excise taxes on imports of some specific products; and

3- Eliminating all or some of the exemptions included in the sales tax law.

The last two measures would decrease or even nullify the welfare of the customs reduction. Hence, the first option is the least painful compensatory measure.

3) Free Movement of Agriculture Products :
The Jordanian negotiators requested that the EU reduce the customs duties on agricultural products originating in Jordan and imported into the Community to zero and to increase their quantities and entry periods. This measure aims at increasing the exports of Jordanian agricultural products to the Community's market.

The Agreement allows the following agricultural products :

1- Free of customs duties and with neither tariff quotas nor time restrictions: molochia, okra, certain types of pepper, dates, dried vegetables, citrus juices, crushed red pepper, grapefruit, and orange (orange is imposed to an entry tax).
2- Free of customs duties and with no tariff quotas but within an agreed timetable: tomato, garlic, cucumber, beans, aubergines, sweet pepper, parsley, courgettes, fennel, melon, watermelon, and celery.
3- Free of customs duties but with agreed tariff quotas and timetables: new potatoes, cut flowers, lettuce, asparagus, processed fruit and vegetables, tomato concentrates, and strawberry.
4- Within agreed tariff quotas and timetables, and with reduced customs duties : carrots, onions, figs, mango, guava, mandarins, and lemon.
5- The EU agreed on entering white cheese originated in Jordan to the EU market.

The agreement does not provide any concession by Jordan to EU agricultural commodities.

4. Intellectual Property Rights and Industry and Trade :

With reference to the Intellectual Property Rights (IPRs), Jordan was granted different grace periods to review, rewrite and enforce internationally acceptable IPR laws as embodied in the respective international conventions covering property rights. The EU Agreement requires of Jordan to enter into the following agreements :

Agreements having a five-year grace period :
Berne Convention (Paris Convention 1971) for the protection of literary and artistic works.
Rome Convention (1961) for the protection of performers, producers of phonograms and broadcasting organizations.

Nice Agreement (Geneva Act 1977 and amended in 1979) concerning the international classification of goods and services for the purposes of the registration of marks.

Madrid Agreement (1967 amended in 1979) concerning the international registration of marks and the protocol relating to the Madrid Agreement (1989) concerning the essentials measures for registration of marks.

Budapest Treaty (1977 amended 1980) on the International Recognition of the Deposit of Microorganism for the Purposes of Patent Procedures.

Geneva Convention (1991) for the Protection of New Kinds of Plants.

Agreements having a seven-year grace period :
The Patent Cooperation Treaty (Washington 1970, amended in 1979, 1984) which is a cooperation agreement and has to be ratified seven years from the date of entry into force of the agreement.

In the pharmaceutical and chemical sectors, Jordan has undertaken to provide for adequate and effective protection of patents for these products in line with WTO agreement on TRIPs (Trade Related aspects of Intellectual Property Rights) within three years from the date of entry into force of the Agreement.

5. Payments and Capital Movements and Government Monopolies:

Upon entry into force of the Agreement :

- There will be no restriction on the movement of capital from one side to the other, without prejudice to each party's obligations under the agreement with the International Monetary Fund.
- There will be no restriction on the movement and the transfer of capital and the ensuing profits from one side to the other for purposes of direct investment.
- When necessary, and where the movements between the two sides cause or threaten to cause serious difficulties for the operation of exchange rate policy or monetary policy in the EU and Jordan, the two parties may take and apply restrictive measures to capital movements for a period not exceeding six months when such measures are strictly necessary.
- Where either party faces, or risks facing serious difficulties concerning balance of payments, Jordan and the EU may, in conformity with the GATS and the International Monetary Fund agreements, take measures that are strictly necessary to address the situation, provided that this party inform the other immediately of such measures and provide as soon as possible a timetable for removing them.
- Jordan and the EU have also pledged a phased liberalization of government monopolies.

Improving the Outcomes :

The negotiations between Jordan and the EU were held for two years and spanned six rounds of negotiations. Fundamentally, the negotiation process lacked several elements, the inclusion of which would have made the outcome of the agreement more optimal as far as the SMR countries, including Jordan, were concerned.

The Staffing: to monitor the process, the EU set up a Euro-Mediterranean Committee for the Barcelona Process consisting of officials from the Troika and from the twelve Mediterranean partners. The staff at the EC consisted mainly of permanent hires with significantly more experience than that of each of the SMR countries. The EC staff substantive accumulated hands-on experience through negotiating separate Agreements with the different partners.

On the other hand, in some of the SMR countries a technical unit to support the negotiations was created to handle the issues related to the negotiation process. Unfortunately, some of these units were judged within their bureaucracy by whether they have completed the negotiations successfully or not, which created a case of moral hazard. Thus, the technical support team of the partner countries saw the act of signing the Agreement as the ultimate goal of their existence, which from a managerial perspective may have biased the support team into accepting negotiation outcomes more readily than if they had not been rated by the conclusion of negotiations rather than some other merit based measures(4).

The "carrots" : The fund and the possibility of an EIB loan were probably the most important elements of the new partnership. The lure of the prize was used to tempt parties to speed the conclusion of negotiations in a zero-sum game among the countries of the SMR. The nations, each with specific needs and aspirations and painful structural reforms, became indirect competitors for the carrots -- as Oscar Wilde put is so succinctly, "I can resist anything except temptation(5)."

Whether by chance or design, the fact that a lump sum amount was allocated for all the SMR countries without specificity in allocation contributed to a lack of coordination among a few of these countries. Virtually all the countries became competitors for the prize. Early cooperation attempts fell prey to national interests and priorities, and it was only later that a coordination mechanism spearheaded by Egypt came into play and championed the establishment of a free trade area among the Arab Countries of the Mediterranean area.

As a result of the non-specificity of the allocation, many countries, hoping to garner the most funds, were pressured internally to speed up the process; albeit institutional factors in many occasions limited the ability of many of these countries to create a "problem of the commons" as some moved slower than others because of their inherent bureaucratic obstacles.

One for all and all or none: The EU negotiated separately with each partner country while concomitantly with its member states. However, each of the SMR countries had little to no coordination with the other partner countries. Therefore, while the EU had some resourse, which is extremely important for negotiating better outcomes, the Mediterranean countries did not. Furthermore, the EU could always come back to the negotiation table after having gained some concession from a partner country with the excuse that one of the member states did not approve of the concession and therefore was able to reopen negotiations after having ascertained the agenda of the partner country. The partner country could not come back as easily on a negotiated outcome. One example of this occurred during the negotiations regarding the topic of tomato paste when Italy, which was initially against permitting a certain quota of Jordanian tomato paste into the EU, finally agreed to allow this quantity, only to have Spain immediately reject this quantity that it had already agreed to in the past.

Identical deals and the MFN clause : All of the signed SMR country Agreements were to be identical. A most-favored-nation clause, which appeared in the first pages of the early drafts of the Agreement with Jordan, promised that a benefit gained by one country would be extended to all partner countries. However, this clause mysteriously disappeared in subsequent drafts and became an unwritten implied understanding--- possibly not binding also, since the negotiated Agreements are not identical and the gain of countries differ among the SMRs.

Furthermore, Agreements in the negotiation stage are different from those already signed. A good example of this scenario is no-drawback conditionally. Jordan, according to the Agreement, has to cease granting drawback four years from the date of entry into force of the Agreement. Morocco and Tunisia, upon the date of entry into force of their respective agreements have to cease drawback privileges. On the other hand, Egypt, Syria, and Lebanon are negotiating for a longer drawback period than the one received by Jordan and have already requested that the difference between the partner country duty and that of the EU on the same good be drawn back beyond the agreed grace period in order to avoid any reverse discrimination of their industries.

Another example of unequal treatment is in the rules of origin principle whereby the countries of the Maghreb are allowed diagonal and full cumulation with the EU. Therefore, as far as the Maghreb is concerned, the EU is entitled to cumulate with all of its members while the member countries are only allowed cumulation with the EU which further weakens the competitive positions of these countries.

Indeed cumulation would help establish industrial backward and forward linkages, enhance the potential for intra-regional trade, and possibly offset the "hub abd spokes nature of the EU web of agreements[6]." Furthermore, having no regional cumulation would weaken the possibility of a greater Arab-Arab economic integration that was hoped to stem from the Association Agreements[7].

Finally, the agricultural calendars provided to each country are not identical. The EU would block any attempt to grant a small producer additional duty free quantities because it would claim that such privileges would have to be extended to other countries in the SMR area which may be large producers of the item. Agriculture is highly protected.

Preferential or free trade agreements: The Agreements with the Southern Mediterranean countries as Jagdish Bhagwati, recently noted in the Economist, are borderline preferential trade agreements, not free trade agreements. The inclusion of agriculture in the Uruguay Round has an important effect on the operation of Customs Unions and Free Trade Areas. Previously, it has been possible for countries groups to create free trade zones but effectively to exclude agriculture. Now that agriculture is part of the WTO, this may no longer be acceptable. Article 24, paragraph 8 of the GATT requires that Free trade Areas should cover "substantially all the trade between the constituent territories". Excluding agricultural products from free trade can scarcely be interpreted as consistent with this requirement[8]. Therefore, it is likely that, under its many "free trade" agreements, the EU will come under pressure to set a timetable by which the removal of barriers to trade in agricultural products should be achieved. Its partners, including Jordan may be requested to conduct similar exercises[9].

From unilateral to bilateral free trade : The Jordanian-European Association agreement is expected to open up bilateral cooperation and enable Jordan to reach the markets of European union, which is vastly different from the unilateral free trade Cooperation Agreement of 1977. As a consequence of the gradual abolishing of customs duties under the new Agreement, the volume of trade with the EU is expected to increase[(10)].

As for the industrial imports from the EU which were JD 942 million in 1997, the gradual reduction of customs duties and of any other charge having equivalent effect will lead to a dramatic reduction in domestic revenues from customs, especially in cases where no compensating measures are taken, and a reduction of the protection provided to the national industries which would start 5 years after the date of the entry into force of the agreement. The European Union extended a ECU 100 million grant in 1996 to support part of Jordan's Structural Adjustment Program. The support aimed at ensuring the success of the ambitious economic reform program launched by Jordan for 1996-1998.

On the other hand, Jordan should make more efforts to increase its exports to the EU, which means that the structural reform program should be expedited in order to ensure that the competitiveness of the economy is increased before free trade commences. Free trade, one must remember is not an end by itself but should be part of a whole national effort to improve the competitiveness of the nation[(11)].

Technical cooperation : The EU is the most important economic, financial and trading partner of the South Mediterranean Region (SMR) countries, accounting for more than 50% of the region's external trade (57.8 percent of the exports and 53.1 percent of imports) --- in the Maghreb countries 60% of external trade in 1995 was with the EU (chauffor and Stemitsioltis, 1998). Furthermore, most industrial exports of the SMR countries already receive preferential customs treatment through the Generalized System of Preferences and the existing bilateral agreements. Therefore, SMR countries gain little from the EU agreements in the short run since most of their industrial exports already enter the EU with few or no restrictions, whereas they will have to dismantle the protection on their industrial goods imports from the EU, which are somewhat protected at present.

Unfortunately, the EU lacks the will to promote scientific and technical cooperation to assist Jordan and the other SMR countries, with the exception of Israel; this type of cooperation is mentioned in loose terms in the Agreement with Jordan[12]. Cooperation in this area would have contributed significantly to the value added of the R&D effort in Jordan, helped increase the level of value added in Jordanian goods and services and made implementation of intellectual property rights a worthwhile issue to domestic industry[13].

On the other hand, the Agreement includes a joint declaration which states that technical and financial assistance will be provided by the EU to Jordanian industries to overcome the negative effects resulting from the implementation of the agreement, and to improve their export capacity. Jordan requested financial and technical support from the EU to improve the capacity of industries that have the potential to export and compete in the EU markets. However, bureaucratic bottlenecks at the EC in Brussels may dwarf cooperation attempts and render them useless unless special care is taken to expedite implement and some regional decentralization is undertaken by the EC- more control, (or liberty) be given to EC missions in the different SMR countries.

Competition policy : Again the technical assistance has not been forthcoming. The Agreement requires the adoption and application of the basic EU competition rules, a progressive elimination of non-tariff barriers, and harmonization of safeguard and antidumping provisions. GATT consistent, rules with respect to the countervailing of subsidies apply during the transition period. Furthermore, WTO-consistent antidumping legislation has been introduced. However, technical help is needed in training judges, lawyers and antitrust administrators in the area of antitrust legislation before the proposed antitrust law, which is EU consistent and stipulated in the Agreement, is implemented.

Conclusion:

Clearly, the negotiation process between Jordan and the EU leaves a lot to be desired. The EU as the world's largest trading block negotiated separately with the much smaller countries of the South Mediterranean and in the process was able to muster concessions while protecting its traditional markets--such as agriculture. Meanwhile, the Jordanian economy suffers from a recession; one year after the start of negotiations the growth rate of the GDP fell to 0.8% in the 1996, increased slightly to 1.3% in 1997 and is estimated to have risen to 2.2% in 1998. These figures are a far cry from the growth rates of 1992-95, the three years preceding the negotiation process.

Furthermore, Jordan still needs to lower the external debt to GDP ratio (87%) and continue the structural reform drive in spite of what early studies such as Nsouli et al (1996) have shown(14). Thereupon, not only did the conditions which were in place at the start of negotiations worsen, the outcome of the negotiation process is in need of improvement.

In order to achieve the announced goals of the Barcelona Conference, the EU must grant Jordan the conditions and assistance necessary to create a more fair bilateral terms of trade and help develop trade among the countries of the Southern Mediterranean region SMR. Furthermore, aid must be increased with a focus on sustaining the structural reform process and reducing the budget deficit that will arise from the lowering of tariffs and the possible expansion of the already large trade deficit with the EU.

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Foot Notes:

1. The European Union's Mediterranean are: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey and Palestinian National Authority. Cyprus and Malta, which had already been linked to the Union by Association Agreement since 1973 and 1971, respectively, are candidates for membership. Turkey entered into a customs union with the European Union in January 1996. (Euro-Mediterranean Partnership, European Commission, March 1997).

2. In addition, the European Union has a plethora of different types of free-trade agreements with many countries. It has a free trade agreement with the European Economic Area which includes Iceland, Liechtenstein and Norway; a customs union with Turkey, Cyprus, Malta, Andorra and San Marino; free trade agreements including free trade areas which have been concluded with Switzerland and six countries of Central and Eastern Europe (Poland, Czech and Slovak Republics, Hungary, Romania and Bulgaria) and have been signed by the three Baltic States and Slovenia; the new generation Mediterranean agreements such as the agreements signed with Tunisia, Israel, Morocco, Jordan

and those still under negotiation with Egypt, Lebanon and Syria, and a similar arrangement is under negotiation with the Gulf Co-operation Council (with Bahrain, Kuwait, Oman, UAE and Saudi Arabia); a free trade is under negotiation with South Africa, and commercial co-operation (and other objectives) is being discussed with Mexico. Also, talks are going on with Russia, Ukraine, Belarus, and Moldavia which include possible future free trade areas, and there is a co-operation agreement with Albania and a framework agreement with MERCOSUR (Brazil, Argentina, Paraguay and Uruguay.).

3. The inability to achieve regional security, due mainly to the unresolved political Arab-Israeli conflict, hinders the potential for regional economic integration or cooperation initiatives. In fact, it is difficult to foresee the resolution of this conflict in the near future and chances for the establishment of Euro-Mediterranean partnership by the 2010 are most likely unattainable. (see Abu-Dalbuh, 1998).

4. During a coordination meeting a prominent member of a technical support team, who is also a high ranking official, responded to the suggestion of slowing down the negotiation process responded that he was accountable at the end of the day for concluding this agreement and that he needed to complete the negotiations to go on with his career.

5. As quoted in Thinking Strategically, Avinash K. Dixit and Barry J Nalebuff, 1991.

6. For a brief yet thorough treatment of this issue see "Trade, Globalization and Regional Integration", Economic Trends in the MENA Region, Economic Research Forum for the Arab Countries Iran and Turkey, 1998.

7. This closer Arab-Arab economic integration was touted by many in Jordan during the negotiations process as one of the positive outcomes of the Agreement.

8. See "Toward a Common Agricultural and Rural Policy for Europe", Report of an Expert Group, DGVI-Buckwell Report.

9. Already Jordan may have to undertake commitment under EU agreements that are consistent with those agreed under the Uruguay Round, including the requirement to convert all non-tariff measures into customs duties.

10. In Jordan, tariff reforms have reduced the number of rates 5(5%, 10%, 20%, 30%, and 40%), but multiple rates on luxury goods as well as several surcharges, special taxes, and fees still apply. Although the maximum tariff rate is set at 40 percent in effect duties range from 0 to 320 percent. Exemptions are widely applied, including generous incentives granted under the investment Promotion Law and other exemptions. (Abed 1998).

11. See for example, Porter (1990), where it is suggested that other changes must take place simultaneously.

12. European Union foreign ministers have agreed to continue Israel's access to the bloc's multibillion dollar research programme, which means that Israel will become a full member of the EU's fifth framework research programme. The fifth framework runs from 1998 to 2000 at a US$ 16.5 billion budget. (Jordan Times, 9/3/1999).

13. See for example the excellent recommendations on technical cooperation policies and suggestions in the ESCWA (1995) report.

14. The Nsouli study showed that Jordan has maintained a fairly liberal regulatory framework, low average effective tariff rates, cost-effective measures to protect the most vulnerable groups, and made significant progress in decontrolling and almost totally liberalizing the price system.