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The Euro-Mediterranean Trade relations

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Abstract : In fact The EU is the most important trading partner for the Mediterranean countries accounting for about 45% of both MED exports (€40 billion) and imports (€42 billion) in 2004. This corresponds to approximately 5% of both the EU's imports and exports, where The most important EU exports to the Mediterranean countries are in machinery and mechanical appliances (15%), electrical machinery (11%) and vehicles (8%), while EU imports from Med countries are dominated by fuels and oil (40%) and to a lesser extent by textiles (10%).

1. Introduction

EU trade with the Mediterranean countries has increased substantially since 1995. MED exports to the EU have doubled between 1995 and 2004, while MED imports from the EU have increased slightly less, at about 60%, as a result The Mediterranean region has a trade deficit with the EU in goods ⁽¹⁾, while the Mediterranean region has a surplus in trade in services with the EU amounting to more than €3 billion in 2004.

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(1) However the relative size of this trade deficit with the EU has decreased from 20% in 1995 to less than 10% in 2004

The services sector is key to the MED countries' economies. Services account for about 50% of GDP in Egypt, Morocco and Syria and around 70% of GDP in Jordan and Lebanon,⁽²⁾ with Tunisia in-between at 60%.⁽³⁾ These gains are at least of the same magnitude as those derived from goods liberalization, in some case exceeding them significantly.

2.EU-med Partnership agreements and its effect on the EU-Med trade

The Barcelona Process was based to a large extent on tariff dismantlement. From 1992 to 2003, the average customs duty in industry has fallen throughout the Mediterranean countries by about 11 points⁽⁴⁾ with maximum tariffs going from 38% in Turkey to 160% in Egypt. Morocco, Tunisia, Egypt, Algeria and Jordan are considered to have the highest rates of custom duties, beside the use of non-tariff barriers⁽⁵⁾,

which despite their importance are also considered protectionist tools. At the start of the process, levels of customs in the region varied from 8% in Israel to 64% in Morocco,

(2) It is less important in Algeria whose economy is dominated by the energy sector this was a result of the liberalization of trade in services that generated substantial welfare gains.
(3) OCDE study ("The development dimensions of trade" - Paris 2001)

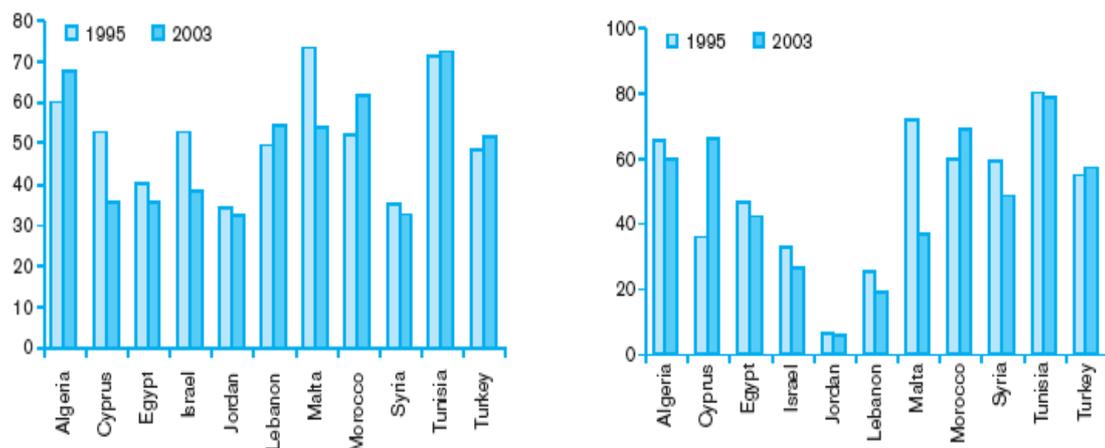
(4) However, Mediterranean countries still have the highest tariff protection.

(5) Such as technical norms and regulations concerning hygiene, food and environmental safety

The trade situation between the Med. Countries and the EU is highly asymmetric as the EU contributes about 50% to the Med. Countries foreign trade while the med countries contribute only 6% to the EU foreign trade. (6)

In 1993, the MPs accounted for 5.7% of total European imports, 4.9% in 1995, to finally reach 5.9% in 2003. Oil products excluded, the Med. countries market shares are even smaller.

Chart 1 : Share of EU 25 in total imports & Exports (resp.) of Mediterranean Partners



*Source: UNCTAD, Handbook of Statistics on line, <http://www.unctad.org>. Data in millions of dollars.

(6) During the last 10 years, the MPs' share in the European markets did not evolve notably.

The EU economic exchange with Egypt:

Following the entry into force in 2004 of the EU-Egypt Association Agreement, the EU has granted a complete dismantling of customs duties and quotas for Egyptian industrial products and a list of agricultural products exported to the EU. On the other hand Egypt is implementing a gradual abolition of customs duties for European industrial products and some agricultural products over an implementation period of 12 years.

EU-Egypt bilateral trade has been steadily increasing: €11, 5 billion in 2004 and €13, 3 in 2005⁽¹¹⁾ with an upward trend for both Egyptian exports to the EU which have increased by 20, 7 % in 2005 and EU exports to Egypt which increased by 12.3%.

The EU economic exchange with Palestine

Palestinian foreign trade is presently heavily concentrated on Israel, with about 90 % of imports coming from Israel, and about 80 % of exports going to Israel. The most important other trading partners are Egypt, Jordan, the Gulf States and the Netherlands. Despite the conclusion of trade and co-operation agreements between the Palestinians and Jordan, Egypt, Saudi Arabia, as well as the European Union, the United States and others which all provide for preferential access for Palestinian exports, there has been almost no geographical diversification of trade.

The EU economic exchange with Turkey

The EU and Turkey are linked by a Customs Union agreement (7), pursuant to the 1963 EU-Turkey Association Agreement, which aims at promoting trade and economic relations. The Customs Union is ambitious but does not cover essential economic areas, such as agriculture, to which bilateral trade concessions apply, services or public procurement. (8)

The EU and Turkey enjoy a deep trade relationship. Indeed, the EU ranks by far as number one in both Turkey's imports and exports while Turkey ranks 7th in the EU's top import and 6th in export markets.

Main Turkish exports markets

in 2003 were the EU (58.1%), USA (8.2%), Russia (2.3%), Israel (2.2%), Romania (1.5%) and Saudi Arabia (1.4%). Textiles dominate EU imports from Turkey, accounting for about 40% of the total. Other important imports are transport material (16.3%), agricultural products (8.9%) and office machinery and telecommunications equipment (5.8%).

Imports into Turkey came from the following key markets: the EU (52.4%), Russia (7.5%), USA (4.6%), Switzerland (3.9%), China (3.5%), Japan (2.4%) (%). Main EU exports to Turkey are machinery (28.3%), chemical products (16.4%), and transport material (19.1%).

(7) Came in force on 31 December 1995

(8) Turkey has been a candidate country since 1999.

The EU economic exchange with Syria

Syria is the only Mediterranean country with which an Association Agreement is not yet in force. ⁽⁹⁾ The EU is Syria's biggest trading partner, accounting for over 40% of its trade in 2003 and 2004. 85% of EU imports from Syria were energy, making the country the EU's 9th largest source of energy imports. With a total trade with the EU of €5 billion in 2004. ⁽¹⁰⁾

In 2004 the EU imports from Syria notably energy (85%). The remaining 14% consist mainly of textiles and agricultural imports. EU exports to Syria are principally composed of machinery and transport equipment (38%) mineral fuels (16%) and chemical products (13%).

Main importers are Italy 17.3%, Germany 12.8%, France 11.5 %, Spain 5.9% and Greece 3.7%. The principal EU exports to Syria are: metal and metal products, machines and equipments, electric appliances, transports equipments and chemical products. The principal EU imports are: crude oil (the EU buys 62% of all Syrian oil products) and cotton. The main competitors on the Syrian market are South Korea, Ukraine, Turkey and Japan. The imports and exports have increased between EU and Syria during the period from 1980 to 2004.

⁽⁹⁾ It was initialed in October 2004.

⁽¹⁰⁾ Syria ranks as the EU's 48th trading partner.

The EU economic exchange with Jordan

The EU is Jordan's main partner in terms of total trade, before Saudi Arabia and the U.S. With a total trade with the EU which amounted to €1.64 billion in 2004. ⁽¹¹⁾

The EU is Jordan's main source of imports. EU imports to Jordan accounts in 2004 for €1.5 billion, with Jordan's imports from the world amounting to €6.4 billion. Jordan's trade relations with the EU feature a structural trade deficit with imports almost twice as high as exports. The trade deficit is partially compensated by a surplus in services, mainly remittances and tourism. In 2004, Jordan's share in EU trade is 0.03% for imports and 0.2% for exports. Its volume of exchanges with the EU represents 17.1% of its trade with the world.

Jordan's imports from the EU consist mainly of machinery, transport equipment, chemical and agricultural products. The EU is Jordan's seventh export market. Jordanian exports concentrate on the following products: minerals 25%, chemicals 50%, and oils 12%.

The Agro Food sector is still important to the Jordanian economy, despite a constant decline accentuated since the 1990s (-9.4% in 1990-2004). Its contribution to the country's GDP in 2004 is 2.1%. Trade liberalization in agriculture is well-advanced: 73% of Jordanian agricultural exports to the EU are liberalized; the next step envisages the liberalization of 99.4% of its agricultural exports to the EU.

(11) Jordan ranked as the 65th EU trading partner and it was the EU 104th export partner.

Pharmaceuticals are seen as one of the most competitive sectors, with prospects for growth from outsourcing by EU companies.

Services account for 73% of Jordanian GDP in 2005. Jordan commercial services balance with the world has been positive until 2000. Jordanian leading export services sectors are travel (55%) and transportation (22%).

Services sectors reforms in Jordan are well advanced and generally in line with international best practices and principles of the Single Market. (12)

The EU economic exchange with Morocco

EU-Morocco trade is rapidly assuming new dimensions. Between 1993 and 2003, trade volumes grew by over 80%, with EU imports from Morocco nearly doubling. (13) With a total trade with the EU of €15.7 billion in 2004. (14)

The EU is Morocco's first trading partner. In 2004, 65% of Morocco's imports (€9.6 billion) come from the EU, while 70% of Moroccan exports (€6 billion) go to the EU. Morocco's trade deficit with the EU accounts for €3.6 billion.

Morocco's economy is still relatively dependant on trade in textiles and agricultural products,

which together accounted for 62% of EU imports from Morocco, in 2004.

The sectoral breakdown of principal EU imports from Morocco, in 2004, is the following: textiles and clothing (41%), agricultural products (20%), machinery (10%), chemical products (4.9%), energy (1.7%) and transport materials (1.3%). Major EU exports to Morocco are: machinery (31%), textiles and clothing (21%), transport materials (9%), chemical products (8%), and agricultural products (10%).

(12) Jordan has made substantial commitments under GATS by binding 11 sectors.

(13) U exports to Morocco also increased significantly.

(14) Morocco ranked as the EU's 28th trading partner.

In 2004, services accounted for 53.5% of Moroccan GDP, with an average annual growth in the sector of 3.4%.

The total trade in services between the EU and Morocco has increased significantly since the mid-1990s. The EU has had a negative balance vis-à-vis Morocco since 1991.

In 2003, EU service imports from Morocco totaled €2.2 billion, mainly in the shape of tourism (53%), transport (28%) and financial and communication services (19%). EU service exports were €1.32 billion, mainly in business and transport services.

The EU economic exchange with Lebanon

The EU is Lebanon's main trading partner accounting for some 43% of Lebanese imports and 11% of exports. With EU-Lebanon total trade amounting to €3.2 billion in 2005, in slight decline compared to previous years.⁽¹⁵⁾

Bilateral trade in goods with the enlarged EU, mostly industrial, exceeded € 3.2 billions in 2005, overwhelmingly accounted for by EU exports to Lebanon (€ 3 billions). The EU is Lebanon's principal trading partner (some 43% of Lebanese imports, with Italy,

Germany and France being the main exporting Member States, and 11% of its total exports), followed by Syria and the US. In 2005, due to the economic downturn following the killing of Prime Minister Rafik Hariri in February 2005 that affected tourism, trade, construction and the banking sector, bilateral trade with the EU slightly decreased, in contrast with an expansion of Lebanon's overall trade with the world.

(15) Lebanon occupies the 50th rank in the EU's exports and the 121st in EU's imports.

The EU economic exchange with Algeria

With the recent entry into force of the EU-Algeria Association Agreement in September 2005, Algeria has assumed fully-fledged EU-partnership. With a total trade with the EU of €31.1 billion, principally due to exports of oil to the EU, Algeria is one the biggest EU trading partners in the Euro-Mediterranean region .(38)

EU imports from Algeria consist notably of energy. Mineral fuels and relative materials amounted to, approximately, 74% of EU total imports from Algeria in 2005. Transport material and chemical products account, respectively, for 2% and 1.0% of other EU imports from Algeria. Algerian trade with other parts of the world revolves proportionately even more around oil exports.

In 2005, main EU exports to Algeria were machinery (28.6%) and transport Equipment (24.8%), agricultural products (12.6%) and chemical products (12.7%).

EU-Algeria trade in services is still relatively small. The Algerian economy remains largely dependent on hydrocarbons (oil and gas), which make up 97% of total exports and represent 30% of Algerian GDP. Sectors contributions to the Algerian GDP in 2004 consisted of: 12.7% agriculture, 73.5% industry and 13.8% services. Regarding services, Algeria exports to the EU primarily transport and travel services.

The EU economic exchange with Tunisia

Tunisia is one of the EU's most established trading partners in the Mediterranean region. With a total value of trade with the EU of €14.7 billion in 2005, ⁽³⁹⁾

In 2005, 38.6% of EU imports from Tunisia are in textiles and clothing, making Tunisia the EU's fifth largest source of imports in this sector. Other significant import sectors are machinery and energy, accounting for, respectively, 18.3% and 12% of total EU imports from Tunisia. Major EU exports to Tunisia are textiles (20.2%), machinery (24.1%) and transport material (9.4%).

Services account for 59.6% of Tunisian GDP in 2004. Tunisian exports consist mainly of travel (56%) and transportation (26%). The largest part of EU-Tunisia trade in services is in these sectors. Nearly 82% of Tunisia's tourism receipts are from the EU.

Conclusions

During the period since the start of the Barcelona process in 1992 until 2004, Algeria and Tunisia have reduced their tariffs by 6% and Egypt by 8%. Even Mediterranean countries with low customs duties like Turkey, Lebanon and Israel, who had almost identical level of duties of about 9% have reduced this average to 4% in Israel and Lebanon and 5.2% in Turkey.

On the other hand the issue of agricultural protection in the EU is one of the major obstacles to the creation of a coherent Euro Mediterranean partnership as the EU has developed a set of regulations that are making access to its markets more difficult.

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