THE EUROMEDITERRANEAN FREE TRADE AREA: FROM COMPETITION TO INTEGRATION.

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The leading idea with the Euro-Mediterranean Free Trade Area consists on creating a shared prosperity area. This, in turn, calls for a closer integration between the northern and southern production systems across the Mediterranean. Most studies on the effects of the Euro-mediterranean Free Trade Area (FTA) that obtain gains for the Southern Mediterranean countries assumes increases in the foreign direct investment (FDI) flows. FDI would supposedly follow trade liberalisation in the South and both trade and investment will drive the integration of the two shores, each one specialising according their comparative advantages. However, from a European perspective, perceptions use to point mainly to conflicting areas, rather than to the possibilities of emerging synergies and complementarities between the southern and northern shores of the Mediterranean basin. In this paper, we would like to present two perspectives of the Euro-Mediterranean FTA that are closely linked: the political economy external dimension of the Euro-mediterranean FTA and the geographical and specialization patterns of Mediterranean trade.

In our paper, we will first briefly review some recent literature about the economic, but also political economy, implications of regionalism. Secondly, we will highlight the main economic and political issues related with the Euro-Mediterranean FTA. Then, we will analyse the trade flows between the northern and the southern shore of the Mediterranean, in three different aspects. First, we will use trade intensity index in order to analyse the geographical pattern of North-South and South-South trade flows. Second, we will explore the competitive nature, if so, of trade flows across the Mediterranean, using revealed comparative advantage index and competition index. Third, we will analyse the scope for North-South integration in the industrial sector, using intra-industry index, differentiating between low quality, high quality and horizontal trade. After doing so, we will be able to obtain some conclusions on the prospects for closer industrial complementarity and integration between the two shores of the Mediterranean.

Euro-Mediterranean perspectives on regionalism

In recent years, globalisation and regionalism have gained momentum all over the world. Many countries have chosen regionalism as a way to further integrate themselves into the world economy (Fischer, 1998). However, conventional economic theory defines regionalism as second best when compared with multilateral free trade. Economic analysis has for long underestimate the political factors underlying regionalism and its political consequences. Moving to political science, the literature on international relations has often omitted the economic pre-conditions for regional integration to proceed successfully. Even the growing literature on regionalism in the international political economy field mainly concentrates on the domestic political factors rather than on the connections between foreign policy and economics (Mansfield and Milner,1999).

When dealing with regionalism in the Mediterranean, abstracting from political, security and cultural dimensions is a misleading exercise. The Mediterranean region is far from being homogeneous in economic, cultural or political terms. The geographical unity of the Mediterranean is more a convention than a reality (Kyeser, 1996). The Mediterranean should be analysed as space of interaction between different economic and political systems, cultures and levels of development (Lorca y Escribano, 1997). Without such a multidisciplinary approach, the subject of study may be ill defined and, henceforth, the analysis can lead to ambiguous policy recommendations.

The idea of political externalities stemming from international trade dates back to Kant (1795) and the writings of the classical economists. Smith, Ricardo and J. S. Mill strongly rejected the mercantilist policies both in international economics (protectionism) and in international relations (power politics) (Viner, 1946). The mercantilist policies have proven to be extremely resilient, as far as they are incorporated in almost all the modern arguments for protection (what Johnson [1976] has named “sophisticated mercantilism”).

There is a growing consensus about the beneficial effects of international trade on international relations, as some recent empirical works have shown (Morrow, Siverson and Tabares, 1998). These results can be extended to other categories of economic relations, like foreign investment, external aid or even labour migration. However, the direction of causality is unclear: trade fosters good political relations or political alliances foster trade? In the first case, conflict could be solved by increasing economic relations; in the second case, conflict solving remains a political matter. Anyhow, a prudent approach should retain the bi-directionality of causality between economic and political relations.

In a highly influential article, Kindleberger (1986) has argued that leadership is needed if international public goods are to be provided, while in absence of leadership these goods will be under-produced, due to the free-rider problem. Therefore, in a multi-polar system international public goods should be provided by international institutions. Nevertheless, other possibilities arise when collective goods are supplied at a regional level by regional 'hegemons'. In this framework, countries willing to further integrate in the global markets may seek regional integration as a strategy for doing so.

In addition to the traditional economic gains from regional free trade areas (trade creation, positive terms of trade effects, economies of scale, increased competition and growth of foreign investment), Fernández and Portes (1998) pointed out the following non-traditional benefits: increased time consistency of economic policies and of political reforms, signalling that certain economic and political conditions do already prevail, insurance against future political or economic developments, increased bargaining power in economic and political issues with respect to third countries or other regional groupings and finally, to serve as a catalyst for those who expect to gain from trade liberalisation or political reforms. Note that we have introduced the political dimension in the last four categories listed by Fernández and Portes. Indeed, one might ask if the political motivations outweigh the economic ones when dealing with developing countries' efforts to adhere to regional groupings formerly composed of developed countries.

Turning to the security dimension, Schiff and Winters (1998) have stated that, when accounting for security externalities, a regional economic agreement may be a first-best in terms of static welfare theory. Assuming that trade between neighbours reduces the likelihood of conflict, Schiff and Winters distinguish three cases for regionalism; symptomatically, it is noteworthy that in all three categories they make use of examples from the Euro-Mediterranean region:

- First, regionalism can improve protection against civil strife or even civil war; for instance, Morocco, Tunisia and Egypt's commitment to achieve a FTA with the EU may be related with fears about the fundamentalist threat[1].
- Second, regionalism may be the countries' response to threats stemming from regional powers; the example here draws on the creation of the Gulf Co-operation Council to face the menaces represented by Iran and Iraq.
- Third, a historical background of deadly conflicts between neighbouring countries may lead them to achieve economic integration in order to inhibit future wars; the obvious example here is the creation of the EEC as a way to discourage new conflicts between France and Germany after WWII.

Needless to say, this last argument is not useful when the antagonists are still in open conflict, as they will never be willing to join the same regional initiative. In such a case, a political initiative like conflict-reducing (or confidence-building) measures or pressure by a regional or global power is needed for these countries to join the same regional grouping.

From a political perspective, the debate on integration has been led by three main theoretical approaches heavily relying on the EU experience: functionalism, neo-functionalism and intergovernmentalism (Mattli, 1999). Functional integration should start in the domains of 'low politics', instead of adopting a big design that can be politically unsuitable, and it is pursued as a way to reduce conflicts among nations through economic prosperity. Neo-functionalism stresses the role of political actors at a sub-national level and its goal is to maximise welfare through regional integration. Intergovernmentalism, on the contrary, highlights the role of government heads, who try to increase welfare in order to maintain power. All of them assume that regional integration increases economic welfare, and its focus is on how a set of regional institutions is created and what the conditions for success are.

[1] Note that Egypt has not yet signed a FTA with the EU, as Morocco and Tunisia have already done.

In a recent work, Mattli (op. cit.)) points to the interaction of markets and political institutions to explain regionalism. Two pre-conditions are needed if regionalism is to succeed. First, the so-called demand conditions, of economic nature: there must be a strong potential for economic gain derived from economic integration, so that societies demand it. Second, the supply condition, of political nature: the political willingness to match the integration demands, which depend on the expected outcome of regionalism; as far as economic welfare increases after integration, governments maximise their possibilities of being re-elected. In addition, following the regional 'hegemon' argument, the co-ordination problem (the need to match eventual divergences in national interest) asks for a regional leader acting as a catalyst, or even as a 'paymaster', if integration is to proceed, as happened in the EU.

Nevertheless, Mattli abstracts from security and foreign policy objectives, which can constitute a rationale for regionalism[2]. Furthermore, the political dimension of his argument underscores, as most new political economy studies do, the fact that many developing countries are non-democratic states (Meier, 1990). If so, governments do not necessarily see welfare maximisation as the main way to stay in power. In this concern, when dealing with the Mediterranean, the regional leadership issue could be more relevant. In any case, the two pre-conditions can be useful insofar as it lets political and economic considerations interact. Moreover, it can be applied to foresee the likeliness of a regional initiative succeeding. The idea of the previous paragraph is that the main obstacle to regionalism is the co-ordination problem. In our paper, we deal with this problem from a trade perspective: we explore the patterns of Euro-mediterranean trade, looking for North-South complementarities rather than solely highlighting its competitive dimension, in order to identify the extent of the co-ordination problem in the commercial area.

It is important also to deal with the supply conditions of regionalism, i.e.: the political economy of regionalism in the southern Mediterranean countries. Mansfield and Milner (1999) have pointed out that regional initiatives may be instrumental in stimulating political reforms. However, this argument conflicts with the functionalist

[2] On the role of trade policy as foreign policy see: Baldwin (1989, p. 129-130) on trade policy political economy, Tsoukalis (1997) for the EU case and Cooper (1987) for the US case. The political dimension of NAFTA has been stressed by Krugman (1993).

and neo-functionalist approach, as far as it means entering into the ‘high-politics’ arena instead of letting low-profile measures act as confidence building measures. If a strong commitment towards liberal political reforms already exists, regionalism may be time-consistency improving and so become an incentive to enter the regional bloc. However, when political reforms are strongly opposed by the candidate country’s government, the ‘low-politics’ functionalist methodology might be preferred. Also, turning to foreign policy and security issues, adversaries will not easily form a regional bloc among themselves and will strongly oppose an enemy entering a bloc which they are already in.

What is the situation in the Mediterranean? Vasconcelos (1999) distinguishes between three categories of regionalism: deep integration, “open regionalism” and “virtual” integration. All of them exist in the Mediterranean. The EU is the most successful integration process in the whole world, and later integration efforts have to some extent tried to imitate its model. What it is relevant, for our purposes, is that traditionally the EU has chosen regionalism as the path to integrate in the world economy. As Helmut Kohl once put it, for the EU “the answer to globalisation is Europeanisation”. This background has to be considered when analysing Euro-Mediterranean regionalism.

Out of the EU, the furthest reaching initiative is the proposal of a Euro-Mediterranean Free Trade Area, and the next section of the paper is devoted to this question. Nevertheless, within the southern shore of the Mediterranean basin, other initiatives have been launched. Abstracting from past efforts that have never been fully implemented (“virtual” integration), the main initiatives are the Arab Maghreb Union (AMU), the Arab Free Trade Area and a potential Free Trade Area within the eastern Mediterranean, integrating Mashrek countries with Turkey and, eventually, Israel. In the next section, we will try to show how political, security and cultural matters are to be taken into account for a comprehensive analysis of the North-South integration efforts and its possibilities of success.

The Euro-Mediterranean FTA: a new instrument to face the old challenges

The Euro-Mediterranean FTA was launched at the Conference of Barcelona in November 1995. It should be placed as a pillar of a comprehensive approach dealing with security and political issues, as well as cultural dialogue. Without entering into the contents of the Declaration of Barcelona[3], the main reasons that led to it were:

- former EU-Mediterranean agreements based upon preferential access to EU markets had been insufficient to promote the development of the Mediterranean countries;
- fears coming from southern EU members about the neglect of the Mediterranean, the latter being displaced by the Central European Free Trade Area and by future enlargement towards Eastern Europe;
- the reaction from southern Mediterranean countries to the deepening of integration within the EU and its enlargement.

It is important to highlight that the Euro-mediterranean FTA was just the economic dimension, while political and cultural dialogue were seen as complementary to the commercial and financial support measures. We will first tackle the commercial issue. Thereafter, we go on to political, security and cultural matters.

First, are the economic pre-conditions fulfilled for a FTA to be built between the two shores of the Mediterranean? Both parties maintain a sizeable percentage of their foreign trade with each other. However, the asymmetry stems from the fact that the EU is the main commercial partner for most southern Mediterranean countries, especially for the Maghreb countries, whilst the importance of southern Mediterranean countries as trade partners is smaller for the EU, especially for non-Mediterranean EU members. In addition, the EU's role as donor, investor and destination of migration flows from the region is also of big importance. Therefore, the economic conditions for commercial and even further economic integration seem to be matched. However, as Escribano and Trigo (1999) have argued, intra-industry trade between the EU and the southern Mediterranean, interpreted as a proxy for economic integration, lags behind that which

[3] On this issue, see, for instance Lorca and Escribano (1998) and Escribano (1999).

is between the US and the Latin American countries. We will come back to this issue in the next section

Second, given that southern Mediterranean countries' manufactures already enter freely (with minor exceptions) in the EU markets, the Euro-mediterranean FTA offers few benefits from the demand side to these countries. A similar asymmetry was experienced by Spain when entering EEC.On the contrary, the Euro-mediterranean FTA looks to foster structural, supply-side reforms in the southern Mediterranean countries. Following the statement that some countries trade whilst others sign preferential agreements, the emphasis is placed on improving industrial productivity and competitiveness in the southern Mediterranean countries.

Given the mediocre results obtained by the demand-side preferential treatment granted to Mediterranean countries, this is to be done through trade liberalisation and *mise à niveau*, upgrading measures, partially financed by the EU. This argument assume that trade liberalisation will have beneficial effects on these economies. However, the studies that have been conducted to date point to small, or even negative, static effects to be expected in terms of GDP[4]. Why, then, should southern Mediterranean countries be interested in entering a FTA with the EU? The answer might lie in the non-traditional, non-static, beneficial effects of regionalism.

From an economic perspective, the main issue about the Euro-mediterranean FTA is its sustainability. There are doubts related to the risk of reversal in the trade liberalisation process at the Euro-Mediterranean level for political reasons, which in turn heavily depend on the economic results of the strategy. The fears that arise from the Euro-Med Free Trade Area are mainly related with:

- misallocation of resources and trade diversion,
- fiscal unsustainabilty of tariff cuts,
- rising unemployment associated with eventual deindustralization in the short run and
- rising external imbalances.

International trade theory warns about the risks of trade diversion when entering a regional trade arrangement. Therefore, “open regionalism” has been advocated to prevent trade diversion: the tariff reductions should be extended to third countries in order to keep commercial preferences at a low level. That means that regional liberalisation should be accompanied by a certain degree of multilateral liberalisation if trade diversion, and consequently resource misallocation, is to be avoided. The question to be answered here is: how open should “open regionalism” be to avoid resource misallocation?

“Open regionalism” implies an additional decrease of tariff revenue. The difficulties that arise in the financing of existing budget deficits are another controversial issue. The optimal measure will be to substitute taxes on international trade by VAT, personal income and corporate taxes. Otherwise, fiscal imbalances will endanger the sustainability of the FTA. Financing such imbalances through EU funds can solve the problem in the short term, but this will in turn perpetuate the regressive nature of the tax structure, instead of fostering its modernisation. So, why not finance and technically assist the tax reform? If not, there will be a premium for late tax reformers and support for the *status quo*, which, from our perspective, is not desirable[5].

The adjustment costs of trade liberalisation need to be considered, too. International trade theories consider that in the long-run labour, as well as capital, will be reallocated towards sectors enjoying comparative advantages. Again, we found a political problem that can not be dismissed by technical jargon: how long is the long term? Perhaps longer than most people can bear without been paid and far more than politicians are willing to admit. Most industries in the southern shore of the Mediterranean are not competitive and are not prepared to face EU competition. For this reason, the final good sectors will be liberalised at the end of the transition period. However, this is only a way to postpone the problem, not a means to solve it.

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[4] Rutheford, T., E .E. Rutström and D. Tarr (1994), Kebabjian, G. (1994 and 1995), Jaidi, L. (1994), Hoekman, B. and S. Djankov (1996), Cogneau, D. and G. Tapinos (1995) and Tovias (1999).

[5] For a political critique of EU aid re-orientation towards industrial restructuring and trade promotion, see Youngs (1999).

On the other hand, the *mise à niveau* program seems insufficient to turn unproductive industries into competitive ones. Some selection is needed, namely the sectors on which the countries already have a comparative advantage and those where a comparative advantage can be built during the transition period. Here we find another problem: which are those sectors? How to select them? What are the criteria? And...who makes the selection? This leads us to another political economy problem: the *elites* will invariably defend that the sectors to be supported are theirs. On the other hand, the criteria to make the selection will be difficult to identify by economists. Furthermore, it is necessary to consider the economic interests of the donor. Will the European Commission select agriculture and agro-food industries as sectors deserving increased financial funds from the EU?

Moving on to macroeconomics, we find the risk of rising external imbalance as trade liberalisation proceeds. Ideally, the removal of import barriers will change the microeconomic incentives, increasing exports relative profitability. The domestic producers will then start to produce for the European market and its exports will compensate for the rising import bill. However, the experience of Spain and Portugal with accession to the EEC reminds us that external imbalance was exacerbated and that only foreign investment and EEC funds keep their external accounts viable in the short run. And this will not be the case, unfortunately. Access to European agricultural markets will be, once again and from an economic perspective, preferable to EU financing of the Southern Mediterranean countries' current account imbalance. Increased immigration flows could also compensate for increased imports through workers remittances. Nevertheless, both doors remain closed at this point, due to high political costs in the EU.

On the political front, we should first tackle the political costs of the previous economic problems. If short run costs are too high (or not so short) social pressures can arise and trade liberalisation *vis à vis* the EU may be reversed or become too costly from a political point of view. In other words, the transition has to be eased making it sustainable in the ways we pointed out in the previous paragraphs. Political economy considerations become of great importance here. Governments should keep a balance between the winners and losers of the process, while preserving social stability. This is a difficult exercise, as far as the *elites* will be threatened by the tax reform, foreign competition for import substituting industries and, dealing with public sector officials, processes like privatization and reform of the administration (both of them present in the adjustment programs followed by some southern Mediterranean countries). Workers from import substituting sectors and the governmental sector should be compensated through other mechanisms. If agricultural and final basic goods were to be included in the agreements at an early stage of the transition period, it would entail cheaper first necessity goods and could possibly reduce social unrest.

Second, the Mediterranean countries willing to enter the Euro-mediterranean FTA should adapt their laws to the *acquis communautaire*. From our point of view, this implies the modernisation of bureaucracies and of the whole state structure. This is a difficult task, as it means a change in mentality, a process that can proceed slowly, perhaps only with generational changes. It also means changes in the structure of power and its subsequent conflicts. For the Euro-Med FTA to work, laws and administrative procedures within the trade area have to be harmonised. How far is political will able to go to stand for the costs of such harmonisation is a difficult question to answer. It will depend on the countries and their particular circumstances over time.

The authors stress that this modernisation of bureaucracy and State structures and institutions is one of the main benefits stemming from the Euro-mediterranean FTA for the southern Mediterranean countries. It gives them an external alibi to carry out the reforms that they want to implement, but are subjected to internal controversy. Implying market liberalisation, disappearance of bureaucratic controls, reduction in the corruption levels and the mitigation of its restraint effects on economic activity, trade liberalisation will have beneficial consequences on economic growth through the state modernisation. Likewise, the reform of the state may influence the foreign investment absorption capacity, which is closely related to the preceding issue, but also with cultural aspects. In the capital market circles, it is often said that investing in the southern shore of the Mediterranean needs time and patience, due to high transaction costs. The modernisation of bureaucracy will help in solving this problem.

The precedent paragraph leads us to consider the cultural issue. The background of corruption and bad governance in some countries of the region is associated with the westernised *elites*. In addition to that, the recent historical events, from colonisation to the Gulf War, generated between many Moslems a confidence deficit concerning European goodwill. On the northern shore, the cultural differences represent an important obstacle for potential investors. The Conference of Barcelona faces the problem by fostering a cultural dialogue that, as has been said, has not really caught on yet. In doing business, mutual trust is necessary. In signing agreements between sovereign nations, mutual respect is essential.

If the Euro-Med FTA is perceived in the southern Mediterranean countries as a new way of colonialism (economic one), on which the EU threatens to impose its own values, southern societies will reject the deal. For many people from the Mediterranean, the Euro-Med FTA is a European *diktat* backed by the local westernised *elites*. Setting apart the discussion on the nature of the agreements, it is true that the Euro-Mediterranean Association has been in the South an elite-driven process. When the problem stands on the clash of civilisations, cultural dialogue is the best solution, backed with a credible effort to support development and modernisation, instead of conceiving it as just a new way to assure economic control and security.

Another problem, barely treated by the literature, is the absence of an entrepreneurial mentality due to the cultural influences of the region. This point requires some differentiation. From a historical point of view, the Mediterranean is a commercial space. Notwithstanding, the economic agents differentiate such activity from entrepreneurial activity (producing goods and services). The main difference is that commercial activity is mainly sporadic and temporary, whilst entrepreneurship is continuous and permanent. The latter is based on the long run, so that eventually short run benefits should be sacrificed by long run ones. The mentality for building on a long run basis is needed in order to establish relations and consolidate it in solid and mutual trust. The entrepreneurial partner is needed to absorb foreign investment: he knows the domestic markets, its habits and preferences, as well as the laws and administrative practices and channels. His strategy differs from the trader, whose activity is based on the short run.

Those political and cultural aspects are extremely important, given the EU’s disregard towards the cultural, economic and political context of the Third Mediterranean countries. This ignorance is an obstacle to the growth of capital flows towards the region, one of the smallest in the world. The reason is the high-risk perception by the foreign investor, due to the failure to notice the realities of its markets and culture. The EU should take them into account, adopting proactive and urgent measures to increase the mutual cultural knowledge and foster entrepreneurial spirit in the Mediterranean.

Security and foreign policy considerations are also significant[6]. However, the priorities and perceptions diverge again between the northern and the southern Mediterranean shores. In regard to priorities, the EU's concerns are of a defensive type, while in the southern Mediterranean the main goal is economic development. Unlike Central and Eastern Europe, where security issues pertain to hard threats, the security threats perceived by the EU respecting the southern Mediterranean are of a soft type. On the contrary, the perceptions of southern Mediterranean countries are nurtured with its colonial past and fears of western cultural hegemony.

In order to face political instability in the southern shore of the Mediterranean, the EU is divided between two approaches. The first is a strategy of stabilisation that seeks to reduce instability manifestations. Therefore, it is a *status quo* oriented strategy. The second one consists on introducing western European liberal values and democratic procedures in order to modernise the southern Mediterranean countries and break the *status quo*. As we have seen, instead of promoting such conflictive measures, the Euro-mediterranean FTA may foster gradual political changes through the adoption of the *acquis communautaire*.

The EU has adopted a functionalist approach when dealing with political and security issues in the Mediterranean. The European Commission is proceeding on the economic, low politics dimension of the Declaration of Barcelona. Nevertheless, in our view, neglecting the high politics dimension, at least the security issues, is a mistake. For instance, the stalemate of the Arab-Israeli Peace Process is blocking the Barcelona initiative, but the EU finds itself unable to intervene in a process monopolised by the US. The setting of a credible and coherent Common Security and Foreign Policy (CSFP) by the EU is a pre-condition to make Barcelona work. In addition, the security dialogue between the EU and its southern partners is being distorted by NATO's

Mediterranean Dialogue. Cultural differences also play an important role in this respect. However, given the end of the Cold War, the US may rely less on Israel, Morocco, Turkey and Egypt as strategic partners, and that in turn could imply the political reorientation of these countries towards the EU (Tovias, 1999a).

In sum, the Euro-mediterranean FTA can foster economic stability and political reforms. The economic pre-conditions for Euro-mediterranean FTA to be built are met, as we will see in the next section concerning Euro-mediterranean trade. Nevertheless, the political pre-conditions are not. The FTA cannot be considered as a panacea, as far as stronger political action is needed for southern Mediterranean countries to entail political reforms. In addition to that, the Arab-Israeli conflict impedes the spillovers of increased trade acting as a trust generating measure. We would also like to stress the need for the Barcelona Process to be conceived as open regionalism, both in economic and political terms. If not, there is the risk of the EU's initiative furthering fragmentation of the Mediterranean's southern shore on economic and political matters through a political and economic "hub-and-spoke" mechanism.

From competition to integration within the Euro-mediterranean region

In this section we analyse Euro-mediterranean trade, searching for complementarities at a geographical and production levels. We start by the geographical dimension, trying to see which are the countries that are trading the most with each other. In order to do so, we employ the Trade Intensity Index [7]. As can be seen in table 1, Euro-mediterranean trade is quite intense, with minor exceptions. Most Index are greater than 1, and, when considering individual countries, some flows are very intense. However, Mediterranean exports towards the EU are more intense than imports from the EU. The geographical pattern of trade is straigthforward: Maghreb countries and Turkey tend to trade more intensively with the EU than Egypt, Maghreb countries trade

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[6] On this issue, see Soltan (1999) and Calleya (1999a, 1999b and 1998).

[7] Exports Relative Intensity (XRI)= (Xij/Xi)/(Mj/W); Xij: exports from "i" to "j". Xi: total exports of country "i". Mj: total imports of country "j". W: total international trade. Impors Relative Intensity (IRI)= (Mij/Mi)/(Xj/W); Mij: imports of country "i" from country "j". An index of 1 means that the export/import trade flows of the reference countries are proportional to their weight in international trade, while a greater/minor index reflects flows of a greater/lesser extent than justified by the countries' participation in world trade.

very intensively with EU Mediterranean countries and Germany is more important as a destination of Mediterranean exports than as a source of imports.

Table 1: Trade intensity of Euro-mediterranean trade, selected countries, 1998.

	Intensity of exports	**Intensity of imports**
Morocco		
EU	3,24	2,16
Spain	6,74	6,46
France	12,41	7,71
Italy	2,04	1,70
Germany	12,38	0,75
Tunisia		
EU	2,09	1,91
Spain	1,49	2,32
France	5,23	5,01
Italy	5,13	4,38
Germany	19,38	1,44
Egypt		
EU	1,45	0,95
Spain	0,79	0,93
France	1,81	1,45
Italy	3,80	1,64
Germany	6,29	0,87
Turkey		
EU	1,42	1,33
Spain	0,88	1,43
France	1,36	1,30
Italy	1,60	2,02
Germany	26,14	1,71

Source: Own calculations and *IMF Direction of Trade Statistics*.

For the countries included in table 1, we have substantial differences in the geographical pattern of trade:

- Morocco is the country that trade more intensively with the EU, both from the import and export side. France and Germany are the main markets of Moroccan exports, but Spain and France are the most intensive exporters to Morocco.
- Tunisia trade very intensively with France and Italy, and exports towards Germany remain very intense, as happen with all countries considered.

- Egypt conducts a lesser intense trade with the EU, and its trade its centred in exports towards the German market. French and Italian markets are also important for Egypt, but in a much lesser degree than in other Mediterranean countries.
- Turkey trade more intensively with Europe than Egypt, but less intensively than Maghreb countries. Again, the German market is the main destination of Turkish exportas towards the EU, while trade with the Mediterranean EU is less intense than in the Maghreb countries.

So, when dealing with the demand, economic conditions related to trade, Maghreb countries seem to be the most interested in achieving regional integration, as far as they conduct relatively intense trade flows with the EU. Egypt and Turkey have a more diversified geographical pattern of trade and are less dependent on the EU. The Turkish circumstances are different, as far as this country already benefits from a custom union with the EU. But demand, trade pre-conditions for regionalism, seems to be weaker for Egypt.

Regarding product specialization, many southern Mediterranean countries share similar export patterns, as can be seen from data on revealed comparative advantage *vis à vis* the EU (see annex 1 and 2), but also from data on the export share that different products obtain in EU markets (annex 3). Comparative advantages lies on primary and labour intensive products. First, we have agricultural products and its preparations: fisheries, vegetables, fruits, plants, spices, oil seeds and oleaginous fruits. Secondly, mineral products on which certain countries have considerable reserves and its derivatives: ores, fuels, inorganic chemicals, fertilizers, lead and zinc. Third, labour intensive manufactures, such as leather, leather articles, cork articles, basketworks, carpets, clothing, footwear, headgear and lead articles. Israel is by far the most developed economy, exporting higher value added products. Turkey follows Israel in the level of export diversification, and Morocco and Tunisia are at an intermediate regional level.

This picture of regional competition, with most countries being competitive on the same products in the EU markets poses some problems, mainly in the agricultural and agrofood sectors, due to the trade barriers imposed by the Common Agricultural Policy. As far as this barriers may be reduced by signing Association Agreements, there is an incentive to achieve regional integration with the EU to obtain preferential access to EU agricultural markets. In the manufactures sector, the obstacles to the cumulation of rules of origin in the Mashrek countries are another important obstacle to a closer integration of some branches both with the EU and within the southern Mediterranean itself.

Data on annex 3 shows the share of different products in the Mediterranean exports towards the EU. From this table, we can see how competition concentrates on vegetables, fruits and clothing. However, both the manufactures and agricultural sectors represents good opportunities to European firms who want to install in the Southern Mediterranean countries to profit from lower wages and natural resources. In this respect, the Finger-Kreinin index of similarity of export patterns towards the EU have been calculated on table 2 for four southern Mediterranean countries and Spain[8]. Competition in EU markets is specially strongest for Tunisia and Morocco, Turkey and Morocco, Turkey and Tunisia, Turkey and Jordan and Turkey and Spain.

Table 2: Export similarity index, exports towards the EU, 1998, selected countries.

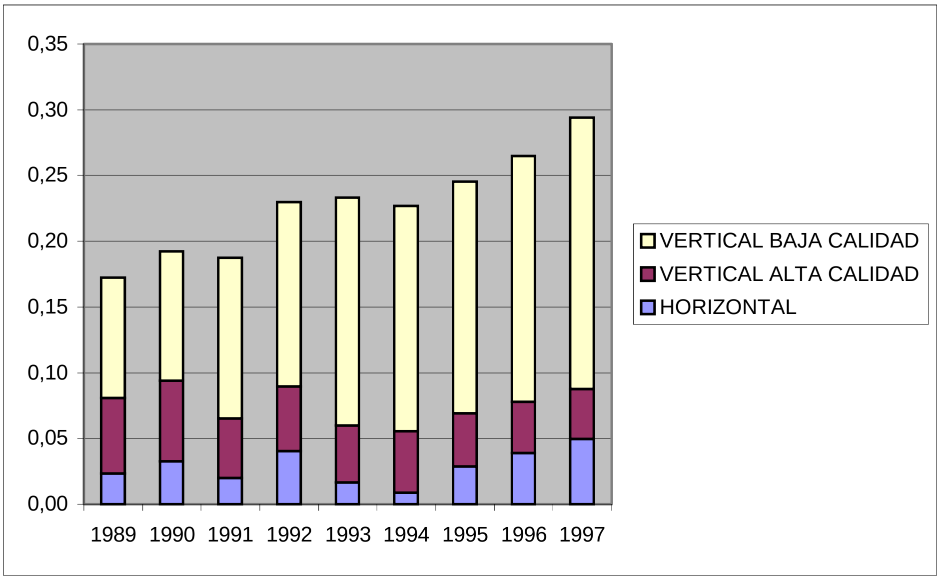
	Egypt	Jordan	Morocco	Spain	Tunisia	Turkey
Egypt		27,28	32,84	24,94	26,29	36,15
Jordan	27,28		39,59	33,73	28,87	39,08
Morocco	32,84	39,59		30,75	67,46	54,15
Spain	24,94	33,73	30,75		26,91	43,01
Tunisia	26,29	28,87	67,46	26,91		47,30
Turkey	36,15	39,08	54,15	43,01	47,30	

Source: Own calculations, *Comext database, Eurostat.*

An indicator of integration between production systems is intra-industry trade, which across the Mediterranean often occurs by way of temporal admission mechanisms oriented to re-export the final product. This mechanism is very important in Morocco, Tunisia and Turkey, suggesting that in the presence of more liberal trade policies in the southern Mediterranean countries, some economic integration will happen.

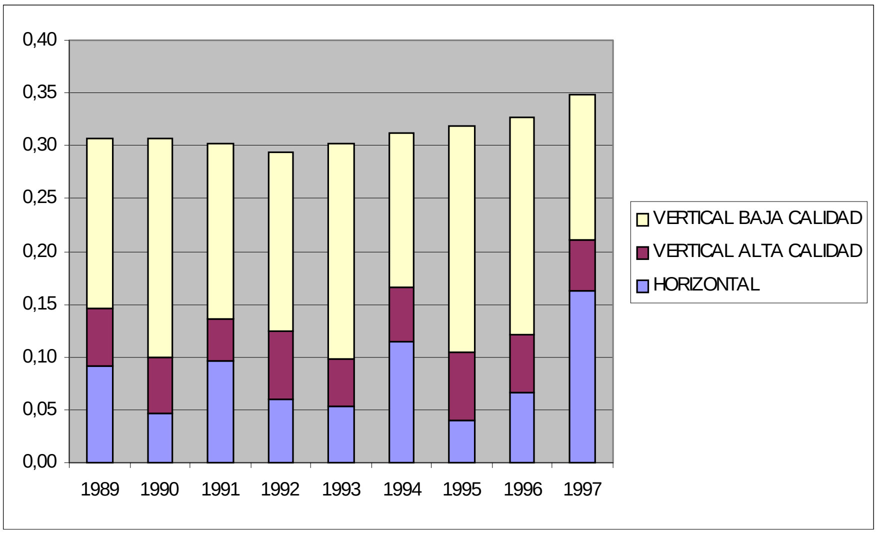
[8] $ISE=\sum \min(Si_{ac}, Si_{bc}).100$. Si_{ac} and Si_{bc}: export share of commodity *i* in the exports to *c* of *a* and *b* respectively. An index of 100 means perfect overlap, while an index of 0 indicates no overlap.

Figure 1: EU-Morocco, horizontal and vertical (low and high quality) intra-industry trade, 1989-1997.



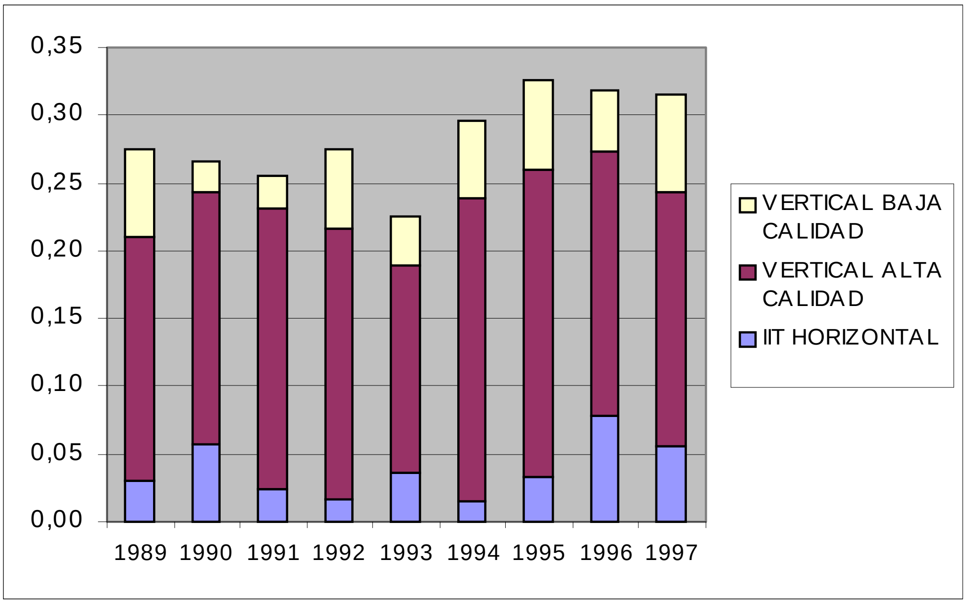
Source: Own calculations, *Comext database*, *Eurostat*.

Figure 2: EU-Tunisia, horizontal and vertical (low and high quality) intra-industry trade, 1989-1997.



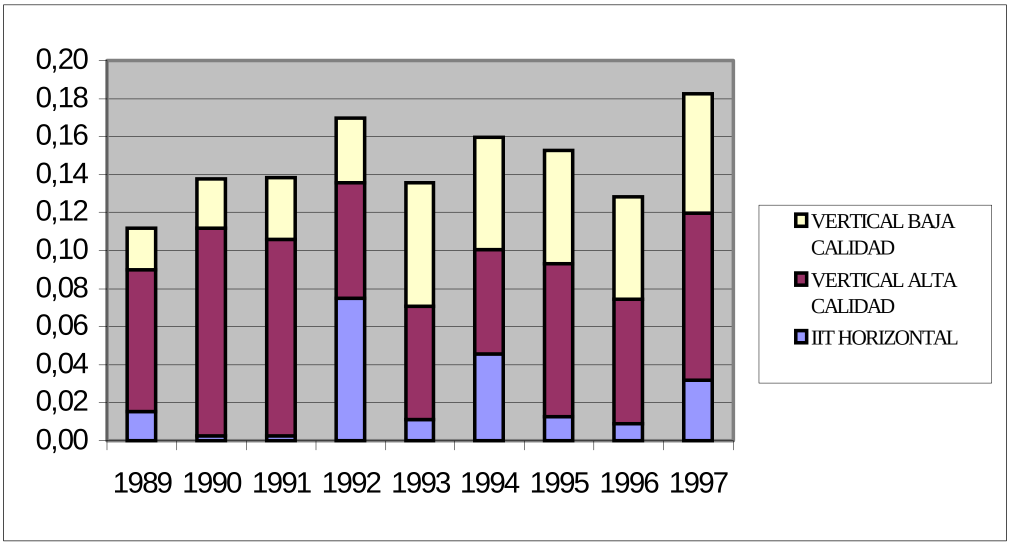
Source: Own calculations, *Comext database*, *Eurostat*.

Figure 3: EU-Turkey, horizontal and vertical (low and high quality) intra-industry trade, 1989-1997.



Source: Own calculations, *Comext database*, *Eurostat*.

Figure 3: EU-Egypt, horizontal and vertical (low and high quality) intra-industry trade, 1989-1997.



Source: Own calculations, *Comext database*, *Eurostat*.

Figures 1 to 4 represents the evolution of intra-industry trade, as mesured by the standard Grubel-Lloyd index, differentiating between horizontal intra-industry trade (prices range within a 15% margin), low quality intra-industry trade (products exported by the EU are less expensive than those exported by its partner-prices vary more than

15%), and high quality intra-industry trade (products exported by the EU are more expensive than those exported by its partner-prices vary more than 15%). As can be seen from the figures above, intra-industry trade with Morocco and Tunisia consists mainly on the EU exporting intermediate products and these countries re-exporting the final products. On the other side, intra-industry trade with Egypt and Turkey consists on the EU exporting high value products and importing low quality products. This is in part due to the existence of more elaborated special trade regimes in the Maghreb countries. These figures suggest that different patterns of productive integration are being adopted by southern Mediterranean countries.

Table 3: Intra-industry trade between the EU and the southern Mediterranean countries by product category, 1986 and 1994

	1986		1994	
	WORLD	MED	WORLD	MED
1. Construction materials.	65.0	14.4	86.8	53.3
2. Siderurgic products	79.1	19.4	88.3	35.4
3. Clothing, leather	81.4	52.6	89.3	38.3
4. Wood, paper	78.4	22.1	94.3	26.5
5. Electric materials	70.0	8.5	87.9	28.8
6. Chemicals	74.0	34.6	91.3	39.1
7. Minerals	68.3	28.7	78.2	27.2
8. Energy	46.4	6.1	62.1	12.9
9. Agriculture	82.0	64.5	82.9	48.6
10. Agro food industry	78.6	39.5	89.0	53.0
11. Others	73.7	36.0	82.6	47.5
Total	71.0	22.1	87.3	33.9

Source: own calculations, *CHELEM database*

Note: we include primary, non-industrial products, trying to capture the sectors where some potential for future integration do exist.

In Morocco, Tunisia and Turkey, intra-industry trade accounts over 30% of total trade, while in Egypt accounts for 18%. In Morocco and Tunisia, the trend is towards increased intra-industry trade, while the trends in Turkey and Egypt is not so clear. Nevertheless, intra-industry trade is increasing in the four countries considered. As a whole, intra-industry trade between the EU and the southern Mediterranean countries is also increasing, as can be seen in table 3, even if it fall far below intra-indsutry trade with the world. Symptomatically, intra-industry trade is higher in the products on which southern Mediterranean countries have comparative advantage, like agro food industry products, agriculture, clothing and leather and construction materials.

Conclusions

The aim of this paper was to test if the economic pre-conditions for regionalism pointed by Mattli (1999) are in place in the Mediterranean for a Euro-Mediterranean FTA to succeed. Trade across the Mediterranean face different problems. First, there is the similarities in the comparative advantages that enjoy southern Mediterranean countries and some Mediterranean EU members. This poses the problem of diversification of production and the need to differentiate products in order not to saturate European markets.

Second, as expected, the sectors that are more integrated across the Mediterranean are those on which southern Mediterranean countries enjoy comparative advantages. When the trade policies allows for special trade regimes to proceed, as is the case in Turkey, Tunisia and Morocco, intra-industry trade is increasing steadily, fostering the integration of North-South production systems.

However, the patterns of EU-southern Mediterranean countries varies widely across the southern shore of the Mediterranean, reflecting both geography and political and economic strategies. While Tunisia and Morocco are highly integrated in the European economy, with most of its trade being conducted with the EU and with high levels of intra-industry trade, most countries in the Mashrek have a more diversified trade, as happens with Turkey.

The Euro-mediterranean FTA have to take account of these differences: clearly, some countries in the southern shore of the Mediterranean have shown a bigger interest than others in achieving an FTA with the EU. That can be explained by merely economic reasons, even if political options may influence the outcomes. The Euro-mediterranean FTA should proceed trying to incorporate as many countries as possible, but can’t be imposed, neither abandon the interest of some member countries that can be harm by some concessions by the EU negotiators, at less without setting up an internal mechanism of compensation.

ANNEX 1: Revealed Comparative Advantages with the EU, 1998

	TURKEY	MOROCCO	ALGERIA	TUNISIA	EGYPT	LEBANON	SYRIA	IRAN	ISRAEL	JORDAN
01	-77,9	-98,9	-100,0	-97,9	-81,6	-100,0	-100,0	-100,0	-13,7	-90,1
02	**11,9**	-96,1	-100,0	-97,1	-100,0	-98,9	**3,7**	-100,0	-49,6	-99,4
03	**29,5**	**94,6**	**1,4**	**92,4**	-90,4	-98,8	-8,3	**99,9**	-14,9	-68,3
04	-46,3	-98,0	-99,7	-100,0	-99,8	-99,6	-97,8	-99,8	-79,6	-98,9
05	**86,4**	**21,9**	-38,9	**66,6**	**65,8**	**92,6**	**100,0**	**97,3**	-69,2	**98,2**
06	-3,4	**13,4**	-100,0	-37,3	**26,3**	-99,5	-76,7	-66,0	**96,7**	-99,1
07	**85,8**	**87,0**	-98,2	-38,0	**63,7**	-92,5	**12,8**	**93,3**	**74,4**	**60,0**
08	**99,0**	**98,8**	**84,4**	**94,1**	**74,1**	-87,7	**19,0**	**93,2**	**93,4**	**66,4**
09	**67,4**	**53,3**	-98,4	**24,1**	**9,1**	-59,6	**4,8**	**97,3**	-22,5	-90,8
10	-24,5	-99,9	-100,0	-99,6	-96,7	-99,9	-99,8	-94,5	-98,8	-100,0
11	**74,9**	-100,0	-100,0	-99,3	-99,5	-98,1	-99,9	-98,7	-98,6	-100,0
12	**22,5**	-10,2	-86,4	-56,6	**65,9**	-59,7	-57,5	-24,9	**71,3**	-99,4
13	-94,9	**83,4**	-100,0	-99,8	-63,0	-92,6	-100,0	**80,2**	-23,6	-26,4
14	**98,4**	**45,4**	-100,0	-100,0	**100,0**	-100,0	**100,0**	**100,0**	**66,3**	-100,0
15	-49,7	-81,3	-99,9	**24,0**	-99,6	-98,6	-99,7	-100,0	-73,5	-99,1
16	**93,1**	**96,8**	-94,3	**68,1**	-93,3	-99,8	**30,5**	**91,8**	**45,6**	-100,0
17	-12,9	-16,8	-100,0	-98,6	-56,5	-92,8	-99,8	-99,8	-77,2	-100,0
18	-85,1	-100,0	-100,0	-96,2	-99,8	-99,6	-99,5	-100,0	-82,9	-99,8
19	-51,5	-91,7	-99,2	-50,4	-99,6	-98,8	-98,0	-97,4	-73,6	-99,6
20	**96,3**	**91,8**	-99,3	-71,4	-77,8	-54,4	**25,0**	**96,9**	**65,2**	**37,9**
21	-77,9	**5,6**	-99,8	-49,9	-97,0	-97,0	-97,0	-89,5	-4,5	-96,3
22	-50,8	-41,9	-45,9	-4,2	-84,3	-69,0	-97,1	-84,4	-83,5	-100,0
23	-93,2	-30,2	-99,4	-20,3	-95,3	-98,4	-78,9	-100,0	-42,2	-98,7
24	**3,6**	-96,2	-87,9	-95,2	-99,6	-97,2	-95,2	-82,2	-99,9	-100,0
25	**68,7**	**78,7**	-32,7	**19,7**	-41,9	-98,6	**85,5**	-2,4	**37,6**	**77,8**

Revealed Comparative Advantages with the EU (continued)

	TURKEY	MOROCCO	ALGERIA	TUNISIA	EGYPT	LEBANON	SYRIA	IRAN	ISRAEL	JORDAN
26	**6,5**	**88,1**	-79,7	**76,2**	-93,5	-76,2	-100,0	**61,1**	-35,6	**64,2**
27	-54,2	-44,9	**99,0**	-4,1	**80,8**	-100,0	**93,7**	**99,5**	**44,7**	-99,2
28	-4,7	**69,0**	**49,6**	**36,4**	-32,6	-81,5	-99,7	-55,7	**52,1**	-87,9
29	-80,7	-92,1	-59,7	-99,4	-95,7	-98,1	-100,0	-63,0	**0,1**	-95,0
30	-95,0	-99,0	-100,0	-74,1	-98,1	-99,8	-98,7	-98,3	-42,8	-99,6
31	-92,0	**71,3**	**9,6**	**96,9**	**7,3**	**35,2**	-98,8	-100,0	**94,5**	**80,8**
32	-97,0	-97,6	-99,9	-97,5	-98,5	-99,7	-99,9	-98,6	-83,5	-99,9
33	-92,3	-65,3	-99,3	-75,0	-67,3	-98,6	-99,5	-95,3	-69,0	-96,7
34	-92,1	-96,0	-99,6	-92,4	-97,8	-99,3	-95,3	-99,9	-73,1	-99,6
35	-94,8	-98,9	-99,4	-99,2	-98,3	-96,1	-98,2	-98,9	**19,8**	-99,6
36	-54,5	-97,8	-100,0	-74,3	-80,5	-99,8	-99,2	-100,0	-69,4	-100,0
37	-95,7	-89,2	-100,0	-96,8	-99,7	-99,9	-99,9	-99,1	-89,3	-94,1
38	-98,1	-98,4	-99,8	-98,7	-91,0	-99,0	-100,0	-98,7	-51,4	-98,6
39	-81,0	-93,0	-99,3	-89,4	-81,0	-98,6	-98,1	-99,3	-5,2	-98,5
40	**7,5**	-41,3	-98,5	-68,7	-80,7	-95,8	-86,0	-57,0	-6,7	-71,8
41	-89,9	-45,0	**41,1**	-93,1	**85,0**	**3,3**	**98,3**	**99,8**	-42,5	**65,0**
42	**83,8**	**78,7**	-98,1	**69,5**	-18,9	-94,6	-81,1	-76,4	-27,9	-93,7
43	-67,2	-75,3	-100,0	**21,9**	-52,2	-76,6	-100,0	-100,0	-13,4	-92,2
44	-57,3	-80,2	-99,9	-90,3	-99,3	-99,4	-84,7	-92,9	-90,0	-99,3
45	-99,5	**98,8**	**99,5**	**98,2**	-100,0	-100,0	-100,0	-100,0	-100,0	-100,0
46	**22,3**	**98,0**	-100,0	-16,9	**90,7**	-100,0	**100,0**	-100,0	-64,1	-100,0
47	-98,8	**51,2**	-97,4	**15,2**	-100,0	-100,0	-99,3	-100,0	-65,7	-99,1
48	-89,4	-95,4	-100,0	-86,2	-90,2	-88,5	-99,5	-99,5	-82,2	-72,6
49	-73,7	-79,6	-97,4	-64,8	-86,2	-59,3	-89,4	-94,7	-9,2	-91,3
50	-48,0	-100,0	-100,0	-46,0	-97,7	-99,8	-21,8		-56,1	-95,3

Revealed Comparative Advantages with the EU (continued)

	TURKEY	MOROCCO	ALGERIA	TUNISIA	EGYPT	LEBANON	SYRIA	IRAN	ISRAEL	JORDAN
51	-60,4	-91,1	-100,0	-98,9	-95,9	-93,5	-66,3	**79,4**	-84,2	-99,7
52	**32,7**	-92,5	-98,3	-87,1	**88,7**	-99,4	**88,0**	**89,7**	**0,0**	-73,9
53	-84,6	-99,1	-100,0	-24,9	**61,3**	-91,9	-99,0		-94,7	-100,0
54	**5,5**	-86,9	-100,0	-91,8	-29,2	-75,9	-95,5	-100,0	-0,1	-98,7
55	**3,5**	-90,5	-99,9	-92,4	-44,2	-99,5	-99,2	-94,8	-54,6	-99,0
56	-73,0	-98,0	-99,9	-80,0	-77,8	-97,9	-99,8	-98,5	**10,6**	-100,0
57	**40,8**	**89,9**	-98,5	**64,2**	**91,6**	-84,8	-60,0	**99,0**	**22,2**	-97,6
58	-16,3	-84,6	-72,1	-87,8	-66,1	-99,5	-92,7	-85,1	-76,3	-100,0
59	-34,9	-96,6	-100,0	-97,1	-96,1	-99,6	-100,0	-98,2	**16,1**	-89,3
60	**14,1**	-96,7	-97,1	-98,0	-57,0	-98,1	-98,1	-3,2	-69,9	-54,9
61	**93,9**	**91,7**	-99,3	**55,1**	**86,3**	-63,8	**97,3**	**62,7**	**30,4**	**11,4**
62	**88,2**	**67,5**	-98,3	**77,6**	**48,3**	-88,0	**87,6**	-57,7	-22,5	**16,9**
63	**93,1**	**27,4**	-99,5	-11,7	**72,7**	-71,8	**76,3**	**24,6**	**43,4**	-98,8
64	-55,7	**57,0**	-92,4	**62,8**	-66,2	-95,8	-21,5	-10,3	-72,2	-98,2
65	**9,5**	**14,2**	-100,0	**66,3**	**64,1**	-88,8	-89,9	-81,1	-79,3	-100,0
66	-83,6	-100,0	-100,0	-7,9	-88,7	-100,0	-100,0	-100,0	-95,9	-100,0
67	**4,8**	-76,7	-100,0	**18,2**	-67,7	-95,0	-100,0		-87,2	-48,7
68	-33,2	-37,4	-99,9	-75,0	-92,9	-98,9	-81,7	-79,4	-75,0	-98,1
69	**38,6**	-4,2	-99,6	-16,9	-35,1	-99,3	-94,8	-83,2	-92,9	-97,9
70	**22,2**	-88,2	-99,6	-82,0	-85,8	-99,9	-98,6	-95,7	-40,7	-98,7
71	-31,6	**53,9**	-10,1	-28,7	-14,9	-62,8	-41,1	-56,8	-29,7	-87,2
72	-26,6	-81,3	-56,6	-36,6	-54,8	-85,5	-99,5	-33,8	-96,1	-98,2
73	-4,5	-89,5	-93,3	-72,1	-96,7	-96,2	-99,4	-93,4	-80,6	-98,8
75	-85,9	-97,4	-100,0	-44,9	-98,1	-100,0	-100,0	-100,0	-34,0	-93,2
76	-15,0	-74,6	-86,3	-73,7	57,3	-48,0	-63,7	-51,1	-19,0	-42,2
78	-99,0	**90,2**	**80,8**	**12,3**	-100,0	**76,3**	-100,0	-100,0	-12,0	-44,8

Revealed Comparative Advantages with the EU (continued)

	TURKEY	MOROCCO	ALGERIA	TUNISIA	EGYPT	LEBANON	SYRIA	IRAN	ISRAEL	JORDAN
79	**53,2**	-91,1	**87,9**	-99,7	-98,5	-100,0	-100,0	-64,9	**12,2**	-97,2
80	-94,7	-98,8	-65,3	-93,1	-100,0	-100,0	-100,0	-99,8	-93,7	-100,0
81	**22,9**	**50,7**	-99,6	-100,0	-96,2	-60,0	-100,0	-92,4	-9,4	-100,0
82	-78,3	-94,5	-99,2	-86,3	-86,1	-94,3	-97,8	-97,2	**47,4**	-40,9
83	-56,1	-68,4	-99,8	-76,4	-97,3	-99,6	-99,6	-95,3	-59,0	-99,1
84	-80,6	-91,5	-97,7	-83,5	-93,3	-95,5	-96,8	-97,0	-44,0	-88,6
85	-40,1	-10,9	-97,2	-7,1	-94,5	-94,3	-96,5	-97,2	**7,6**	-78,0
86	-75,7	-93,6	-99,0	-99,5	-99,0	-80,2	-100,0	-99,2	-92,7	-96,4
87	-75,8	-89,9	-99,7	-85,9	-98,6	-98,9	-99,5	-97,5	-95,6	-95,9
88	-6,1	-28,1	0,0	-95,3	-7,5	-46,7	-97,8	-94,7	-22,5	-48,1
89	-48,6	-15,9	-10,7	-97,3	-97,8	-100,0	-100,0	-100,0	**12,4**	-37,6
90	-88,1	-66,4	-94,9	-52,5	-81,2	-89,4	-85,8	-91,4	**11,1**	-66,9
91	-95,0	-15,2	-97,4	**5,5**	-94,8	-64,4	-97,6	-96,6	-70,1	-59,6
92	-62,0	-27,7	-100,0	-85,0	-76,1	-93,8	-62,5	-99,8	-23,9	-100,0
93	-77,4	-94,6	-95,9	-92,8	33,9	-83,7	-100,0	-38,8	**44,6**	-50,1
94	-19,3	-44,7	-99,7	-19,0	-58,7	-97,7	-87,4	-40,7	-64,7	-97,6
95	-69,0	-23,8	-100,0	-3,3	-91,0	-93,4	-62,8	-73,1	-10,9	-81,4
96	-70,7	-67,9	-93,6	-74,5	-81,7	-98,7	-98,2	-95,0	-54,2	-92,9
97	-73,9	-7,1	-100,0	-59,3	-61,8	-65,3	**40,5**	**96,0**	-28,4	-44,5
99	-52,2	-28,5	-90,7	-35,2	-64,3	-7,6	-61,2	-83,4	-14,8	-48,4

Source: Own calculations and *Comext database, Eurostat*.

ANNEX 2: PRODUCTS

Products 01	88- : LIVE ANIMALS
Products 02	88- : MEAT AND EDIBLE MEAT OFFAL
Products 03	88- : FISH AND CRUSTACEANS, MOLLUSCS AND OTHER
	AQUATIC INVERTEBRATES
Products 04	88- : DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY;
	EDIBLE PRODUCTS OF ANIMAL ORIGIN, NOT
	ELSEWHERE SPECIFIED OR INCLUDED
Products 05	88- : PRODUCTS OF ANIMAL ORIGIN NOT ELSEWHERE
	SPECIFIED OR INCLUDED
Products 06	88- : LIVE TREES AND OTHER PLANTS; BULBS, ROOTS AND
	THE LIKE; CUT FLOWERS AND ORNAMENTAL FOLIAGE
Products 07	88- : EDIBLE VEGETABLES AND CERTAIN ROOTS AND
	TUBERS
Products 08	88- : EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS
	OR MELONS
Products 09	88- : COFFEE, TEA, MATE AND SPICES
Products 10	88- : CEREALS
Products 11	88- : PRODUCTS OF THE MILLING INDUSTRY; MALT;
	STARCHES; INULIN; WHEAT GLUTEN
Products 12	88- : OIL SEEDS AND OLEAGINOUS FRUITS;
	MISCELLANEOUS GRAINS, SEEDS AND FRUIT;
	INDUSTRIAL OR MEDICAL PLANTS; STRAW AND
	FODDER
Products 13	88- : LACS; GUMS, RESINS AND OTHER VEGETABLE SAPS
	AND EXTRACTS
Products 14	88- : VEGETABLE PLAITING MATERIALS; VEGETABLE
	PRODUCTS NOT ELSEWHERE SPECIFIED OR INCLUDED
Products 15	88- : ANIMAL OR VEGETABLE FATS AND OILS AND THEIR
	CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS;
	ANIMAL OR VEGETABLE WAXES
Products 16	88- : PREPARATIONS OF MEAT, FISH OR CRUSTACEANS,
	MOLLUSCS OR OTHER AQUATIC INVERTEBRATES
Products 17	88- : SUGARS AND SUGAR CONFECTIONERY
Products 18	88- : COCOA AND COCOA PREPARATIONS
Products 19	88- : PREPARATIONS OF CEREALS, FLOUR, STARCH OR
	MILK; PASTRYCOOKS' PRODUCTS
Products 20	88- : PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR
	OTHER PARTS OF PLANTS
Products 21	88- : MISCELLANEOUS EDIBLE PREPARATIONS
Products 22	88- : BEVERAGES, SPIRITS AND VINEGAR
Products 23	88- : RESIDUES AND WASTE FROM THE FOOD INDUSTRIES;
	PREPARED ANIMAL FODDER
Products 24	88- : TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
Products 25	88- : SALT; SULPHUR; EARTHS AND STONE; PLASTERING
	MATERIAL, LIME AND CEMENT
Products 26	88- : ORES, SLAG AND ASH
Products 27	88- : MINERAL FUELS, MINERAL OILS AND PRODUCTS OF
	THEIR DISTILLATION; BITUMINOUS SUBSTANCES;
	MINERAL WAXES
Products 28	88- : INORGANIC CHEMICALS: ORGANIC OR INORGANIC
	COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH
	METALS, OF RADIOACTIVE ELEMENTS OR OF

	ISOTOPES
Products 29	88- : ORGANIC CHEMICALS
Products 30	88- : PHARMACEUTICAL PRODUCTS
Products 31	88- : FERTILIZERS
Products 32	88- : TANNING OR DYEING EXTRACTS; TANNINS AND THEIR
	DERIVATIVES; DYES, PIGMENTS AND OTHER
	COLOURING MATTER; PAINTS AND VARNISHES;
	PUTTY AND OTHER MASTICS; INKS
Products 33	88- : ESSENTIAL OILS AND RESINOIDS; PERFUMERY,
	COSMETIC OR TOILET PREPARATIONS
Products 34	88- : SOAPS, ORGANIC SURFACE-ACTIVE AGENTS, WASHING
	PREPARATIONS, LUBRICATING PREPARATIONS,
	ARTIFICIAL WAXES, PREPARED WAXES, SHOE
	POLISH, SCOURING POWDER AND THE LIKE,
	CANDLES AND SIMILAR PRODUCTS, MODELLING
	PASTES, DENTAL WAX AND PLASTER-BASED DENTAL
	PREPARATIONS
Products 35	88- : ALBUMINOUS SUBSTANCES; MODIFIED STARCHES;
	GLUES; ENZYMES
Products 36	88- : EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES;
	PYROPHORIC ALLOYS; COMBUSTIBLE MATERIALS
Products 37	88- : PHOTOGRAPHIC OR CINEMATOGRAPHIC PRODUCTS
Products 38	88- : MISCELLANEOUS CHEMICAL PRODUCTS
Products 39	88- : PLASTICS AND PLASTIC PRODUCTS
Products 40	88- : RUBBER AND ARTICLES THEREOF
Products 41	88- : HIDES AND SKINS (OTHER THAN FURSKINS) AND
	LEATHER
Products 42	88- : ARTICLES OF LEATHER; SADDLERY AND HARNESS;
	TRAVEL GOODS, HANDBAGS AND SIMILAR
	CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER
	THAN SILK-WORM GUT)
Products 43	88- : FURSKINS AND ARTIFICIAL FUR; ARTICLES THEREOF
Products 44	88- : WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL
Products 45	88- : CORK AND ARTICLES OF CORK
Products 46	88- : WICKERWORK AND BASKETWORK
Products 47	88- : PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC
	MATERIAL; WASTE AND SCRAP OF PAPER OR
	PAPERBOARD
Products 48	88- : PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP,
	PAPER OR PAPERBOARD
Products 49	88- : BOOKS, NEWSPAPERS, PICTURES AND OTHER
	PRODUCTS OF THE PRINTING INDUSTRY;
	MANUSCRIPTS, TYPESCRIPTS AND PLANS
Products 50	88- : SILK
Products 51	88- : WOOL, FINE AND COARSE ANIMAL HAIR; YARN AND
	FABRICS OF HORSEHAIR
Products 52	88- : COTTON
Products 53	88- : OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN
	AND WOVEN FABRICS OF PAPER YARN
Products 54	88- : MAN-MADE FILAMENTS
Products 55	88- : MAN-MADE STAPLE FIBRES
Products 56	88- : WADDING, FELT AND NONWOVENS; SPECIAL YARNS;
	TWINE, CORDAGE, ROPE AND CABLE AND ARTICLES

	THEREOF
Products 57	88- : CARPETS AND OTHER TEXTILE FLOOR COVERINGS
Products 58	88- : SPECIAL WOVEN FABRICS; TUFTED TEXTILE
	PRODUCTS; LACE; TAPESTRIES; TRIMMINGS;
	EMBROIDERY
Products 59	88- : IMPREGNATED, COATED, COVERED OR LAMINATED
	TEXTILE FABRICS; ARTICLES FOR TECHNICAL USE,
	OF TEXTILE MATERIALS
Products 60	88- : KNITTED OR CROCHETED FABRICS
Products 61	88- : ARTICLES OF APPAREL AND CLOTHING ACCESSORIES,
	KNITTED OR CROCHETED
Products 62	88- : ARTICLES OF APPAREL AND CLOTHING ACCESSORIES,
	NOT KNITTED OR CROCHETED
Products 63	88- : OTHER MADE UP TEXTILE ARTICLES; SETS; WORN
	CLOTHING AND WORN TEXTILE ARTICLES; RAGS
Products 64	88- : FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH
	ARTICLES
Products 65	88- : HEADGEAR AND PARTS THEREOF
Products 66	88- : UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS,
	SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS
	THEREOF
Products 67	88- : PREPARED FEATHERS AND DOWN AND ARTICLES MADE
	OF FEATHERS OR OF DOWN; ARTIFICIAL FLOWERS;
	ARTICLES OF HUMAN HAIR
Products 68	88- : ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS,
	MICA OR SIMILAR MATERIALS
Products 69	88- : CERAMIC PRODUCTS
Products 70	88- : GLASS AND GLASSWARE
Products 71	88- : NATURAL OR CULTURED PEARLS, PRECIOUS OR
	SEMI-PRECIOUS STONES, PRECIOUS METALS,
	METALS CLAD WITH PRECIOUS METAL, AND
	ARTICLES THEREOF; IMITATION JEWELLERY; COIN
Products 72	88- : IRON AND STEEL
Products 73	88- : ARTICLES OF IRON OR STEEL
Products 74	88- : COPPER AND ARTICLES THEREOF
Products 75	88- : NICKEL AND ARTICLES THEREOF
Products 76	88- : ALUMINIUM AND ARTICLES THEREOF
Products 78	88- : LEAD AND ARTICLES THEREOF
Products 79	88- : ZINC AND ARTICLES THEREOF
Products 80	88- : TIN AND ARTICLES THEREOF
Products 81	88- : OTHER BASE METALS; CERMETS; ARTICLES THEREOF
Products 82	88- : TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS,
	OF BASE METAL; PARTS THEREOF OF BASE METAL
Products 83	88- : MISCELLANEOUS ARTICLES OF BASE METAL
Products 84	88- : NUCLEAR REACTORS, BOILERS, MACHINERY AND
	MECHANICAL APPLIANCES; PARTS THEREOF
Products 85	88- : ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS
	THEREOF; SOUND RECORDERS AND REPRODUCERS,
	TELEVISION IMAGE AND SOUND RECORDERS AND
	REPRODUCERS, AND PARTS AND ACCESSORIES OF
	SUCH ARTICLES
Products 86	88- : RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING-STOCK
	AND PARTS THEREOF; RAILWAY OR TRAMWAY TRACK

	FIXTURES AND FITTINGS AND PARTS THEREOF;
	MECHANICAL, INCLUDING ELECTRO-MECHANICAL,
	TRAFFIC SIGNALLING EQUIPMENT OF ALL KINDS
Products 87	88- : VEHICLES OTHER THAN RAILWAY OR TRAMWAY
	ROLLING-STOCK, AND PARTS AND ACCESSORIES
	THEREOF
Products 88	88- : AIRCRAFT, SPACECRAFT, AND PARTS THEREOF
Products 89	88- : SHIPS, BOATS AND FLOATING STRUCTURES
Products 90	88- : OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC,
	MEASURING, CHECKING, PRECISION, MEDICAL OR
	SURGICAL INSTRUMENTS AND APPARATUS; PARTS
	AND ACCESSORIES THEREOF
Products 91	88- : CLOCKS AND WATCHES AND PARTS THEREOF
Products 92	88- : MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES
	FOR SUCH ARTICLES
Products 93	88- : ARMS AND AMMUNITION; PARTS AND ACCESSORIES
	THEREOF
Products 94	88- : FURNITURE; MEDICAL AND SURGICAL FURNITURE;
	BEDDING, MATTRESSES, MATTRESS SUPPORTS,
	CUSHIONS AND SIMILAR STUFFED FURNISHINGS;
	LAMPS AND LIGHTING FITTINGS, NOT ELSEWHERE
	SPECIFIED; ILLUMINATED SIGNS, ILLUMINATED
	NAME-PLATES AND THE LIKE; PREFABRICATED
	BUILDINGS
Products 95	88- : TOYS, GAMES AND SPORTS REQUISITES; PARTS AND
	ACCESSORIES THEREOF
Products 96	88- : MISCELLANEOUS MANUFACTURED ARTICLES
Products 97	88- : WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES
Products 98	88- : COMPONENTS OF COMPLETE INDUSTRIAL PLANTS OF
	CHAPTER 63: POWER PRODUCTION, INCL.
	PRODUCTION AND DISTRIBUTION OF STEAM AND HOT
	WATER
Products 99	88- : OTHER PRODUCTS

ANNEX 3: Export shares of commodity i in the exports to EU, 1998

Commodity	Egypt	Morocco	Jordan	Tunisia	Turkey	Spain
01	0,042	0,004	0,142	0,002	0,013	0,271
02	0,001	0,005	0,013	0,002	0,007	1,214
03	0,099	5,090	0,044	2,145	0,194	1,042
04	0,003	0,006	0,146	0,000	0,077	0,425
05	0,418	0,222	0,699	0,048	0,338	0,078
06	0,048	0,142	0,002	0,020	0,122	0,234
07	4,227	3,625	5,443	0,082	0,830	3,201
08	0,418	3,768	0,497	1,498	6,517	4,473
09	0,081	0,099	0,021	0,070	0,181	0,110
10	0,092	0,001	0,000	0,003	0,193	0,278
11	0,001	0,000	0,000	0,000	0,144	0,083
12	0,732	0,311	0,009	0,036	0,311	0,097
13	0,027	0,386	0,163	0,000	0,001	0,079
14	0,008	0,009	0,000	0,000	0,079	0,006
15	0,003	0,108	0,032	3,325	0,242	1,126
16	0,005	2,149	0,000	0,039	0,368	0,471
17	0,603	0,045	0,001	0,009	0,080	0,240
18	0,000	0,000	0,002	0,001	0,014	0,153
19	0,002	0,009	0,009	0,030	0,070	0,347
20	0,041	1,837	2,660	0,018	2,865	0,928
21	0,013	0,127	0,112	0,032	0,114	0,294
22	0,039	0,123	0,000	0,107	0,127	1,634
23	0,081	0,166	0,073	0,091	0,005	0,227
24	0,003	0,001	0,000	0,006	0,842	0,124
25	0,658	3,795	22,277	0,755	1,748	0,383
26	0,034	1,473	0,193	0,173	0,225	0,064
27	37,787	1,064	0,007	4,353	0,598	1,613
28	0,637	3,017	0,159	1,007	0,830	0,303
29	0,181	0,068	0,561	0,003	0,439	1,439
30	0,070	0,009	0,093	0,494	0,084	1,297
31	0,661	2,907	16,536	3,852	0,008	0,198
32	0,036	0,014	0,006	0,013	0,043	0,609
33	0,464	0,128	0,257	0,088	0,061	0,617
34	0,013	0,008	0,009	0,013	0,037	0,492
35	0,006	0,002	0,004	0,001	0,013	0,068
36	0,007	0,000	0,000	0,002	0,010	0,021
37	0,001	0,013	0,043	0,003	0,010	0,154
38	0,274	0,013	0,138	0,009	0,027	0,484
39	0,907	0,138	0,186	0,222	0,868	3,118
40	0,262	0,277	1,117	0,127	1,697	1,978
41	0,415	0,306	0,667	0,087	0,096	0,370
42	0,088	0,516	0,015	0,642	1,659	0,174
43	0,002	0,002	0,003	0,076	0,107	0,111
44	0,032	0,156	0,011	0,060	0,124	0,586
45	0,000	0,326	0,000	0,117	0,000	0,228
46	0,015	0,054	0,000	0,001	0,004	0,010
47	0,000	0,354	0,006	0,166	0,001	0,339
48	0,333	0,054	3,549	0,130	0,175	1,438

Export shares of commodity i in the exports to EU, 1998 (continued)

49	0,072	0,071	0,149	0,096	0,060	0,680
50	0,000	0,000	0,001	0,016	0,018	0,005
51	0,006	0,070	0,016	0,010	0,319	0,157
52	8,872	0,259	0,274	0,820	3,204	0,624
53	0,303	0,001	0,000	0,169	0,009	0,021
54	0,542	0,164	0,018	0,104	1,358	0,681
55	0,408	0,324	0,017	0,252	2,176	0,573
56	0,033	0,005	0,000	0,061	0,088	0,147
57	1,016	0,350	0,016	0,193	0,648	0,047
58	0,032	0,074	0,000	0,129	0,259	0,083
59	0,012	0,008	0,104	0,013	0,364	0,223
60	0,029	0,041	0,051	0,042	0,595	0,293
61	5,327	10,351	2,460	11,348	20,061	0,580
62	3,509	27,859	7,081	42,020	12,308	0,921
63	2,521	0,304	0,041	0,763	3,876	0,240
64	0,186	2,725	0,028	5,364	0,148	1,783
65	0,046	0,052	0,000	0,077	0,019	0,033
66	0,000	0,000	0,000	0,004	0,001	0,007
67	0,000	0,000	0,006	0,005	0,004	0,005
68	0,039	0,097	0,020	0,027	0,255	0,899
69	0,773	0,382	0,076	0,316	1,210	1,124
70	0,104	0,027	0,023	0,048	1,117	0,677
71	0,501	0,602	0,259	0,132	0,432	0,502
72	1,538	0,307	0,092	1,013	3,096	2,436
73	0,227	0,120	0,100	0,361	2,265	1,854
74	0,032	0,181	0,541	0,173	0,483	0,694
75	0,001	0,000	0,009	0,008	0,007	0,022
76	6,998	0,121	1,503	0,098	1,047	1,005
78	0,000	0,529	0,099	0,004	0,000	0,004
79	0,001	0,002	0,009	0,000	0,071	0,188
80	0,000	0,000	0,000	0,000	0,000	0,012
81	0,002	0,101	0,000	0,000	0,086	0,012
82	0,099	0,012	1,393	0,034	0,099	0,360
83	0,016	0,085	0,020	0,082	0,153	0,521
84	2,525	0,734	7,957	1,668	3,977	8,841
85	1,112	9,910	7,493	11,696	8,811	6,612
86	0,009	0,003	0,001	0,001	0,014	0,203
87	0,130	0,374	1,328	0,712	2,818	28,779
88	9,691	8,338	4,057	0,108	3,799	0,681
89	0,001	0,530	0,071	0,019	0,088	0,173
90	1,061	0,364	5,887	0,863	0,285	0,876
91	0,002	0,047	0,079	0,146	0,005	0,093
92	0,006	0,006	0,000	0,001	0,007	0,019
93	0,168	0,002	0,236	0,001	0,135	0,032
94	0,598	0,262	0,098	0,448	0,986	1,667
95	0,020	0,098	0,082	0,247	0,038	0,557
96	0,064	0,120	0,081	0,118	0,079	0,184
97	0,045	0,012	0,049	0,001	0,005	0,012
99	0,536	0,339	1,230	0,190	0,336	0,628

Source: Own calculations and *Comext database, Eurostat*.

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