

EU-Developing Country FTA's: Overview and Analysis*

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Joseph F. Francois
Erasmus University, Rotterdam, Netherlands

Matthew McQueen
University of Reading, Reading, UK

Ganeshan Wignaraja
Asian Development Bank, Manila, Philippines

Abstract:

This paper explores the complex structures of recent free trade agreements (FTAs) between the EU and developing countries, surveys the main factors determining their economic effects, and presents quantitative simulations of the effects of these agreements. Limitations of product coverage substantially reduce the potential benefits of the agreements compared to full bilateral free trade, while only the Mexico, Chile and Turkey agreements have trade related commitments which are wider and deeper than the preferential reduction in tariffs. In the case of Egypt, existing levels of protection mean that it is moving to regional free trade with many domestic distortions still in place, producing a significant loss for the Egyptian economy.

Key Words: Free Trade Agreements, CGE Modelling, European Union, Developing Countries, Trade and Development

Contact:

Matthew McQueen

Dept of Economics, The University of Reading, Whiteknights, Reading, RG6 2AA, UK

Telephone : +44 (0)118 378 8232 (3)

Fax: +44 (00 118 975 0236

e-mail: m.mcqueen@reading.ac.uk

1. Introduction

The Uruguay Round Agreements and the creation of the WTO have strengthened the multilateral trading system. At the same time, however, there has also been a proliferation of free trade agreements (FTAs) in the world economy. The EU has been the major driving force behind the spread of FTAs in the developing world in recent years. A combination of economic and political factors (including greater peace and stability in the EU hinterland, support for democratic reforms and the furthering of trade and investment liberalization in developing countries, and accessing new markets for EU exports), have motivated the EU to conclude such agreements. For developing countries, the attraction has been preferential access to the large EU market and the prospect of increased EU aid.

Against this background, this paper undertakes an analysis of the complex structure of these agreements and surveys the main factors determining their economic effects. It then presents a simulation of the quantitative effects of five EU-developing partner FTAs (South Africa, Mexico, Chile, MERCOSUR¹ and Egypt) and the customs union agreement in industrial products with Turkey. Five of these agreements have been concluded (South Africa, Mexico, Chile, Turkey and Egypt) while the one with MERCOSUR is, at the time of writing, still being negotiated. It stresses the likely economic effects on the trade, welfare and economic structure of both parties of these preferential trading agreements, as well as the impact on third countries. The quantitative analysis is built around the Global Trade Analysis Project (GTAP) computable general equilibrium model and database (version 5.0) with an aggregation of 29 regions and 24 sectors.² Previous studies on the effects of EU-FTA's using GTAP 5 or CGE models, such as those on South Africa (McDonald, and Walmsley, 2001; Lewis, Robinson, and Thierfelder, 1999), Turkey (Harrison, Rutherford, and Tarr, 1997; Alessandri, 2000), and Egypt (Dessus, and Suwa-Eisenmann, 1998) have assumed full liberalisation between the partner countries. This paper goes beyond the literature and simulates two alternative policy scenarios within the model: (a) the actual EU-developing country FTA; and (b) a full EU-developing country FTA (expanded to include the products currently excluded in the actual FTA)³ and examines (a) in relation to (b).

Section 2 discusses some key characteristics of the EU's trade agreement partners. Sections 3 and 4 chart the spread of EU-developing country FTAs since the mid-1990s and analyses key aspects of the agreements. Sections 5 and 6 present the modelling results on the overall effects of the trade agreements, and compare them with full free trade.

2. Characteristics of the EU's Trade Agreement Partners

The discussion starts with a brief examination, using the GTAP 5 data (based on 1997), of the key characteristics of the EU's trading agreement partners. As shown in Table 1, collectively the MERCOSUR economies (dominated by Brazil) are the largest economy among the six agreement partners. Mexico follows this some way behind. Chile and Egypt are the smallest while Turkey and

South Africa fall in between these extremes. It is noteworthy that the total GDP of the six economies combined amounts to about a quarter of the GDP of the EU.

[Table 1 about here]

At the same time, there is significant variation in the production structures of the six agreement partners. MERCOSUR and Mexico are the most industrialised while Chile is by far the least. All the agreements partners have significant service economies (making up around half of GDP). Chile and Turkey have the largest agriculture and food processing sectors while the others have significant shares of agriculture and food processing. By comparison, the EU's economy is dominated by services and to a lesser extent, manufacturing while its agricultural and food processing sectors have declined and account for a negligible share of economic activity.

The individual developing countries are relatively small trading partners for the EU and even when combined only account for 3.7% of total EU exports and 2.9% of total EU imports (*IMF Direction of Trade Statistics, 2001*). In contrast, the EU is a major export market for most of the agreement partners. Hence, the EU accounts for 54.6% of exports in Turkey, 43.6% in Egypt, 28.6% in South Africa, 25.2% in Chile and 23.8% in MERCOSUR (Table 2). Mexico, with a particularly high reliance on the US market (accounting for 90.7% of Mexico's exports), is an exception with only 3.4%. On the import side, Turkey, South Africa and Egypt have particularly strong ties with the EU (with between 37% to 50% of their imports from the EU) while the three Latin American economies have somewhat weaker ties (with between 9% to 20% of imports from the EU).

The commodity composition of EU exports to the developing country partners and the make-up of their exports to the EU reflect endowments, historical ties and trade policies among other factors. The EU's exports to the developing country partners are dominated by manufactures (in excess of 95% of total export value) and the pattern has shown little change since the mid-1960s (Maxwell Stamp PLC, 2003). Processed food products (2% to 4%) and agricultural items (around 1%) make-up a tiny share of the EU's exports to the six developing countries. There are also small shares of EU mining exports to Turkey.

In contrast, there has been a marked structural transformation in the export patterns of the EU's partner countries over the same period (see Table 2 for data on selected partners). This is associated with the rapid rise of manufacturers and a decline in the share of agriculture and processed food products. The share of manufactures in total exports increased from 30% to 87% in Mexico, 8% to 86% in Turkey, 11% to 56% in South Africa and 2% to 39% in MERCOSUR. Although Chile's exports are also dominated by manufacturers (63%), there has been a notable decline in this category from 1965 levels and a rise in processed food, agricultural products and mining.

[Table 2 about here]

Data on bilateral trade weighted average tariff rates⁴ levied by the EU against five developing country partners and similar ones levied by all six developing country partners against the EU are shown in Tables 3 and 4. There is a distinct pattern of import protection in the EU against developing country products. The EU seems to be providing relatively high import protection for declining sectors such as processed food and agriculture and relatively low protection for manufacturing, one of its leading sectors. There is also some variation by country within this general pattern. For instance, South Africa seems to face the highest import duties against food processing exports and Chile the lowest. Furthermore, Mexico and Chile confront relatively high protection against agricultural items. There is relatively little variation in low protection rates against manufacturers, and duties on EU imports of manufactures from Turkey have now been phased out under the customs union agreement.

Table 3 about here

More variation is visible in protection levied by developing countries against the EU. Interestingly, Chile has remarkably low uniform rates of import protection of around 11% (12% for mining) for most categories of EU imports. However, the other developing countries have much higher rates against EU imports. South Africa seems to have relatively high rates particularly for processed food (72%) and agricultural products (21%) while MERCOSUR and Egypt have quite high rates for manufacturers. Mexico levies relatively high rates for processed food, but not for agricultural goods or manufacturers. Turkey has relatively low rates for most products (notable only 7% for manufactures) except processed food.

[Table 4 about here]

3. The Spread of EU Trade Agreements

The EU has, since 1995, been central to the proliferation of trade agreements in the world economy. Details of the agreement, which have been concluded, or are currently, being negotiated (with the exception of the long-standing negotiations with the GCC States) are given in Table 5. They show that the EU has agreements, or is in the process of negotiating agreements, with the Middle East and North African countries, a substantial proportion of Latin America, the African, Caribbean and Pacific countries, and South Africa. A common feature of the agreements is the replacement of unilateral preferences with reciprocal preferences.

The reasons for this change of trade policy towards the developing countries have derived from political, economic and legal considerations; the precise mix of these three components varying according to the primary objectives of the agreement.

Legal considerations principally derived from the Uruguay Round Agreements of 1994, which strengthened the 'rules based' system of international trade and focused attention on the incompatibility of the EU's unilateral preferences for the Middle East and North African (MENA) and ACP countries with the WTO Agreements (McQueen, 1998).

Political considerations have been particularly important in the free trade agreements with the MENA countries, where the EU's Barcelona Declaration in 1995, which launched the Euro-Mediterranean Partnership Agreements, explicitly referred to the need to create greater social and economic stability and economic convergence with the EU in a region of vital interest to the security of the EU. Non-reciprocal preferential trade agreements were seen as having failed to achieve these objectives, whereas free trade agreements, (leading to the establishment of a Euro-Mediterranean Free Trade Area by 2010) being reciprocal, of indefinite duration, and binding on both parties, would accelerate economic development. Not only would they provide both parties with greater certainty of preferential treatment and, it was hoped, therefore increase trade and investment, but they were also envisaged as providing greater opportunities for deepening cooperation on a bilateral basis than was possible within a multilateral framework (European Council, 2000). In addition, since the costs of terminating the agreement would be high for any MENA country, the agreements were seen as 'locking in' essential trade and structural reforms in these countries.

Economic considerations have primarily motivated the agreements with Mexico, Chile and MERCOSUR. First, to meet the competitive challenge posed by the US under NAFTA and the possible establishment of the FTA, and to provide a platform for EU exports to North and South America. Second, particularly in the case of MERCOSUR (which aims to complete the formation of a single market by 2005), to preserve EU market shares and expand into new areas of exports, including services (European Commission, 2000, 2001). More generally, the fact that all of the EU's agreements cover a wide range of trade related issues, such as customs cooperation and rules of origin, competition law, standards, government procurement, and investment codes; may assist the EU in establishing EU rules and procedures in multilateral agreements and so provide a competitive advantage to EU corporations in international trade and investment.

[Table 5 about here]

Whether the preferential trade agreements negotiated by the EU are able to perform any of these roles depends critically on the importance of trade with the EU to the economy of the developing country and the precise details of the scope and content of the agreements and their enforcement mechanisms.

4. Key Aspects of EU – Developing Country Agreements

(a) The Structure of the Agreements

A synopsis of the general structure of the EU's agreements with selected developing countries is given in Table 6.

[Table 6 about here]

It is important to appreciate that these agreements are substantial documents often covering over 1,000 pages of text and annexes and so the table can only provide a brief guide to a more complex reality. It does, however, illustrate two important features. First, the agreements fall short of establishing 'free trade' in the normal sense of the term. Second, the agreements cover considerably more than just concessions on tariffs.

(b) Liberalisation of Trade in Goods

A basic dilemma facing EU negotiators of these free trade agreements is that according to their negotiating mandate they must not undermine the finely tuned border protection of the CAP and the Common Fisheries Policy. At the same time they must ensure that the agreement is compatible with Article XXIV of GATT 1994, particularly section 8 requiring coverage of "substantially all trade" and the Understanding on Article XXIV (especially the preamble which states that "no major sector is excluded"). The EU seeks to resolve this dilemma by interpreting WTO rules as requiring free trade to be established on 90% of total bilateral trade flows. Since EU tariffs on most industrial products are zero or very low (exceptions are, for example, clothing and motor vehicles) the EU has little difficulty in liberalising imports of all, or practically all, industrial products. Also, since imports of agricultural products and fisheries are limited by (sometimes prohibitive) border protection they account for only a small proportion of existing total imports from the partner country. As a result, the EU is able to make a sufficient contribution to the fulfilment of the 90% criteria by fully liberalising imports of manufactured goods but, as shown in Table 6, only around 60% of its imports of agricultural products. Similar calculations, it is argued by the EU, also enables the partner country to protect sensitive industrial and agricultural sectors of its economy while remaining within the EU's interpretation of requirements of Article XXIV.

The liberalisation of trade in industrial products almost invariably covers all of the EU's imports from the partner country, and in the case of Egypt and Mexico, similarly covers all of their imports of industrial products from the EU. Since the customs union agreement in industrial products with Turkey aims at eventual membership of the EU, the agreement covers the abolition of duties on all industrial products by both parties. It is only in the case of the agreement with South Africa that 87% of its imports from the EU are liberalized with the remaining 13% being listed for future considerations.

Tariffs are almost invariably higher in the developing country and so the transitional period to free trade in industrial products is asymmetric, with the EU liberalization schedule being of shorter duration than that of the partner developing country. In the case of South Africa and Egypt, this has been set at 12 years (15 years for imports of motor vehicles in the case of Egypt). This enables the developing country to spread the adjustment to free trade in industrial products over a longer period of time and enables the Government of the country to reduce its dependence on import taxes and restructure its sources of revenue. It is only in the case of Mexico that the pace of tariff reductions is a relatively short period of seven years, while free trade in industrial products has already been established between the EU and Turkey.

The pattern of tariff reductions in the developing country usually takes the form of duties on capital and intermediate goods being abolished before those on final consumer goods, which are also subject to significantly higher initial duties and which are only liberalised towards the end of the transitional period.

It is in the area of trade in agricultural and fisheries products that the agreements fall significantly short of free trade. The EU routinely excludes or strictly limits concessions on products such as beef, sugar, a range of dairy products, some cereals and cereal products, rice, some fresh fruits and vegetables, some cut flowers and fisheries products. The partner developing country also excludes a range of agricultural products, not least to protect their agriculture from imports of subsidised agricultural goods from the EU such as, beef, sugar, dairy products, and cereals. As a result, in the case of the agreement with Mexico, only 62% of bilateral trade in agricultural products is fully liberalised, while in the case of the agreement with South Africa 62% of EU imports are liberalised while South Africa fully liberalizes 82% of its imports from the EU. No comparable figures are published for trade in agricultural produces with Egypt or Turkey.

In addition, the EU also makes some concessions in terms of reductions or the abolition of duties within tariff quotas. In the case of fruit and vegetables (which are particularly important exports for the Mediterranean countries and South Africa), the EU maintains in all of its agreements, the restrictions of the minimum entry price regime and calendar restrictions, although concessions may be made in either or both of these restrictions. The result is a very complex combination of EU preferences in agricultural products which may include; tariff reductions, with or without quotas or the possibility of reference quantities being defined; reduced tariffs for quantities outside the quotas; reduced entry prices with or without quotas; all of which may be limited within calendar periods with the possibility of concessions here as well. The existence of tariff quotas also raises the question of who benefits from the quota rents. It is therefore very difficult to make valid generalizations about the effects of this finely tuned system of protection in terms of the extent to which the preferences (which, in any case, are *relative* to those given to other countries) are capable of stimulating increased exports from the beneficiary developing countries. Broadly speaking it would appear that the Mediterranean countries have obtained tariff decreases without strong quantitative restrictions for the majority of

their exports (Grethe, and Tangermann, 1999), while the tariff quotas in the free trade agreement for Egypt are significantly higher than the tariff quotas which they obtained under the previous Cooperation Agreement. However, the existence of these restrictions will inevitably affect the production and export decisions of producers and simple comparisons of tariff quotas with existing trade flows cannot provide a true indication of the degree of restriction imposed by the import regime of the EU. All of the agreements have a review clause (usually three years after the implementation of the agreement) to consider whether preferences may be increased.

Processed agricultural products obtain a reduction in the agricultural element of protection commensurate with the preferences for the raw materials used in production, but this is "likely to be quite insignificant for the size of the preference margin" (Grethe, and Tangermann, 1999).

Agricultural products are not included in the Customs Union Agreement with Turkey, but since the objective is full membership of the EU, both Parties have agreed to progressively improve their preferential regime in the agricultural sector with the objective of allowing Turkey to adapt its agricultural policy to that of the Common Agricultural Policy. It should be noted, however, that no time scale has been placed on this process and that the system of preferences does not "restrict in any way the pursuance of the respective agricultural policies of the Community in Turkey". In addition, both countries have a safeguard clause which can be activated if "either quantities or the prices of imported products from the other Party in respect of which a preferential regime has been created, causes or threatens to cause a disturbance of the Community or Turkish market". The Commission estimates that 93% of Turkey's agricultural exports to the EU and 33% of EU agricultural exports to Turkey are covered (that is obtain concessions) by the 1998 scheme of preferences.

Preferences in fisheries are variable and in the case of South Africa, preferences are conditional on the latter concluding a Fisheries Agreement, which would, among other concessions, give EU vessels access to South African waters. To date, negotiations between the EU and South Africa have been terminated without agreement. In the case of Chile, the EU will eliminate tariffs on 91 per cent of fish imports over the ten-year transition period.

(c) Rules of Origin

All preferential trade agreements require rules of origin to prevent trade deflection (imports from third countries receiving preferential treatment) and the EU insists on its own rules of origin being applied in all of its preferential trade agreements. Where all of the inputs used in production originate in the partner counter, then there are clearly few problems in determining origin. Where processing or manufacturing uses imported intermediate material in production, then clearly the definition of an originating product becomes more complex since both parties will wish to exclude from preferences, third country goods which have undergone only superficial working or processing in the partner country.

The EU rules are based on process criteria which start with the general rule that sufficient working or processing is obtained when the product being considered for preferential treatment is classified in a different four-digit HS tariff heading from all of the non-originating materials or component used in production (the CTH rule). Since, however, the Harmonized System was not designed to provide a definition of sufficient working or processing, this rule is supplemented by a 'Single List' covering a very substantial number of products where specific conditions must be fulfilled rather than the CTH rule. These conditions set out definitions and specify one or more of the following: (a) the starting material(s) used in production which must originate in the partner country, (b) permitted non-originating materials, (c) combinations of the two, (d) maximum percentage for non-originating inputs (typically 40 or 50 per cent of the ex-works price of the product).

The EU has been subject to a considerable degree of criticism over the past few decades in going beyond the legitimate purpose of rules of origin in preventing trade deflection and using them as a means of import protection (McQueen, 1982; Ghoneim, 2003)). Developing countries, particularly in the Mediterranean and Africa, have a relatively small manufacturing base and many exporters find it very difficult if not impossible to meet the implicit or explicit levels of domestic value-added required by the rules of origin. They also make little sense in a world of international production and where one of the objectives of the agreements is to integrate these economies more fully into the world economy.

The EU seeks to mitigate the restrictive effect of the rules of origin by allowing a partner country to count imports from the EU of intermediate products used in production as 'originating' products (bilateral cumulation). The difficulty, however, is that if the EU is not the most efficient source of supply, then bilateral cumulation will cause trade diversion. It should also be noted that the combination of restrictive rules of origin with bilateral cumulation reinforces the "hub and spoke effect" of the agreements, reducing the overall gains from trade and concentrating them in the EU.

The EU also allows a degree of regional cumulation of origin among approved groups of developing countries. The agreement with Egypt for example allows materials originating in Algeria, Cyprus, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, the West Bank and the Gaza Strip, to count as originating in the Community or Egypt when incorporated into a product produced in Egypt. The difficulty with this 'diagonal cumulation' is that the imported intermediate products have to have acquired originating status in the partner country in accordance with the EU's rules of origin. Diagonal cumulation also requires 100% value added in Egypt to the materials used from the partner country. There would also appear to be some degree of variation in the rules for diagonal cumulation. For example, the agreement with South Africa only allows cumulation with one (ACP) partner country and not to the regional group (SADC) as a whole. Full cumulation is only permitted among the SACU countries. Again, as argued by McQueen (2002), the system, appears designed to promote hub-and-spoke relationships with the EU.

Additional flexibility is provided by the 'tolerance levels' of 15% of the ex-works price of the finished product and by the possibility of 'derogations' from the rules of origin. However, the operation of the Lomé Convention/Cotonou Agreement over the past twenty-seven years demonstrates that the derogation procedures are costly to use, highly restrictive in their operation, and are of little practical use.

In an interesting departure from its normal stance that the rules of origin are non-negotiable, the EU has allowed Mexico some potentially significant relaxations in exchange for a "considerably larger market access package" for the EU. These concessions have been made to take account of a lack of raw material and components in Mexico, whilst avoiding "simple assembly" and apply to certain sections of chemicals, components and machinery. For other sectors such as clothing, vehicles and complex car-parts such as engines and chassis, a transitional relaxation of EU rules has been agreed to give time for Mexican industry to adapt to the EU rules origin.

(d) Other Trade Related Issues

An important argument in support of FTA's is that because they are restricted to the partner countries to the agreement, they encourage deeper forms of trade liberalisation than would be politically feasible within the non-discriminatory WTO framework. Successful implementation of the FTA may then encourage the subsequent generalisation of key elements of the agreement on a multilateral basis. In this respect Table 6 shows that the agreements are disappointing, although it should be noted that in the special case of the customs union agreement in industrial products with Turkey, strenuous efforts are being made to conform to EU laws in preparation for eventual membership of the EU. Despite covering competition law and subsidies in so far as they affect trade between the partner countries, each side, in addition, retains the right to use the protectionist WTO procedures on Antidumping and Countervailing Measures and the Agreement on Subsidies and Countervailing Measures. All of the agreements includes a variety of provisions, which could significantly lower frictional barriers to trade and increase certainty of treatment, such as the harmonisation of standards, certification, quality assurance, and enforcement procedures. None of the agreements, however, include a timetable for these improvements, far less for the mutual recognition of standards and procedures. In addition, although there are dispute settlement procedures, both parties retain the right to substitute the more limited WTO Disputes Settlement procedures. Similarly, empirical evidence suggests that substantial gains could accrue to the developing country partners from the inclusion of services and rights of establishment in the FTA's (Hoekman, and Konan, 1999). Only the agreements with Mexico and Chile provide for a substantial liberalisation of services, while the Euro-Med Agreements and the FTA with South Africa merely state that this is an objective for negotiation at an unspecified time in the future.

A further potential "non-traditional" gain (Fernandez, and Portes, 1998) from these agreements is to provide credibility to the economic reforms of the government of the developing

country because, it is argued, they "lock in" liberalization measures and sound economic policies (see, for example, Collier, and Gunning, 1995). It is also argued that scheduling the abolition of trade restrictions with the EU signals to the world that the developing country considers that it will be able to compete with EU imports. None of the EU's agreements, however, cover macroeconomic policy, privatisation and deregulation, while only the agreements with Mexico and Chile make specific provisions for the liberalization of certain public procurement markets. In addition, the agreements include the EU's standard safeguard clauses against preferential imports which cause or threaten to cause serious difficulties to a sector or region in either country. The extent of "credibility" or "signalling" conferred by the agreements has therefore been questioned (McQueen, 2002) both in terms of the exclusions and limitations of the agreements and the plausibility of the EU enforcing the agreement on a developing partner country at a time when it is probably subject to severe economic problems.

5. Empirical Analysis of the Actual Agreements

(a) Methodology

The effects of the FTA's have been estimated through the application of a global general equilibrium model that reflects post Uruguay Round trade policy data. The model is characterized by an input-output structure (based on regional and national input-output tables) that explicitly links industries in a value added chain from primary goods, over continuously higher stages of intermediate processing, to the final assembling of goods and services for consumption. Inter-sectoral linkages are direct, like the input of steel in the production of transport equipment, and indirect, via intermediate use in other sectors. The model captures these linkages by modelling firms' use of factors and intermediate inputs. The most important aspects of the model can be summarized as follows: (i) it covers all world trade and production; (ii) it allows for medium- to long-run investment effects on the installed stock of capital; (iii) it includes intermediate linkages between sectors.

Our data come from a number of sources. Data on production and trade are based on national social accounting data linked through trade flows (see Reinert, and Roland-Holst, 1997). These social accounting data are drawn directly from the Global Trade Analysis Project (GTAP) dataset. (Dimaranan, and McDougall, 2002). The GTAP version 5 dataset is benchmarked to 1997, and includes detailed national input-output, trade, and final demand structures. The basic social accounting and trade data are supplemented with trade policy data, including additional data on tariffs and non-tariff barriers. Post Uruguay Rounds tariff data are from Francois, and Strutt, (1999) while ATC quota price wedges are from Francois, J, F. and Spinanger, D. (2002). Remaining Uruguay Round tariff and quota commitments are imposed on the benchmark data before policy experiments are conducted. Data are aggregated into 24 sectors and 30 regions (listed in Tables 7 and 11). (Egypt is not in the core GTAP database, and so we model the Egypt agreement on the basis of a modified version of the database that also includes an estimated SAM for Egypt for 1997, and mapped to the

same model. (see Francois, and Spinanger, 2001). NTBs are modelled as export taxes for textiles and clothing (though we remove the textile and clothing protection as part of the baseline), and as a mix of import and export taxes in agriculture. (See Dimaranan and McDougall, 2002, for specific details).

Computationally, our starting point is the standard version of the global trade analysis project GTAP model, modified to include savings-investment linkages. This is a multi-sectoral model with sectors linked directly through intermediate linkages and indirectly through factor market demands and includes an explicit treatment of production and bilateral trade flows (Hertel, 1997; Brockmeier, 2001). The effects of the FTAs comprise the static effects (where resources are fixed), corresponding to the combination of efficiency and consumption gains emphasised in trade theory, and dynamic effects which incorporate the medium and long run linkages between the FTA's, changes in the level of investment and consequent changes in the capital stock (see Francois, et al, 1996).

In all regions there is a single representative, composite household in each region, with expenditures allocated over personal consumption and savings (future consumption) and over government expenditures. The composite household owns endowments of the factors of production and receives income by selling them to firms. It also receives income from tariff revenue and rents accruing from import/export quota licenses (when applicable). There is an implicit non-distortionary income tax in the model that adjusts to replace revenue lost by tax reductions, such as tariff reductions. Part of the income is distributed as subsidy payments to some sectors, primarily in agriculture. Welfare effects are calculated as equivalent variation to the policy experiments considered, based on the estimated impact on prices and incomes.

On the production side, in all sectors, firms employ domestic production factors (capital, labor and land) and intermediate inputs from domestic and foreign sources to produce outputs in the most cost-efficient way that technology allows. Perfect competition is assumed, and products from different regions are assumed to be imperfect substitutes in accordance with the so-called "Armington" assumption. Prices on goods and factors adjust until all markets are simultaneously in (general) equilibrium. This means that we solve for equilibria in which all markets clear. Our macroeconomic closure involves a fixed net capital account. Hence, while we model changes in gross trade flows, we do not model changes in net international capital flows. Rather our capital market closure involves fixed net capital inflows and outflows. This does not preclude changes in gross capital flows. (See the Hertel, et.al., 1997 discussion on macroeconomic closure. The present approach facilitates welfare analysis.) To summarize, factor markets are competitive, and labor and capital are mobile between sectors but not between regions. All primary factors, labor, land and capital are fully employed within each region.

The effects of the actual agreements are based on matching, as closely as possible, the degree of trade liberalisation (full, partial, and excluded products (in the agreements with the 24 sectors in the model. In the case of the agreement with MERCOSUR (which is currently under negotiation) it was

assumed that the liberalization of bilateral trade would cover all manufactured goods, 75 percent of processed food, 50 percent of agricultural products, and exclude meats and sugar.

(b) Trade and Production Effects

The overall trade impact of the agreements can be proxied by the percentage change in export value (note that this does not indicate the welfare effects of the agreements). A large proportion of the EU's imports from the developing country with which the EU has concluded free-trade agreements were already subject to zero or very low rates of duty either because they were raw materials, industrial goods, or non-competing agricultural products subject to low MFN duties, or because they already received unilateral preferences under bilateral schemes (Mediterranean countries) or the GSP (Latin America and South Africa). The additional concessions, which have been offered by the EU in the free trade agreements, are very limited. As a result, preferential access under the free trade agreements can be expected to lead to only a very small increase in the existing level of exports of the partner developing countries. Our estimates of the percentage change in export value⁵ range from 0.1% for Egypt, 2.8% for Mexico, 3.5% for Chile, 5% for MERCOSUR, 6.4% for South Africa and 14.1% for Turkey. At the same time, agreements with third countries erode the value of individual agreements somewhat.

The present level of border restrictions of many developing countries remain at substantial levels despite recent programs of liberalization. The simple average level of tariffs in Egypt in 2002 was recorded as 18.4% with 44.6 of the tariffs being over 15%. South Africa has engaged in a vigorous program of liberalization in recent years and as a result its simple average level of tariffs in 2001 was 9.8%, but 38% of its tariffs were over 15% (World Bank, 2004). Adjustment to the terms of the free trade agreement will therefore result in a significant decrease in import duties. Equally significant are the numerous administrative 'red tape' barriers to trade which may have to be removed or greatly simplified as a result of the agreement. If this is combined with a significant share of the EU in total imports, then the potential gains from trade creation may be significant. For this reason, the growth in trade is more readily attributed to own liberalization than to liberalization with the EU. As a result of such liberalization, producers will have access to lower cost intermediate products and capital goods and consumers will be offered a wider variety of goods at lower prices.

[Table 7 about here]

Welfare effects (proxied by real income) are reported in Table 7. These are based on the change in economic welfare that follows from each RTA. They show that the EU gains most, in economic terms, from the full set of agreements studied. The benefits for the EU are estimated to be in the range of \$9.1 billion annually (based on 1997 GDP). Most FTA partners (except Egypt) benefit from the direct effects of the agreement⁶. However, as in trade, the effects of agreements with third countries

limit economic gains. In addition, some third countries, like Botswana, North Africa and the Middle East, are hurt by the agreements. The results for Botswana (with a loss of about \$377 million annually) point to losses for Southern Africa in general⁷.

The BNLS (Botswana, Namibia, Lesotho and Swaziland) countries face, as a result of the combination of the customs union agreement with South Africa (SACU) and the EU-South Africa (RSA) free trade agreement, increased competition from the EU, both in their exports to, and in their imports from, South Africa and will incur a loss of tariff revenue (significant for Lesotho and Namibia) from the common revenue pool. These countries also only have preferential access to the EU through the Cotonou Agreement, the trade component of which is due to expire in 2008. Even if future negotiations extended the EU-RSA agreement to the BNLS countries it is unlikely to include Botswana, Namibia and Swaziland's current preferences for beef and sugar as these products are excluded from the EU-RSA agreement (though the legality of withdrawing sugar preferences could be legally challenged as these are, under the Sugar Protocol, of 'indefinite duration').

South Africa is also a member of SADC and these southern African countries will face a loss of regional trade with South Africa as a result of the trade creation effects of the free-trade agreements. In addition, unless South Africa offers the SADC countries preferences equivalent to those available to the EU there could also be significant trade diversion against SADC. These negative effects on regional trade are reinforced by the EU rules of origin which allow South Africa to cumulate origin with only one ACP (including SADC) country, while the producer in South Africa has to add 100% to the value of imports of intermediate products from the regional partner in order to qualify for preferential entry into the EU market.

It should also be noted that the ACP (including SADC) countries have no automatic right to include imports from South Africa as originating products when claiming preferences in their exports to the EU under the Cotonou Agreement. In the case of the Mediterranean countries, Egypt (but not other Mediterranean countries, such as Morocco and Tunisia) can, technically, cumulate origin with other Mediterranean countries and Turkey (subject to some restriction) but only provided these intermediate products have acquired originating status under the EU rules of origin in the partner country.

These considerations apply to the ultimate effect of the free-trade agreement on the allocation of resources once the agreement has been fully implemented. As we have noted, however, the pattern of tariff reduction in countries like Egypt and South Africa is generally to eliminate tariffs on capital goods and intermediate goods where tariff levels are already fairly low and to delay tariff reductions on the more highly protected consumer goods industries to the latter part of the transitional period. The result of this is to increase the variance of effective rates of protection during most of the transitional period, with some liberalised sectors quite possibly being subject to significant negative rates of protection. The increase in the variance of effective rates of protection will increase the degree of price distortion in the economy and the consequent adverse resource pull effects of the

structure of protection, reducing the incentive to engage in rapid restructuring of the economy and creating an incentive for scarce resources to be allocated to sectors of the economy where there is a short-term increase in levels of protection (and therefore in profitability). A study (Hoekman and Djankov, 1997) simulating the effects of applying the Tunisian tariff reduction scheme in the EU-Tunisia FTA to Egypt showed an increase in the average dispersion of effective rates of protection (ERP) from an initial level of 66 per cent to a level of 73 per cent by year six of the 12 year transitional period. Sectors such as clothing, glass products, footwear and transport equipment experienced increased ERP's by year six, while chemicals, crude petroleum, mineral products, machinery and appliances, and petroleum refining faced negative ERP's (effectively a tax on production).

This is contrary to the purpose of the transitional arrangement and as effective rates of protection decrease sharply towards the end of the transitional period so many producers may be inadequately prepared to meet increased competition from the EU.

The limited additional concession by the EU in agriculture products combined with the potentially negative static welfare effects of the agreement raises the question of the effect of these agreements on the poorest sections of the population. The effects of trade liberalization on the poor are complex (see, for example, Winters, 1999) and the additional complexities of these free-trade agreements make it impossible to make valid generalisations about their likely effects. What we can say, however, is that greater access to the EU market for agricultural products could have a significant effects on the demand for unskilled agricultural labour. In the case of South Africa, for example, it has been shown (McDonald and Punt, 2001) that increased exports of wine, table grapes and deciduous fruits have the potential to make a significant contribution to increasing employment and rural incomes, especially among farm worker households. These are, however, precisely the areas of the EU-South Africa agreement which have either been excluded by the EU from preferences or granted preferences within tariff quotas.

[Table 8 about here]

As one rough measure of the distributional impact of agreements, Table 8 reports estimated wage effects for unskilled workers. In general (and due to the exclusion of agriculture as a general rule), unskilled worker gains are somewhat limited. They are positive and substantial for Turkey, Chile, and South Africa. At the same time, third countries in Southern Africa (see Botswana) are hurt.

It should also be noted that the partial implementation of the South Africa Agreement means that financial assistance is not available for structural adjustment until the Agreement is ratified by all of the EU member states. Experience suggests that this may take several years, particularly following the break-up of the negotiation of a Fisheries Agreement and the possibility of renewed opposition to the agreement by some of the EU member states.

6. A Comparison with Bilateral Free Trade

As noted above, a common feature of EU free trade agreements is the exclusion of sensitive sectors, especially in food and agriculture. We turn now, briefly, to the implications of these exclusions. Table 9 presents the estimated effects (expressed as gains relative to 1997 GDP) for actual agreements, and a hypothetical extension of these agreements to include all food and agriculture. Table 10 presents the dollar impact of the actual agreements.

Not surprisingly, it is the potential agricultural exporters to the EU (Chile, MERCOSUR), who would benefit the most from the extension of existing agreements to simple free trade, including all food and agriculture. Egypt would also witness significant gains from the extension of existing agreements to full bilateral free trade. For Turkey and Mexico, the current agreement is almost equivalent to a full agreement. SACU would experience a slightly smaller gain from a full FTA compared to the actual FTA. The significant loss to Botswana from the actual FTA would be only very slightly reduced by a full bilateral FTA and the losses would be even greater if full FTA's were implemented for all of the countries analysed, while Malawi would gain more from full FTA's .

In contrast, third countries and regions witness relatively small changes either from the actual EU-developing country FTAs or their extension to simple free trade.

[Table 9 about here]

[Table 10 about here]

What is the impact of the EU? One perspective is provided in the Tables 7-10 above. Table 11 provides another view, based on estimated changes in output. The benefits for the EU are estimated to be in the range of \$9.1 billion annually (based on 1997 GDP). This somewhat overstates the picture and in general, the combined effects of these agreements is very small. The increase in EU real income (welfare) is in the range of 1%. Industry output effects are small (less than 1%). The notable exceptions are in clothing where Turkey exerts significant pressure, and automobiles, where the European producers gain from improved market access in South Africa, MERCOSUR and Turkey. Overall though, the agreements make very little difference in the long run, economically, to Europe.

[Table 11 about here]

7. Conclusions

This overview reaches three broad conclusions.

First, in assessing these free trade agreements is important to appreciate that, as a result of a lack of precision in the wording of Article XXIV of GATT 1994 (despite the Uruguay Round "Understanding on the Interpretation of Article XXIV") which requires FTAs to cover "substantially

all trade", they fall substantially short of creating free trade between the EU and partner developing countries. In particular, EU restrictions, both in product coverage and in rules of origin, adversely affect trade in agricultural goods and labour-intensive manufacturers and this significantly reduces the potential gains from trade liberalisation from an FTA with the EU for the developing countries.

Second, an assessment of the current content of the agreements indicates that only the agreements with Mexico, Chile (in service) and Turkey (because it is a candidate for membership of the EU) can be said to be wider and deeper than commitments available under the WTO agreements. In this sense, there is little evidence supporting the view that the agreements could potentially provide the non-traditional gains discussed in the literature.

Third, the negotiation of bilateral trade agreements is not without costs. It requires the use of negotiating capital (scarce human capital and related resources) that might also be devoted to other issues, such as, WTO-based multilateral negotiations. Multilateral, broad based liberalization offers the opportunity for terms of trade losses and gains to cancel so that efficiency and pro-competitive gains can dominate the net effects of trade liberalization (i.e. trade diversion effects are more likely to cancel). Recent estimates (Francois, van Meijl, and van Tongeren, 2002; Francois, 2001), for example, suggest that real income gains for developing countries, in the context of the Doha Development Agenda, could outweigh recent annual flows of official development aid from the industrialised countries. Such gains hinge, critically, on mutual trade liberalisation between the developing countries, an issue completely outside the scope of EU-developing country FTA's. In this respect, much of the gains to the developing countries in the Euro-Med agreements and the agreement with South Africa could equally well have been achieved through unilateral trade liberalization and reform, combined with increased aid and technical assistance. In the case of Egypt, the limited amount of reforms means that we are moving to regional free trade with many domestic distortions (see WTO, 1999; Francois and Spinanger, 2001) while still in place. The result is a significant loss for the Egyptian economy.

The agreements, however, are of comparatively recent origin and the provisions for further negotiations may enable them to go significantly beyond WTO commitments in the future and in turn provide 'stepping stones' for liberalisation on an MFN basis. On the other hand, a direct approach to the liberalisation of market access through the WTO provides a much broader avenue for developing country gains than is available under the bilateral approach. Based on recent estimates (see Anderson, et. al. 2001)), the likely gains from such an approach appear to outweigh anything possible from the combined effect of development assistance and bilateral agreements.

NOTES

1. MERCOSUR is a regional grouping of Argentina, Brazil, Paraguay and Uruguay
2. For details of the GTAP model see Hertel (ed.1997) and www.gtap.agecon.purdue.edu
3. In the case of Turkey, we model the Customs Union agreement along similar lines.
4. GTAP 5 data provides MFN tariffs, not preferential tariffs, and so Table 3 rates are a little higher than actual applied rates.
5. These are based on the data in GTAP 5 which provides MFN tariffs, not EU preferential tariff rates, and so our estimates may produce a larger increase in exports to the EU than will actually be the case. We would not, however expect this to be a significant difference because (a) in the absence of an FTA, the developing countries would have had to rely on the EU's GSP which provides only a small margin of preference for sensitive industrial goods and excludes sensitive agricultural products, (b) the limited impact of the GSP has been confirmed by one of the authors using a pre-release version of GTAP 6 (which provides preferential tariff rates).
6. Our findings of welfare gains for both the EU and its agreement partners are consistent with other GTAP based studies. See, for instance, Lewis, Robinson and Thierfelder (1999 and 2002) and McDonald and Walmsley (2003) on South Africa as well as Zahariadis (2002) on Turkey. Using a dynamic computable general equilibrium model, Dessus and Suwa-Eisenmann (1998) find that a linear reduction in Egyptian import tariffs on EU manufactures leads to a welfare loss of 0.18% for Egypt.
7. Welfare losses for Botswana and Southern African from the EU-South Africa FTA (see table 78) are confirmed by the GTAP study of McDonald and Walmsley (2003) who find that the losses in Botswana and rest of SADC are \$71.5 million and \$14.2 million, respectively. Meanwhile, the GTAP studies by Lewis, Robinson and Thierfelder (1999 and 2002) report that the impact of the EU-South Africa FTA on other SADCX countries is small.

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Tables for An Overview of EU-Developing Country FTA's

Country/Region	GDP	Agriculture	Processed Food	Mining	Manufacture	Services
	(\$bn)	(% shares)				
South Africa (a)	139.1	4.2%	7.0%	5.0%	28.8%	55.1%
Mexico	388.8	7.3%	9.5%	3.8%	34.2%	45.2%
Chile	76.1	8.7%	12.0%	3.9%	23.5%	52.0%
MERCOSUR (b)	1134.7	7.9%	10.1%	1.3%	34.3%	46.2%
Turkey	192.4	11.4%	8.3%	0.8%	26.6%	52.8%
Egypt	70.2	13.2%	4.6%	3.8%	27.5%	50.8%
EU	7958.0	2.8%	5.5%	0.4%	29.1%	62.3%

Sector	South Africa (a)		Mexico		Chile		MERCOSUR (a)		Turkey	
	1965	1998	1965	1998	1965	1998	1965	1998	1965	1998
Agriculture	36	11	60	7	4	12	57	24	74	9
Processed Food	18	9	5	4	5	15	36	26	6	2
Mining	35	24	6	2	9	10	5	10	12	3
Manufactures	11	56	30	87	83	63	2	39	8	86
Total (b)	100	100	101	100	101	100	100	99	100	100

(a) For aggregation see Table 1 (b) Total may not add up to 100 because of rounding Source:GTAP Version 5

Sector	South Africa (b)	Mexico	Chile	MERCOSUR (b)	Turkey	Egypt
Agriculture	12	15	14	5	12	Na
Processed Food	41	29	23	30	27	Na
Mining	0	0	0	0	0	Na
Manufactures	2	4	1	4	9	Na
Services	0	0	0	0	0	Na

(a) Ad valorem rate (b) For aggregation see Table 1 source: GTAP 5

Sector	South Africa (b)	Mexico	Chile	MERCOSUR (b)	Turkey	Egypt
Agriculture	21	6	11	10	11	8
Processed Food	72	30	11	18	43	12
Mining	0	6	12	2	1	5
Manufactures	8	10	11	15	7	22
Services	0	0	0	0	0	0

(a) Ad valorem rate (b) For aggregation see Table 1 Source: GTAP 5

Table 5: EU Free Trade Agreements with Developing Countries			
(a) Agreements Concluded:			
Partner	OJ Reference	Date of Entry into Force	Comments
Egypt	n/a	on ratification	Euro-Med Association Agreement replacing Co-operation Agreement of 1977, signed 25.6.01
Jordan	n/a	on ratification	Euro-Med Association Agreement, replacing Co-operation Agreement of 1977
Morocco	L/70 - 18.3.00	1.3.00	Euro-Med Association Agreement, replacing Co-operation Agreement of 1977
Palestinian Authority	L/187 - 16.7.97	1.7.97	Interim Euro-Med Association Agreement
Tunisia	L97 - 30.3.98	1.3.98	Euro-Med Association Agreement replacing Co-operation Agreement of 1977
Mexico	L/157-30.6.00(goods) L/70- 12.3.01 (Services)	1.7.00 1.3.01	Free Trade Agreements in Goods and Services, previously GSP beneficiary only
South Africa	L/311 - 4.12.99	1.1.00	FTA in goods provisionally established, other elements of the Agreement to enter into force on ratification
Algeria	n/a	On ratification	Euro-Med Association Agreement replacing Co-operation Agreement of 1976. Signature, Spring 2002
Lebanon	n/a	Expected mid-2002 Full implementation on ratification	Euro-Med Association Agreement replacing Co-operation Agreement 1977. Interim implementation on trade only
Chile	n/a	1.2.03	Most trade, trade related co-operation and institutional arrangements, provisionally applied from 1.2.03. Remainder of FTA provisions implemented on ratification
(b) Agreements under negotiation			
Partner	Agreement		Negotiations Started
MERCOSUR (Argentina, Brazil, Paraguay, Uruguay)	FTA		2000; currently GSP beneficiaries
Syria	Euro-Med Association Agreement		1998; currently Co-operation Agreement 1.7.77

	Egypt	South Africa	Mexico	Turkey
Rationale: EU	Security	Reinforce democracy regional hub	Access to NAFTA regional hub	Customs Union agreement in industrial products. Objective of membership if EU
Partner	Maintain preferences. Lock-in reforms. Attract FDI	Improve access to EU market. Attract FDI Lock-in reforms	Reduce dominance of US. Improve access to EU Market. Attract FDI	
Transitional Period: EU	Immediate	10 years	10 years	Turkey's customs legislation now almost same as EU
Partner	12/15 years	12 years	12 years	
Ind. Coverage EU	All	Almost all, most by 2006	All by 2003	All
Partner	All, > half by year 4, end weighted on most protected	87%, and end weighted	All by 2007, most by 2003	All
Agric. Coverage: EU Partner	Approx 60%+ of imports, entry prices, plus preferences within tariff quotas. Sometimes concessions on ad valorem but not specific duties.			Separate preferential agreement covering range of products, some with tariff quotas
	Very limited; some duty reductions within tariff quotas	Substantial; some wines subject to tariff quotas	Some; e.g. dairy, tobacco, processed foods	
Rules of Origin:	EU Rules. Bilateral cumulation with EU. Derogations can be requested			EU rules
	Part MEDA cumulation an objective	Full SACU cumulation. Partial SADC cumulation with one country	Relaxation in some sectors due to lack of raw materials and components	
Safeguards	Standard EU clause for both parties + transitional arrangements for partner			EU rules
Anti-dumping	Standard WTO rules			
Intellectual Property Rights	Protected under TRIPS plus list of international agreements		Special Committee to solve difficulties	TRIPS + list of international agreements
Competition Rules	Outlaws collusion/abuse of dominant position of enterprises which distorts competition in trade. (Except for ECSC products)	Each retain own rules. Outlaws collusion/abuse of market power etc. Co-operation + EU assistance	Own laws. Detailed statement on Co-operation. Technical assistance	EU Policy
State Aids	Must not distort competition in trade between EU and partner but are permissible for public or policy objectives (EU. Article 92)			
Public Procurement	Consultation with aim of liberalisation	"fair, equitable and transparent"	National treatment and non-discrimination phased over 10 years except some public utilities and transport	Agreement to be reached in the future
Rights of establishment and services	GATS plus possibility of further liberalisation		Trade in most services liberalised + most modes of supply by 2004. Transitional period of 10 years. National treatment	National treatment. Services Agreement under negotiation
Capital movements	Capital relating to direct investment plus interest profits and dividends can move freely		Program of liberalisation relating to investment + protection of investment	Export of large sums from Turkey unclear.

Standards	Aim of reducing differences (especially SPS) and mutual recognition		Co-operation. Special Committee on SPS measures	Working towards implementation of EU rules
Custom Co-operation Institutions	For example; exchange of information, introduce single administration document, simplification of controls and procedures for clearance, co-operation on Rules of Origin			EU commercial policy and rules Association Council. CU Joint Committee. Joint Consultative Committee
	Joint EU/Partner Association/Co-operation Council at ministerial level supported by committees (high official) and technical working groups			
Dispute Settlement	Association council by "decision" or by arbitration binding on both parties. No time limit or enforcement procedures	Coop. Council or arbitration. Stages time limited. No enforcement procedures	Joint Committee or arbitration. Rules for procedures, time limited, stages, compensation	Association Council or Arbitration
General	Political dialogue, social and cultural co-operation, democratic principles and respect for human rights, scientific, technical and technological co-operation			
Other	Money laundering, drug trafficking, migrant workers and illegal immigration, regional integration	Wine and spirits agreement, fisheries (not concluded), Regional co-operation		Turkey to adopt all of EU's preferential trade agreements
	Egypt	South Africa	Mexico	Turkey

	South Africa FTA	Mexico FTA	Chile FTA	MERCOSUR FTA	Turkey Customs Union	Egypt FTA	TOTAL
Australia & New Zealand	-38	15	-11	-49	-1	-4	-88
China	-52	-31	-28	-81	-312	-7	-512
Hong Kong	1	-4	0	-4	-12	-1	-20
Japan	-118	-204	-29	87	-240	-35	-540
Korea	-61	-12	-31	-58	-128	-4	-293
Taiwan	-44	-44	-7	-31	-112	-2	-240
ASEAN5	-55	6	1	-63	-195	-5	-311
Vietnam	0	2	0	-7	-11	0	-18
Bangladesh	0	-1	-1	0	-13	0	-13
India	-54	-22	-7	-42	-155	-3	-284
South Asia	-7	-5	0	-6	-43	-1	-61
Canada	-6	-3	-8	-47	-17	-2	-83
Mexico	-1	4079	-239	-367	-119	-1	3353
USA	-48	-256	-102	-315	68	-20	-673
CBI	0	11	1	0	8	-1	20
ATP	-10	60	-21	-19	-9	-2	-1
MERCOSUR	-53	1	-43	2302	-2	-2	2196
Chile	-9	17	312	-27	-2	-1	291
Other Latin America	1	1	1	14	2	0	19
European Union	1135	2652	879	3960	152	302	9080
CEA	-21	-42	-12	-62	-70	-2	-210
Turkey	-15	-20	-6	-34	2237	0	2161
SACU	727	3	-11	-36	-12	-1	670
Botswana	-384	16	1	-13	3	0	-377
Malawi	4	-1	0	1	0	0	4
Mozambique	2	0	0	2	1	0	4
Rest of Southern Africa	-8	-6	-9	-46	3	-2	-68
Egypt	3	1	-3	-17	-18	-770	-805
North Africa & Middle East	24	13	-34	-177	-191	-1	-366
Rest of World	8	-17	-33	-171	-271	-13	-498

Table 8: The Global Impact of Regional Agreements on Real Wages of Unskilled Workers (% of real wages)							
	South African FTA	Mexico FTA	Chile FTA	MERCOSUR FTA	Turkey Customs Union	Egypt FTA	TOTAL
Australia & New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Korea	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Taiwan	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
ASEANS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vietnam	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Bangladesh	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
India	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
South Asia	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.0	1.3	-0.1	-0.1	0.0	0.0	1.1
USA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBI	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ATP	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MERCOSUR	0.0	0.0	0.0	0.3	0.0	0.0	0.3
Chile	0.0	0.0	1.0	-0.1	0.0	0.0	0.9
Other Latin America	0.0	0.0	0.0	0.1	0.0	0.0	0.2
European Union	0.0	0.1	0.0	0.1	0.0	0.1	0.3
CEA	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Turkey	0.0	0.0	0.0	0.0	2.2	0.0	2.2
SACU	1.4	0.0	0.0	0.0	0.0	0.0	1.4
Botswana	-9.9	0.4	0.0	-0.3	0.1	0.0	-9.7
Malawi	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Mozambique	0.1	0.0	0.0	0.1	0.0	0.0	0.2
rest of Southern Africa	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Egypt	0.0	0.0	0.0	0.0	-0.1	-4.4	-4.5
North Africa & the M.E.	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 9: A comparison of Actual and Full FTAs (per cent impact on national incomes)														
	South African FTA		Mexico FTA		Chile FTA		MERCOSUR FTA		Turkey Customs Union		Egypt FTA		TOTAL	
	Actual FTA	Full FTA	Actual FTA	Full FTA	Actual FTA	Full FTA	Actual FTA	Full FTA	Actual FTA	Full FTA	Actual FTA	Full FTA	Actual FTA	Full FTA
EU and partner countries														
European Union	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.2
SACU	0.6	0.5	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.6	0.4
Mexico	0.0	0.0	1.2	1.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0	1.0	1.0
Chile	0.0	0.0	0.0	0.0	0.4	1.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.4	0.9
MERCOSUR	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.6	0.0	0.0	0.0	0.0	0.2	0.6
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.4	0.0	0.0	1.3	1.3
Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.1	0.5	-1.1	0.5
Selected third countries and regions														
Central and East European Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Other Latin America	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.2	0.1
Botswana	-9.0	-8.5	0.4	0.1	0.0	0.0	-0.3	1.1	0.1	0.0	0.0	0.0	-8.8	-9.6
Malawi	0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.6
Mozambique	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.3
Rest of Southern Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North Africa and the Middle East	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 10: National income effects of the actual agreements (millions of dollars annually)							
	South African FTA	Mexico FTA	Chile FTA	MERCOSUR FTA	Turkey Customs Union	Egypt FTA	TOTAL
EU and partner countries							
European Union	1,135	2,652	879	3,960	152	302	9,080
SACU	727	3	-11	-36	-12	-1	670
Mexico	-1	4,079	-239	-367	-119	01	670
Chile	-9	17	312	-27	-2	-1	3,353
MERCOSUR	-53	1	-43	2,302	-2	-9	2,196
Turkey	-15	-20	-6	-34	2,237	0	2,161
Egypt	3	1	-3	-17	-18	-770	-805
Selected third countries and regions							
Central and East European Associates	-21	-42	-12	-62	-70	-2	-210
Other Latin America	1	1	1	14	2	0	19
Botswana	-384	16	1	-13	3	0	-377
Malawi	4	-1	0	1	0	0	4
Mozambique	2	0	0	2	1	0	4
Rest of Southern Africa	-8	-6	-9	-46	3	-2	-68
North Africa and the Middle East	24	13	-34	-177	-191	-1	-366
Rest of World	-483	-505	-274	-807	-1,444	-101	-3,615

Table 11: The Impact of the actual agreements on EU Production (% change)							
	South African FTA	Mexico FTA	Chile FTA	MERCOSUR FTA	Turkey Customs Union	Egypt FTA	TOTAL
Grains	-0.1	0.0	-0.1	-0.6	0.0	0.0	-0.8
Other Agriculture	-0.1	-0.1	-0.1	-0.3	0.1	0.0	-0.5
Mining	0.1	0.0	0.0	0.2	0.0	0.0	0.3
Other prim. Production	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Sugar	0.0	0.0	0.0	-0.2	0.0	0.0	-0.3
Dairy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Meats	-0.3	0.0	0.0	0.0	0.0	0.0	-0.4
Processed Foods	0.1	0.0	-0.1	-0.4	0.0	0.0	-0.3
Textiles	0.0	0.1	0.0	0.1	-0.3	0.0	0.0
Clothing	-0.1	0.5	0.0	0.1	-1.9	0.0	-1.3
Leather	0.1	0.0	0.0	-0.7	0.5	0.0	0.0
Wood and Paper	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Chemicals	0.0	0.1	0.0	0.2	0.1	0.0	0.3
Refineries	0.0	0.1	0.0	0.1	0.0	0.0	0.2
Steel	-0.1	0.1	0.1	0.2	0.1	0.0	0.4
Non-ferrous metals	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Motor Vehicles	0.1	0.2	0.1	0.6	0.3	0.0	1.3
Electronics	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Other Machinery	0.0	0.0	0.1	0.2	0.1	0.0	0.4
Manufactures	0.1	0.1	0.0	0.1	0.0	0.0	0.2
Trade, transport and communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	0.0	0.1	0.0	0.1	0.0	0.0	0.2
Business Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Services	0.0	0.0	0.0	0.0	0.0	0.0	0.1