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Introduction

The Euro-Mediterranean Partnership (EMP), also known as the Barcelona Process, was launched in November 1995, although it built on a long period of European Union (EU) cooperation and assistance to its South Mediterranean neighbours going back to the 1970s. The aims of the EMP extend beyond economics and cover a broad range of goals including political stability and strengthening cultural ties. The primary motivation of the EuroMed Agreements is political, but arguably this depends on economic cooperation hence the emphasis on the creation of a free trade zone.[1] The expansion of the EU in 2004 prompted the development of a new approach towards deeper integration with its neighbours: the European Neighbourhood Policy (ENP). The major innovation of the ENP was that it offers the Mediterranean Partner Countries (MPC) [1] 'a stake in the EU internal market' meaning the option to go beyond free trade towards deeper integration and harmonisation with EU standards and norms.

Ten years on, the Barcelona Process has produced meagre results. The fundamental weakness of the EMP was the lack of strong motivation or obligation for the MPC to comply with EU standards and norms and fully liberalise trade by removing behind-the-border impediments. No explicit mechanism for structural reform in the MPC was spelled out in the Barcelona Process and the main goal of establishing a free trade area by 2010 was the same for all countries. Furthermore, widening gap between the MPC and the EU has emerged: in 2004, the EU member states average GDP per capita was between 27 times that of the Palestinian Occupied Territories and 5 times that of Lebanon (Gallina, 2006:6). Furthermore a Femise report in 2005 stated that,

> *"When the Barcelona Process began, the EU partners, the MPs, were slightly above the lower bracket of intermediary revenue countries…This situation has not evolved very much since then; at the end of this period the Mediterranean Partners were still below the average of intermediary revenue countries (US$ 4780 for MPs v. US$ 5800)"* (Femise, 2005: vii)

However, slow economic growth cannot be entirely attributed to the EMP. Almost two decades of structural adjustment in the region have shown firstly, that there is no direct link between economic and political liberalisation (Kienle, 2005), secondly, that economic liberalisation does not necessarily lead to increased FDI (Sekkat, 2004) and thirdly, that tariff

dismantling is not the sole factor in impeding economic growth (Makdisi et al, 2005). Makdisi et al (2005) show that trade openness is less beneficial to economic growth in the MENA region due to the quality of the institutions, the region's modest stock in human capital, educational systems that are geared towards public sector employment, the region's sensitivity to external shocks and its socio-political instability. Furthermore, trade has not been used as a momentum for growth due to the lack of export diversification in the region. This implies a need for the MENA countries to diversify into manufacturing and services so as to attain dynamic productive gains, take advantage of economies of scale via exports and produce learning effects and externalities among firms and industries. *What is most evident is that these goals will not materialise unless openness strategies are complemented by institutions that work to enhance the impact of trade openness.* Asseburg (2005) stresses the need for institutional reform so as to improve the environment for increased FDI, in order to establish macro-economic stability, and technology transfers at the firm, industrial and national macro-economic policy level to increase competitiveness.

The Role of Market Institutions

Institutions can be very broadly divided into market and non-market institutions or rules that govern interaction among individuals in a society and reduce transaction costs (Bose, 2006). More concretely, these include tariffs and quotas, certification and standards, contract implementation, competition laws, intellectual property rights as well as rules regarding corruption, rule of law and government effectiveness. The current mainstream development agenda, as manifested through the post-Washington Consensus, has recognised that trade liberalisation has not proven to the panacea it was once thought to be and now calls for the building of effective institutions for market reform (World Bank, 2002). This consensus results from a wide body of work that suggests a country's economic performance is affected by its institutional framework. Much of recent research has focused on the role of institutional quality in openness strategies and suggests that institutions may be crucial for countries to fully benefit from liberalisation. According to Anderson (2001) ill-functioning institutions impair trade by increasing costs and the risks involved, while Dollar and Kraay (2002) find a positive correlation between openness and the quality of institutions. Anderson and Marcouiller's (2002) work on the reverse correlation, finding that bad institutions reduce volumes of trade.

Trade however is not homogenous and not all exports are equivalent in terms of development and growth. Development literature pays special attention to the role of manufactured goods, as opposed to natural resources, in creating "backwards and forward linkages" in creating positive externalities (Hirschman, 1958). Sekkat and Meon (2006) differentiate between the roles of institutions regarding the export of manufactured and non-manufactured goods. Using Kaufmann et al. (1999)'s set of six governance indicators[1] Sekkat and Meon show that formal and informal institutions may affect trade directly and indirectly. With regards non-manufactured goods, it is claimed that endowments from natural resources create natural rents that usually generate monopolies and corruption over their distribution. In this context, exports of natural resources may be positively correlation to low quality institutions (Sekkat and Meon, 2006:3). However with regards manufactured goods, defective institutions can hurt a country's capacity to export these goods; cumbersome regulation and extensive bureaucratic measures can act as non-tariff barriers, the extent of rule of law affects contract enforcement while political stability and control of graft may be positively correlated to investment. With regards the MENA region in particular Sekkat (2004) shows that low performance of manufactured exports, and FDI attractiveness, is associated with the deteriorating quality of institutions in the region. Results also show the impact of an improvement in the quality of institutions may result in a sensitive increase of FDI inflows and manufactured exports. Depending on the institutional indicator used, the latter can improve by an amount comparable to the one resulting from liberalization policies (Sekkat, 2004:26).

A direct implication of Sekkat and Meon (2006)'s argument is that defective institutions hurt a country's capacity to export manufactured goods, thus affect its integration into international trade and its capacity to develop positive externalities. Thus improving institutions, and re-orienting trade towards manufactured exports, can also improve a given country's propensity to develop.

Institutionalisation of the EuroMed Agreement

Mere trade liberalisation has proved insufficient for the effective implementation of the Barcelona Process. The ENP has the potential to address this problem of weak incentives by offering rewards in the form of closer integration to the EU market. By adopting common technical norms and standards, competition and consumer regulation, the MPC can now choose to participate in those areas of the EU market that most interest them. *Currently, full implementation and effectiveness of the Association Agreements is hampered by complex*

rules of origin, non-tariff trade barriers and institutional constraints. In this paper we will focus specifically on bilateral market institutions established as joint initiatives between the EU and individual MPC for the implementation of the Euro-Med agreement. The scope of this paper thus focuses on institutionalising the Euro-Med agreement and domesticating it, by looking at factors that hamper increasing exports into the EU and measures that are being taken to remedy this. In order for the Euro-Med partnership to be beneficial for the MPC and result in sustainable economic development, this paper argues that *bilateral institutions must assist local producers in enhancing the quality of their products to meet the rules of origin criteria, as well as standards and other behind-the-border impediments to the EU Internal Market.*

Such institutions include the Association Councils, the Association Committees and the Sub-Committees established as coordination institutions between the EU and each respective MP country that work to implement the agreements. Most relevant to our paper is the Internal Market Sub-Committee (in charge of aiding producers in gaining access to the EU Internal Market) and those that oversee compliance to standards and regulation as well technical assistance and industrial modernisation programmes. Technical assistance programmes and SME development programmes are extremely valuable as they can enhance the manufacturing capacity of the MPC, allowing them to increase the added value of their exports and overcome the asymmetrical trade relationship that currently characterises EuroMediterranean trade patterns.[1]

Similar trade agreements, in terms of provisions which in this case is tariff dismantling, can lead to different outcomes depending on their institutional setting. The importance of institutionalising free trade agreements will be demonstrated by presenting a comparison between the Association Agreement and the Qualified Industrial Zones Agreement in Jordan. Jordan will be presented as the case study for this paper, although insights will be used to formulate discussion and policy implications that are applicable to the South Mediterranean region at large.

The following section will look at the institutionalisation of the EuroMed Agreement in Jordan, so as to assess the role of institutions in aiding Jordanian exporters in accessing the EU Internal Market. A comparison with between the Jordan's Qualified Industrial Zone (QIZ) Agreement with the US and Israel and Jordan's Free Trade Agreement with the US and the

Association Agreement will be presented in order to highlight the differences in the US and EU approaches to institutionalising free trade agreements and ensuing results in terms of volumes of Jordanian exports.

The Case of Jordan

Jordan became signatory to the EuroMed Association Agreement in 1997, which was put into effect in 2002. In 2005 Jordan became one the first MPC to adopt an ENP Action Plan. In the process of institutionalising the EuroMed Agreements across the MPC, some elements of the Europe Agreements were used; many of the articles and provisions of the EMP agreements comprise "best endeavor" commitments, aiming to encourage and assist partner countries to strengthen trade-related institutions and reduce the trade-restricting impacts of regulatory and other policies applied at and "behind" the border. Cooperation in these areas is pursued through a multidimensional spider web of interactions. At the regional level these span dozens of ministerial meetings and bi-monthly meetings of the EuroMed Committee plus a number of Pan EuroMed working groups on technical and sectoral issues. At the bilateral level, loci for interactions include Association Council at the ministerial level and Association Committee meetings at the senior official level, technical sub-committees and numerous aid projects (MEDA and EIB).

There are ten sub-committees currently working in Jordan: the Internal Market sub-committee, Industry, Trade and Services sub-committee, Transport, Environment and Energy sub-committee, Research and Innovation sub-committee, Agriculture and Fisheries sub-committee, Social Affairs sub-committee, Justice and Security sub-committee, Human Rights and Democracy sub-committee, Customs Cooperation sub-committee and Regional Cooperation sub-committee.

The most relevant of the sub-committees is the Internal Market sub-committee which works to develop trade between the EU and Jordan by facilitating convergence with EU standards on industrial goods, to improve access of these products to the EU market and by supporting the modernisation of the services sector, as well as providing support to improve the competitiveness of Jordanian companies and their performance in accessing export markets. This has proved a considerable task in light of the many constraints that impede EU-Jordanian trade.

Trade with the EU: Facts and Figures

Much like the rest of the MPC, Jordan has an asymmetrical trade relationship with the EU. Jordan's trade relations with the EU feature a structural trade deficit with imports almost twice as high as exports. In 2006, imports from the EU represented 23% of all imports in Jordan while exports to the EU represented only 3.4% of all exports out of Jordan.[1] The trade deficit is partially compensated by a surplus in services, mainly remittances and tourism.

Nonetheless, the Association Agreement has so far not changed the structure of import flows between the EU and Jordan. The EU is Jordan's main source of imports, accounting for nearly a third of imports. These mainly consist of high technology products such as machinery, transport material, chemical and agricultural products. Jordan's imports mainly come from Germany, France, the UK and Italy and 80% of all imports consist of medium and high technology products – a ratio that has not changed over time. On the other hand the EU is Jordan fourth export market far behind the Arab countries, the US and India. According to the Central Bank of Jordan exports to the EU have grown at 21 percent annually over the last five years, in comparison to 78 percent (USA), 21 percent (Arab countries) and 7 percent (India), however overall exports to the EU represented only 4 percent of Jordan's total exports in 2005.[1]

Increased trade flows between Jordan and the EU are hampered by complex EU rules of origin and non-tariff barriers into the EU Internal market, as well as those on the Jordanian side. The nature of these obstacles as well as attempts to remedy them will be explored in the remaining sections of the paper.

Obstacles to increased trade with EU

Rules of Origin

The EuroMed Agreement's rules of origin are based on three criteria, most importantly the process criterion of origin. This grants origin to the manufactured product based on predefined lists of processing operations when carried out to non-originating input materials. Secondly, the value-added criterion requires that transformation incorporates an equivalent of 40% or greater domestic added-value to the product. Thirdly, the change in tariff classification criterion follows the change in tariff classification of the "Harmonised System of Tariff Nomenclature" – that is to say that, imported materials, parts and components would

have undergone substantial transformation when the manufactured products are classified at a different HS level than the non-originating inputs.

Depending on the tariff group classification of the imported input product, rules of origin requirements tend to raise the costs of Jordanian industries attempting to meet the requirements by shifting to higher cost inputs from domestic resources. The added effect of the termination of duty drawbacks at the end of the fourth year of the Agreement (2006) may have caused the Association Agreement to be trade diverting if there was a shift to higher cost sources of supply (Neaime and Saif, 2006).

In 2005, the European Commission (EC) adopted a plan to develop a new set of rules of origin for its preferential trade schemes. The EC itself recognised the above outline problems in its statement announcing the new policy, describing its existing requirements as "too complicated" and "susceptible to abuse" (EC, 2005).[1] The new plan, aims to revise and simplify the conditions for a product to be considered as originating in a particular country, to modify customs procedures to facilitate exporters' use of preferential market access, and to develop instruments to ensure that preference beneficiaries comply with their obligations. However, this is likely to take some time to go into practice and a drastic change in the rules of origin criteria for Jordan, and other MPC, cannot be realistically expected as they remain small partners in a much larger and complex EU international trading system.

a) *Non-Tariff Market Barriers to the EU Market*

The EU has a very sophisticated consumer demand base that once penetrated can lead to economies of scale as well as backward linkages in the form of skills and knowledge acquired by successful exporters. However, this also means that there are complex non-tariff trade barriers based on very high quality standards and regulations that many MPC producers are unable to meet. In one sense, meeting standards is the key issue as attaining this will render the rules of origin less problematic. The most important of these norms are the technical barriers to trade (TBT) and the sanitary and phytosanitary measures (SPS). TBTs arise when producers have to alter products in order to comply with differing partner country requirements such as health and safety, environmental and consumer protection issues and often entail a significant cost in redesign of products. In the case of the EU these norms have been incorporated into the national legislation of the member states as well as in EU legislation allowing for a system of mutual recognition, whereby sold products in one EU

country conform to standards of all other member states. The MPC, through harmonisation and twinning programmes, need to meet these requirements so as to access the EU Internal Market. At the technical level, there has been interest in developing a mutual recognition principle with the MPC through the Agreement on Conformity Assessment and Accreditation (ACAA) which will allow products certified in the MPC to be accepted in the EU. However, to date there has been no progress on this matter and no labs in the MENA region have been certified by the EU (Hoekman, 2005:7). Furthermore, a breakthrough in the EU market will also require national MPC legislation to change, so that meeting standards and regulations becomes enforceable under law. This ultimately will depend on the incentive and motivation level of individual MPC governments as well as the private sector in implementing these standards, leading us to question how important and strategic the EU Internal Market is for each individual MPC.

Trade flows between the EU and individual Mediterranean countries vary widely; in 2003 Turkey accounted for more than one third of MPC exports and imports with the EU. Algeria, Israel, Morocco and Tunisia together represent almost half of EU-Mediterranean trade (Algeria 15 percent, Israel about 13 percent, and Morocco and Tunisia almost 10 percent each). Egypt, Syria, and to a lesser extent Malta, Cyprus, Lebanon, Jordan and the Palestine Territories shared the remaining 20 percent.[1] The relative importance of the different economic sectors also varies substantially between the MPC. The agricultural sector is the largest in Syria (23% of GDP) and negligible in Jordan (2% of GDP). Industrial production embodies 53% of GDP in Algeria (due to the dominance of the hydrocarbon industry) and 13% in the West Bank and Gaza. The latter has the highest services share at 80%, followed by Jordan with 72%. Services represent 50% of GDP in all countries except for Algeria (37%).[1] This goes to show that different MPC have different levels of incentives for compliance with EU standards regarding trade in goods. The importance of the ENP is that it allows individual MPC to determine the degree of integration they want, ranging from the "soft law" of loose economic cooperation to the "hard law" of binding treaties, requiring a good understanding of the costs and benefits of the EU *Aquis Communautaire* so as to maximize the benefits of the ENP (Hoekman, 2005). Therefore, depending on the context of the individual MPC and their national development priorities, different levels of institutionalisation will occur regarding the extent of compliance with norms and regulations, thus determining the level of ambition and progress in the relationship between the EU and each MPC.

Overcoming the Obstacles: Evaluating technical assistance programmes

EU assistance has come in the form of direct financial aid aimed at facilitating economic adjustment before trade reforms, and in the form of technical assistance programmes, which have mainly focused on private sector development;

EC Assistance for Private Sector Development (1995-2001, Euro)

Country	Programme	Amount
Algeria	Promoting small and medium-sized enterprises	57.0 million
	Modernizing the financial services sector	23.0 million
Egypt	Banking sector reform: Assistance to the Central Bank	11.7 million
	Private sector development program I & II	45.0 million
	Industrial modernization program (excluding budget support)	140.0 million
	EIB Risk Capital	10.0 million
Jordan	Private sector development program	7.0 million
	Industrial modernization program (EJADA)	40.0 million
	EIB Risk Capital	10.0 million
Lebanon	Industrial modernization	11.0 million
	Strengthening institutions in charge of standards and norms	6.0 million
Morocco	Support to vocational training	38.0 million
	Support to employment creation	3.3 million
	Euro-Maroc-Entreprises	21.9 million
	Support to professional associations	5.0 million
	Quality promotion program	15.5 million
	EIB Risk Capital	45.0 million
	Creation of a credit guarantee fund	30.0 million
Syria	Syrian European Business Center I	9.0 million
	Syrian-European Business Center II	12.0 million
	Higher Institute for Business Administration (HIBA)	14.0 million
Tunisia	Vocational Training MANFORM	45.0 million
	Euro-Tunisie Entreprise	20.0 million
	Strengthening the competitiveness of the economy (subcomponent).	9.5 million
	EIB Risk Capital	90.0 million
Total 718.9 million		

Source: Hoekman, B 'From Euro-Med Partnership to European Neighborhood: Deeper Integration a la carte and Economic Development' (July, 2005) p13.

This paper will draw on the experience of technical assistance programmes in the Jordanian context due to the availability of *ex post* evaluation reports. Several assistance programmes have been implemented including the Business Service Team (BST), Euro-Jordanian Action for Development of Enterprise (EJADA) and support to Jordan Upgrading and Modernisation Programme (JUMP). The overarching aim of these programmes has focused on technical assistance at the firm level to increase SME competitiveness in Jordan following from the logic that the MEDA region experiences a lack of private-sector support.

EJADA was at the time the largest programme in Jordan financed by the EU, involving a budget of Euro 40 million within 5 years of its implementation. EJADA had four components of action: the incubator component, the SME support component, the financing component and a policy component. Some of the programmes successes include having reached 150 SMEs with assistance, financing loan guarantees through the Jordan Loan Guarantee Corporation to 122 projects and worked with banks to establish SME finance departments. EJADA has also established three organisations that are partnered with Jordanian entities that have taken over their running: The Euro-Jordanian Export Programme (EJEP), the Euro-Jordanian Advanced Business Institute (EJABI) the Jordan Innovation Centre. Most importantly perhaps the policy component has assisted in the establishment of the Competition Directorate in the Ministry of Industry and Trade to regulate the competitive behaviour of enterprises as well as prepare the institutional set up for EJADA's successor programme – the Jordanian Upgrading and Modernisation Programme (JUMP). JUMP has beeb set up a sustainable alternative to EJADA as it is a fully national institution for SME promotion partnered between the private and public sector. EJADA's strengths stemmed from its sector-specific focus and skilled and dedicated team of experts1. EJADA can be termed as a success in terms of its long-term outlook towards SME development as well as in its efforts to localise the initiative through JUMP and in training a team of local experts.

However, focusing most effort at the firm level has also proved insufficient, as more action was required at the industrial and national macro-economic policy level. A new initiative aims to foster networks between the Jordanian private-sector and its counterparts in the EU in an attempt to link up the Jordanian producers' market access in the Middle East with the EU private-sector's technical skills in an attempt to promote investment and regional trade and integrate Jordanian producers into global commodity chains.

Importantly, these efforts have no been able to change the trade structure between the EU and Jordan. Jordan continues to be a net importer of cars, aviation machinery, chemicals and other industrial products from the EU, while no new Jordanian exports have been introduced as a result of EU private sector development efforts. Conversely US trade agreements with Jordan have been able to attain this through the development of a textile manufacturing sector under the Qualified Industrial Zones Agreement (QIZ) with Jordan. While the QIZ initiative did not initially aim to focus on a particular sector, clothes and textiles currently make-up a large share of the QIZ exports to the US, however they do not feature in Jordan's exports to the EU.

The QIZs have facilitated the setting-up of a garments industry; conversely the Association Agreement has so far not identified its 'winning sector'. The rise of the textile industry is attributed to the Multi-Fibre Agreement, abolished in 2005, thus making the sustainability of the garments industry in Jordan questionable in light of competition from other low / lower – wage countries.

Comparing the EuroMed with the QIZ and USFTA

Exports to the US

Exports to the US market increased from a level of US$7.9 million in 1998 to almost US$925 million in 2004, comprising almost 30 percent of total Jordanian exports.[1] The dramatic rise in Jordanian exports to the US is attributed to the QIZ Agreement. This is a trilateral agreement signed by the US, Jordanian and Israeli governments in 1996 with the objective of promoting peace and stability in the region through economic integration. QIZs are production areas designated by the Jordanian and Israeli authorities and approved by the US government. Goods produced in the QIZs are granted un-reciprocal duty free access to US markets. The arrangement is beneficial to both parties, as Israel is able to make use of Jordan's low-wage advantage, while Jordan has been able to utilise Israel's advanced technology and management as well as rely on its existing market channel links in the US. This has allowed QIZs to work at a higher level of productivity in comparison to other industries in the region.

The soaring number of Jordanian exports to the US is predominantly composed of garments manufacturing in the QIZs; where Jordanian value added remains relatively low. Under QIZ rules, a 35% domestic value added is the required minimum, whereby 'domestic' includes both Israel and Jordan. QIZs have been used by many Asian firms that invested in Jordan to circumvent US textile quotas[1]. Firms involved in the garment industry are small and use large amounts of unskilled-labour, leading the industry to migrate from high-wage regions to lower-wage regions meaning that competition among low-wage developing countries for market access is especially fierce. Concentrating on textiles and clothing exports makes Jordanian exports vulnerable in the event of significant developments in WTO negotiations.[1] Furthermore, creating isolated industrial zones across Jordan have deeply limited any backward linkages into the national economy in terms of knowledge and capacity building. Focusing on textiles has not allowed for the diversification of trade nor has it resulted in a shift to higher value-added products, therefore contributing very little to Jordan's development goal of creating a knowledge economy.

Comparing the institutional setup of the EuroMed, the USFTA and the QIZ Agreement

In terms of institutionalisation and implementation of the agreement, the QIZ case has been successful due to the existence of a) a clear production line template based on textiles manufacturing and b) a QIZ unit at the Ministry of Trade and Industry with a mandate to certify Jordanian producers for export into the US market. In contrast, the EuroMed Agreement is hosted at the Ministry of Planning and its effectiveness is hampered by an unclear set of procedures and certification methods i.e. there is a lack of communication between the EU agreement regulatory unit and Jordanian producers as to the requirements for market access. The QIZ case has been offered as a comparison; because it represents a trade initiative that was able to attain the goal of increasing manufactured exports (regardless of the developmental linkages achieved). As a set of regulations, the QIZ Agreement was a able to establish a transparent and coherent institution through which Jordanian products were certified and exported. Thus while exports to the EU may be more diversified than those to the US, tapping into the EU market remains markedly more difficult for Jordanian producers as a result of the EuroMed Agreement's complicated institutional set up.

The Jordan-Israel Trade and Cooperation Agreement– a European counterpart to the QIZ?

Jordan and Israel agreed to widen the field of application of their 1995 customs agreement to a new list of products likely to benefit from lower tariffs by signing the 2005 Protocol in Brussels. The two countries also signed a Jordan-Israel Economic Cooperation Agreement in 2004; its amendment allowed for diagonal cumulation of origin within the Pan Euro Med Area (PEM).The two countries can benefit from the cumulation of origin for the purpose of export to the EU and other countries within the PEM (if fulfilling the following conditions: establishing an FTA network and using identical rules of origin). The new system of diagonal cumulation of origin can be beneficial to the two countries in terms of exporting duty free to the EU in various industrial sectors, such as the textile industry, food industry, chemical industry, electronics industry and automobile spare parts industry.

However, cooperation under the protocol remains limited, especially when compared to Israeli-Jordanian cooperation under the QIZ agreement. The Ministry of Industry and Trade cites only two incidents of cooperation to benefit from the diagonal cumulation with the EU since the signing of the Protocol. There has been a decline in imports from Israel, as Jordanian producers graduated from the QIZ into the US-Jordan FTA, which in 2006 made up more than 30% of exports to the US. Israeli exports into Jordan may continue to decline due to lack

of awareness of the Protocol, the higher costs of Israeli inputs and the perceived political and social ramifications perceived by Jordanian producers with regards cooperation with Israel. Thus recreating the QIZ model may prove more difficult, in light of the above limitations to Jordanian-Israeli trade relations. More promising efforts have materialised in the direction of regional cooperation between the Arab MPC as elaborated below.

The Agadir Agreement and Deeper Regional Integration

A comprehensive attempt at regional integration has been initiated through the sub-regional Agadir Agreement between Jordan, Egypt, Morocco and Tunisia ratified in 2006. Syria, Lebanon and Algeria are expected to sign once they have met all the necessary requirements. The Agadir Agreement can best be understood as a strategy designed to minimize risks in the uncertain conditions of economic globalization by promoting activities at the meso-level of the region. The overriding aim is to improve the market position of companies with production sites within the geographical boundaries of the region. (Grugel, 2004).

Agadir uses EU rules of origin issue to take advantage of EU provisions that allow value-added in any of the countries to count towards meeting the rule of origin for exporting to the EU, known as diagonal cumulation. The agreement is an important and positive example of the way in which agreements outside the region can form the basis for improved regional integration.

Conclusions

The new inter-regionalism attempts of the EuroMed Agreement go beyond economic governance to embrace political and institutional reform and social inclusion and, at the same time, a discursive mediation of the power inequalities between Europe and the South is sought. The EMP therefore is more explicitly concerned with politics and institution-building and endorses a North–South model of global cooperation in which ‘the North’ assumes some responsibilities for the development of ‘the South’.

The institutional role of the EU in complementing the establishment of trade-promoting institutions in this regard cannot be denied. Most importantly this role needs to manifest itself in anchoring regulations and market reforms through the EuroMed Agreements, and ensure the transparency and enforceability of laws, regulation s and procedures related to exports. Furthermore, harmonization and compliance with standards is likely to upgrade the quality of MPC products and a system of mutual recognition with the EU might facilitate the penetration

of these products into other foreign markets. Most importantly export-promoting institutions can begin enhancing their role though fostering networks between MPC producers and the EU private sector, as well as providing marketing, information on EU Internal Market demands and sub-contracting MPC SMEs so as to integrate them into global commodity chains once standards have been met. As stressed previously, in order for these institutional efforts to overcome the problem of artificial importation and non-domestication, they must be modified according to the different development needs and levels of the MPC.

Identifying winning sector that will be able to penetrate the EU market is a challenge addressed by the EU technical assistance programmes, however the main actors engaged must be the MPC private sector itself and policy-makers at the national level in providing the knowledge and support needed for these sectors to thrive. In Jordan, modest successes have been achieved in the pharmaceutical sector as well as in the production of electronics appliances and a very limited number of agricultural producers have been able to integrate themselves into the international supply chain of large supermarkets. Yet the foremost problem remains a lack of knowledge generation as products continue to be generic and of low-value added. The developmental role of macro-economic policy at the national level cannot be overemphasised in this regard.

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