

The MEFTA as a Juggernaut for Economic
Development – is the US-Morocco FTA a Good
Example for Overcoming Trade Barriers?

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1. Introduction

Can economic cooperation be a tool to foster political change? Or should it rather stay focused on economics? The United States of America (US) launched an initiative to create a free trade area covering the whole Middle East and North Africa (MENA), a very diverse region with a multitude of conflicts. I will first outline this initiative itself, its approach and objectives from two sides – the US and the MENA perspective. I will briefly describe the impact a free trade area could have, focusing on economic aspects. At the end of the first part I will further elaborate on general difficulties the initiative is facing.

In the second section I will discuss the US-Morocco Free Trade Agreement (FTA), starting with its background and its contents. The economic needs of Morocco and the impact of the agreement shall be subject of analysis in this part, too. I will conclude with a critical assessment of the FTA in the MEFTA context and discuss the question, if it can be a step towards realization. My findings are that it only opens a window of opportunity and it does not guarantee any success. In fact, an absolute success is rather unlikely considering the variety of difficulties arising and if the Free Trade area shall be realized within 2013, the pace of ratifying treaties should increase significantly.

2. The MEFTA-initiative

"Across the globe, free markets and trade have helped defeat poverty, and taught men and women the habits of liberty. So I propose the establishment of a U.S.-Middle East free trade area within a decade, to bring the Middle East into an expanding circle of opportunity, to provide hope for the people who live in that region."

President Bush □ May 9, 2003

With this speech delivered at the University of South Carolina, only two months after the Iraq-invasion, US President Bush declared his intention to establish a free trade zone with the Middle East – a comprehensive US-Middle East Free Trade Area (MEFTA).¹ The Bush administration defines “Middle East” as a region including North African (Mahgreb) countries – the MENA region. (See appendix 1)²

2.1 The idea of MEFTA – a six-step process

¹ Lawrence (2006a)

² Bolle (2006), I will use the terms “MENA” and “Middle East” as synonyms

US Trade Representative (USTR) Robert Zoellick outlined the proposed 10-year horizon plan to reach this goal by 2013, the USA intends a process of six steps, which then the US Trade Representative explained in further detail.³ As a first step the US will actively support the World Trade Organization (WTO) membership “for those peaceful countries in the region that seek it”.⁴ Second step is the expansion of the Generalized System of preferences (GSP) that currently provides duty free access to the US market for some 3,500 products from over 140 developing countries.⁵ Third measure is the negotiation of Trade and Investment Framework Agreements (TIFA) that establish a framework for expanding trade and resolving outstanding disputes. Step four offers to negotiate Bilateral Investment Treaties (BIT) with interested countries by obligation governments to treat foreign investors fairly and offering legal protection equal to domestic investors. As a next stage the US will negotiate comprehensive Free Trade Agreements⁶ with willing countries, requiring peace, the will to reform, commitment to economic openness and not boycotting Israel.⁷ Within a decade the US hopes to meld these sub-regional agreements into a single overarching arrangement between the US and the region as a whole, creating a Middle East Free Trade Area (MEFTA). The last and sixth step is the provision capacity building aid to help countries fully realize the benefits of open markets, support trade and development (*Middle East Partnership Initiative*).⁸ (see appendix 2 for a progress summary)

The first prototypical US agreements (see point 3.1.1) require broad liberalization and market access of goods and services, intellectual property regulations that stretch beyond the TRIPS of the WTO and commitments on government procurement, policy transparency, technical barriers and other standards. The Dispute Settlement body of the WTO would thus not be in effect, these issues are therefore backed by an dispute settlement agreement including the possibility of the suspension of concessions and/or payment of monetary assessments. There are not, however, commitments on agriculture subsidies and antidumping policies included.⁹

³ Zoellick (2003)

⁴ Bolle (2006)

⁵ Momani (2007)

⁶ Definition (Gandolfo (1998)): partner countries abolish tariffs and other restrictions on imports from one another, while retaining complete freedom over their commercial policies towards the rest of the world.

⁷ Bolle (2006)

⁸ Momani (2007)

⁹ Lawrence (2006a)

2.2 Objectives and the reasons behind them

In reality, trade between the US and MENA countries is not large enough to justify the effort that Washington is making for a free trade agreement. Even under humanitarian considerations this region does not command special attention; there are regions where the poverty situation is far worse.¹⁰

Surely there are economic reasons for the establishment of a MEFTA, especially with a neoliberal approach suggesting that free trade is better than protectionism. Free trade arrangements will thus be mutually beneficial, but this can not be the only consideration due to only small initial trade amounts with that region.

2.2.1 US Perspective

In 2004, all imports and exports with the Middle East accounted for only roughly 4% of total US trade. US exports to each country of that region (except Saudi Arabia and Egypt) were below \$ 1 billion (only 1.6% of total US exports), indicating that MENA countries are only marginal trading partners. Actually the European Union (EU) plays a larger role for trade in that region; there is four times more trade with the EU than with the US, implying substantial bilateral trade resistance between US and the Middle East. Although more than one tenth of US consumed oil and gas comes from MENA (in 2005) making about 70% of total US imports from that region¹¹, are American exports to MENA countries below its potential level. Considering country specific variables (GDP, geographic distance) the “US exports less to MENA countries than the other OECD countries do.”¹² Söderling uses a gravity model to estimate the trade of six MENA countries with the US (Algeria, Tunisia, Morocco, Egypt, Jordan and Syria) and finds that their trade potential with the US is seriously underexploited due to a lack of Trade integration with US and MENA (2005).

Another economic objective is the comparative disadvantage US exporters are facing compared with the EU, resulting from the conclusion of the Euro-Mediterranean Agreement in 1995, which intends to establish an FTA between the EU and MENA countries by 2010.¹³

There are rather political concerns behind the initiative: American geopolitical and security interests, namely the secure supply of energy resources and the violent

¹⁰ *ibid.*

¹¹ Bolle (2006)

¹² Péridy (2005)

¹³ Péridy (2005)

clashes between the West and militant Islamic fundamentalists, can not be advanced through purely military or political initiatives — an economic component is also necessary. The neoliberal approach, that free markets and free trade cause interdependence, suggests that this should be a conduct for peace and stability.

Even the US government's 9/11 Commission mentioned the importance of economic policy as a part of successfully countering terrorism.¹⁴ The theoretical perspective is that expanded trade would appear to be capable of improving the lives of potential terrorists and significantly lessen the attraction of Al Qaeda and like-minded groups. Thus, bilateral FTAs became part of the national security strategy.¹⁵

2.2.2 MENA Perspective

The Arab countries have a great need to create employment and foster economic growth; for a huge labor force coming up it is necessary to deepen the private sector and trade, since studies show that trade within the region and US or EU is astonishingly small, increased commerce will help tackle this problem.¹⁶

Lawrence comes up with four main benefits for the Arab countries (2006). First access to large foreign markets with increased ex- and imports and increased consumer welfare through more competition. (2) The agreements can also improve the trade relations with other partners, because they will enhance the region's bargaining power. Further (3) the agreements can increase regional integration, when several countries in the region sign similar agreements a possible outcome is deeper economic integration. And finally (4) the FTAs can assist with domestic reforms, especially in the economic sector. Most MENA countries are everything but economically healthy (partly due high revenues from natural resources, workers' remittances, high unemployment, and strong state-directed policies that hinder economic ambitions). A treaty might help to empower domestic interest groups, the liberalization commitments present opportunities to reform and can improve states cooperation with private sector.

2.3 Abstract impact

Trade in the region has significantly decreased over the last years, population growth is a pressing issue and high trade barriers hinder the economy; there is a need to

¹⁴ Lawrence (2006a), Bolle (2006)

¹⁵ CRS (2006), Looney (2005a)

¹⁶ Lawrence (2006a)

create employment and overcome the regulatory environment. The impact of a MEFTA in the entities, however, will be dissimilar.

MENA-countries:

The intended impact for the MENA countries are primarily economic – direct benefits from trade and investment are considered. The access to the large US market could result in increased exports and investment. Also consumer welfare will increase, because domestic prices will reduce and more competition will lead to more supply. The treaty will also increase the regions bargaining power with other countries aiming for similar agreements. It will furthermore deepen regional economic integration for those states willing, it can be used as a basis if several countries in the region sign similar agreements. The agreements can also assist with regional reform.¹⁷

USA:

An impact on the US economy is very difficult to measure or evaluate, because mainly all trade volumes are very small and national economies of the regions are not very big, either. However, a sudden dramatic increase can not be expected. “In its rush to create Free Trade Areas around the world, it has become literally impossible to assess the impact on any one particular region.”¹⁸ It could also be imaginable that FTAs in other parts of the world would shift trade away from that region.

“While trade agreements provide opportunities, they do not guarantee results”¹⁹: they can contribute, but also need to be accompanied by other policies measures. Middle Eastern countries need to be prepared for the challenges of globalization. They should understand the “new” role of competitive Players and partnership in the world market. In order to succeed, less state and domestic reform will be completed trough expansion of trade, both regionally and non-regionally. The huge market and strong economy of the US (and others) will provide this opportunity.²⁰

2.4 General difficulties, structural barriers

“The Middle East is the most troubled region of the world [with] [...] serious international and domestic problems and ongoing turmoil.”²¹ The potential benefits of freer trade can not settle if these major problems will no find a political solution. On the

¹⁷ Lawrence (2006b)

¹⁸ Looney (2005a)

¹⁹ Lawrence (2006a)

²⁰ Fahmy (2004)

²¹ Lawrence (2006a)

other hand it is crucial to have economic development to foster political solutions, thus the political and economic factor somewhat determine each other. In contrast closer relations with the US can even cause more political difficulty.²²

A basic question is if the method of the bottom up approach, where, signing first bilateral agreements with establishing a MEFTA at the end, will work contraire to a procedure constructed collectively with one single agreement. The bottom up approach permits those who are willing to move first and could create something not possible with one overall agreement.²³ Considering the tremendous differences among MENA countries with respect to regulatory quality and economic strength, it seems necessary to find country-specific agreements (not “one-size-fits-all”).²⁴ Since these are then negotiated separately without considering regional interests at strength, it could cause problems when it comes to terms of combining and forming the MEFTA.

Keeping in mind that the EU initiative and other trade regimes (i.e. Arab League with especially different sets of *Rules of Origin*²⁵) are involved in the region’s commerce, several ratifications by one entity can cause overlapping trade regimes. I will not elaborate on this problem any further, but the question needs to be addressed how differing contracts in one region can possibly form a functioning FTA.

Due the nature of a bottom up approach it is also likely that a *Hub and Spokes*²⁶ system centering the US could evolve. Arab countries with bilateral agreements have a deeper relation with the US than with their neighbors, at least before a MEFTA can be fully realized. This could further bring the Arab countries into a competitive situation with each other, giving the US the possibility to buy primary goods under favorable conditions and not serving Arab commerce interest in the best manner.²⁷

Another problem confronting the MEFTA is simply that of geographic distance. Although modern technologies have the ability to “shrink” time and space, recent re-

²² Looney (2005b) lists ten structural Problems of the Middle East; among others: massive population increase, youth explosion, decline in non-petroleum exports and little regional trade, see Looney (2005b) for further details

²³ Lawrence (2006a)

²⁴ Alissa (2007)

²⁵ Definition (Woolcock (1996)): Rules of origin are laws and regulations used to define the country of origin of internationally traded goods, in the context of a FTA they are used to determine which goods should benefit from the agreement.

²⁶ Definition (Gandolfo (1998)): an arrangement that gives one region (the hub) better access to other regions (the spokes) than these have to one another, i.e. trade barriers among them remain.

²⁷ Momani (2007)

search suggests that distance may still be a key factor in affecting trade patterns. Transport costs are higher for longer distances and the cost of information about foreign markets and establishing a trade relationship in those markets are higher for longer distances.²⁸

However, it is not sufficient to have institutions from a trade regime, but also to have working and efficient economic institutions within the country so markets can operate efficiently.²⁹ Economies of the Middle East are relatively small and have a significant amount of state ownership and protected industries.³⁰ As Alissa mentions, developing a productive economy that can create sufficient jobs and advance the countries socioeconomic conditions means to change a system from a dominant public sector to a strong private sector, thus change the nature of relationship between state and economy (2007). The state should oversee the rules but not interfere too much. Consequently increased trade can not happen without institutional reform, but history has shown that trade does not necessarily encourage political reform, as it is hoped by the Bush administration.³¹

Additionally, the first five FTAs³² the US have signed are with those countries which rank among the top countries concerning regulatory quality and among the top six when incomes levels are considered, too. But MENA countries are very diverse and regulatory quality varies tremendously among the countries, besides Arab countries all have low rankings with respect to political governance variables.³³

Concerning the question of security: there is no link between poverty and terrorism, because terrorism is not “a direct response to low market opportunities or ignorance, [...] it is more accurately viewed as a response to political conditions and long standing feelings of indignity and frustration that have little to do with economics.”³⁴ On the other hand there is still some merit in this approach since market based growth can lead to the development of more democratization and political freedom, as other countries have shown before³⁵, but it has to be discussed if trade policy should be bound to security interests.

²⁸ Looney (2005b)

²⁹ Lawrence (2006a)

³⁰ Momani (2007)

³¹ Looney (2005b)

³² with Jordan, Morocco, Bahrain, United Arab Emirates and Oman

³³ Lawrence (2006a)

³⁴ Krueger and Laitin (2004)

³⁵ Brink (2003) quoted by Lawrence (2006a)

Furthermore national problems could also arise. Since US Congress has the constitutional power to regulate commerce³⁶, the FTAs, if successfully negotiated, may encounter difficulty gaining congressional approval. Domestic pressures and fears shape the voting behavior of the Representatives and Senators and it is not clear if they will pass a FTA. The US President is not more than the negotiating agent.

Considering these various problems a wrongdoing of a partner could also be disastrous. Lawrence discusses three major pitfalls that have to be avoided by the US; firstly not only giving symbolic measures and exaggerated promises that could create mistrust in the long run, secondly limiting the ambitions of the Congress of continued protectionist measures³⁷ and thirdly prevent the agreements from being insulted with other political concerns that could violate the economic benefits (2006).

However, the initiative will create a window of opportunity where not only the entities can profit but also their neighbors, thus even if the MEFTA will not be achieved in total, this initiative seems worthwhile for fostering economic development.

3. US-Morocco FTA

On April 23, 2002, US President Bush and the Moroccan King Mohammed VI announced that their countries seek an FTA.³⁸ In the following section this FTA shall be further analyzed.

3.1 The FTA

3.1.1 Background

Morocco can be considered as a semi-rentier country, which suffers from low productivity, but it does not rest on one single export resource. Nevertheless is heavily dependant on remittances, foreign aid and bilateral and multilateral loans³⁹

Morocco had a significant and particular large increase of its GDP between 1990 und 2004 to \$152.5 billion today⁴⁰, but its size in global terms is rather small. It received only 0.02% of total world- Foreign Direct Investment (FDI) and 0.01% of to-

³⁶ US Constitution, Article 1, Section 8, Clause 3

³⁷ as an example serves the Dubai Ports World case, where a Dubai company wanted to buy facilities at six US ports, but national security considerations prevented this to happen

³⁸ GAO (2004)

³⁹ Alissa (2007)

⁴⁰ CIA (2007)

tal US FDI in 2004.⁴¹ Commerce with the US is not very large; (in 2005) Morocco exported goods to the US with a value of \$442 million (mainly electronics and fertilizer) and imported goods with value of \$528 million (mainly transport equipment and machinery). There is a lack of integration and the US is a major untapped market for Morocco with a lot of potential to be exploited.⁴²

A new area of US foreign policy started with September 11, 2001 and in 2002 the Bush administration received Trade Promotion Authority from Congress, which it also used to dramatically increase bilateral free trade agreements. The administration launched negotiations with “new” countries. Morocco is the meeting point of two different agendas: the MEFTA initiative and the growing use of FTAs by the Bush administration as a catalyst for wider agreements outside the framework of the WTO⁴³

“We will start working with Congress to add FTAs with Morocco and Bahrain to the existing U.S.-Jordan free trade agreement. Then we will seek to negotiate agreements with other countries. Eventually, these bilateral agreements will be expanded into subregional agreements [...] [and] [w]ithin a decade, we hope to meld these sub-regions into a historic regional [MEFTA].”⁴⁴ This statement by then USTR Robert Zoellick clearly states that Morocco was part of a further step to establish the MEFTA.

There are several reason mentioned by the USTR for selecting Morocco as an FTA partner. To (1) further promote openness, tolerance and economic growth in the Muslim world, Morocco being a (2) ally in the war against terror, to (3) ensure Moroccan support in WTO negotiations, to let the (4) FTA support reform Morocco and to (5) benefit economically through tariff elimination (before: 20% tax on US goods, 4% tax on Moroccan goods). The US hoped this FTA can support MEFTA by perhaps serving as a model for others and possibly becoming a hub for subregional agreements.⁴⁵

The negotiations with Morocco began in October 2002, but were completed after the President’s speech outlining the US strategy for a MEFTA. “The result was an agreement, signed in June 2004, which basically served as the template for the sub-

⁴¹ Bolle (2006)

⁴² Söderling (2005)

⁴³ Crombois (2005)

⁴⁴ Zoellick (2003)

⁴⁵ GAO (2004)

sequent agreements with Bahrain and Oman.”⁴⁶ Because the FTAs with Bahrain and Oman were concluded with remarkable speed, thus the FTA with Morocco is somewhat a premier generation of FTAs with the MENA after the USA have announced their MEFTA initiative. Congress approved the FTA with 323-99 votes in favor in the House of Representatives and 85-13 votes in favor in the Senate during the 108th Congress. The Agreement entered into force on January 1, 2006.⁴⁷

3.1.2 contents

The main achievement of the FTA is that almost 95% of all trade becomes duty free. The agriculture and manufacturing sector will open gradually until all remaining tariffs are eliminated within nine years. Even US will phase out all agricultural tariffs.

In the service sector is a negative list approach used, the sector liberalizes unless certain aspects are not specifically excluded⁴⁸

The Rules of origin require that the value of materials plus the direct processing costs be not less than 35% of the goods value.

There are no specific labor or environmental standards in the Agreements, but a link to the International Labor Organization (ILO), however the treaty contains clauses dealing with good governance for administrative transparency and fighting corruption.⁴⁹ Furthermore WTO standards (TBT and SPS) for technical barriers and phytosanitary standards are also in use.

Intellectual Property rights go deeper than the *Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)* of the WTO⁵⁰, for example “protection for trademarks, copyrights, and patents, as well as strict enforcement of these provisions, including criminalizing end-user piracy and provision for both statutory and actual damages under law.”⁵¹ The agreed patent protection can be longer than in the TRIPS, copyrights are granted 20 years longer and there is a greater protection of test data.

3.2 economics needs/problems

⁴⁶ Lawrence (2006a)

⁴⁷ Bolle (2006) and Fergusson (2006)

⁴⁸ Lawrence (2006a)

⁴⁹ Crombois (2005)

⁵⁰ Lawrence (2006b)

⁵¹ Lawrence (2006a)

The economy is characterized thru macro stability, low inflation but also low growth, while export makes 27% of Gross Domestic Product (GDP), thereof are 2.6% of trade with the US and 71.5% with the EU.⁵² The main exporting sector of Morocco is textile, employing 20% of the workforce, while agriculture is the largest sector, employing 45% of the workforce, but only contributing about 15% to the GDP. Nevertheless the latter is heavily protected and Morocco is a net importer of food products. The export of phosphates from state owned companies accounts for about 17% of Morocco's total exports.⁵³

Greatest challenge is to create employment, thus accelerated growth of the economy is necessary. Therefore Morocco faces difficult tasks reducing public sector wages, increase labor market and skills and improve infrastructure.⁵⁴ An Agreement would create pressure on Moroccan firms to improve competition on prices and quality, which should increase productivity and prompt them to increase production capacity. Improvements might then expand to other areas.⁵⁵ Trade has to be extended and the US will be a appropriate partner.

Péridy testing a *Hausmann and Taylor* model with several specifications, finds a actual commerce of US with Morocco between 1996 and 2001 of 67% , leaving 33% trade potential unused and indicating a lack of trade integration especially with Mahgreb countries (2005). This trade deficit is not specific for US, but larger than for other OECD countries. The FTA could help the US to progressively improve their trade position.

Further diversification of an economy requires the effective mobilization and allocation of capital – a financial market development is crucial. Financial sector reform besides institutional development is needed – the basis are increased property rights and institutions that govern them. Interestingly “the quality of institutions may have no effect on financial market development in the MENA region.”⁵⁶ Overall institutions are important, because economic rights and openness are essential for a financial market to work optimally and a FTA will increase openness. However reforms are necessary to improve institutions and there is strong evidence that economic growth, not only financial market growth, highly depends on institutional quality. Since not only

⁵² U.S. Department of State (2007)

⁵³ Crombois (2005) and CRS FTA

⁵⁴ Ahearn (2005)

⁵⁵ American Chamber of Commerce in Morocco (2002)

⁵⁶ Okeahalam (2005)

tariffs but also bureaucratic efficiency is significantly involved to reduce the costs of trading across borders.⁵⁷

Lawrence argues the FTAs are unlikely to have major impact on the political system (2006a). Morocco is already among the best countries concerning regulatory quality in the region, implicating that US agreements are being signed with the countries in the region that have the highest regulatory quality (see also 2.4).

3.3 Impact

What impact will a US-Morocco FTA have? Since MEFTA will eliminate all tariffs, let's look at the present state and then thinking about the impact. The Average Moroccan tariff is 20%, the average US tariff is 4%.⁵⁸ Thus it is reasonable to expect that US exports to Morocco will increase more than the Moroccan exports to the US (using equilibrium models assuming that US exports are perfectly elastic).⁵⁹ "Reflecting on the relatively high Moroccan tariffs that would be removed under the US-Morocco FTA, the USITC [United States International Trade Commission] projected a 14.4% increase of US imports from Morocco (of \$198,6 million) and a 41% increase in US exports to Morocco of \$ 740 million."⁶⁰ Another study shows an increase of trade to the US by \$437 million and from US to \$658 million. Although these numbers differ, they show a greater expansion of US exports to Morocco than contrariwise.

Measuring the economic benefits (increase of welfare) Brown measures a 2.02% (\$ 0.89 billion) increase for Morocco and a 0.05% (\$5.97 billion) increase for the USA in welfare effects (2005). Although the absolute numbers speak for the US, the percentage increase is rather small. Interestingly this study also finds a significant increase in the Moroccan-EU trade with \$29 billion higher welfare effects (which is however less than 0.01% of trade increase).

One has to keep in mind that these models only assume static effects and not the impact of the agreement on trade patterns caused by the trade regime and new regulatory policies, new standards, intellectual property, transparency, customs and

⁵⁷ Lawrence (2006a)

⁵⁸ Ahearn (2005)

⁵⁹ Lawrence (2006a)

⁶⁰ *ibid.*

so on. Furthermore political benefits like stability in region and the improved overall relationship could also further shape commerce relations.

3.4 the FTA in the MEFTA context – a critical assessment

It is evident, that the US had a variety of economic, political and national security interests in undertaking the FTA with Morocco.⁶¹ Especially in security, Crombois points out that Morocco has been recognized as a “key non NATO ally”, thus arms sales restrictions have been lifted and US military assistance has been doubled (2005).

Another consideration is Morocco becoming a larger regional Hub and would benefit of increased trade relations with other countries of Maghreb, if the Rules of Origin would allow it.⁶²

The required changes will not only affect MENA countries with their relation to the US, but also the relationship with other trading partners, because some of the changes will apply for all trading partners. “For example, the articles on customs administration, transparency, standards, intellectual property, labor, and the environment will bring about changes in rules and procedures for all participants”⁶³ If Morocco increases transparency by publishing its customs regulation quicker it will be beneficial for all who are interested. With a Dispute Settlement Body working there is a greater chance that measure will be implemented.

As shown above, the FTA will have a positive impact on both economies, but complex circumstances have to be considered. The FTA will create opportunity, but no guarantee for outcomes. Morocco is hardly able to meet the need for growth on its own; policy measures are necessary “to pave the way”.

As mentioned in 3.1.1, this FTA can be considered a prototype and is therefore an important step towards an MEFTA. Its content can be regarded as a similar basis for future FTAs. When several countries have signed similar agreement, there is a chance that they will engage in trade relations on the basis of these frameworks, bringing benefits to one another relatively easy.⁶⁴

On the contrary, significant differences along the FTAs, because of a bottom-up approach and the nature of the entities, imply great difficulty to bring an overall integration to create a MEFTA. It is likely that either several agreements have to be

⁶¹ Brown, Kiyota and Stern (2005)

⁶² American Chamber of Commerce in Morocco (2002)

⁶³ Lawrence (2006a)

⁶⁴ *ibid.*

changes or the MEFTA would have different rules for certain partners – a thought against a free trade area.

Considering the mentioned problems for creating a MEFTA, the question remains if such an attempt can result in success. Although the FTA with Morocco shows a lot more issues to keep in mind, it creates a window of opportunity. This window is fragile and there are many obstacles to overcome, which will multiply considering that a lot of FTAs need to be signed to create a MEFTA. Even if one uncouples the theoretical part (i.e. if security considerations should play a role in trade relations) and just considers the practical aspects, this initiative lacks of confidence concerning its feasibility. On the other hand, even if it can not be fully realized, loose success with single treaties is better than no success at all. If a Middle East Free Trade Area shall be realized by 2013, the pace of implicating bilateral agreements and reform has to increase significantly.

4. Conclusion

This paper analyzed the MEFTA initiative and relates it to the US-Morocco FTA. The first section focused on the MEFTA initiative itself, the process of six steps and the considerations that led to this. The perspectives of both parties – the US and the MENA countries – are also part of this elaboration. Furthermore the economic impact was investigated and the point of difficulties arising with this initiative was also discussed.

The second part concentrated on the Free Trade Agreement with Morocco and relates it to the MEFTA initiative. Therefore the FTA with its background and contents was explored. Followed by an elaboration of Moroccan economic needs and then the possible impact on both economies. I concluded with a critical assessment of the FTA in the context of the MEFTA, finding that it creates opportunities, but no guarantees. A variety of problems arose when it comes to the idea of a MEFTA, and more have to be kept in mind regarding the FTA with Morocco. It is doubtful that this FTA will create enormous benefit, the positive impact is rather small but better than no benefit at all. It is still a long road to the creation of a MEFTA, but when it shall be realized within the next 6 years, the pace of implementing treaties has to increase dramatically.

Appendices

Appendix 1:

Figure 1. Entities Included in the Bush Administration’s Definition of “Middle East / North Africa”



Source: Map Resources. Adapted by CRS. (K.Yancey 10/4/04)

Source: Bolle (2006)

Appendix 2:

U.S.-Middle East Free Trade Efforts

Country	FTA	TIFA	BIT	WTO	GSP
Israel	√	√	√	√	Not Eligible
Jordan	√	√	√	√	√
Morocco	√	√	√	√	√
Bahrain	Ratified	√	√	√	Not Eligible
Egypt		√	√	√	√
Lebanon				Negotiating Accession	√
Algeria		√		Negotiating Accession	√
Tunisia		√	√	√	√
Saudi Arabia		√		√	Not Eligible
Oman	Signed	√		√	√
Kuwait		√		√	Not Eligible
UAE	Negotiating	√		√	Not Eligible
Yemen		√		Negotiating Accession	√
Qatar		√		√	Not Eligible
Syria					Not Eligible
Iraq		√		Negotiating Accession	√
Libya				Negotiating Accession	Not Eligible
Iran				Negotiating Accession	Not Eligible

NOTE: The Palestinian Authority participates in the U.S.-Israel FTA

Source: ustr.gov (06/10/07)

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