

EU-MENA Trade and Regional Integration

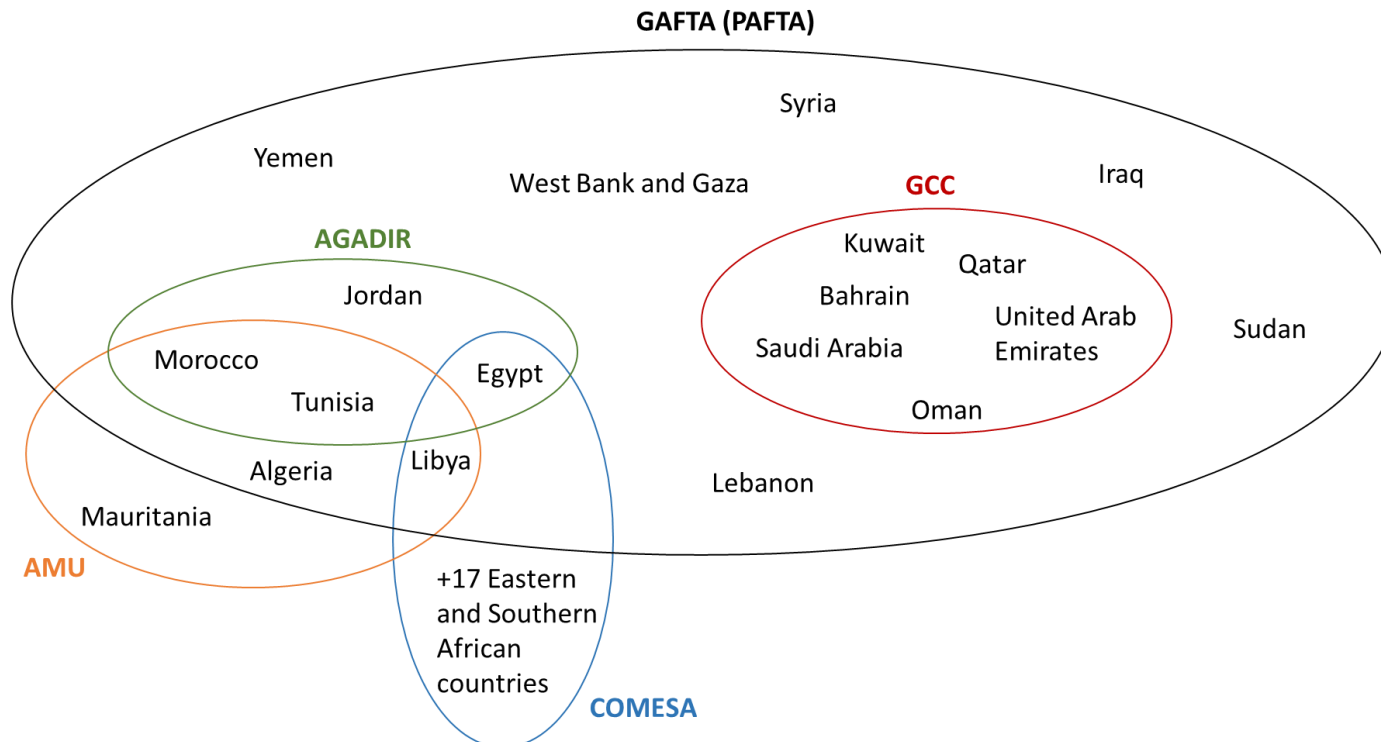
Arab-EU Business Facilitation Network
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Intra-MENA Trade

Overview of regional agreements in MENA

- All MENA countries participating in the Arab-EU network are members of the *Greater Arab Free Trade Area (GAFTA)*, also known as *Pan-Arab Free Trade Area (PAFTA)*
- 6 countries from the Gulf region have formed the *Gulf Cooperation Council (GCC)*
- 4 countries are part of the *Agadir Agreement for the Establishment of a Free Trade Zone between Arabic Mediterranean Nations*
- 4 countries participate in the *Arab Maghreb Union (AMU)*
- Egypt and Libya are members of the *Common Market for Eastern and Southern Africa (COMESA)*



Regional agreements had mixed effects

GAFTA (PAFTA)

- Initiated by the *League of Arab States* and signed in 1997; 18 members
- Focused on removing tariff and non-tariff barriers to trade in goods
- Substantial success in removing tariffs on intra-*GAFTA* trade and in improving the effectiveness of customs
- Did not reduce transportation and facilitation costs between the MENA countries

GCC

- Created in 1981 and includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE
- Focused on trade policy coordination (creation of a free-trade area and development of common policies) and economic integration
- A common market for *GCC* products and services was created in 2008
- Overall, the initiative has been well implemented

AGADIR

- Signed in 2004 between Egypt, Jordan, Morocco and Tunisia; in effect since 2006
- Had a positive impact on trade among the countries
- Has been effectively superseded by *GAFTA*

AMU

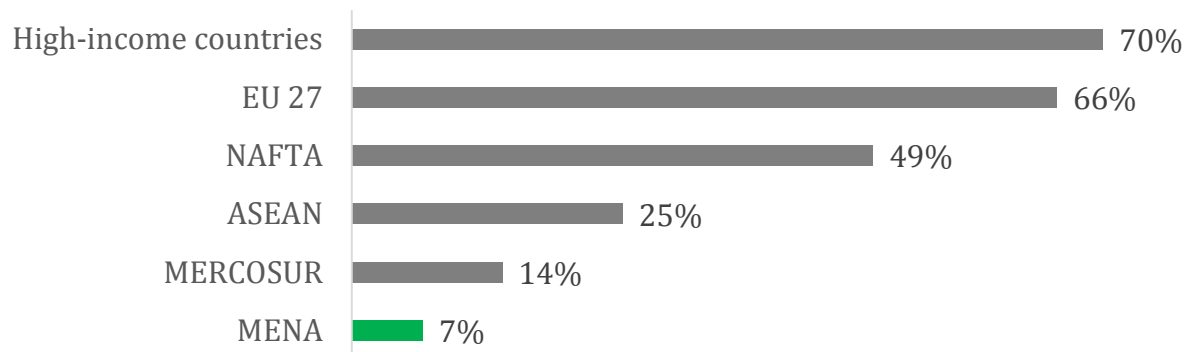
- Created in 1989 and includes Algeria, Libya, Morocco, Tunisia and Mauritania
- Main goal is to promote trade among the countries with a subsequent creation of a customs union and a common market
- None of these initiatives have been implemented so far

COMESA

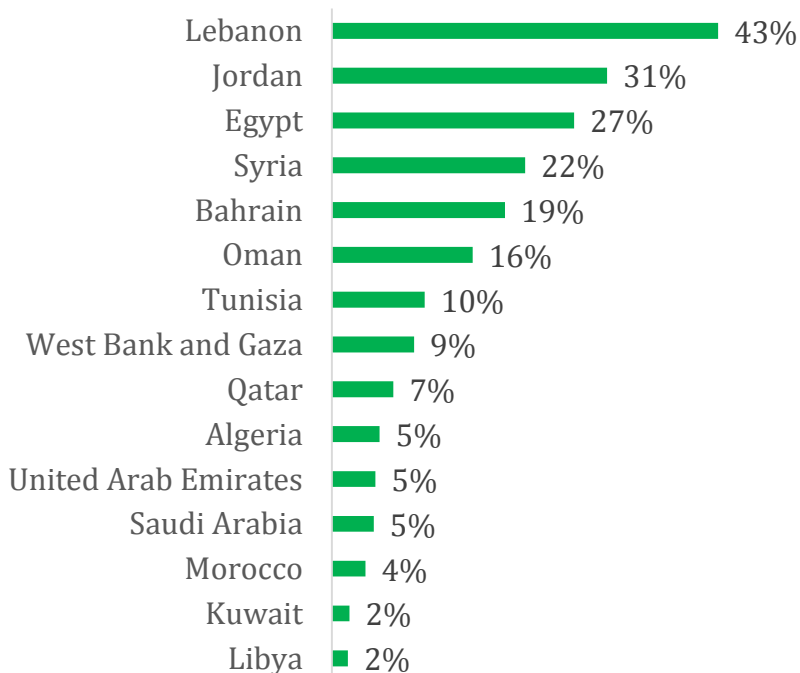
- Formed in 1994 to create a common market for Eastern and Southern African countries
- Egypt and Libya are members of this agreement
- In 2000, a Free-Trade Agreement was launched; a customs union is being formed
- Overall, the impact on regional trade has been positive

Intra-regional MENA trade remains low

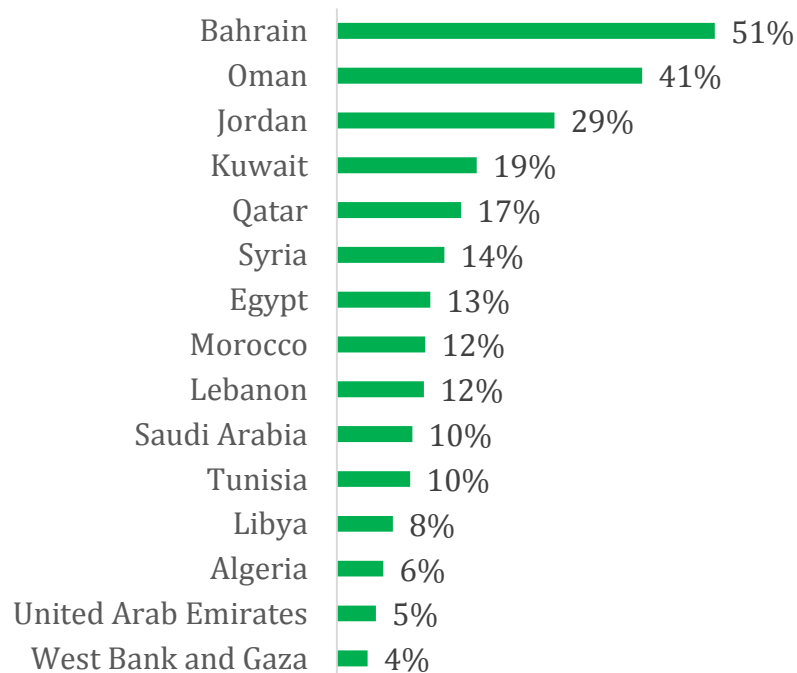
Intraregional exports as % of total exports for different regions



Intra-MENA exports as % of total exports of a country



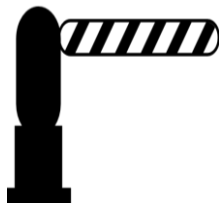
Intra-MENA imports as % of total imports of a country



Notes: Data for Libya and Syria is from 2010, Bahrain and UAE – 2011, all other countries – 2013. Data for other regions is a 2008-2010 average.

Sources: COMTRADE database; *Regional Economic Integration in the Middle East and North Africa: Beyond Trade Reform*, The World Bank, 2013

Low integration can be explained by several factors



Non-tariff barriers

Despite efforts to remove non-tariff barriers, border closures, long inspection processes and the amount of documents inspected still play an important role in trade policies of MENA countries.



Comparable export bases and production capabilities

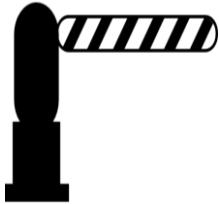
Exports of primary commodities (oil and gas) account for the majority of exports in the MENA region (76% in 2008-2010), thus making it difficult for countries to trade with each other.



Lower quality of institutions

Quality of public and private sector governance, lack of transparency and complicated business regulations are the main challenges for successful trade integration. High transport and logistics costs hinder trade as well.

Low integration can be explained by several factors



Non-tariff barriers

Areas of intervention:



Comparable export bases and production capabilities

Areas of intervention:



Lower quality of institutions

Areas of intervention:
