The Social Impact of Euro-Mediterranean Free Trade Areas: A First Approach with Special Reference to the Case of Morocco

IVÁN MARTÍN

Extensive trade liberalization – mainly through the dismantling of all tariffs on European manufactured products – will be the most direct and concrete effect of the Euro-Mediterranean Partnership for Mediterranean Partner Countries (MPCs). This essay first undertakes an analytical review of the social impact of the creation of the Euro-Mediterranean Free Trade Areas (EMFTAs), taking into account their effects on employment, income (wages and otherwise), prices of consumer goods, state social expenditure and other economic variables. There follows a brief case study of the magnitude of the EMFTAs' social impact on Morocco. Finally, the study seeks to identify which national policies and which accompanying measures within the framework of the Euro-Mediterranean Partnership could be used to 'mitigate the negative social consequences which may result' from the EMFTAs and hence strengthen their social and political sustainability.

Suppressing tariffs on European industrial products over a 12-year period will be the most tangible and immediate consequence of Euro-Mediterranean association agreements for Mediterranean Partner Countries (MPCs). However, the creation of the Euro-Mediterranean Free Trade Areas (EMFTAs) is not a goal in itself, and ultimately should be assessed according to the EMFTAs' contribution to achieving the stated goals of the Euro-Mediterranean Partnership (EMP) launched as stated in the Barcelona Declaration of 1995 for the purpose of 'strengthening democracy and respect for human rights, sustainable and balanced economic and social development, measures to combat poverty and the promotion of greater understanding between cultures', the 'essential aspects' of the Partnership.

To date, economic study of the creation of Euro-Mediterranean free trade areas has focused on the classical Viner [1950] static analysis of the trade effects of creating customs unions and/or free trade areas (the so-called trade-diversion and trade-creation effects, based solely on the changes in trade flows and prices caused by trade policy and its effects on the welfare of different

Iván Martín is a lecturer in Economics in the Universidad Carlos III de Madrid, Spain. He is indebted to Jan de Vries for his insightful comments on the first draft of this essay, and particularly for spending his time in discussing with the author the crucial distinction between economic and social conditions and economic and social rights.

Mediterranean Politics, Vol.9, No.3 (Autumn 2004), pp.422–458
ISSN 1362-9395 print/ISSN 1743-9418 online
DOI: 10.1080/1362939042000259951

economic actors involved).[1] This model allows one to make rough estimates of the welfare impact of the free trade areas on the countries involved applying simple econometric techniques (using, for instance, so-called 'gravity models' explaining trade flows on the basis of economic size of countries, geographical distance between them and sometimes population and various other structural variables, whose main challenge is that of deriving the demand and supply functions, namely, to estimate the price elasticities of demand and supply, a very arduous exercise indeed in less developed economies).[2] Still, such models are based on (implicit) unrealistic assumptions such as full employment and instantaneous adjustment.[3] However, leaving aside the questionable use of those methods as a consequence of the lack of reliability (and often the unavailability) of economic data, economists have focused almost exclusively on the impact of EMFTAs on economic flows (notably trade and investment flows) as such and macroeconomic variables, and there has been incredibly little attention paid to the effects of trade liberalization in terms of employment, income of various social groups, social services, prices of consumer goods, living conditions and levels of poverty and ultimately the regulation and exercise of social and economic rights. In other words, the MPCs have agreed to the EMFTAs without a thorough *ex-ante* assessment of how they are going to affect the lives of people in those countries.

On the other hand, analyses of social and economic rights have tended to focus on a narrow legal approach,[4] emphasizing the ratification of international conventions and their reflection in national legislation, but often neglecting their actual application in practice, the marked dualism reigning in those societies (typically, social security coverage here is limited to between 20 and 50 per cent of the population – see Loewe [2003], Table 2), or the causal link between economic policies and social conditions.

This study does not pretend to fill these gaps, but it does intend to take a more direct approach to measuring the impact of trade liberalization on people's welfare by undertaking a preliminary, mostly qualitative analysis of how the creation of free trade areas might affect the economic and social rights of people in the MPCs through their impact on economic and social conditions. This emphasis on economic and social rights is warranted by the fact that, if human development is a 'process of expanding people's choices', economic and social entitlements are the main vehicle for achieving it. At any level of development, the three main entitlements 'are to live a long healthy life, to acquire knowledge and to possess resources necessary for decent life' [UNDP, 2003b: 17]. For the latter, having employment is often a necessary requirement, hence the emphasis on this realization of the right to work.

After such a general assessment, the study will make special reference to the case of Morocco and how different economic and social variables are to be affected by the implementation of a free trade area with the European Union.

Finally it will explore possible national policies and accompanying measures within the framework of the Euro-Mediterranean Partnership itself, which could reduce the expected negative social effects of free trade areas and contribute to their success. This study ends with a brief appendix advocating the establishment of a Euro-Mediterranean System of Regional Surveillance of Economic and Social Rights and exploring ways of doing it.

The time horizon considered in this study is the transition period agreed on for the establishment of the Euro-Mediterranean free trade areas, that is, 12 years from the moment every association agreement entered into effect. Of course, the general framework set out in this essay needs to be developed through specific country studies based on direct empirical evidence from those countries where EMFTAs have already been in existence for a long period. Tunisia is the country where tariff dismantling has been in force the longest, entering its ninth year in 2004 and at a stage where this might begin to hurt its national production.[5] Morocco, as the second country to follow the EMFTA path, began to apply the trade liberalization schedule in March 2000, so it is now only in its fourth year of implementation.

Although the International Covenant on Economic, Cultural and Social Rights and the very nature of the rights it establishes stress the role and the responsibility of the state as a guarantor of those rights, be it through regulation or budgetary measures, this study will not address questions related to the efficiency of social expenditure (how social expenses translate into better economic and social results), however important this may be, since there is no reason why trade liberalization (which affects mainly prices and quantities imported and exported in different sectors) should affect state efficiency in any way (the latter depending on institutional factors).

An Analytical Framework for the Social Impact of Trade Liberalization?

The essay deliberately refers to the ‘social impact’ of EMFTAs, not to their effects on economic and social rights as such (as enforceable legal entitlements). Being an economics study, it deals with social and economic *conditions.* Of course, the people’s social and economic situation, market conditions such as prices and supply and demand of goods and services, and the financial capability of the state, all have a direct impact on people’s human rights. Thus, unemployment and low income – or a substantial increase of prices of basic goods – might affect the right to an adequate standard of living, an absolute or relative decrease of expenditure on education might affect the right to education by making schools and teachers scarce or by asking high fees even for public education, and so on. In this sense, the study undertakes a preliminary step in the analysis of the impact of EMFTAs on economic and social rights, but the variables considered are at best indicators to be used for assessing the rights themselves (which by their very nature are legal concepts), not the rights as such. Indeed, the fact that income is diminished does not in itself provide any proof that the right to an adequate standard of living is being violated, nor does the fact of not finding a job in relation to the right to work.

Due to the multidimensional nature of economic and social conditions and the ontological impossibility of reducing them to monetary values, there is no analytical device available[6] for undertaking a quantitative analysis of the impact of free trade on them.[7] In addition, the micro-economic nature of economic and social conditions (located at the level of individuals) prevents the kind of aggregate assessment typical of macroeconomic analysis. This leaves us with no alternative but to adopt a 'scoreboard' approach, articulating our analysis by defining and monitoring a set of key indicators of the evolution of economic and social conditions. This has a major drawback: since the only measurable variable we can use consists of the *results* of policies, it makes it very difficult, if not impossible, to make an *ex-ante* quantified analysis of that impact. On the other hand, within the framework of a regional integration process such as the Euro-Mediterranean Partnership, this approach lends itself to easy inter-country (or inter-regional) comparisons allowing 'benchmarking' processes to measure advances over time and evaluate policies in comparative terms.

The main variables to be monitored in relation to economic and social conditions are the following:

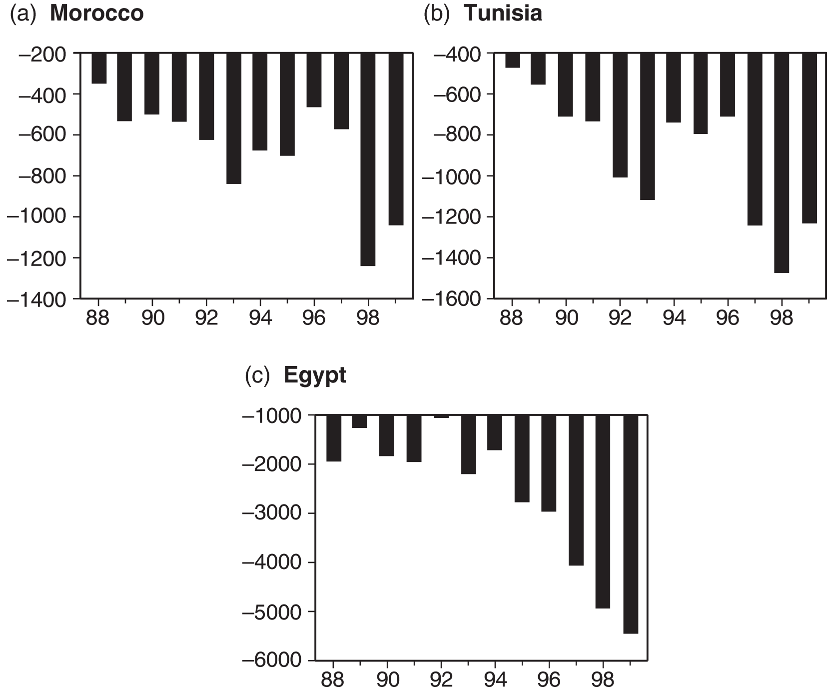
- employment (job creation and job destruction);
- employment conditions (regulation and nature of employment);
- income of the poor;
- public social expenditure (which determines the level of education and health provision and social insurance, and to a great extent the standard of living of the poor as well).[8]

In practice, the EMFTAs amount to unilateral trade liberalization by MPCs. Mediterranean manufactures have already benefited from free access to European industrial markets since the former trade and co-operation agreements signed in the late 1970s between the European Economic Community and these Mediterranean countries, and the new association agreements exclude all other sectors (notably agriculture) from free trade.

So in order to study the effects of EMFTAs, given that they do not open up any new export opportunity for MPCs,[9] the focus should be on tariff dismantling alone and its impact on economic activity and social conditions. During the 12-year transition period provided for in association agreements,[10] the implementation of the EMFTAs will have four immediate effects:

FIGURE 1

TRADE BALANCE WITH THE EU (1998–99)



Source: Mold [2003] with data from COMEXT database, 2001. Data in millions of current euros.

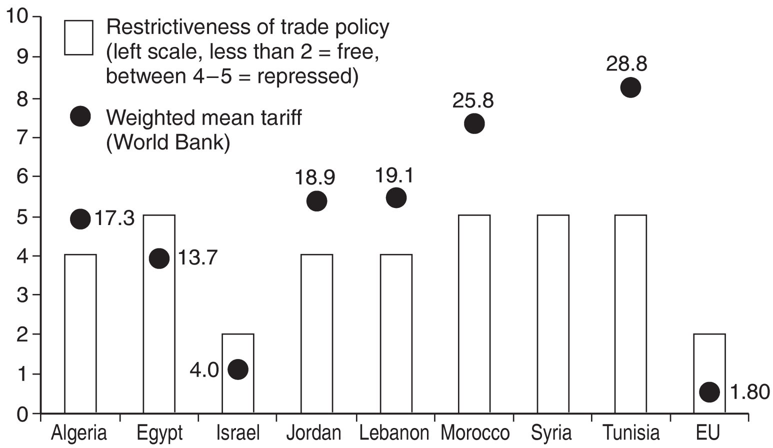
- It will reduce state revenue by the amount currently perceived on European products being imported into those countries.
- The imports of industrial products from European firms will increase thanks to the reduction of import prices brought about by tariff dismantling, either due to an increase in national demand for those goods or by displacing local and more expensive production, or both; this will negatively affect the trade balance of these countries, which, with the exception of the oil-producing countries, already run important deficits in their trade balances with the EU, revealing a lack of competitiveness (see Figure 1); in theory, the importation of cheaper inputs and capital goods might reduce costs for local firms and enhance their competitiveness and so increase exports as well, but the relative levels of protection for those inputs and capital goods were already quite low in most of the cases, so this indirect positive effect on exports will necessarily be limited.

- It might reduce the prices of imported consumption goods, so increasing the real disposable income of people.
- It will destroy employment as some local industrial firms will be unable to compete with the imported products at tariff-free prices and will have to reduce their production or close altogether. This will entail a loss of jobs in those non-competitive firms. In theory, the competitive pressure on local firms and the technology spill-over induced by trade liberalization and eventually foreign direct investment could open up new opportunities for job creation in more productive sectors, but at best this would take several years to happen, and in any case it is uncertain.

The magnitude of these effects will be a function of (i) the degree of trade protection before the elimination of tariffs (the higher the tariff rates currently applied, the bigger the adjustment cost caused by their elimination; trade protection levels of MPCs are amongst the highest in the world; see Figure 2); (ii) the price elasticity of demand for imported products (in less developed countries, it tends to very high); (iii) the competitiveness of local industry; (iv) the current reliance on international trade taxes as a source of state revenue (see Figure 4); and (v) the initial economic and social situation in each country (for example, macroeconomic performance as measured by indicators such as the fiscal stance or balance of payments; social indicators such as unemployment rates, demographic dynamics; external debt, etc).

FIGURE 2

TRADE RESTRICTIVENESS OF MPCs AND EU



Source: European Commission [2003]. Trade restrictiveness index as calculated by the Heritage Foundation, and tariffs from World Bank, World Development Indicators 2002, <http://www.worldbank.org/data/wdi2002/index.htm>.

As already mentioned, it is true that these effects can hardly be quantified in advance (and in any case, it must be borne in mind that even when there is data available, any quantitative estimation regarding less developed countries is purely tentative). However, this does not detract from the strong relevance of that analysis for policy: without it the EMFTAs could end up destabilizing the whole region still further.

Employment and Employment Conditions

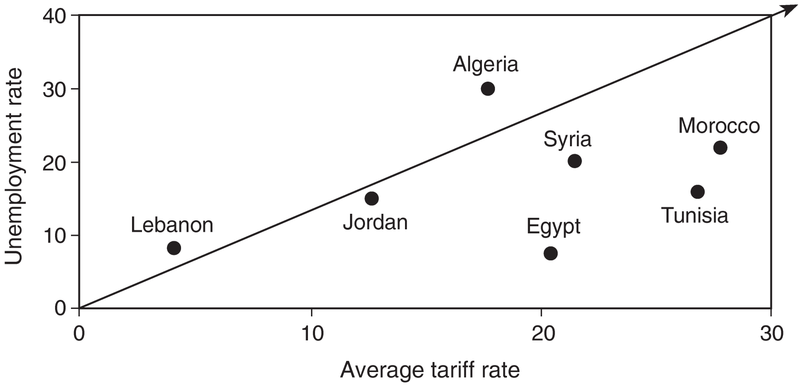
The first-order effects of tariff dismantling will probably fall on salaried employment and wages. It is nearly impossible to seriously estimate the magnitude of job destruction due to an increase in imported industrial products substituting locally manufactured goods. Measuring competitiveness (and hence productivity levels) in less developed countries is a hopeless exercise in creative economics. In spite of this, it is clear that the net impact on employment of Euro-Mediterranean free trade areas is going to be negative, at least during a long first stage and probably not only in the private sector: as the state loses revenues, there will be pressure to reduce its own workforce and that of state-owned companies. On the other hand, the theory of economic integration predicts that labour adjustment will happen as employees who lose their jobs in less competitive industries move to new jobs created in those that are more competitive and benefiting from the new tariff-free access to foreign markets.[11]

But this compensatory movement will not take place in MPCs: all potential benefits from preferential access to European markets were already achieved in the late 1970s and the 1980s, and the new EMFTAs do not provide for any new trade preference or opportunities for those countries in exchange for opening up their markets to European companies. Under these circumstances, there is no economic reason why there should be any increase in the flows of foreign direct investment (FDI).[12] Labour adjustment will have to be absorbed either by the public sector or by the informal economy (where actual wages are often below the legal minimum wage) or else lead to a significant deterioration of income for people losing their jobs with no alternative at hand. Overall it is safe to anticipate 'a long period of high unemployment rates after the launching of economic reforms', as has happened even in successfully globalizing countries with the best economic policies that 'can realistically be expected' [Rama, 2001: 20].

Figure 3 shows a first approach to employment vulnerability to free trade in MPCs: the higher the unemployment rates that a country is already suffering,[13] and the higher its trade protection against imported products, the more it will suffer due to tariff dismantling. The figure shows that it is in Maghreb countries, where trade liberalization has been greatest so far (especially in Tunisia and Morocco), that employment will suffer the greatest and occur most quickly.

FIGURE 3

EMPLOYMENT VULNERABILITY TO FREE TRADE OF MPCs (2002)



Source: Data for unemployment rates are taken from the European Investment Bank [2002] and the average tariff rates are from the European Commission, DG Trade Market access database, <http://mkaccdb.eu.int/>.

Yet, the real problem is one of timing: this negative impact on employment occurs at the same time as those countries experience the last stage of demographic transition. Thus, labour displacement caused by the EMFTAs will take place in a very tight employment environment. With unemployment at over 15 per cent of the labour force, Middle East and North African countries are already suffering the highest average unemployment rates of any region in the world [ILO, 2004: 41].

Furthermore, this problem is compounded by demographic dynamics. Although most MENA countries have already completed the demographic transition (birth rates have been reduced to levels compatible with a modest population growth),[14] the extreme youth of the population's age structure (one-third of the 240 million inhabitants of MENA countries are under 15) will translate into big increases in population of working age during the coming two decades. In one of the most conservative estimates of job creation needs in the Mediterranean Partner Countries, FEMISE has calculated [Handoussa and Reiffers, 2003: 1–8] that, in order just to keep unemployment rates at current levels, MPCs should create around 20 million jobs before 2010 and 34 million jobs before 2020. This assumes maintaining current activity rates (only 48 per cent of the population of working age is currently part of the labour force, and this falls to 25 per cent in the case of women), which would mean effectively the vast majority of women remaining unemployed.[15] Still, these calculations do not take into account the anticipated retrenching of rural employment (which amounts to 30 per cent of the total labour force in the region, and

45 per cent in the case of Morocco) during this period. Even if this incredible rate of job creation were achieved, this would still mean an increase in the absolute number of unemployed people from eight million to 12 million people in 2010 and to 16 million in 2020.[16] Attending to these job creation needs will mean increasing the working population in the region – that is, the total number of jobs – by more than 50 per cent in the next 10 years, which would require the current levels of economic growth to be doubled at least (between 1980 and 2001, MPCs grew at an average yearly rate of 2.4 per cent), ‘an accomplishment . . . not even achieved by the high performing East Asian economies during the height of their employment growth periods’ [Keller and Nabli, 2002: 1]. Taking into account the widening consensus on the fact that ‘the greatest single issue facing the economies of the Middle East and North Africa is the challenge of employing its people in good jobs’, the lack of any proactive strategy to deal with this enormous challenge in the framework of the Euro-Mediterranean Partnership is one of its most astounding features.

Inasmuch as EMFTAs are not truly reciprocal, because there is no corresponding liberalization of agricultural exports to the EU in exchange for opening up MPC markets to European industrial products, the best that can be said is that EMFTAs are potentially damaging to the MPC economies and will do nothing to alleviate, let alone improve, their social situation.[17]

However, trade liberalization will not only affect employment levels, but also conditions. The creation of free trade areas with the EU is considered as a first step for integrating MPC economies into the world economy, a kind of dress rehearsal for globalization. The competitive pressures those countries will be subjected to will push for a ‘liberalizing’ review of their social protection systems which could lead to reforms that will further diminish the social and economic rights of their population (and particularly of workers). As stated in one official report of the Moroccan Ministry of Finance, in the new open competitive environment ‘the liberalization of exchanges and the growth of exports will only have a positive impact on employment in the framework of a bigger flexibility of the labour market which reduces the costs supported by firms’ [Hamdaoui, 2002: 21].

Income (Wages and Otherwise)

The competitive pressures that local firms will experience will induce them to replace permanent workers with temporary staff who will enjoy fewer benefits (this shift will be made easier by reforms to labour laws introducing more flexibility into work relations and making firms more competitive). At an aggregate level, the deterioration of the balance of payments will force devaluations. In turn, this will generate inflationary pressures, and in so far as economic authorities will try to contain them through tight monetary policies, there will be a negative impact on real income (reproducing a remarkably similar macroeconomic policy scenario to the one created in the 1990s under structural adjustment plans). In highly unstable and rigid competitive markets, it is not clear that devaluation would lead to an immediate reduction of import demand, since many small and medium enterprises (SMEs) will have already been forced out of the market altogether by the flow of cheaper imports.

Certainly, according to the standard economic theory of international trade, globalization (that is, free international trade) should equalize factor prices across countries, bringing about a convergence of wages levels and therefore an increase in average wages in less developed countries.[18] However, this is only the theory. In practice, salaried workers are, in many respects, a privileged group in less developed countries and enjoy so-called situation or locational rents thanks to their relatively high capacity for social mobilization. In the context of the high unemployment rates typical of undeveloped economies, salaried workers share the benefits of trade protection with the owners of local firms. Therefore, suppressing protection may deprive them of those rents and induce a fall in their wages.

Empirical studies of labour adjustment to trade liberalization in Maghreb countries [Currie and Harrison, 1997 on Morocco since 1983; El Weriemmi, 2003 on Tunisia since 1986] show that, in those cases, the impact of trade liberalization was not absorbed through aggregate job destruction, but rather by other means, including a fall in real wages (and profits), increases in productivity in some sectors, a partial substitution of qualified employment for unqualified employment and a feminization of the occupied population.

Finally, the impact of any loss of employment and income would be magnified by the domestic multiplier effect, including an additional loss of tax revenue for the state as more workers lose their jobs and go into the informal economy.

Prices of Consumer Goods

One possible positive impact of EMFTAs on living conditions could be a reduction in the prices of imported consumer goods benefiting from tariff dismantling and leading to an increase in real income and wages. However, this is subject to two qualifications. On one hand, the consumption of legally imported goods in the MPCs is often limited to the middle and upper classes (as regards lower classes' consumption, this is often through smuggling channels and therefore not subject to tariffs), meaning that the poor will hardly benefit from price reductions. On the other hand, the expected deterioration of the current account balance will probably end up forcing these countries to devalue their currencies against the euro. Otherwise, the opening up of their markets could be unsustainable. The devaluation will be a ready-made way to counterbalance the loss of price competitiveness in local markets caused by trade liberalization, and so a probable reaction of economic authorities to the pressures of European products. Due to downwards inelasticity of import demand, the scope of this devaluation might have to be even bigger than the reduction in import prices, leading effectively to a loss of real income by the population (including those poorer sectors that will have to pay higher local currency prices for smuggled goods). Finally, a possibility not to be ignored is that European firms will manage to profit from the tariff reduction by increasing their export prices to MPCs by choosing to charge higher prices instead of expanding their sales. In that case, the only effect of tariff dismantling would be a net transfer of revenue from MPC governments to European exporters, without any other effect on prices or consumption (whereby the impact of tariff dismantling would be pre-empted).

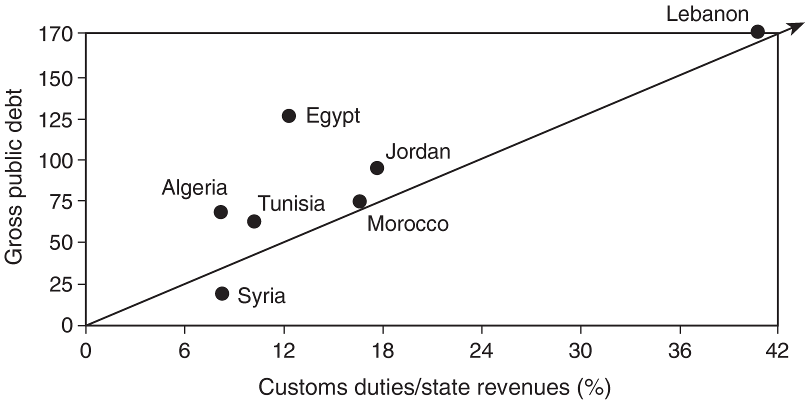
Public (Social) Expenditure

The implementation of EMFTAs will give rise to both a loss of state revenues (the average volume of foreign trade taxes for southern Mediterranean countries did increase slightly from 4.2 per cent of gross domestic product (GDP) in 1989–90 to 4.3 per cent in 1999–2000) and an increase in the need for public expenditures in areas such as subsidies to support the adjustment costs associated with the private sector restructuring, training and education to improve the quality of the labour force, and basic infrastructures to support the competitiveness of the private sector itself. Further, all of this must be placed in an international context with strong (financial) disincentives[19] for running increased public deficits with the resultant cuts in state expenditures in other sectors (the social sector will be the prime victim) or an increase in tax revenues. As governments feel the pressure to raise taxes, the quickest and politically less disturbing way of doing so is through an increase in indirect taxes on consumption, such as value added tax (VAT) or excise taxes.[20] Yet the increased weight of indirect taxes on massive consumption goods reduces the real disposable income of the poorest sectors of the population and has a negative impact on income distribution.

Taking into account only the direct impact on state revenue through the loss of tariff receipts,[21] the magnitude of this budgetary vulnerability to free trade, estimated at between 1 and 4 per cent of GDP depending on the country [Abed, 1998], can be represented, as in Figure 4.[22] Lebanon is the country that appears to be the most vulnerable to the loss of customs duties, since the size of its public debt means that it must devote more than 17 per cent of its GDP to servicing this debt. The weight of the wage bill for public employees is another non-discretionary expenditure that makes the state budget less flexible in many of these countries (in Morocco, wages in the public sector amount to more than 40 per cent of the total state expenditure). Tunisia and Syria, at the other end of the vulnerability spectrum, are best placed to accommodate this

FIGURE 4

BUDGETARY VULNERABILITY TO FREE TRADE (2002)



Source: Data for gross public debt are taken from the European Commission [2003: Table 6], and are an average for 2001–02. Data on the percentage of state revenues made up of customs duties are the author's calculations based on Nashashibi [2002, Table 1, p.12], corresponding to 1999–2000. This measure of budgetary vulnerability to free trade must be qualified by taking into account the fact that, under the Euro-Mediterranean Association Agreements, only the customs duties on European imports are lost, so the impact is higher in those countries whose trade intensity with the EU is higher (imports from the EU are over 70 per cent of total imports in Tunisia, close to 60 per cent of total imports in Algeria and Morocco, over 40 per cent in Lebanon and between 30 and 40 per cent in Syria, Egypt and Jordan). Also, the picture is much grimmer if, instead of the proportion of customs duties on state revenues, we take as a reference only the volume of tax revenue of each country (some countries, especially Algeria, Syria and Egypt, get an important share of their state revenues from non-tax sources, such as rents from the exploitation of hydrocarbon reserves).

loss of fiscal revenues (in the former case, this is mainly due to the successful implementation of alternative revenue sources beginning in the early 1990s, and especially VAT). Indeed, over the last decade trade taxes have increased or remained constant in all the MPCs except in the cases of Tunisia and Egypt, illustrating their dependence on tariff revenues as a source of public finance. Yet, 'while this trade liberalisation is ongoing on a number of levels, MPCs have not moved with concrete plans – with the exception of Tunisia – to make up for tariff revenue losses' [Nashashibi, 2002: 10].

The Informal Economy

The informal or non-registered economy is often an escape valve for social and economic pressures in less developed countries. In terms of social and economic conditions, it can help to give poor, unemployed people a source of income (however small) and so improve their lot. In the short term, turning to the informal economy is a survival strategy for the displaced or excluded, but from a systemic point of view it is also a path to permanent exclusion from social protection and recognition (with a particular incidence in women, as the female proportion in the informal economy is close to 50 per cent, whereas in the formal economy it typically does not exceed 25 per cent). The informal economy acts, in addition, as a conveyor belt for higher inequality, due to its typically low productivity levels and wages or income (strengthening *dualism* as a typical feature of less developed economies). This has very serious and depressing implications for the future prospects of widespread increases in the standard of living.

Overall, there is little doubt that the economic transition, which the financial and economic basket of the Euro-Mediterranean Partnership in general and the EMFTAs in particular purport to bring about, requires reducing the scope of the informal economy, in particular to ensure fair and equal competition for all economic actors in the marketplace and to make an expansion of the private sector possible. However the paradox is that EMFTAs, as they have been defined in the association agreements and are being implemented, are actually likely to contribute to widening the scope of the informal economy (in terms of the proportion of the labour force that it employs), at least in the foreseeable future. It is safe to predict, under current conditions, that the informal economy will act as an initial shock absorber for the impact of free trade, but 'the consequence of labour absorption in these SME branches (including petty trade, other personal and repair services and small-scale construction) at a rate exceeding the expansion of demand for their output will be increased underemployment and falling worker incomes' [Hunt, 2003: 21].[23] On the other hand, at least part of the informal economy itself (especially the smuggling of foreign goods) and the income it generates, will also be adversely affected by trade liberalization, since the reduction of the difference between international and national prices will be an incentive for illegal trade flows to 'surface'.

Of course, one alternative to the expansion of the informal economy is an increase in migration.[24]

Poverty and Living Conditions

Although Arab countries generally have lower levels of poverty than other groups of less developed countries, in the case of the former poverty is mainly linked to unemployment rates in urban areas and to the proportion of rural population (where poverty is more widespread), with living conditions of the poor depending on the level of investment in social infrastructure. Both seem poised to suffer deterioration as a consequence of the implementation of free trade areas, and there is a real danger that the progress achieved in poverty reduction in the 1970s and the 1980s will be reversed. Actually, in most MPCs this already happened during the 1990s as a direct consequence of structural adjustment programmes and it might worsen as EMFTAs are implemented. The picture in this field could hardly be grimmer: as stated in a report on the economic situation of the region [ERF, 2002], 'real wages have fallen, income inequality widened and unemployment, especially among the young, has risen. Households in MENA are now poorer'.

The Impact of EMFTAs on Growth

Ultimately, the behaviour of most of the variables referred to so far (employment, income, state expenditure and levels of poverty) is determined to a great extent by the rate of growth of the economy, so it is important to study how this will be affected by the implementation of EMFTAs. Firstly, it should be noted that the main pillars of many MPC economies and hence the drivers of growth trends and fluctuations are oil, migrant remittances and agriculture – and in some cases tourism; and all of them are excluded or ignored in the provisions of EMFTAs. So the ups and downs of growth rates will follow a pattern determined mainly by droughts, international oil prices and migration, independently of trade policy. In any case, the enthusiasm for free trade as an engine for growth seems to be largely overstated: the typical empirical estimates of the impact of the creation of free trade areas on growth in less developed countries range from 2 to 3 per cent of GDP over the whole implementation period, that is, at best, an additional 0.25 per cent per year over a 12-year period.[25] Due to the non-reciprocal nature of EMFTAs discussed above (they will not induce an increase of production to meet a non-existent increase in demand for exports and will not mobilize substantial amounts of new assistance resources), this impact will necessarily be weaker in MPCs. This seems rather lacklustre in comparison to the doubling of current growth rates (to bring them to over 5 per cent per year) needed to absorb the projected increase in the labour force in these countries.

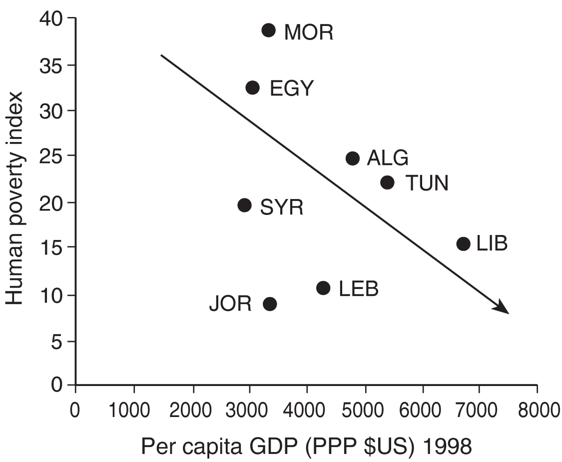
Any possible contribution of EMFTAs to such extraordinary growth performance is dependent on two key conditions: (i) extending it to all goods by giving the MPCs' agricultural products, currently excluded from the EMFTAs, access to European markets; and (ii) a significant build-up of foreign direct investment (thereby opening up new opportunities in more competitive sectors to offset the employment losses induced by trade liberalization, compensating for the deterioration of the balance of payments and triggering a technology spill-over which would facilitate an increase in the productivity of local industry as a whole). Interestingly, foreign direct investment (FDI) attraction seems to have been one of the main reasons for MPCs to enter the association agreements. However, eight years after the Barcelona Conference, the impact of EMFTAs on FDI flows seems to have been largely overestimated and could even be negative, with the prospects for the windfall of FDI predicted by some as being remote.[26] The lack of horizontal South-South integration is often mentioned to explain this failure, but the main reasons undoubtedly lie in the negative perceptions about security and stability in this area and in the lack of relative comparative advantage (not including agriculture, excluded from trade liberalization altogether, and hydrocarbons). The EMFTAs, as they are currently defined, do not make any positive contributions to improving these conditions.

Social and Economic Conditions in Morocco and the Impact of EMFTAs

As shown in Figures 3 and 4, Morocco is one of the countries most vulnerable to free trade both in employment and in budgetary terms. In addition, its social problems are daunting even by MPC standards, as shown by the Human Poverty Index calculated by the United Nations Development Programme (UNDP) as a composite measure of four indicators of human deprivation (premature death, illiteracy, lack of access to basic services and malnutrition) and its comparison with the levels of the GDP per capita (see Figure 5). This comparison allows us to grasp the (lack of) efficiency of each country in transforming economic performance into better social conditions for the poorest members of the population (countries above the trend line are below average efficiency).

FIGURE 5

LEVELS OF HUMAN POVERTY VIS-À-VIS GDP PER CAPITA FOR EIGHT MPCs



Source: UNICEF (2001: 4, Figure 1.5), from UNDP data.

TABLE 1
TARIFF DISMANTLING SCHEDULE FOR MOROCCO

Date	Capital Goods	Raw materials	Spare parts	Non-locally produced goods	Locally produced goods
1 March 2000	100%	25%	25%	25%	Grace period
1 March 2001		25%	25%	25%	
1 March 2002		25%	25%	25%	
1 March 2003		25%	25%	25%	10%
1 March 2004					10%
1 March 2005					10%
1 March 2006					10%
1 March 2007					10%
1 March 2008					10%
1 March 2009					10%
1 March 2010					10%
1 March 2011					10%
1 March 2012					10%

Source: Author's elaboration based on the EU–Morocco Association Agreement.

Of course, it is far too early to draw any conclusions on how the free trade area with the EU *has* affected the economic and social conditions of its population in this country. Indeed, the EMFTA has hardly covered a third of its transitory period, and the least damaging part at that (see note 3). However, it is quite possible to make some projections based on the current data and situation.

The schedule for tariff dismantling provided for in the association agreement with Morocco (see Table 1) provides for the total liberalization of capital goods imports as of the entry into effect of the agreement (1 March 2000), stretches tariff dismantling for inputs, spare parts and products that are not produced locally over three years (a 25 per cent of tariff reduction every year, beginning at the moment the agreement entered into effect) and delays tariff dismantling of locally produced manufactures to the period 2003–12 (10 per cent of tariff reduction per year). Thus, during the first three years of the agreement's implementation, the only effect of the free trade area would have been on state tariff revenues on imported goods and prices thereof. From March 2003 the impact on local production and hence on employment should have begun to be felt more strongly.[27]

According to Moroccan government estimates, the total loss of tax revenues for Morocco over this 12-year period will amount, taking a static approach, to around 1.9 per cent of GDP,[28] that is, an average increase of revenue losses of close to 0.16 per cent each year.[29] For 2003, the loss has been estimated at more than €225m, an amount that far exceeds the €142m commitments in MEDA funds made to that country during the same year

(€426m are allocated for the 2002–04 period). Rough calculations show that each additional year of tariff dismantling until 2012 will cause an extra €50m of tariff revenue loss for Morocco.[30] In order to compensate for this loss with an increase of VAT receipts, the latter should grow at a rate of 2.9 per cent each year up to 2012 [Hamdaoui, 2002: 22].

The effects of tightening public finances have already been felt since 1983 (the year in which the first structural adjustment programme was approved in Morocco). The number of people living in income poverty (defined as the minimum income to afford meeting basic needs) rose by two-thirds in the 1990s, according to official figures [EIU, 2001: 26], increasing from 13 per cent in 1991 to 19 per cent in 1999 (5.3 million people). Public food subsidies were cut from close to 2 per cent to about 1 per cent of GDP. At the same time, instead of up to 60,000 jobs being created every year in the public sector between 1962 and 1982, the last 20 years has seen this reduced to 11,000.[31] In fact, the Economic and Social Reform Plan approved by the government in 1999, after negotiations with the International Monetary Fund (IMF) established the target of reducing the wage mass of the public sector by two percentage points of GDP by 2003–04, sought to achieve this by, among other things, not replacing public servants as they retired. On the other hand, given that state employees' wages, which are a fixed expenditure, amount to nearly half the state budget (43.4 per cent in 2001, 12.5 per cent of GDP), this cut in state revenue will arguably disproportionately affect the other state expenses, social expenditure and investments.

As for the EU assistance funds intended to make up for these losses and alleviate the negative consequences of free trade, of the total €1,180.5 MEDA I and MEDA II funds committed in Morocco up until 2003, €656m for 1995–99 and €524.5m for 2000–03 (which meant nevertheless tripling the volume of assistance in regard to former financial protocols), less than one-third has been actually disbursed so far. Moreover, of the approximately 25 projects approved during this period, only a few have a true social dimension,[32] that is, less than 25 per cent of the funds committed are directed to the social sector. Similarly, of the five priorities identified in the 2002–04 National Indicative Programme (institutional support, in particular for the reform of public administration, trade facilitation, human resource development, migration and environmental protection), none has a direct social dimension as such (although the support for the development of the northern provinces is mentioned as a way of containing immigration).

As far as population income is concerned, according to econometric estimates made by Currie and Harrison [1997], in the 1980s and early 1990s every reduction in tariffs by 10 percentage points led to a decline in wages of state-owned enterprises of almost 3 per cent. These authors found that, in Morocco, employment levels in the average private sector manufacturing firm were basically not affected by trade liberalization during that period, but the context then was very different. The implementation of the 1976 Trade and Cooperation Agreement with the European Economic Community meant opening up European industrial markets to Moroccan manufactured goods (mainly textiles), thus presenting new opportunities to offset the negative impact of tariff reductions. Actually, Currie and Harrison noted significant employment losses in specific groups of firms, which started to rely more on less well-paid, temporary workers (resulting in a rise of nearly 20 percentage points in the share of temporary employment in manufacturing between 1984 and 1990).

Although it is very difficult to estimate in concrete terms the impact of industrial trade liberalization on local production, the loss of employment will be compounded by the fact that the implementation of the first stages of the EU-Morocco free trade area coincides with the loss of preferential access to European textile markets, beginning on 1 January 2005 (since 1976, Morocco and all the other MPCs have enjoyed unlimited access to European industrial markets free of tariffs, whereas competing textile producers, particularly South-East Asian countries, have been subject to strict quotas under the Multifibre Agreement). This threat to its export markets is particularly important as textiles and clothing make up more than 25 per cent of total exports from Morocco,[33] that is, $2.4bn a year, 94 per cent of them to EU markets, and the textile industry employs 190,000 (direct) workers, 6 per cent of total employment. Employment in this industry has already suffered a severe adjustment since 1999 (with a loss of 29,600 jobs), due mainly to the real exchange rate appreciation of the dirham. It now risks being hit still harder by the liberalization of access to the European market in 2005 both for all World Trade Organization (WTO) member countries (including China) and for the new EU member states of Eastern Europe, which offer a similar level of wages and the same geographical proximity as the MPCs. The threat to this industry in MPCS is compounded by low levels of productivity (although this sector employs 6 per cent of the occupied population, its contribution to GDP is only 3 per cent).[34] The gender dimension of this threat to an industry where 70 per cent of the employees are women can hardly be overstated.

So far, however, official unemployment statistics do not show a significant worsening of the employment situation in Morocco. On the contrary, according to the government the urban unemployment rate has come down steadily, from 22 per cent in 1999 to 18.2 per cent in 2002, reducing the total number of unemployed from 1,433,000 to 1,196,000. However, this improvement must be qualified by the reduction in the activity rate (the percentage of working-age population in the labour force) from 54.4 per cent to 51.3 per cent, which means that the total number of employed people has actually fallen (more than 70 per cent of the unemployed have been in this situation for more than a year, and around half the unemployed have never had a job). However, the statistics registered an apparent trend change in 2003, when, in spite of the favourable weather conditions for agriculture and the consequently excellent growth performance, unemployment increased slightly to 1,283,000 persons (19.3 per cent in the urban areas), in part also due to an increase of the activity rate to 52 per cent. In any case, this small change seems determined more by demographic dynamics (growth of the labour force at rates of over 4 per cent and increasing activity rate of women, currently at 33 per cent) than by any impact of tariff dismantling.

At the legislative level, the far-reaching modernization project, of which the Euro-Mediterranean Partnership is a part, progresses at a steady pace as a complement to trade liberalization. Two recent major steps in this direction taken during 2003 are the new Labour Code and Immigration Law, the latter severely criticized by lawyers and human rights associations for internalizing the restrictive security approach to immigration typical of European legislation. As for the new Labour Code published in December 2003,[35] it is seen as a cornerstone of the Moroccan government's general economic strategy to attract foreign direct investment (of which trade liberalization is another element), strengthen its private sector competitiveness and adapt its legal framework to the free trade challenge. The new Labour Code is indisputably a major contribution to the modernization of industrial relations in Morocco, introducing modern institutions such as works councils and implementing the core International Labour Organization (ILO) conventions, reducing weekly working hours from 48 to 44 hours, increasing the minimum working age to 15 (previously 12), and facilitating the creation and functioning of new trade unions.

However, at the same time it does entail some restrictions on workers' social rights without the parallel creation of a genuine social safety net providing a minimum level of benefits, particularly in the event of unemployment (there is still no unemployment insurance system in Morocco). The right to strike is limited, due to the imposition of a mandatory conciliation procedure before calling a strike and by including 'violations of freedom to work' among the 'serious faults' that can entail a worker being laid off without severance payment [*Actualités Sociales*, 2003]. A new emphasis is put on employment flexibility as one of the cornerstones of the new legislation; in concrete terms, this translates, for instance, into suppressing the automatic granting of fixed worker status after 12 months of continuous work in the industry and trade sectors and extending the possible use of temporary jobs – temporary labour contracts may last for six months and can be prolonged twice, that is, for a total duration of 18 months, and even two years in certain cases. This also involves the subsequent limiting of social rights, by extending the probation period for new workers, making it possible for employers to reduce the working period to 75 days per year and allowing employers to reduce wages. In addition, there is no legal provision for the indexing of wages to price increases, thus opening the door for a recurrent deterioration in real wages.[36]

As a final consideration, if it is true that the proliferation of shanty towns around the big cities (25 per cent of the urban population, around 4 million people, are calculated to be living in precarious, non-regulated and unhealthy habitation, especially in Casablanca) is one of 'the most shocking manifestations of the social deficit'[37] in Morocco, and that there is a direct link between this increasing misery (in 1993 the same figure was only 14 per cent) and the progress of Islamic political fundamentalism, the political stakes are quite obvious. This phenomenon goes hand in hand with rural migration. In Morocco, 44 per cent of the population (more than 13 million people) live in the countryside, where the incidence of income poverty is almost double that of the urban areas. The EMP, as it is being currently implemented, does not assist in keeping this rural population away from the cities (it offers no new export opportunities for their products), but neither does it offer better employment opportunities in the cities. Rather, the implementation of the free trade area could push some of the current industrial employees into unemployment and poverty.

How to Mitigate the Social Costs of Trade Liberalization, or Promote a Social and Economic Rights Enhancing EMP

From the above, it is quite clear that the creation of Euro-Mediterranean free trade areas alone, without a set of complementary accompanying measures contributing to a fully-fledged strategy for meeting the social and economic challenges faced by the MPCs and easing transition to a more modern and liberalized economy, will have a substantially negative impact on the population's social and economic conditions and rights.

Of course, the most effective long-term way to minimize this social cost (and maximize the potential benefits of trade liberalization) lies outside the field of social policy itself: investment in a better and more evenly distributed education system, ensuring a general increase in productivity.[38] However, the negative impact of trade liberalization will be felt immediately. People cannot be educated overnight, nor can they wait for the positive effects of the new liberalized environment to improve their lot in 10 or 20 years' time. Hence, an immediate policy response is needed. Since alternatives to free trade are no longer a real option (it has proved, as Churchill famously said about democracy, to be the worst form of all international trade regimes except for all the others), the room for manoeuvre in orientating it more positively lies instead in the time framework for its implementation (that is, the pace of trade liberalization),[39] the sequencing of liberalization[40] and the adoption of accompanying measures and regional initiatives offsetting the negative consequences of free trade and leading to an optimal outcome.

A Partnership for Generating Jobs and Income

No ‘Partnership’ can work if it is not balanced. So for the EMFTAs to achieve their stated goals of promoting development, instead of ending up being considered as merely another historical attempt by European countries to impose their economic interests upon Mediterranean countries in the post-colonial setting, the main test is whether the EMP as a whole produces an equitable result, both vertically (regarding the distribution of benefits and costs among the European countries and the MPCs) and horizontally (regarding the distribution of benefits and costs between different social groups within each MPC).

In the framework of the EMP itself, the measures and actions to ‘mitigate the negative social consequences which may result’ from the EMFTAs – in the words of the Barcelona Declaration – should be an integral part of the package. Without them, the creation of free trade areas alone could have destabilizing consequences: they would be hardly sustainable, either in macroeconomic or political terms, and would fail to promote the true goal of the Partnership of ‘sustainable and balanced economic and social development’. Thus it is not possible to dissociate the different components of the Euro-Mediterranean Partnership and limit its implementation, in practice, to the EMFTAs.

Although it has been stated that ‘the assessment of qualitative effects associated with the creation of a Free Trade Zone cannot be dissociated from the [national] macro-economic policies which accompany the elimination of customs tariffs’ [Zaafrane and Mahjoub, 2000: 18], it is also true that the impact of the EMFTAs on economic and social conditions will depend to a large extent on the accompanying measures taken at the level of the EMP. Some obvious lines of action in this direction are oriented to generate jobs and income, the best recipe for encouraging a true development process in the MPCs.

- The Barcelona Declaration itself stated that ‘the creation of a free-trade area and the success of the Euro-Mediterranean Partnership requires a substantial increase in financial assistance’ to the MPCs. To date the allocated funds have been clearly insufficient, implying a predictable failure. In 2002, disbursements attained a record of 0.25 per cent of the MPCs’ GDP, which is indeed ‘a large amount by international standards’ [EIB, 2002: 2], but by all accounts insufficient, even to alleviate the negative consequences of trade liberalization, let alone to meet the enormous social needs of MPCs. In fact, the overall financial implications of the EMP for MPCs are clearly negative, as the loss of tariff revenues by the state far exceeds the assistance received from MEDA funds. As for the orientation of these funds, the stated main priorities of MEDA II are to assist MPCs to implement free trade with the EU and to achieve sustainable economic growth through macroeconomic and structural reforms, together with some improvement of the social conditions of the population. Indeed, about 45 per cent of these funds were actually allocated to projects supporting economic transition, private sector development and structural adjustment, with a resulting very weak, if not overtly negative, impact on social conditions.

As far as the social dimension of financial co-operation is concerned, all the 2002–04 National Indicative Programmes (NIPs) mention social development as a key dimension of co-operation. However, there is a strong bias in the way they approach this issue, as frequently NIPs limit themselves to social sectors linked to the economy, such as vocational training, that is, they are driven by the *mise-à-niveau* logic of focusing on the competitiveness of local firms instead of on the social needs of people, which seem to be subsidiary throughout the whole Barcelona process. Total allocations for the social sector amount to €1.35bn (there are 24 projects planned in this field, and another 31 already being executed across the 12 MPCs), just over 25 per cent of the total volume of funds made available by the EU.

Returning to the total amount of funds committed by the EU within the framework of the EMP, a reasonable minimum threshold – which would also make economic sense – would be to ensure a flow of co-operation resources at least sufficient to compensate for the loss of customs revenue as the tariffs dismantling programme proceeds. A complementary and more generous and effective mechanism could be a form of 'guarantee of net positive funding', making sure that the total sum of economic flows between every MPC and the EU (net trade balance, FDI flows, aid flows, net private and public funding, whether migrants' remittances are taken into account or not) is positive in every country and for every year.[41] This would give an incentive to European governments to restructure their outstanding credits to the MPCs and thus contribute to reducing their foreign debt burden.

- In this context, foreign debt relief is a requirement for freeing resources for development in MPCs and increasing the state's financial capability. The estimated external debt volume of MPCs in 2001 amounted to \$160bn, with a yearly debt service of up to \$19bn that year. The fact is that servicing the foreign debt incurred by those states in the past (not always subject to the most elementary precautionary banking practices on the part of the creditors) and making good the social deficit of their population (which can also be seen as a historical debt in many respects) cannot be achieved simultaneously over the next 20 years. So a choice is necessary, as much for the MPCs themselves as for their creditors, to a large extent European countries (debt to European states averages 65 per cent of total external MPC debt). One possible scheme to reduce this debt service burden, without disrupting financial markets, would be to promote debt for social investment swaps at a discount, along the lines of what has already been done with debt for private investment swaps, but the current rules regulating the management of international debt (within the framework of the Paris Club of sovereign creditors) severely limits the extent of such initiatives.

- However, beyond aid and debt, the opening up of EU agricultural markets to the products coming from the MPCs is probably the only real step that could (re)establish the balance of rights and obligations in the EMP between both groups of countries. For several MPCs, agriculture is one of the very few sectors where they have a true comparative advantage and where they could increase exports to the EU significantly over the short term (thereby offsetting to some extent the predictable deterioration of their balance of payments as a consequence of the implementation of EMFTAs). In addition, agriculture in these countries is a labour-intensive industry, so its development could make an important contribution to absorbing the increase in the labour force, which those countries are going to face over the next 20 years. Agriculture typically involves between 10 and 20 per cent of GDP in the MPCs and more than 20 per cent of jobs; it has a direct impact on the welfare of around 40 per cent of the population.

  Instead of the (quite prudent) formula adopted in the Barcelona Declaration for manufacturing – 'tariff and non-tariff barriers to trade in manufactured products will be progressively eliminated in accordance with timetables to be negotiated between the partners' – in the case of agricultural products the emphasis was not put on liberalization, but on the caveats:

> taking as a starting point *traditional trade flows*, and *as far as the various agricultural policies allow* and with due respect for the results achieved within the GATT negotiations,[42] trade in agricultural products will be progressively liberalised through reciprocal preferential access among the parties. [emphasis added]

Apart from the fact that this lock-in of 'traditional trade flows' is used only as a way of limiting the exports from MPCs, and is not extended to other sectors where it could benefit them (for instance, to introduce a certain guarantee scheme, maybe gradual, to lock in the current textile exports from the MPCs, threatened by the elimination of the Multifibre Agreement in 2005, discussed above), this gradual liberalization of agricultural exchanges provided for in the association agreements has yet to translate into real progress (negotiations were supposed to begin over this in 2000).

The most recent agreement reached with Morocco in December 2003,[43] after more than three-and-a-half years of negotiations, does proceed in the right direction, but not at an encouraging pace. Moreover, and most importantly, it does not change the *model* of agricultural trade relations between the EU and the MPCs, based on quantitative limitations and taking historical trade flows as a reference in the 1988 additional protocol to the EU-Morocco Trade and Cooperation Agreement (adopted in the wake of the Spanish EU accession); the 'traditional' import volumes of the years immediately prior to the agreement were locked in at fixed quotas, and 15 years afterwards the only progress lies in an increase of those quotas to a limited extent over the next four years[44] in exchange for a reciprocal opening of Moroccan agriculture markets (particularly for soft wheat, of which Morocco is a big importer and US production is a strong competitor for European Community (EC) and particularly French production). The tenet of free trade seems to be ignored even as a goal (no schedule for total final liberalization has even been discussed, however long the transitory period might have been) in this sector. Actually, under the current conditions the MPCs as a whole have a deficit in their agricultural trade balance with the EU.[45]

Interestingly, even outright unilateral liberalization of agriculture trade by the EU vis-à-vis the MPCs over a five-year term would not have a dramatic impact on its own agricultural markets. Due to structural constraints in the agricultural sector in MPCs, such as water scarcity and technological backwardness, the increase in their agricultural exports to the EU would amount to 11 per cent of the current intra-community agricultural exchanges. This is a very modest impact indeed (although for some products, like edible fruits, the increase will be substantially higher, and the costs of this new competition appears highly concentrated in Mediterranean EU member states), although for the MPCs it would mean an important boost to their agricultural exports (for instance, a 27 per cent increase, 1.4 per cent of its GDP, for Morocco, and 23 per cent for Egypt, 3.26 per cent of its GDP).[46] In employment terms, the same study estimates that this unilateral liberalization would entail the creation of 115,000 new direct jobs in the agricultural sector in Morocco, 23,000 in Egypt and 66,000 in Tunisia.

- If the MPCs and the EU are serious about the stated goal of achieving a sustainable and balanced economic and social development, it does make full sense to integrate quantified employment targets and employment impact assessment at all levels of the EMP, including MEDA funds and EMFTAs, because there is hardly any more important social and economic challenge in their near future than the challenge to offer employment opportunities to the MPCs' rapidly increasing populations. Furthermore, in general, explicit social policy targets in terms of activity rate, poverty incidence, education indicators and social security coverage, together with regular evaluation and monitoring (according to the principle of co-responsibility), need to be incorporated as a permanent feature of the Barcelona process, as has already been done within the EU in the framework of the social and employment policy surveillance process (see Appendix). If undertaken at the regional level, this 'scoreboard approach' could create both a fair benchmarking framework and a strong incentive for progress in those areas through comparative analysis and placing both political pressure on laggards as well as offering financial incentives to leaders.

- Last, but not least, the very concept of 'Partnership' and the goals of the European Community development co-operation policy stated in Article 177 of the Amsterdam Treaty (to foster sustainable economic and social development, to promote the smooth and gradual integration of the development countries into the world economy, to fight poverty, to make a contribution to the general objective of developing and consolidating democracy and the rule of law, and to respect human rights and fundamental freedoms) requires an extension of the narrow definition of human rights contained in the association agreements to include economic and social rights. It is a moral paradox that, while the EU takes steps to safeguard and consolidate its own social model, it ignores it completely in its relations with its 'partners'. In this view, a minimal basis of social and economic rights should become an integral part of co-operation with MPCs – an essential element of the Partnership, as stated in respect of human rights – along with a joint Social Action Plan designed to achieve as quickly as possible this set of baseline rights on the basis of joint responsibility.[47]

National Policies

As observed above, there is no doubt that a sound macroeconomic environment is a necessary condition for human development. Yet its importance as a stepping stone for growth and development has been largely overstated in the last 20 years, and in any case most of the MPCs show a remarkable performance in this area in terms of inflation control, reduction of public deficit and even, in some cases, consolidation of balance of payments.

It is often the case that less developed countries' governments try to explain[48] the failure to enhance social and economic rights and conditions in terms of exogenous factors[49] not subject to internal policy intervention.

However, some of these factors are actually endogenous (such as foreign debt itself or trade liberalization), and even when the *causes* of misfortune are due to natural forces (as in the case of droughts) the state stands responsible and has a role to play in mitigating and offsetting the negative *consequences* of these factors on economic and social conditions. Yet, how can it do this in the concrete case of tariff dismantling through the creation of EMFTAs?

No less important than macroeconomic stability is the creation of an 'enabling social environment' that offers every citizen the possibility of finding his or her economic place in society and having an autonomous and full life. The creation of these conditions is a very complex and long process, but there is little doubt that the promotion of universal literacy and the improvement and extension of education to all (primary and secondary, but also vocational training and adult education) is a top priority.[50] Education is itself one of the core social rights, and in the same manner as the right to an adequate living standard, is a precondition for full enjoyment of economic rights (in addition, it must not be forgotten that the education system is an important source of employment itself), but at the same time it can be argued that it also acts as a generator of civil and political rights for the citizens. So national policies should put maximum emphasis on increasing education expenditure and on the quality of the education system, whilst closely monitoring enrolment rates, literacy rates and other indicators of educational attainment.

In the social field itself, there is evidence that the number of ILO conventions ratified has a strong and positive correlation with all indicators of income distribution equality [Rama, 2001: 31]. This is mainly due to the fact that this number is itself strongly correlated with the share of the GDP devoted to social security, so the latter rather than the former should be the target variable.

A less structural, but very important policy measure is intervention in labour markets to ease the adjustment costs for specific social groups or regions. Even – or particularly – industrial countries that have opened up their economies (for instance, Spain and Portugal in the second half of the 1980s) have accompanied the restructuring of declining industries with compensation and assistance to those at risk of losing their jobs (thus defusing social resistance to economic transition). Although these programmes can be criticized in terms of equity (they tend to benefit workers, who are already better off than most of the population), the alternative to compensation can be simply a lack of restructuring due to trade union resistance. Designing these programmes can be difficult, but the actual risk in the Mediterranean countries is to completely neglect them given that the adjustment is going to affect private and mostly small and middle-sized enterprises (whose workers have less mobilization power than the employees of big state companies privatized or restructured in the 1990s).[51]

Another proposed measure is the creation or enhancement of unemployment insurance schemes. However, available resources might more rationally be redirected to job creation schemes (for example, public works programmes offering wage levels below the average labour earnings of unskilled workers to ensure that they do not compete with the private sector for workers), which would be more coherent both in equity and efficiency terms. As a distinguished international group of scholars and policy makers has recently concluded: 'it would make sense for countries to adopt employment targets as part of the budgetary process, and to make employment impact analysis an explicit criterion of macroeconomic policy decision-making' [ILO, 2004: 64] in order to enhance as much as possible the labour intensity of growth.

Indeed, public work programmes – a classical Keynesian policy that has shown its efficiency again and again – and the promotion of rural development seem to be the two single policies that could respond to all the social and economic challenges of the MPCs simultaneously. Public works programmes can be managed so as to offset the negative impact of economic downturns on poverty (for instance, bad crops) or of trade liberalization in particular sectors or regions, to provide the basic social infrastructures for small communities (especially housing, water distribution and sewerage systems), empowering them through better access to basic services, and to build the infrastructures needed to increase national competitiveness and attract more FDI (notably transport and telecommunications infrastructures). They are labour intensive and the share of wages in their total costs amounts to about 60 per cent in Tunisia and 50 per cent in Morocco (in the latter, a much larger share of resources seems to be spent on administrative expenses), creating an effective income transfer mechanism to the poor.[52]

More importantly, these kinds of indirect and non-permanent mechanisms are much more cost-effective and do not create the distortions inherent in other, more direct, instruments of state redistribution policy, such as subsidies – to food prices, for instance – and transfer schemes or the outright expansion of state payrolls, which reinforce the rentier nature of the economic system in MPCs. Rural development programmes, in turn, reduce the dependency of food imports (and the need for foreign currency), contribute to retaining the rural population in the countryside, and are a direct means of fighting widespread rural poverty.

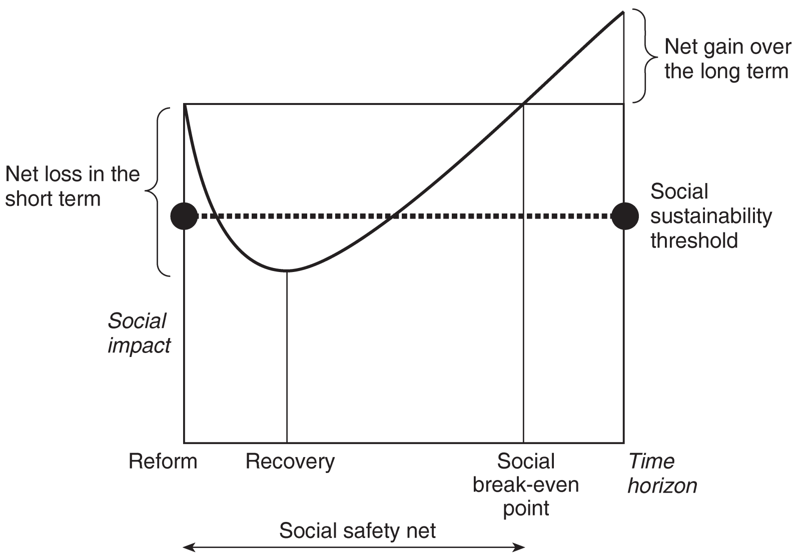
Conclusion

A recent extensive review of research on the adjustment process in respect of trade liberalization sponsored by the World Trade Organization concludes that 'a survey of empirical estimates of adjustment costs reveals substantial difficulties in defining the true nature of adjustment costs and in measuring those costs. Results from all studies known to the authors, however, show that adjustment costs are small compared to the benefits of trade' [Bacchetta and Jansen, 2003: 6].[53] The same pattern lies behind a 1999 study carried out by the IMF on the social and employment costs and benefits of privatization, represented in a 'U-curve' resembling the one in Figure 6 [Gupta *et al.*, 1999: 6]. However, the problem is that, as the IMF paper explicitly acknowledged, these costs usually manifest themselves immediately after trade liberalization – or privatization – occurs, and they are concentrated in certain social groups and even sometimes in specific geographical areas, whereas the benefits tend to take a much longer time to emerge and are spread thinly across the economy.

The IMF paper argued that job losses caused by privatization were concentrated in the pre-privatization stage and the time immediately after privatization, but after a period of time there was a recovery which led to the set-off of job losses and even led to a net creation of jobs. It made a case for the establishment of social safety nets to cushion the negative short-term effects of privatization during the period in which the negative effects surpass the positive effects (as indicated in Figure 6). What the IMF paper did not address is what would happen if this safety net were not implemented parallel to

FIGURE 6

TIME DISTRIBUTION OF SOCIAL AND ECONOMIC COSTS OF ECONOMIC REFORM



Source: Own elaboration, based on Gupta *et al.* [1999: 6].

the economic reforms (be it privatization or external trade liberalization). Additionally, it did not consider either the possibility of the existence of a 'social sustainability threshold' – the absolute limit of negative effects of policies and economic reform without sufficient compensating measures a social group or a whole population may suffer before revolting in one way or another. Beyond this threshold, a country enters a turbulence area of social disturbance, economic breakdown and overall instability where economic laws do not hold any more (preventing anticipated future positive effects of reform from materializing) and the institutional capabilities required for guaranteeing civil and political rights would not work any more, giving way in extreme cases to the phenomenon of 'failed states'. There is a good case that, in the current demographic, social and economic environment in many MPCs, the implementation of free trade areas without the proposed countervailing and accompanying measures could cross this social sustainability line and end up being destabilizing and detrimental to the development prospects of those countries, as Figure 6 illustrates.

On the other hand, the long-term benefits of free trade seem to be highly dependent on either multiplying the current flows of foreign direct investment by a factor of two or three, an expansion of export volumes or a substantial increase of financial assistance flows from European partners. In the current setting, the design and implementation of the EMP – its lack of real reciprocity – does not provide these flows. Moreover, even if benefits would far exceed the costs of tariff dismantling over the long term (that is, if the temporary worsening of economic conditions in the country would be a form of investment in future development), a key political and economic question is how to manage those costs over the transition period to make the whole process of trade liberalization and economic transition sustainable in macroeconomic and political terms. Trade liberalization may be a necessary condition, but it is clearly not a sufficient one for economic and social development in the MPCs, and in many MPCs (and beyond) it seems to have become a substitute for a real development strategy (with the side-effect of removing the *choice* of a development strategy from the public debate).

To work properly, the Barcelona scheme needs to be complemented in one way or another by a minimum guaranteed standard of social and economic rights (that is, an effective social safety net). This may be the only way to solve the timing problem mentioned above (and this is not merely a theoretical statement: it is the main lesson that can be drawn from a number of successful trade liberalization cases, such as Spain and Portugal in the late 1980s, where liberalization was accompanied by the implementation of a welfare state system). These safety nets should benefit not only those currently employed (for instance, through unemployment benefits), but also the population as a whole.

Indeed, since ‘people [also in MPCs] are most directly affected by globalization [and trade liberalization] through their work and employment’ and ‘that is how people experience the opportunities and advantages, as well as the risks and exclusions’ [ILO, 2004: 64], if no action is taken to complement free trade with proactive policies and measures to offset its negative consequences, there is a risk of a backlash not only against globalization and the European Union and the West at large, but against even capitalism and the market economy themselves.

APPENDIX

TOWARDS A MEDITERRANEAN SYSTEM OF REGIONAL SURVEILLANCE OF SOCIAL AND ECONOMIC RIGHTS?

The EU has extensive experience in the multilateral surveillance of social and employment policies under the ‘Social Policy Agenda’ and the ‘European Employment Strategy’. However, it has put it to work exclusively among its member states, not in its relations with ‘third countries’, however close a partnership it has with them. The interest of EU surveillance methodologies – developed over time on a trial and error basis – lies precisely in the fact that in these matters the EU institutions have no competence of their own, so they have to work on the basis of voluntary commitments, peer pressure and political incentives, rather than by way of legal coercion and a waiver to sovereignty by national authorities. To this extent the legal situation is comparable to the one prevailing between the EU and the MPCs under the association agreements.[54]

The process of social policy surveillance within the EU works on the basis of a monitoring process of a number of selected indicators against the double benchmark of the regional average and a set of explicit, quantitative goals agreed upon amongst the members/partners to be achieved within specific time frameworks. This allows the construction of a scoreboard reflecting the performance of every country taking part in the exercise and the regular publication of progress reports and recommendations /guidelines without legally binding effects, but with a strong political and media impact.

In the introduction to the 2003 ‘Scoreboard on Implementing the Social Policy Agenda’ of the EU,[55] the goal of the scoreboard is described as ‘to keep track of the achievements and to verify the commitment and contributions from the different actors’ and ‘not to provide any ranking of Member State’s performance, but rather to monitor how the agenda is transformed into policy measures and concrete actions’. In the scoreboard for 2004[56] the main objective of the agenda is defined as ‘establishing a dynamic and mutually reinforcing interaction between economic, employment and social policy’; this objective could hardly be more relevant in the framework of the EMP and the economic policy of the MPCs at large.

On a more advanced level (or at a later stage), on the basis of this scoreboard it is possible even to agree on national or regional action plans on economic and social rights. Of course, since the whole review process is a knowledge-intensive and information-sharing activity where good data is critical, as well as a politically sensitive exercise, the role in this process of a relatively independent, ‘technical’ body such as the European Commission is a key to its success. Although such an institution has yet to be created in the framework of the EMP, the research institute networks Forum Euro-Méditerranéen des Instituts Économiques (FEMISE) and Euro-Mediterranean Study Commission (EuroMesco) could play an important role in the initial stages. But even if official Euro-Mediterranean institutions do not take up this task, there is a strong case for regional non-governmental organizations (NGOs) or networks to take up the challenge and initiate such an exercise on their own, as it has been done in the past for civil and political rights monitoring and reporting.

This results-oriented policy review process also lends itself to a differentiated approach by country, taking into account the countries’ different initial levels or various degrees of commitment. Goals can be defined not in absolute terms (that is, ‘to achieve an unemployment rate of 10 per cent with an activity rate of 60 per cent’), but in relative terms (namely, ‘to reduce the unemployment rate by 10 per cent and increase the activity rate by 5 percentage points’) to take account of these differences. The starting point of every country could also be used to establish ‘minimum thresholds’ of certain economic and social rights, triggering, whenever a serious setback is detected in one particular indicator, the adoption of joint safeguard measures in the form of either a temporary suspension/adjournment of the identified causes (when they lie in a policy measure, such as trade liberalization),[57] or the implementation of an automatic compensatory measure such as an increase and/or reorientation of MEDA funds to focus on the improvement of this particular indicator. In any case, in order for the system to work it is very important to stand by the principle of joint responsibility of all the partners for the individual performance of every one of them.

Also, surveillance of employment and social policy performance could be integrated into a more general surveillance process monitoring the economic and social policy as a whole (as has happened within the EU, where, since 2003, the annual Guidelines and Recommendations on Member States’ Employment Policies have been subsumed into the broad exercise of the Broad Economic Policy Guidelines).

As for the concrete variables to be tracked in the framework of this surveillance exercise in order to guarantee that free trade does not lead to a deterioration of economic and social rights in the MPCs, the ‘scoreboard’ of indicators should at least include measures of:

- human development composite index (UNDP);
- gender and minorities equality indicators;
- employment and activity rates (right to work);
- education enrolment rates and education expenditure;
- health expenditures, access to healthcare services data and health indicators;
- expenditure in social security and social infrastructures (water, housing);
- poverty measures (including data on access to housing and social infrastructures and income distribution).

However, some form of qualitative analysis should complement these easily available quantitative indicators in order to guarantee their effectiveness in a human rights framework.

NOTES

1. For an example of this approach to analysis, see Tovias [1997].
2. For a recent example of a gravity model used to estimate the impact on trade flows of the Euro-Mediterranean free trade area with the EU in the case of Morocco, see IMF [2004: 21–31].
3. So-called Computable General Equilibrium (CGE) econometric models are also frequently used to assess the impact of preferential trade agreements. These computerized models do aim at predicting the dynamic effects of free trade areas on productivity, investment, employment and other structural variables, but apart from being much more complex and thereby compounding the serious problems or the reliability and lack of data, their results are extremely sensitive to the underlying assumptions built into the models themselves.
4. See, for instance, the projects ‘Social Dialogue and Social Systems’ co-ordinated by the Instituto per il Mediterraneo in Rome and ‘Social Protection in Countries of the Southern and Eastern Mediterranean’ carried out by the Euromed Trade Union Forum, available at ⟨http://www.ccoo.es/internacional/foro.htm⟩.
5. According to the agreed schedule for tariff dismantling, tariffs in capital goods imports with no local competition are dismantled in the first years of the transition period, whereas tariffs on locally produced consumer goods only begin to be suppressed after the eighth year of the transitory period (see Table 1). Due to this schedule, over the first eight years of the implementation of EMFTAs effective protection of nationally produced goods – that is,

the difference between national prices and international prices due to trade protection – does increase, making them more competitive, since they will still enjoy the same level of protection for their products, without having to pay tariffs for imported inputs and capital goods. So, the net impact on the competitiveness of local firms will actually be positive during the first years, and only after the eighth year will national production begin to be negatively affected.

6. Equivalent to the supply and demand functions and prices as the conversion factor of quantities into monetary values used for analysing the effects of free trade on trade flows and welfare at large in the standard theory of international trade. This lack of a comprehensive model explains to a large extent why economic and social rights have received so little attention from economists, who have focused their analysis on trade and investment flows, which are, in themselves, only intermediate variables.
7. If at all, the best and so far the only synthetic indicator of economic and social rights at hand is the Human Development Index, elaborated since 1990 by the United Nations Development Fund [UNDP, 2003a].
8. The financial strength of the state is a key factor for social and economic rights, since ultimately it is the state that guarantees them, be it through regulation or through expenditure.
9. Indeed, 'evidence suggests that the agreements have not yet enabled these countries to gain market share in the EU' [Dasgupta and Nabli, 2003: 208–9].
10. This study does not consider the possibility of the association agreements not being implemented according to their provisions nor of non-tariff barriers substituting for tariffs as a way of fending off foreign products from local markets (lengthy and uncertain customs procedures and highly inefficient logistical systems seem to be salient obstacles to trade expansion in the region, and could eventually be manipulated by governments and local actors to deter imports).
11. For an extensive discussion of the relationship between trade liberalization and employment and policy measures that could enhance the (positive medium-term) employment effects of dismantling trade protection, see Dasgupta *et al.* [2003]. However, this paper does not address the question of the consequences of trade liberalization when, as the authors admit is the case in MPCs, a country does not 'rise to the challenge' of creating a favourable investment climate, which is, as they conclude, 'key to reaping the benefits from further trade liberalization' in MPCs. Theoretically, this raises the possibility of looking for so-called 'second best' solutions (that is, when one of the conditions or assumptions of an optimum equilibrium – such as perfect competition in the market – is not satisfied, maintaining all other optimum conditions -for example, free trade with the rest of the world – will not lead to the best economic results under these conditions. So to reach this 'second best' equilibrium it might be rational, short of taking measures to suppress this market imperfection, to remove some other optimum conditions (for instance, applying selective trade protection).
12. Rather to the contrary, as argued in Martín [2001], as a consequence of the so-called hub-and-spokes effect.
13. Current unemployment rates are an easily available, very approximate proxy for the risk of unemployment in the coming years. It also depends on demographic trends and on the capacity of local firms to cope with increased competition, that is, on their competitiveness.
14. This fall in the birth rate could be partly explained by the socio-economic crisis itself [Sajoux Ben Seddik, 2002: 19].
15. No special attention is paid in this study to the gender dimension of the social impact of EMFTAs. However, it is important to note that women are typically the social group worst affected by a deterioration in economic and social rights, particularly in Arab countries. Another question not addressed in this study is that of the differentiated territorial impact of EMFTAs within the same country: indeed, there is solid evidence of trade liberalization exacerbating the economic gap between rural and urban areas, for instance, in the case of

Mexico. Of course, both phenomena question the observation of one of the basic legal principles of economic and social rights: the principle of non-discrimination.

16. Author's calculation, assuming that the unemployment rate is maintained, on the basis of the labour force projections contained in the FEMISE report.
17. It will be noted that all references to the social consequences of EMFTAs talk of social 'impact', not 'contribution'.
18. For a paper attempting to sustain this view with empirical studies, see Rama [2001: 4–7]. However, this study is based on a classification of international countries according to their degree of globalization, showing how wages have tended to register a higher increase in 'globalizer' countries than in 'non-globalizers' during the 1980s and 1990s. This approach ignores the fact that so far 'globalizer' countries were mainly the most competitive countries from the outset, whereas trade liberalization in MPCs involves opening up countries that are notoriously non-competitive in international markets. Actually, this study itself proves that most of the increase in wages is due to the entry of foreign direct investment in those 'globalizer' countries. But even according to this approach, the impact of trade liberalization on wages is negative over the short term (around three to four years; see Figure 2 of this paper). The conclusion is that, 'if the opening up of the economy fails to attract foreign capital, wage losses could be sizeable' (p.6).
19. For example, in the form of increased credit risk premiums or tighter conditions for receiving credits from international agencies.
20. This was the case in Tunisia, where a general value added tax was established in 1988 to offset the anticipated loss of state revenues; Algeria and Morocco also took a similar step in the late 1980s. Lebanon, the country most vulnerable to the loss of tariff revenue, which makes up a third of all state revenue, followed suit by introducing VAT in 2002. The consequence has been a sudden hike in prices.
21. Trade liberalization has a further indirect negative impact on state revenues through the fall of payroll taxes due to the loss of jobs and the reduction of the tax base induced by the substitution of imports for locally-produced products, but this effect is much more difficult to estimate (for a discussion of this issue, see Abed, 1998: 7–8).
22. Figures 3 and 4 have been inspired by Zaafrane and Mahjoub [2000: 20], but apart from using updated data, some variations have been introduced (for instance, using public debt instead of public deficit as an indicator of fiscal vulnerability). The size of public debt determines the capacity of the state to have recourse to financial markets to finance and sustain its public deficit.
23. Hunt [2003: 16–21] discusses some of the implications of this foreseeable expansion of the informal economy. The same issue is studied in ILO [2004: 60–62].
24. This is a probable effect of free trade, as already predicted by Tapinos *et al.* [1994]. See also OCDE [1998].
25. For a discussion of this question, see Mold [2002]. Mold (pp.15–19 and 40–42) provides an extensive review of quantitative analyses of the impact of EMFTAs on the welfare of MPCs. These studies give estimates for welfare gains induced by EMFTAs, ranging, depending on assumptions, from slightly positive to significantly negative, particularly during the transitory period.
26. For a discussion of the impact of the EMP on FDI flows to MPCs, see Martín [2001].
27. According to Jaidi [2002], only 7 per cent of total Moroccan imports were affected by immediate tariff dismantling as the association agreement entered into effect in 2000, 20 per cent of the imports were affected by tariff dismantling in the three years up to March 2003 and another 21 per cent will be affected by the rest of the tariff dismantling. The rest of Moroccan imports either do not come from the EU or concern products not subject to the free trade area (especially agriculture products).
28. Tourkmani [2003]. This amount – more than $650m a year – represents a permanent revenue loss for the government.

29. This figure could allegedly be reduced as the increase in imports will bring about an increase of VAT revenues on imported goods, but this will only stand inasmuch as imported goods do not replace locally produced goods on which the government already charges VAT.
30. During the transition period, this tariff revenue loss on European imported goods will be partly offset by the eventual increase of these imports, which will have to pay the (reduced) tariff rate applicable at the moment of importation.
31. See Association Marocaine des Droits Humaines [2000].
32. Namely, a water and sanitation project in the rural milieu (PAGER, €40m), a basic education support programme (€40m), participatory forestry development in the Chefchaouen province (€24m), to a certain extent the construction of roads and rural roads in the north of Morocco (€30m), integrated rural development (€28.4m), a project to improve the social habitat of 3,300 households in Tangiers (€7m of European contribution), rural participative development in the central Middle Atlas (€12.4m), a job creation support project (€3.3m to support the ANAPEC), a project to improve the employment situation of rural women producing Argan oil (€6m) and a €700,000 micro-credit project with the Zakoura Foundation.
33. 46 per cent in Tunisia, 30 per cent in Egypt, and 18 per cent in Syria.
34. An exhaustive analysis of the textile and clothing industry in the Maghreb countries can be found in Mahjoub [2003].
35. After being blocked by the trade unions for more than two years. It should have entered into effect in June 2004, but its actual implementation is being postponed because of the delay in approving follow-up regulations.
36. See Association Marocaine des Droits Humaines [2000].
37. Speech by King Mohamed VI on 21 Aug. 2001, available at ⟨http://www.mincom.gov.ma/french/generalites/samajeste/mohammedVI/discours/2001/jeunesse.htm⟩.
38. Regarding the issue of access to knowledge as a basis for development in Arab countries, see the second Arab Human Development Report [UNDP, 2003b].
39. But Article XXIV of the General Agreement on Tariffs and Trade (GATT) does not allow for the transitory period of so-called preferential trade areas to last more than 12 years, which seems a fairly long period anyway to undertake all the necessary adjustments.
40. This is actually already defined in legally binding terms in the association agreements, that is, locked in.
41. See Martín [2003] for a discussion of financial flows between the EU and MPCs, which in 2001 reached a *negative* net flow of financial resources from MPCs to the EU countries of over $34bn, that is, close to $125 per MPC inhabitant per year.
42. With this provision, the EU made clear that it would only accept agricultural liberalization within the framework of GATT negotiations and under the pressure of bigger trade partners, like the US, Australia and Latin America. However, in legal terms, Article XXIV of GATT requires any customs union or free trade area created between its members to apply to ‘substantially all the trade between the constituent territories of the union’. So the exclusion of agriculture from the EMFTAs might be illegal according to GATT laws, although no party to the latter has ever challenged it.
43. Morocco is a real test case of the political will of the EU in this field, as the MPC with the highest agricultural potential.
44. Tomato quotas are particularly important for Morocco, and quotas for this product have been increased by 25 per cent for the period to 2007 (from 175,000 to 220,000 tons a year, after having been increased in 2000 from 150,000 tons a year).
45. Agricultural exports to the EU amount to $4.3bn a year, while imports from the EU reach the $6.3bn mark (2001). Among MPCs, only Morocco has a surplus in its agricultural trade with the EU [Dasgupta and Nabli, 2003: 186].
46. Lorca and Vicens [2000] and FEMISE [2003].
47. On this issue, see the second article by Iain Byrne in this special issue.

48. The obligation under international law to present periodic reports on the implementation of the ECOSOC Covenant makes these justifications necessary.
49. See, for instance, the report by the Association Marocaine des Droits Humaines [2000] in the Moroccan government report to the UN Commission on Economic, Social and Cultural Rights, where the failures in this field are attributed to drought and external debt.
50. Knowledge acquisition and diffusion were identified as one of the three main deficits in the Arab countries by the first Arab Human Development Report [UNDP, 2002] and are the subject of the second one (UNDP, 2003b).
51. A good discussion of this kind of programme can be found in Rama [2001: 21–9].
52. See Tzannatos [2000: 20–22] for a discussion of public works programmes as a social policy measure.
53. It must be noted that all evidence quoted in this study comes from developed industrial countries or large developing countries [Bachetta and Jansen, 2003: 16–18].
54. Another possible policy review model, not analysed in this study, is the one established over the years by the OECD and its Secretariat. See a very thorough analysis of this model and of the potential to extend it to South-South cooperation in Braga de Macedo [2004].
55. Published by the European Commission in February 2003, available at ⟨http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0057en01.pdf⟩.
56. Published in February 2004, available at ⟨http://europa.eu.int/eur-lex/pri/en/dpi/cnc/doc/2004/com2004_0137en01.doc⟩.
57. This temporary suspension is already provided for under special circumstances under the safeguard clauses contained in the association agreements, but they do not refer to social and economic rights.

REFERENCES

Abed, G. (1998): *Trade Liberalization and Tax Reform in the Southern Mediterranean Region*, Working Paper WP/98/49, International Monetary Fund, available at ⟨http://www/imf.org/external/pubs/ft/wp/wp9849.pdf⟩.

Actualités Sociales (2003): *Actualités sociales – Maroc*, Lettre du Conseiller pour les Affaires Sociales of the French Embassy in Morocco, Nos. 14–19, Rabat.

Association Marocaine des Droits Humaines (2000): *Rapport parallèle au rapport gouvernemental relatif aux droits économiques, sociaux et culturels au Maroc*, Oct., available at ⟨http://www.fidh.org/magmoyen/maroc/amdhrap.htm⟩.

Bacchetta, M. and M. Jansen (2003): *Adjusting to Trade Liberalization: The Role of Policies, Institutions and WTO Disciplines*, WTO Special Studies 7.

Braga de Macedo, J. (2004): *Peer Review and Public-Private Partnership: A 'Eurocentric' Perspective on Globalization*, preliminary paper presented at the seminar on Europe and America: Regional Integration Strategies, Institut Europeu de la Mediterrània, 29–30 Jan.

Currie, J. and M. Harrison (1997): 'Sharing the Costs: The Impact of Trade Reform on Capital and Labor in Morocco', *Journal of Labor Economics* 15/3, Part Two, pp.S44–S71, available at ⟨http://are.berkeley.edu/~ harrison/papers/morocco.pdf⟩.

Dasgupta, D. *et al.* (2003): *Making Trade Work for Jobs: International Evidence and Lessons from MENA*, Working Paper Series No. 32, World Bank, July, available at ⟨http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/WP + 32/$File/WP32.pdf⟩.

Dasgupta, D. and M. Nabli (2003): *Trade, Investment, and Development in the Middle East and North Africa: Engaging with the World*, MENA Development Report, World Bank, Washington, DC.

EIB (European Investment Bank) (2002): *The Economic Situation of the Mediterranean Countries*, Luxembourg, available at ⟨http://www.eid.org/Attachments/femip_paper_en.pdf⟩.

EIU (Economist Intelligence Unit) (2001): *Country Profile – Morocco.*

El Weriemmi (2003): *L'emploi en Tunisie et la libéralisation comérciale: y-a-t-il une féminisation de l'emploi et une substitutionde l'emploi qualifié à l'emploi non qualifié?* paper presented at the seminar 'Marché de travail et genre dans les pays du Maghreb', 11–12 April, Rabat, available at ⟨http://www.ulb.ac.be/soco/colloquerabat/papiers/articles_definitifs/RSI_El_Weriemmi.pdf.⟩.

ERF (2002): *Economic Trends in the MENA Region, 2002*, Economic Research Forum for the Arab Countries, Iran and Turkey, Cairo: The American University in Cairo Press, Chapter V.

European Commission (2003): 'Economic Review of EU Mediterranean Partners', *European Economy*, Directorate General for Economic and Financial Affairs, Occasional Papers no. 2, Jan.

FEMISE (2003): *The Impact Of Agricultural Liberalisation in the Context of the Euro-Mediterranean Partnership*, FEMISE Report, available at ⟨http://www.femise.net/PDF/femise-agri-gb.pdf⟩.

Gupta, S., *et al.* (1999): *Privatization, Social Impact and Social Safety Nets*, IMF Working Paper WP/99/68, Washington, DC, available at ⟨http://www.imf.org/external/pubs/ft/wp/1999/wp9968.pdf⟩.

Hamdaoui, F. (2002): *Préparation de l'économie marocaine au contexte du libre-échange*, Document de travail n° 75, Direction de la Politique Économique Générale, Ministère des finances et de la privatisation, Royaume du Maroc, April.

Handoussa, H. and J.-L. Reiffers (2003): *Rapport Femise 2003 sur le Parténariat Euroméditerranéen*, Institut de la Méditerranée, Marsella, available at ⟨http://www.femise.net/PDF/Femise_A2003fr.pdf⟩.

Hunt, D. (2003): *Likely Employment Impacts of the Free Trade Agreements between the EU and the North African Economies, with Particular Reference to the Informal Economy*, paper presented at the Colloque International: Accords d'Association Euro-Mediterraneens – Experiences et Perspectives, Oct. 22–3, Universite A Belkaid-Tlemcen, Faculte des Sciences Economiques et de Gestion.

IMF (International Monetary Fund) (2004): *Morocco: Selected Issues*, IMF Country Report n. 04/164, Washington, DC, available at ⟨http://www.imf.org/external/pubs/ft/scr/2004/cr04164.pdf⟩.

ILO (International Labour Organization) (2004): *A Fair Globalization: Creating Opportunities for All*, Report of the World Commission on the Social Dimension of Globalisation, Geneva, available at ⟨http://www.ilo.org/public/english/wcsdg/⟩.

Jaidi, L. (2002): *Les enjeux sectoriels et territoriaux de l'Accord de Libre-Échange (Cas du Maroc)*, paper presented at the Colloque Economie Méditerranée Monde Arabe, 20–21 Sept., Souza.

Keller, J. and M. Nabli (2002): *The Macroeconomics of Labour Market Outputs in MENA over the 1990s*, World Bank, Washington, DC, available at ⟨http://www.worldbank.org/mdf/mdf4/papers/keller-nabli.pdf⟩.

Loewe, Markus (2003): *Soziale Sicherung im Nahen Osten und in Nordafrika Handlungsbedarf, Reformbereitschaft der Regierungen, Aktivitäten anderer Geber und Ansatzpunkte für deutsche EZ*, Deutsches Institut für Entwicklungspolitik, Bonn.

Lorca, A. and J. Vicens (eds.) (2000): *L'impact de la libéralisation comérciale euro-méditerranéenne dans les échanges agricoles*, study elaborated for FEMISE.

Mahjoub, A. (2003): *El textil-confección-cuero en el Magreb*, paper presented at the TECOMED, Meeting of Textile and Clothing Mediterranean Trade Unions, 16–18 June, Barcelona.

Martín, I. (2001): 'La inversión extranjera directa en los países del Maghreb en el marco de la Asociación Euromediterránea: ¿el eslabón perdido?', *Revista de Economía Mundial* 4, Universidad de Huelva, pp.175–206, available at ⟨http://ideas.repec.org/p/wpa/wuwpit/0405001.html⟩. Originally presented as a paper at the First Mediterranean Social and Political Research Meeting, 22–26 March 2000, Florence, organized by the Mediterranean Programme of the Robert Schuman Centre for Advanced Studies at the European University Institute (draft unedited English version available at ⟨http://econwpa.wustl.edu/eps/it/papers/0307/0307006.pdf⟩).

Martín, I. (2003): ‘Globalización, Asociación Euromediterránea y Desarrollo’, in *La dimensión social de la Asociación Euromediterránea: Un enfoque sindical*, Cuadernos de Información Sindical n° 34, Confederación Sindical de Comisiones Obreras, Madrid, available at http://www/ccoo.es/pdfs/CIS34.pdf⟩.

Mold, A. (ed.) (2002): *Regional Trading Blocks as a Response to Global Poverty: A Critique of the Euro-Mediterranean Agreements*, Documento de Trabajo, Madrid: Instituto Complutense de Estudios Internacionales.

Nashashibi, K. (2002): *Fiscal Revenues in South Mediterranean Arab Countries: Vulnerabilities and Growth Potential*, IMF Working Papers WP/02/67.

OCDE (Organisation de coopération et de développement économiques) (1998): *Migrations, libre-échange et intégration régionale dans le basin Méditerranéen*, Conférences de l’OCDE, Paris.

Rama, M. (2001): *Globalization and Workers in Developing Countries*, Development Research Group, The World Bank, Washington, DC.

Sajoux ben Seddik, M. (2002): *Disparités socio-économiques et evolution démographique au Maroc et en Tunisie*, paper presented at the seminar organized by the «Economie Méditerranée Monde Arabe» (EMMA) network, 20–21 Sept., in Sfax, Tunisia, available at ⟨http://www.univ-pau.fr/RECHERCHE/GDRI-EMMA/activites/Coll-com/423/SajouxBenseddik.pdf⟩.

Tapinos, G., *et al.* (1994): *Libre-échange et migrations internationales au Maghreb*, Fondation Nationale des Sciences Politiques, Paris.

Tourkmani, M. (2003): *Suivi des variables économiques, financières et sociales concernées par le démantèlement tarifaire ave l’Union Européenne*, Document de travail n° 92, Direction de la Politique Économique Générale, Ministère des finances et de la Privatisation, Royaume du Maroc, Sept.

Tovias, A. (1997): ‘The Economic Impact of the Euro-Mediterranean Free Trade Area Initiative on Mediterranean Non Member Countries’, *Mediterranean Politics* 2/1, pp.113–28.

Tzannatos, Z. (2000): *Social Protection in the Middle East and North Africa: A Review*, paper presented at the Mediterranean Development Forum, Cairo, March.

UNDP (United Nations Development Programme) (2002): *Arab Human Development Report 2002*, available at ⟨http://undp.org/rbas/ahrd/CompleteEnglish.pdf⟩.

UNDP (2003a): *Human Development Report 2003*, available at ⟨http://hdr.undp.org/reports/global/2003/⟩.

UNDP (2003b): *Arab Human Development Report 2003*, available at ⟨http://www.miftah.org/Doc/Reports/Englishcomplete2003.pdf⟩.

UNICEF (2001): ‘Towards a New Agenda for Children in the Southern Mediterranean Countries: A Right’s Based Analysis’, UNICEF Innocenti Research Centre, Florence, Italy, available at ⟨http://www.unicef-icdc.org/research/ESP/indice_modin.html⟩.

Viner, J. (1950): *The Customs Union Issue*, New York: Carnegie Endowment for International Peace.

Zaafrane, H. and A. Mahjoub, Azzam (2000): ‘The Euro-Mediterranean Free-Trade Zone: Economic Challenges and Social Impacts on the Countries of the South and East Mediterranean’, *Mediterranean Politics* 5/1.