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**To What Extent has the ‘Barcelona Process: Union for the
Mediterranean’ been Economically Beneficial to Jordan?**

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Doctor of Philosophy
in
EU-Jordan International Relations

University of Sussex

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Work Submitted elsewhere for Examination

I hereby declare that this thesis has not been, and will not be, submitted in whole or in part to another university for the award of any other degree. However, the thesis incorporates, to a limited extent, indicated below, material already submitted as part of required coursework and/or for the degree of Master's Degree in European Law and Policy, which was awarded by the University of Portsmouth.

Parts incorporated: Part of Chapter One – Theoretical Context. These sections were further developed for this thesis.

Signature:

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University of Sussex

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Doctor of Philosophy in EU-Middle East International Relations

To What Extent has the ‘Barcelona Process: Union for the Mediterranean’ been Economically Beneficial to Jordan?

Summary

The Jordanian government had high expectations for its Association Agreement (AA) with the European Union (EU), hoping it would lead to increased exports to the EU, although the private sector feared competition from European industries (Abu Dalbough, 2005, pp. 142–143). The early 1990s were politically and economically challenging to Jordan. The AA, which entered into force in 2002 following the Barcelona Process, stipulated the establishment of comprehensive partnerships and prosperity for the Euro-Mediterranean area (EEAS, 1995).

This thesis attempts to answer the following question: To what extent has the ‘Barcelona Process: Union for the Mediterranean’ been economically beneficial to Jordan?

It is necessary to examine EU-Jordanian trade relations both within and outside the scope of the Barcelona Process from 1995 until 2012. First, this study will set the theoretical framework for the thesis, then examine the Jordanian political economy that led to the signing of the AA. The actual negotiations that led to the AA will be analysed using components of non-cooperative negotiating theory to shed light on the division of power among the parties (Jordan and the EU). The agreement will subsequently be tested using ex-ante and ex-post-free trade agreement (FTA) assessment models to determine the most potentially advantageous outcomes versus the actual outcomes.

The action plans contain the annual expectations of Jordan’s implementation of the points stipulated in the AA. To measure the tangible successes of the action plans, they have been analysed using enterprise charter indicators, as developed by the Organisation for Economic Co-operation and Development.

The findings show that the AA, though it did not fully reach the economic benefits potential that Jordan had hoped for, led Jordan to fulfil its globalization goals and to end its economic and political isolation caused by the Gulf War, as well as to diversify its trading partners.

Introduction to the Research

The King of Jordan, Hussein bin Talal (1996), in his speech addressing the Jordanian Parliament, declared that in an effort to enhance the economy of Jordan regionally and globally, and to continue in the open market economy, there would be negotiations with the European Union (EU) for an Association Agreement (AA), and that it would increase Jordan's capability and competitiveness in the world economy. Prince Hassan (1997), when addressing the Chamber of Commerce in its annual meeting in 1997, pointed out that the agreement set to be signed with the EU would open new horizons for cooperation between Jordan and the EU, and it would benefit both parties. Mr. Outhman Budair (Al Rai, 2002), president of the Amman Chamber of Industry, said that the AA with the EU would enhance economic relations with the EU and increase Jordan's exports to the EU, thus improving the trade balance that was currently in favour of the EU. However, the private sector in Jordan voiced its concerns about the AA and feared the competition that the agreement between the EU and Jordan might bring to the fragile Jordanian industries (Dalbough, 2005).

In 1997, Jordan signed the AA with the EU under the Barcelona Process and put it into effect in 2002. Thus, this thesis will address the question: To What Extent has the 'Barcelona Process: Union for the Mediterranean' been economically beneficial to Jordan?

To answer this question, Chapter One will first establish the theoretical and interpretative framework for the thesis. Several international theories will be examined. Theories on economic integration and cooperation between Jordan and the EU will be used at the state and supranational entity levels. Five theories will be examined: liberalism, realism, Marxism, constructivism, and critical theory. The theoretical framework will be used to

interpret the Barcelona process, the European Neighbourhood Policy (ENP), and the Union for the Mediterranean (UfM). To involve different points of view on the process, a detailed examination of the literature available on the Barcelona process will be performed. Based on the interpretation of the available literature on the process and using the theoretical framework, the thesis subsection examining the question will provide a foundation for the following chapters.

Chapter Two will set the context for the Jordanian political and economic landscape that led to the signing of the AA with the EU. The chapter will explain the journey of the Jordanian political economy from the outset of Jordan in 1921 until the early 1990s. It will examine the different political and economic forces that influenced the economic and trade policies of Jordan and consequently its decision to join the Barcelona Process in 1995. This will establish the motivation and mindset of the negotiation for the agreement itself that will be examined in Chapter Three. It will help evaluate whether the AA brought the economic benefits that Jordan was seeking when they signed the AA with the EU.

Chapter Three will examine the negotiation process between the EU and Jordan to conclude the AA. The analysis of the negotiation will start with a comparison of the Jordan agreement itself and place it in contrast with the AA Morocco had with the EU. This will bring out any noteworthy features of the EU-Jordan AA and determine whether Jordan's AA is substantively different from that of other Middle East/North Africa (MENA) countries like Morocco. This will build the basis for the analysis of the negotiation process.

Interviews with the EU negotiators will provide insight into the process itself. The Jordanian point of view was built based on the expectations of the Jordanian private and public sectors and on debates covered by the Jordanian press, as well as the available literature and Jordanian government documentation from that period. The AA analysis, the EU negotiation input, and the Jordanian input will all be included in the theoretical basis (Nash Bargaining Theory) to reconstruct the environment of the negotiation process

and to evaluate if Jordan had the opportunity to negotiate agreement terms that would better serve its national interest, or if Jordanian negotiators were only in a position to accept the negotiation terms set by the EU. It will form a clearer picture of the power positions of both the EU and Jordan in the negotiations.

The next step is to examine the impact of the agreements on Jordan's economy after the agreement was put into effect in 2002. In this case, the definition of 'economically beneficial' will be addressed based on different FTA assessment models. This is established in Chapter Four. Chapter Four will analyse the extent to which the AA between Jordan and the EU was beneficial and brought positive welfare to Jordan using ex-post and ex-ante models of assessment for an FTA. The chapter will start with an analysis of each model, and the strengths and weaknesses of each model will be outlined. It will identify the most suitable model—in terms of data and resource availability, practical feasibility, expected accuracy, and suitability of the outcome regarding the intended purpose of this study—for application to the FTA between Jordan and the EU. Then, the models will be applied to the AA agreement for the period extending from 1998 to 2012.

In addition, two action plans for political and economic reforms were set for Jordan, and these will be covered in Chapter Five. Chapter Five will analyse the action plans put in place for Jordan. The chapter will cover two action plans: those of 2005 and 2010. Five aspects of the action plan will be assessed: 1) the macroeconomic framework and function of the market economy, 2) trade-related issues as well as market and regulatory reform, 3) employment and social policy, 4) transport, energy, information society, and environment, and 5) other areas. Political reform and 'person-to-person contact' are not within the scope of this study.

In order to assess the progress methodology, the assessment process is based on the enterprise charter indicators as developed by the Organisation for Economic Co-operation and Development (OECD) (European Commission, OECD, European Training Foundation, 2008, p. 135). In this assessment methodology, each indicator is rated. For

the rating process, a scale from 1 to 5 was used, in which 1 represents no policy whatsoever, and 5 represents a situation in which a full policy that also met international standards was in place (European Commission, OECD, European Training Foundation, 2008, p. 135).

The methodology used in this thesis covers multiple types: Quantitative analysis—this has been used to assess extensively in chapters four and five to analyse whether the AA and action plans have been economically beneficial to Jordan’s economy; the Qualitative analysis approach has been used to assess Jordan’s political economy and the motives of Jordan and the EU when signing the AA. Data analysis, interviews, and statistical evaluation were also used to extract the balance of power during the negotiation process.

The parameters of the thesis are set to indicate both the scope of the thesis and the period that this thesis covers. On the Jordanian side, both the public and private sectors focused on the economic benefit of the agreement—this was evident in King Hussein’s (1996, 1997) speech to the parliament—while the private sector had concerns about its economic benefits. Thus, this thesis will focus on the economic benefits of the AA and examine whether these goals were met. Thus, the political aspect set in the agreement, as well as people-to-people contact, will be out of the scope of this thesis. In terms of time period, the agreement will cover a period of 10 years after the AA came into effect, from 2002 until 2012. The ex-ante impact of the thesis will cover the four-year period from 1998 to 2002 (where the data is available). This period is based on the start date of this thesis, which was in 2013. Consequently, the period set and data collected for the analysis and calculation in this thesis ended in 2012.

To outline the original contribution this thesis makes to the literature, I would like to highlight the studies done on the economic impact of the EU-Jordan agreement on Jordan. To the best of my best knowledge, there are limited numbers of studies on the economic impact of the EU-Jordan agreement on Jordan: The first study was conducted by Nobuhiro Hosoe (2001) using the computable general equilibrium model to assess the

potential impact of the agreement on Jordan. Its findings were that the FTA would improve Jordan's welfare, expand the output of the chemical and agricultural sectors, and reduce that of the non-metal mineral sector (Hosoe, 2001, p. 599). Hosoe (2001) was an ex-ante study focused on Jordan's imports, exports and output that anticipated a positive impact on Jordan's economy.

In their study, Alfredo Tovas and Riad AL Khouri's (2004) assess the impact of the EU Agreement with Jordan using the partial equilibrium approach and calculating the welfare for the period from 1996 to 2001, thus making it an ex-ante study on the potential impact of the Jordan-EU FTA in comparison with the Jordan-Israel FTA.

Feraboli (2007) used the computable general equilibrium (CGE) model to assess the impact of the EU-Jordan agreement on Jordan (Feraboli, 2007), and Feraboli and Trimborn (2008) showed that the EU-Jordan agreement spurred capital accumulation but would result in reduced government revenues (p. 19). These studies focused on macroeconomic variables such as private consumption and investment as well as government revenues.

Walid Abu Dalbough wrote multiple papers on the EU-Jordan Agreement. In his 2005 paper titled 'Jordan and the Euro Mediterranean Partnership', he evaluated the agreement's impact on Jordan. That study mainly concentrated on the political aspects of the agreement and concluded that it was premature (in 2005) to assess whether the Euro-Jordanian partnership had fulfilled its overall objectives, especially as far as the political dimension was concerned. Indeed, the study highlighted that the EU had pursued an imbalanced strategy that favoured economic and financial cooperation over political objectives (Abu Dalbough, 2005).

Peter Seeberg did a 2009 study, 'The EU's pragmatic bilateralism in the Middle East: the case of Jordan,' which again concentrated on the political aspects of EU-Jordan relations and concluded that the EU pursued a realist and pragmatic policy which put aside the

ambitions of the promotion of democracy, human rights, and rule of law in favour of the stabilization of Jordan (Seeberg, 2009, p. 19)

Bergstrand, Baier, Sunesen, and Thelle (2011) was an ex-post study that focused on the impact of the EU-Jordan agreement (among other six FTAs) on the EU. The study examined whether EU FTAs have a significant impact on EU exports and imports (Bergstrand et al., 2011, p. 5).

Matthias Busse conducted a second study in 2012 (Busse, 2012). It was an ex-post study on the impact of the trade liberalization with Jordan performed using the gravity model. The study investigated the impact of the first year and concluded that the increase in exports cannot be taken for granted because of trade preferences. He underscores the importance of caution and negotiation before FTAs are ratified (Busse, 2012, p. 482).

In his article ‘Assessing the Political Implications of the Euro-Jordanian Economic Partnership: 1995-2005’, Abu Dalbough (2012a) outlines the shortcomings and limitations of the EU’s foreign policy towards its southern Mediterranean neighbours and its lack of balanced cooperation, especially in the political dimension. In ‘Conceptualizing Stability within the Euro-Mediterranean Partnership’, Abu Dalbough (2012b) evaluates the concept of stability and concludes that EU policy is targeted towards the stability of the status quo while focusing on economic stability. In ‘Regional Instability and the Modernization Theory within the Euro-Jordanian Partnership Context’, Abu Dalbough (2013) comes to the same conclusion as Abu Dalbough (2012a; 2012b)—that political cooperation takes a backseat to EU priorities during cooperation with Jordan.

This thesis contributes original knowledge because it is the first study that has analysed the EU-Jordan AA to determine whether the AA is economically beneficial to Jordan using both ex-post and ex-ante models covering a continuous period from 1998 until 2012 (before and after putting the agreement into effect in 2002). This is the first study that uses an ex-ante assessment model of trade indicators and an ex-post assessment model of

FTA trade and welfare indicators to measure whether the agreement was beneficial and compare anticipated benefits versus the actual results of the agreement. In view of the findings on the shortcomings of these models, this thesis was not only satisfied with the model findings but expanded and complemented them using analyses of other indicators such as the trade balance of Jordan, unemployment—with a focus on unemployed women and youth—and losses from import duties. The thesis also gathered, for the first time, insight from the EU negotiators themselves into the actual negotiations, gathered through interviews, which gave a new and first-time perspective on the negotiations for the AA between Jordan and the EU and on the struggle for power. This novel point of view is complemented with different points of view from the Jordan public and private sectors. This thesis has used an OECD model that has never been used prior to this study to evaluate seven years of progress reports. Chapter One contains a literature review of the Barcelona Process (set chronologically from 1998 until 2015), the ENP, and the UfM, which will provide a better understanding of the different points of view, as well as an interpretation of the Barcelona Process and how the Jordan case fits into it. Finally, the methodology developed in this thesis is as follows: 1) ex-ante and ex-post evaluation analysis of the FTA, 2) analysis of AA negotiation elements, and 3) setting a numerical evaluation for progress reports that can also be used to evaluate AAs for other Barcelona Process partners, such as Morocco, Tunisia and Egypt.

The thesis concluded that the economic results of the agreement did not fully meet the Jordanian expectation of the AA in terms of remedying the trade balance gap, so it was in favour of Jordan; however, there are signs that the trade balance gap is reducing. If we examine the results based on the goals Jordan set for its globalization and privatization policies, one can see that the AA between Jordan and the EU facilitated Jordan's integration into the world economy, anchored Jordan's free market policy, and diversified its trading partners, which, prior to the agreement, included few countries, rendering its economy vulnerable.

Chapter One

EU-Jordan Relationship: Theoretical and Interpretive Framework

Introduction

This chapter will set the theoretical explanatory frameworks for the European Community (EC)/EU-Jordan relations. It will explore the contents of the AA between Jordan and the EC/EU and the literature on the Barcelona Process. The explanatory framework will serve as a general guiding light to identify a direction for analysis for subsequent chapters. This chapter will be divided into three sections:

In the first part of this chapter, several contending international relations (IR) theories will be examined. The main aim is to establish a theoretical context that can, where necessary, serve as an explanatory model for this research. Theories, including critical theory, constructivism, Marxism, liberalism, and rationalism, were chosen on the basis of a possible or probable relevance to actors, structures, or actions in the economic and IR fields.

The second part will give a brief historical overview of the relationships between the countries in the Southern Mediterranean and the EC/EU. The titles and content of the articles of the AA with Jordan will be discussed. The AA between Morocco and the EU will be compared to deepen our understanding of the examples from Jordan. The articles of the AA will be critically examined to expose noteworthy elements considering the initial questions raised above.

The third part will address the literature covering EC/EU relations with the Southern Mediterranean countries. Different points of view of the Barcelona process will be consulted to assess the process politically and economically. The main goal is to create an inventory of opinions and the areas of research covered and identify trends in the opinions and root causes identified by the authors. This will allow insight into the main opinions and gaps in the existing literature and could thus form the basis for more specific research questions.

By the end of this chapter, the findings of the critical reading of the history and the AA, combined with conclusions about the trends and gaps in the literature as well as the explanatory framework, will lead to more informed and specific research questions regarding the motivations and actions surrounding the—mainly economic—AA between Jordan and the EU and will set up an analytical framework which structures the rest of the thesis.

1.1 Theoretical Context

The efforts in this chapter will be directed towards defining an explanatory framework that will serve as the guiding light to identify a direction rather than as a goal in itself. IR theories will be used in this research as an explanatory tool in an attempt to explain reality by reducing it to relevant causative factors and factors being caused (Segbers, 2006).

Theories are used at the level of the state and at the level of the supranational entity, thereby adding these two levels of analysis to Waltz's images of actors, domestic influences, and international anarchy (Waltz, 1959), as suggested by Segbers (2006, p. 5). Social constructivism as proposed by Wendt (1992), a theory that develops or reifies state through other identities or individuals is discussed as well, as it may shed light on discrepancies when it comes to the sharedness of beliefs. Liberalism will be discussed, because it is the utopian (Burchill, 1995b) counterpart of realism and because the main topic discussed in this research is trade liberalization. Marxist and critical theory will be

discussed as well. The perspectives of these schools of thought on international trade and the validity of current structures may add points of view on the division of wealth and power and the desire to maintain the status quo, as well as a human-interest dimension.

1.1.1 Constructivism

Seen from a historical perspective, one could argue that after the fall of the Soviet Union, and thus the end of almost half a century of a bipolar world, new ways to explain and interpret the international world were considered. When a multipolar global system (Waltz, 2002) did not then materialise, more doubts were raised as to the explanatory value of neorealism. It is in this void that constructivism arose (Jackson & Sorensen, 2013, pp. 206-208), at least in American scholarly circles. European IR have traditionally been less absorbed with the exclusive realist-liberal dichotomy.

In constructivism, structures are not fixed, but exist because actors in their social interaction share an understanding and meaning regarding these structures. This essentially means that actors can change structures and the meaning of a situation when inter-subjective understandings change. This approach to structure adds explanatory dimensions and does not force theorists to build theory upon theory to retain a credible framework for explanation in a changing reality. A common example of this is the realist 'law' of international anarchy. Cox (1981, p. 128), although approaching theory from a critical perspective, also warns against cramped adjustments to existing theories that simply ceased to be sufficiently associated with a changed reality. In his view, political theory is anchored in a certain time and situation and therefore has inevitable elements of opinion; in all probability, it also had no eternal validity (Cox, 1981, p. 128-130). It is interesting to note that Cox's reasoning, while critical rather than constructivist, also explored new ways of looking at a changing global environment.

With regard to social constructivism as an IR theory, according to Jackson and Sorensen, constructivism sets itself apart from some other IR theories because it focuses on human perception or awareness as it pertains to global activities, rather than on material power like in neorealism. IR are primarily social in the constructivist perspective. Furthermore, this social world, of which the international political world is a part, is not a physical presence in existence outside the human consciousness (Jackson & Sorensen, 2013, p. 206). The world of international politics is a creation of the human mind based on a shared understanding and is, as such, fully ideational. This conceptualization of interstate relations is reflected by Wendt (1992, p. 394): ‘Anarchy is what states make of it’. The pun regarding the nation-state-centred realist assumption of the international world as anarchy is clear in this sentence. In his article, Wendt (1992) attempts to bring constructivism from its social science starting point into the realm of IR.

In social sciences theory, constructivism views reality as a social—and thus human made—construction. This reality is internal to the humans who constructed it and is thus not a separate material reality. Hence, it cannot be studied like a separate material reality such as chemistry or physics. Thus, the socially constructed reality has a certain inter-subjective meaning specific to those who created this reality. Is sighing, for example, an expression of relaxation or a display of ennui? Only those who created that inter-subjective reality may know the answer. That is not to say that constructivists deny the existence of a material world, but rather, that the ideational world gives meaning and (ir)relevance to the material, thus relegating the material to a place of secondary importance (Jackson & Sorensen, 2013, p. 210).

The task remaining for constructivists is to define concepts, practice science, and make claims about reality. At this point, one enters a situation in constructivism where questions are raised regarding to what extent the constructivist scientist—being part of a social construct, and as an interpreter of an inter-subjective reality—can deliver claims about this reality that have a degree of universal validity. That constructivists do not recognise an objective truth in the style of the natural sciences has been previously

established. How, then, can a constructivist's claim about reality have validity beyond the limitations of the necessarily purely interpretative and individualistic nature of a constructivist claim?

Regarding different views on constructivism: Palan (2000, p. 581-582) describes Bloor's criticism of Wendt in this matter as '...grasping a concept is a purely individual achievement. It is an individual mental act'. Yet, in constructivist thinking, because of the inter-subjective confirmation of meanings, a certain degree of universal meaning beyond the individual is acquired. Finnemore and Sikkink (2001, p. 391) explain the constructivist perspective as 'ideational factors are widely shared or "inter-subjective" beliefs, which are not reducible to individuals; and that these shared beliefs construct the interests of purposive actors'. Hence, in this view—because beliefs are inter-subjectively confirmed, go beyond the individual, and are widely shared—interpretative claims about the world can be made.

Critical constructivism has more reservations about constructivism's ability to claim a certain level of truth. For the purpose of this study, however, the focus will be on Wendtian or conventional constructivism, since constructivist IR theory stems from that branch (Jackson & Sorensen, 2013, p. 212). Both constructivists and neo-realists subscribe to the notion that the international world outside the nation state is ruled by anarchy (Jackson & Sorensen, 2013, p. 213). Is constructivism then merely neorealism served with a sauce of the ideational?

According to Wendt (1992, p. 394), this is not the case, since in neorealism, the identities and interests of states are a given, while in constructivism, a structure of identities and interests is created during the process of interaction. Therefore, both constructivists and neo-realists may agree about the interstate anarchy, but in neorealism, states are inevitably driven towards self-help, while constructivism offers options other than hostility. This vision on the position of states towards the interstate anarchy is illustrated

by a part of the title of Wendt's (1992) article 'Anarchy is what states make of it...'. Wendt's position on anarchy did find criticism, however.

Palan (2000, p. 583) draws attention to the fact that in Wendt's perspective, the interstate anarchy or non-anarchy is the result of the interpretation of each individual state, thus making constructivism, for Palan, both state-centric and individualistic. In Waltz's book (2010, pp. 91-93, 105), *Theory of International Politics*, the state is also seen as an individual actor, but the state has the innate and inseparable characteristic of a survival instinct and state actions are—directly or indirectly, through other states—based on this instinct. The state cannot do otherwise but to act based on that survival instinct. Regarding anarchy, Wendt reasons that for states, prior to social interaction, there is no social threat (Wendt 1992, p. 144, as cited in Weber, 2013, p. 186) so there is also no security dilemma before social interaction. In the same vein, self-help and anarchy only have meaning after social interaction (Wendt, 1992, p. 135 cited in Weber 2013 p. 184). Weber, however, describes how Wendt emphasises the importance of practice in Waltz's earlier 1954 version of the neorealist self-help concept of states. By incorporating both international anarchy and the constructivist inter-subjectivity in his explanation of interstate behaviour, Wendt's constructivist IR theory, according to Weber, may not even be a variety of Waltz' neorealism or may be categorised in the liberal spirit in which structural anarchy may still see some cooperation between nation states; when the model of international anarchy is applied, or when the inter-subjectivity model is applied, international anarchy could go in any direction (Weber, 2013, pp. 181-182). Weber's interpretation of Wendt's constructivism leaves the reader with a rather amorphous visualization of the essentials of Wendt's reading of IR theory. It can be called amorphous to a certain extent since inter-subjectively created meanings are, by their very nature, fluid, but inter-subjectively created meanings do have a commonly agreed-upon specific meaning at a certain point in time.

Weber (2013, p. 214), while observing the comfort that can be derived from the idea that states are free, notes that the concept of state in Wendt's reasoning remains, in fact, the

result of individuals making sense of the international world. Wendt answered the question of who the creator of anarchy is and exposed the state as the author of the interstate anarchy. Weber, though, poses a more intriguing question: ‘Who is the author and what are the practices or narratives that create states that appear to be creators of international anarchy?’ In Wendt’s constructivism, though, it is not the international anarchy, but the state—the author of international anarchy—that is reified and pre-existing (Weber, 2013, pp. 209-211).

While the reassuringly absolute existence of the international anarchy of neorealism may at times be suffocating and hard to match with the complexities of actions and changing entities in the real world, the seemingly fluid nature of Wendt’s constructivism may pose its own challenges in practical applications like this paper.

On one hand, it may be difficult to prove that an event happened in a particular way because of how the actors constructed their inter-subjective meanings in that situation. On the other hand, a constructivist approach may assist in understanding why a certain situation did not lead to the desired or expected outcomes by analysing the meanings that the different parties gave to various aspects of the situation. It is harder to prove that something is at all times, than that something is not at all times. More practically put, one could say that if proof could be given of only one instance where no inter-subjectively coinciding meanings were given by the parties in a complex situation, the actors were interacting on the basis of diverging meanings with the inherent increased risk of failing the interaction.

1.1.2 Critical theory

Steinberg and Kincheloe (2010) describe critical theory as ‘if nothing else, a moral construct designed to reduce human suffering in the world’. Steinberg and Kincheloe (2010, p. 141) view the term ‘critical’, in the sense of critical theory, as derived from the tradition of social analysis in the work of the Frankfurt School. The Frankfurt School

originated in post-World-War-I Germany in an era of economic hardship following defeat. The school's conviction was the centrality of injustice and subjugation as mechanisms that shaped the world. The Frankfurt School wanted to go beyond Marxism in its analysis and studied 'the changing nature of capitalism' and the resulting 'mutating forms of domination' (Steinberg & Kincheloe, 2010, p. 143). Critical theorists deviate from Marxism in that they do not accept economic factors as the sole determinants of all aspects of human life (Steinberg & Kincheloe, 2010, p. 144). In critical theory, there is recognition for racial, gender-based, and sexual domination as well as class-based domination. It should be clear, however, that economic factors play a vital role in oppression as in critical theory. It is, however, not the only form of oppression, as it is in Marxist theory.

A good example of this desire to move beyond class struggle as the central explanatory concept is found in the thoughts on liberal European integration as expressed by Cafruny and Ryner (Diez & Wiener ed., 2009, pp. 221-222). While recognizing the validity of a class-struggle-based analysis, they feel that this approach would be unable to expose important aspects. Cafruny and Ryner (Diez & Wiener ed., 2009, pp. 221-222), after having noted the marked absence of international political economy thought in analysis of European integration, re-iterate Lowi's (1979, p. 21) view of the liberal approach to European integration, '... a complex set of checks and balances that prevent particular ideologies, special interests, and protracted social conflicts from dominating in public life'. They further reason that to maintain that balancing order, economic integration must necessarily be followed by social and political integration. Cafruny and Ryner observe that this is in line with the idea of the EU as an overarching polity where politics is also supranationalised.

When analysing the integration of the Union itself, Cafruny and Ryner (Diez & Wiener ed., 2009, pp. 223-224) note that the view of the liberal perspective outlined above, although valuable, is a framework unsuited to uncover important aspects, like power relationships and special interests. The call for international political economy analysis

became more urgent, as, among others, class conflicts became more evident in the late sixties and early seventies, and the corporate-liberal basis of the Union was questioned. Critical theorists, in other words, conclude that to develop a critical explanatory framework that could adequately address issues of international power and interest, it was necessary to move beyond the classical boundaries of class conflict.

The transformational versus problem solving dichotomy: While Lowi (1979) and Cafruny and Ryner (2009) propose that the view of liberalism in European integration as a mechanism to conceal and prolong social inequality, although correct, is insufficient for analysis in the field of international political economy, Cox (1981) addresses the concept of theory itself. In the following section, we will see that Cox puts the value of critical theory in its detachment of the existing structures, thus leading the way to more idealistic definitions of critical theory, as quoted in the beginning of this paragraph: ‘... if nothing else, a moral construct designed to reduce human suffering in the world.’ Steinberg and Kincheloe (2010, p. 141).

Cox (1981, p. 126) dissects theory while referring to it as a ‘... some initial subdivision of reality, usually dictated by convention’, and ‘at best just a convenience of the mind’. Cox continues that these theories, as reductions of reality based on convention, may be a representation of how the world is organised at a certain point in time, but that their value will erode when that organisation and the institutions therein change over time (Cox, 1981, p. 126). IR, according to Cox (1981, 126-127), is a clear example of a field where the actors changed from the nation-state to other entities and where the very definition of the main actor, the nation-state, excluding civil society, had to be adjusted in view of the emerging and increasing importance of civil society. According to Cox, Marxist revivalists like Habermas and Althusser also failed to practically bridge the gap in theory formation caused by the diversification of the actors in the international field (Cox, 1981, pp. 127-128). Cox’s main point in his introductory chapter is to convey the message not to ‘base theory on theory’, but, rather, to consider the changing realities of the field as where the actual touchstone for theory is found (Cox, 1981, p. 128). Without passing any

judgement, what comes to mind in this respect is, for example, the neo-realist shift from a bipolar balance to a multi-polar balance to accommodate the changing realities after the disintegration of the Soviet Union, or the realist attempts to incorporate supranational organisations into the realist framework. Although this brief reference to Cox's work is not meant as the starting point of a critical investigation of IR theories, it does hint at the possible relativity of certain IR theories in time and space. This, in turn, leads to the thought that certain theories may have more appropriate fields of application. This eclectic thought will lead the theoretical framework of this research.

According to Cox, all theories have a perspective derived from one's social and political position in time and space. Therefore, theories cannot be seen as separate from a certain standpoint and should be viewed as exposed ideologies and their perspectives (Cox, 1981, p. 128). The Cox article led to the division of categories between problem-solving theories and critical theories, where problem solving takes the existing framework as a starting point, while critical theory is more utopian and analytical in nature (Cox, 1981, p. 129). Thus, the spirit and purpose of critical theory may be found in the desire to transform. For some who take 'critical' one step further, the essence should be found in dissensus or disagreement (Rancière, 2017, p. 111). A seed of this line of thought can be found when reading how Cox (1981, p. 127 - 128) describes how Wallerstein's world systems theory was rejected by critical theorists as having a 'system-maintenance bias' (Cox, 1981, p. 127). One notices that, in this case, the theories are rejected from a critical perspective at least partly based on the fact that the theory lacks potential for social change or transformation.

Critical approaches can be viewed in a wide perspective as suggested by Chris Brown (1994, p. 217), where critical theory includes, for example, feminism, postmodernism, and poststructuralism. The common denominator is the thought that dominant theories based on political and social theory from the Enlightenment are in crisis because of grave and fundamental criticism. The focus on a positivistic and rational way of practicing science excludes, by definition, aspects of norms and values as well as the roles of

experience. Hence, in this positivistic approach, the study of the role of colonialism or power inequality in the social and economic development of a country is not possible. This is of importance for this study, where aspects of power inequality and colonialism are indeed expected to have played a role. The criticism is, in other words, that in this time and age, it cannot be maintained that the social world can be successfully and comprehensively studied by reducing it to a positivistic natural science field. Critical theory thus rejects positivist assumptions and researches ways to transform the fields of social and political theory and practice (Brown, 1994, p. 217).

As a Conclusion on Critical Theory: Critical theory may provide important frameworks for the analysis of policies and actions with the aim to do the ‘right’ thing in the spirit of Steinberg and Kincheloe’s (2010) definition of critical theory. It may thus introduce a more norm-and-value-based approach to the analysis of the different processes and agreements in place between the EU and the countries in the Southern Mediterranean, which is relevant to this study. However, since critical theory is defined by its transformational nature, it will offer little to analyse the part of this research oriented towards the economic and numerical. Yet, in the spirit of Cox’s work (1981) it will be accepted that theories may have a limited applicability in space and time, and thus different theories may be used to analyse different aspects of the interactions between the EU and their Southern Mediterranean partners. In the next section, the Marxist approach will be examined. The angle will be towards the examination of the validity and value of Marxist concepts for the analyses in the research, especially because of the slightly reductionist views on Marxism in this paragraph (Cox, 1981) (Steinberg & Kincheloe, 2010).

1.1.3. Marxist theory

Marxist theory has three building blocks: the dialectical method, the mode of production (MOP), and the dialectical materialist theory of history. The dialectical method is Marx’s scientific approach in which how things appear and the material reality are distinguished. When properly applied, the dialectical method of class

analysis will expose that behind the seemingly complex appearance of things is an essence that can be reduced to the ‘class struggle fundamental to society’ (Hobson, 2010, p. 110-111). Marx contrasted his class analysis against ‘fetishism’, an approach attributed to the bourgeois class who failed to see the distinction between appearance and material reality. The dialectic method also extends to economy. In the same vein, raw materials, for example, do not have any intrinsic value, but only extrinsic value that can be expressed in the number of hours of labour exploitation.

Fetishism, on one hand, conceals the class struggle, thus making capitalism appear normal, while this very class struggle will inevitably end capitalism. On the other hand, fetishism is applicable to the state as well, since the state cannot be separated from the class struggle in the society that it is derived from.

The second building block of Marxism is Karl Marx’s concept of the MOP. The MOP has two elements: first, the means of production, or in other words, the technologies or production tools; and second, the relationship of production, which is the relationship between the subordinate or producing class and the dominant or non-producing class. The tension between the forces and the relationship of production defines a MOP, such as the capitalist MOP. Further, this tension is the driving force for the change from one MOP to the next throughout the course of history (Bottomore, 1985, p. 178) The contradiction and conflict between these two classes has no solution (Hobson, 2000, pp. 111-113).

The historical theory called dialectical materialism is the third building block. In dialectical materialism, the tension between the subordinate and dominant classes and the resulting shifts in power determine the course of history (Bottomore, 1985, pp. 178-179).

The Marxist position on IR has the theory of MOP as foundation (Hobson, 2000, p. 116, 117). Hobson argues that although the state was, in Marx’s view, no more than ‘... a committee to manage the affairs of the whole bourgeoisie’, the state had ‘moderate

international agential power', or a moderate ability to conduct policy free from international constraints. This is in mild contrast with the state's—accepted in Marxist theory—'low domestic agential power' or limited ability to conduct policy on the national level (Hobson, 2000, p. 116). Remarks on state relations are found in Marx's 'The German Ideology'. Summarizing it could be described as the relationships between nations depending mainly on the level of development of their internal production (Hobson, 2000, p. 116-117). Thus, national relations depend on domestic economic and class forces (Hobson, 2000, p. 117).

This was then further developed and outlined by Vladimir Lenin when he linked economic aspects to war and imperialism. Lenin highlighted that the root of imperialism is the monopoly of finance capital. Lenin concluded regarding imperialism that there is no such thing as a systemic international force that drives states towards imperialist behaviour, but that it is actually a social domestic force fuelled by class inequality that causes imperialism. When moving from imperialism to state and interstate behaviour, Lenin had the conviction that states by definition are unable to create a peaceful world. This is the case because states are the tool of the dominant class, and as such, they bring the need for exploitation and expansion into the interstate realm. Marxist theory assumes that the domestic class struggle will never have a solution and, therefore, that this struggle—when transferred to the international world—will be persistent and will thus inevitably lead to international conflict (Hobson, 2000, pp. 117-120).

As a conclusion for Marxism, consider that Wendt, from his constructivist perspective, takes issue with the Marxist view on MOPs. Wendt argues that while the means of production may be materialist, the relationships of production are part of the world of ideas and hence shared ideas. Therefore, Marxism should, according to Wendt, not be considered a materialist theory. Marxists would argue that Marxism is a historical theory attempting to explain the temporary dominance of capitalist rationalism leading

to profit maximizing individuals (Risse-Kappen, 1994, p. 94). Criticism was also levelled by the Frankfurt school and later critical theorists. They targeted the reductionist view of Marxism in which economic parameters alone are responsible for all aspects of social and political life (Steinberg & Kincheloe, 2010, pp. 141-144).

The Marxist approach to international politics offers an interesting framework in that the state is accepted to have moderate international acting power and will also protect the interests of the capitalists and is thus expected to do little to substantially change or improve the international economic, political, or social situation unless, of course, when it would serve the ruling class. When accepting that the EU can, in Marxism, be viewed as either a collection of nation-states furthering the interests of the ruling class or a supranational entity doing the same—and export the class struggle to the international world—Marxism offers to this study the ability to analyse actions and agreements in light of the extent to which they serve the vested interests of the ruling class. Another analytical aspect put forward by Marxism is the fact that state relations depend on domestic economic and class forces. More practically put, the relationships between states at a similar stage of development when it comes to class struggle will differ from the relationships between states at differing stages of development.

1.1.4 Liberalism

The starting point of liberalism, according to Jones (1995, p. 20) is the rationality of human beings. Human beings are best placed to determine what is in their own best interests. Harmony, peace, and cooperation between nations are the natural status of the world. Therefore, conflict is unnatural. An undemocratic government that aims to serve its own interests makes war (Burchill, 1995a). The cure for war is democracy and free trade. Democracy minimises the power of the ruling class, which might want to use that power to serve its own interests. Free trade helps create a bigger community by eliminating the barriers between subsectors of the community. (Burchill, 1995a). Jones confirms that a free market and democracy are essential to each other's existence (Jones, 1995, p. 20). A democratic government should influence trade, since free trade

gives producers enough incentive to be efficient and creates interdependence between nations. This process contributes to the world's division of labour (Jones, 1995, p. 21). This relates directly to the role of the government in liberalism in which liberalism favours a minimal governmental role. The intervention of the government should be limited to the role of maintaining favourable conditions for free competition (Frieden and Lake, 2003, p. 27).

Regarding IR, liberalism considers that external international behaviour reflects internal policies. Consequently, it states that extending the basic principle of democracy to free trade enables countries to deal with each other on peaceful terms. However, a democratic state's relations with a non-democratic state will not be free of conflict. Thus, the best way to spread peace is by spreading democracy and free trade (Burchill, 1995a).

Consequently, for international business to thrive and prosper without hindrance, democracy and the free movement of goods and labour should be pursued and motivated on all platforms.

The tenets of liberalism go against self-sufficiency (Burchill, 1995a). States should specialise in certain goods, which would enable them to produce with efficiency cheaper products that can be competitive and are not easily bought elsewhere (Burchill, 1995a). The free market would be beneficial for everybody and would create interdependency between states that would prevent any kind of conflict (Burchill, 1995a). Interdependency would minimise the importance of state territories and would be replaced by the importance of trade (Burchill, 1995a). Interdependency has as a basic premise in that trading partners are equals (Burchill, 1995a).

Liberal theory has faced many challenges from other theories. Carr (Burchill, 1995b), who considers liberalism as utopian, highlighted that the starting point of liberal theory is based on what liberalists wish to have (Burchill, 1995b). Carr underlines that the liberal principles of common interests between countries were not a real reflection of those interests at all, but mainly the interests of certain elites during a specific period, serving only the strong rather than the weak (Burchill, 1995b). Thus, according to Carr, while liberalism and free trade would benefit only dominant countries that attempt to impose

one-way liberalism on economically weak countries, protection would be a more suitable way to help develop economically weak countries (Burchill, 1995b, p. 70).

Liberalism, when applied to the relationship between two parties, assumes that the two parties have democratic systems and are striving for peace and harmony with common standards. However, the EU is imposing a one-way liberalism on countries like Jordan, while it protects its agricultural sector against external trade. In addition, the principles of trade between the two parties are based on EU standards rather than a common set of standards. Thus, this relationship better fits the definition of imperialism (Parenti, 1995), in which an economical power imposes its standards on an economically weaker nation to harness the outcome of that relationship for its own benefit.

1.1.5 Realism

The state is the main actor in realist theory (Roggeveen, 2001). The main concerns of this theory are security, power, and the achievement of national interests (Roggeveen, 2001). War is prevented because of the fear one power has of the other (e.g. the case of the United States and the Union of Soviet Socialist Republics [USSR]). Thus, the absence of this rivalry would induce instability in the world (Burchill, 1995b). States, within realism theory, attempt to achieve their interests while acting in an internationally competitive and anarchic system (Halliday, 2005, p. 25), and the main features of the relationships between countries are the struggle for power (Burchill, 1995b) and achieving economic and military strength. (Roggeveen, 2001). According to Jones (1995, p. 30), under realism theory, the international order is determined by the inequality of powers and the centrality of the state. In realism theory, the government uses the international economy to emphasise its powers (Frieden & Lake, 2003, p. 31). Thus, the economy serves the political will of a dominant government (Frieden & Lake, 2003, p. 32). In addition, Jones outlines that realism puts current IR within a historical context and thereby inherits the dependency of existing interconnectedness. With time and effort, this dependency makes dependents weak due to the strategies of the dominant parties (Jones, 1995, p. 32). In

realism theory, the relationship of a strong power to a weaker one provides benefits for the powerful party (Burchill, 1995, p. 70). Jordan attempts to benefit most from this relationship with the EU; yet the unequal nature of the relationship between the EU, a strong economic power, and Jordan, which is economically weak, tips the balance of interests in favour of the EU. Thus, as Roggeveen indicates (2001), protectionism might be a better way to serve the interests of the weak parties in this equation. EU partners need to resist one-way liberalism and the economic and commercial standards that the EU attempts to impose on its partners through its agreements. These agreements serve the EU's aims of opening new markets for its manufactured goods and services and securing cheaper resources in the form of raw materials.

Conclusion theoretical framework: The EU views itself as one of the most open economies committed to free trade (European Commission, 2014). Since free trade is associated with economic liberalism, the liberalist theory was expected to be inherently part of this study, while, at the same time, it remains time debatable how free EU trade is outside its borders (Wolf, 2006, p. 325).

Through the provisions of the Barcelona Process, it was clear that the rhetoric of the EU was to promote liberalism and democracy through '1) Political dialogue on a regular basis, 2) Development of economic and financial cooperation, and 3) Social and cultural dimensions' (Directorate General External Relations, 1995). However, the details of the analysis of the provision indicate that EU policy towards its Mediterranean partners fell under the sphere of realism and imperialism, rather than liberalism. The EU applied, at least, the pressure of positive conditionality to impose its political, social, and economic standards on Mediterranean partners. The EU, as a dominant actor in the process, used reward and punishment to help implement that strategy.

The EU imposed liberalism on the Mediterranean countries, while it protected its own agricultural sector and environment, thereby lowering international agricultural prices and harming the Mediterranean agricultural sector both directly and indirectly. Therefore, while theoretically—in liberal thought—free trade should ultimately lead to economic interdependence, and thus, a stable and peaceful international world (Burchill, 1995a),

doubts, however, arise as to how free and beneficial free trade actually is when the partners are not economic equals of some sort, as a weak economy may be better served by some level of aid and protection (Burchill, 1995b, p. 70). Furthermore, as mentioned in the paragraph above, a preliminary examination of the Barcelona Process gave strong indications that, at least in the wording of that agreement and in the parts of the agreement that clearly aim to protect EU agricultural interests, realist and imperialist goals are present. As a result, it seems difficult to justify liberalism as the only guiding theory in this study, since strong doubts emerged as to its applicability.

Marxism, with its emphasis on the temporality (Risse-Kappen, 1994, p. 94) of the current structures, provides a strong perspective from which to analyse the international economic structures created and intended by a liberal capitalist structure like the EU. This is particularly since the focus of this research is on the economic relations between the EU and the countries in the Southern Mediterranean, which are expected to have different domestic economic and class forces and are thus expected to have a different economic relationship with the EU than countries that are, in that respect, more similar to the EU.

Critical theory offers a valuable perspective to this study, since its transformational nature and its schism from purely positivist approaches allow for a more norm-and-value-based approach to the analysis of the different structures, processes, and agreements in place between the EU and the countries in the Southern Mediterranean. Critical theory may thus allow the exploration of how true improvements—regarding the economic situation in the Mediterranean-EU partner countries—could be made. This then could be compared with the intended and actual changes brought about by the EU agreements with the Mediterranean partners to expose discrepancies between the rhetoric and actual results. Furthermore, because EU Member States share a history of colonialism with many of their Southern Mediterranean partners, this study intends to explore to what extent current power relations are—in full or in part—a continuation of that shared colonial past and power inequality.

While Wendt's (1992) social constructivism frees us from the absolute anarchy of neorealism, at first sight, a broad practical application in this economically oriented paper does not readily present itself. It does, however, allow for the analysis of diverging constructs or meanings between the actors that exceed the limitations of an absolutely anarchic international world and may offer explanatory options. Yet, the limited data available about the actual negotiations between the parties will make any research on shared or diverging meanings challenging.

When observing the patterns in the literature in the third part of this chapter, one notices that changes in policy or instruments often appear to be informed by security considerations (Youngs, 2002, p. 97) (Del Sarto & Schumacher, 2005, p. 19). This self-help orientation may be a situation where a realist approach offers tools for explanation. From an economic perspective, policies exist that appear protectionist (Mortanari, 2007; Nsouli, 2006). This also points in the direction of a realist approach, while the use of positive conditionality and the imposition of EU standards and political models are reminiscent of an imperialist or hegemonic approach to the international world. Therefore, there is a certain extent of acceptance of realist-informed actions and positivist assumptions, like actors being goal-oriented utility maximisers who function based on rational choice. This positivist approach is in line with the later use of non-cooperative bargaining theory to clarify the power, advantages, and equality aspects of the EU-Jordanian relationship.

The Theoretical Framework set for the thesis: From an IR perspective, since free trade is associated with economic liberalism, the liberalist theory was expected to be inherently part of this research while, at the same time, it remains debatable how free EU trade is outside its borders (Wolf, 2006, p. 325).

Neo-realist theoretical approaches are employed because of their emphasis on the interstate realm, such as Waltz's (1959) third-level image of the interstate realm and relative goal maximisation, which conforms with the national, supranational, and economic orientations of this research, making neo-realism acceptable as an explanatory

model. Yet, critical theory is also expected to offer insight that does not merely accept existing structures that may be continuations of pre-existing colonialism-based power inequalities. Critical theory may also offer inroads into the possible identification of the genuine economic interests of the countries in the Southern Mediterranean as opposed to their interests as expressed by the EU. Marxism offers a valid analytical perspective for exposing economic relations that are ultimately based on protecting the interests of those in power on national or international levels.

To conclude, Carr exposed liberalism's hidden agenda of benefiting the wealthy of the world and identified power as a driving force in the international world, while pure realism would only lead to a bland international landscape.

‘... pure realism can offer nothing but a naked struggle for power which makes any kind of international society impossible’ (Carr as quoted by Schmidt, 1998, p. 221).

1.2 EC/EU-Mediterranean Relations

As early as the Treaty of Rome in late 1957, the EC granted some (former) colonies of the Member States in the Mediterranean a free trade area with the EC. The purpose of the treaty was to bring these territories economically and socially closer to the EC while treating them under the same conditions as Member States (European Economic Community, 1957). There was no comprehensive EC policy towards the Mediterranean, but a bilateral ad hoc relationship with individual countries (Carbone, 2008, p. 158; Lister, 1997, p. 89). During the 1960s, there were requests from the Southern Mediterranean countries, Tunisia and Morocco, to sign trade agreements with the EC. Until the late 1960s, preferential agreements were signed only with the North African countries Tunisia and Morocco.

On the eastern shores of the Mediterranean, the first agreement was signed between the EC and Israel in 1964. Israel was established in May 1948 and occupied a part of the

Palestinian territories. In solidarity with the Palestinians, the Arab countries implemented a full embargo on Israel. Thus, Israel resorted to developing its relationship with EC. In 1964, Israel signed its first trade agreement with EC. However, the EC depended heavily on the oil of the Middle East (ME) and North Africa. To create a balance between its relationships with Israel and the Arab countries, the EC, by the early 1970s, had signed bilateral agreements in the Maghreb with Morocco, Tunisia, Egypt, and Algeria, and in the Mashreq with Jordan, Egypt, Lebanon, and Syria (Lisser, 1997, p. 84). In the early 1970s, the EC began to develop its political framework, and with the European Political Cooperation (EPC), the EC began to develop a more comprehensive Mediterranean policy. The UK joining the EC, resulting in a widening of Mediterranean policy to include not only North African Mediterranean countries but also eastern Mediterranean countries, like Egypt, Jordan, Lebanon, Syria, Turkey, and Israel (Richard, 1998, p. 94).

With the European Council of Paris in 1972, the Global Mediterranean Policy (GMP) was initiated to replace the agreements that were signed (Cardone, 2007, p. 158). The GMP did not result in major reciprocal trade agreements, but rather, some form of financial aid and a common approach to immigrant labour (Lisser, 1997, p. 85). The policy towards the Mediterranean was brought into the spotlight again in 1981 when Greece entered the EC, and later in 1986 when Spain and Portugal joined the EC. These new EC/EU members formed a front or coalition to influence Mediterranean policy to their advantage and hinder any concession to the EC's Mediterranean policy (Cardone, 2008, p. 159).

France attempted to sub-regionalise its relationship with the Southern Mediterranean. In the early 1980s, Francois Mitterrand had the idea to create western regional cooperation. Thus, France launched limited relations between the EC Mediterranean countries (Spain, Italy, France, Malta, and Portugal) and North African Mediterranean countries (Tunisia, Libya, Morocco, Tunisia, Algeria, and Mauritania). The Regional West Mediterranean Cooperation Council was initiated in 1990 (Carbone, 2007, p. 160; Henry, 2012, p. 44). Italy criticised the project, as the country did not appreciate the lack of involvement of the EC and perceived that the strategy would mainly serve French interests. Finally, a

meeting of the EC Ministers of Foreign Affairs took place but did not result in a novel approach to the Mediterranean region (Carbone, 2007, p. 160). The 5+5 ministry of foreign affairs meeting launched in December 1990 was mainly directed towards economic cooperation, but the meeting was weakly structured and resulted in light dialogue (Carbone, 2007, p. 160). The project did not proceed far because the EC was simultaneously re-igniting the EC-Maghreb partnership, which became the EC-Mediterranean initiative. This time, Spain played a bigger role, starting with the ME Peace Process in Madrid, followed by the Barcelona Process (Henry, 2012, p. 45).

1.2.1 Barcelona Process

Several factors, both internal and external, contributed to the initiation of the Barcelona Process. In July 1987, the King of Morocco applied to include Morocco in the EC. Morocco submitted this application as a response to the enlargement of the EC to include Spain and Portugal. This enlargement would negatively influence Morocco's exports to the EC. The EC denied this request, but it nonetheless motivated France to call for Mediterranean preferential agreements. France's ties with the Maghreb countries (Tunisia, Morocco, and Algeria) were crucial to the birth of the Barcelona Process (Harrop, 2000, p. 267). Spain's role in the Barcelona Process was also significant. Since the late 1980s, the Mediterranean Policy had been one of Spain's main foreign policies, owing to Moroccan immigration to Spain. In the early 1990s, Spain sought collaboration with France and Spain on the Mediterranean Policy because of events in Algeria that alarmed the EC: a wave of violence passed Algeria after the president of Algeria stepped down in January 1992, causing the cancellation of the second round of elections. The Islamic Salvation Front (FIS), who was sure to win, felt that they were robbed of the victory. Therefore, by 1993, the FIS members resorted to violence, pushing people to consider emigrating to France (Evans & Phillips, 2007, p. 185). This influenced the 1.5 million Algerians living in France at the time. During a visit to France in 1993, Spanish King Juan Carlos urged collaboration on development policy for Latin America and

Maghreb. Spain competed successfully within the EU (the EC became the EU after the Maastricht treaty in 1992) for certain parts of the Mediterranean policy. Spain drafted the EU documents that led to the Barcelona Declaration of 1995. This is evident in the similarities between the political and security sections in the Barcelona Declaration and the clauses in the Hispano Moroccan Friendship Treaty of 1991 (Gillespie, 1996, pp. 205-207)

Another dimension to the interest of the EU in a preferential agreement with the Mediterranean countries was the desire to minimise the migratory pressure from the EU's Southern borders with the Mediterranean countries (Amin & El Kenz, 2005, p. 82). The economic difference in income between the EC population and that of its neighbours caused waves of immigration to the EC. This was welcomed during the 1950s and 1960s, since external labour was needed to develop Europe after the Second World War (Amin & El Kenz, 2005, p. 83). After the Oil Crisis in 1973, European governments were faced with increasing unemployment and often resorted to anti-immigration measures, hoping to make jobs hitherto filled by immigrants available to nationals and thereby hoping to increase voter satisfaction (Castles & Vezzoli, 2009, p. 70)

The economic recession of the early 1990s led to the erosion of the social welfare system, and high unemployment rates gave right-wing parties, which emphasised nationalistic feelings, a firmer base within the European population. The electoral campaigns of the National Front in France (NF), the Republican Party in Germany, and the Freedom Party of Austria (FPO) were mainly populist in character, and an important part of their programmes included policies aimed at foreigners. The influence of these parties impacted the immigration policies of the EU (Marfleet, 2000, pp. 266–276).

Marfleet (2000, p. 270) observed that 'fear from Islam was a stimulus for the Euro-Mediterranean initiative'. Although the fear of Islam was not the only reason for this major shift in political and economic relations between the EU and ME, Amin and El Kenz (2005, p. 82) described the Euro-Mediterranean process as a '...[d]efence agreement

that protects the EU against possible Social and political and cultural overflowing from the countries of the Southern side of the Mediterranean’.

On a different level, the EU, through the Barcelona Process, wanted to play a role in the peace process between the Palestinians and Israel. The EU position towards the Israeli-Palestinian conflict developed over the years from the mere self-determination of the Palestinians in the Venice Declaration of 1980¹ to a ‘viable Palestinian state’ in the Seville Declaration of 2002 (Directorate General External Relations, 2005).² The United States was the dominant mediator in the Palestinian-Israeli peace process, and therefore, the EU wanted to capitalise on the Oslo³ Accord to provide a counterweight to the United States (Hollis, 2006, p. 319). The EU approach was that a dialogue for peace between conflicting parties could be reached through an economic platform like the Barcelona Process. By including Israel as well as Arab countries in the Barcelona Process, the EU aimed to attain Arab acceptance of Israel (Amin & El Kenz, 2005, p. 99).

Economic factors and regional dominance formed another major incentive for the EU to initiate the Barcelona Process (Attina, 2004, p. 147). The EU wanted to assert its position in the Mediterranean region both politically and economically, and in this way, counterbalance the US sphere of influence with its North American Free Trade Agreement (NAFTA) and Japan’s dominance in East Asia.

Attina (2004, p. 147) attributes the Euro-Mediterranean initiative to the economic crisis in the 1970s, whereby Europe wanted to strengthen its global economic position by dominating the Mediterranean region and confirming its hegemony in the region. This

¹ ‘The Venice declaration of 13 June 1980 established the right to existence and to security of all States in the region, including Israel, and justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people’ (Commission, 2005).

² ‘The Seville declaration of 22 June 2002: A settlement can be achieved through negotiation, and only through negotiation. The objective is an end to the occupation and the early establishment of a democratic, viable, peaceful and sovereign State of Palestine, on the basis of the 1967 borders, if necessary with minor adjustments agreed upon by the parties. The end result should be two States living side by side within secure and recognised borders, enjoying normal relations with their neighbours. In this context, a fair solution should be found to the complex issue of Jerusalem, and a just, viable and agreed solution to the problem of the Palestinian refugees’ (Commission, 2005).

³ The Oslo Accord: The Declaration of Principles on Interim Self-Government Arrangements or Declaration of Principles was signed in 1993 between the Palestinian people and the Israelis. It was a declaration of principles whereby the Palestinian authorities would take control of the Gaza Strip and Jericho within two months of the declaration, while the final resolution was not specified and left to negotiations (Shlaim, 2005, p. 246).

was done on both political and economic levels. The policy resulting from that period developed relations with Mediterranean countries that were based on ‘asymmetric economic power’ between the two parties. In addition, regional competition between the three blocs in the world—NAFTA, the EU, and East Asia—played a role. Miller and Mishrif (2005, p. 97) believe that this competition pushed each bloc to attempt to strengthen its economic position by increasing its economic influence in the regions around it in two ways: through ‘economic influence and partnership’ (Miller & Mishrif, 2005, p. 97).

At the conclusion of the Barcelona Conference in 1995, the EU and Mediterranean countries came up with a working programme for their association. The Barcelona Process was more comprehensive and covered more than 40 domains (Philipart, 2003, p. 203). It took the form of cooperation at three levels (Directorate General External Relations, 1995): 1) Political and security cooperation: The EU declared via the Directorate General External Relations (1995) that the Barcelona Process established a Euro-Mediterranean Partnership (EMP) whereby peace and prosperity would be spread among the signatory states. At this level, peace in the region would be promoted first through regular dialogue between signatories, while adhering to international laws (Directorate General External Relations, 1995); 2) Financial and economic cooperation: The goal of this cooperation was to achieve a shared area of prosperity, but given the economic disparities between the two parties in the AAs, the long-term objectives were aimed at socio-economic development, improved standards of living for the populations in the participant countries, and encouragement of regional integration (Directorate General External Relations, 1995); and 3) Social and cultural cooperation: The aim of this level of the agreement was to increase understanding and tolerance among the different cultures comprising the Mediterranean, to bring people closer (Directorate General External Relations, 1995).

1.2.2 The ENP

EU security issues were linked directly to the stability of its neighbours and how the EU could address these stability issues (Calabrese, 1997, p. 86). A series of events from 1995 (Barcelona Process) to 2003 changed the internal dynamics of the EU and its priorities. The 9/11 event in the United States brought forward global security priorities, and the focus shifted towards fighting fundamentalism. The Palestinian-Israeli peace process collapsed, and the invasion of Iraq escalated violence in the region. In addition, eastern enlargement of the EU brought neighbouring members into the EU. The security of the EU became the main driver for the ENP. The EU offered Southern Mediterranean countries the ENP as an alternative to enlargement, and it was simultaneously a mechanism to allow the EU to promote its policies (Del Sarto and Schumacher 2005, p. 18).

The ENP was a British initiative that started in 2002, but the initial focus was on relations with Eastern European countries. The British initiative did not consider the Mediterranean neighbours as part of this initiative. When the initiative was presented to the Copenhagen European Council, the council approved it on the condition that it also included the Southern Mediterranean countries (Smith, 2005, p. 759). In May 2004, the ENP—as it is known today—was launched by the commission. The participating countries and the name of the ENP changed multiple times; it covers 16 of the EU's closest Southern neighbours: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia, and Ukraine.

The EU had offered the ENP as an alternative to enlargement, and the concept of a wider Europe was introduced. In this way, instead of membership, the ENP partner countries were given access to the EU market as an incentive. Prince El Hassan Bin Talal (2007) proposed that EU policy re-enforced the division between rich and poor when he stated, '...the European Neighbourhood Policy for the poor contrasts with the EU's Gulf Cooperation Council dialogue for the rich'.

Although the Commission confirmed that the ENP did not replace the EMP, but complemented it, the ENP was still designed to address political issues directly and explicitly and offer rewards to partners who delivered more results in terms of political and economic reforms, based on EU norms and standards, whereas the EMP addressed the socio-economic aspects of EU-Mediterranean relations (Del Sarto & Schumacher, 2011, p. 933).

1.2.3 Union for the Mediterranean

Officially, the UfM was born in July 2008, during the Paris Summit, when the heads of state of 43 countries signed an agreement to bring it into existence. It was ratified at a Conference of Ministers in Marseille in November 2008. The French idea of the UfM departs from the bilateralism of the ENP, since this approach did not solve the security issue of the south, instead concentrating on major non-controversial projects and separating them from controversial politics (Gillespie, 2011, p. 1207). The UfM included more countries from the South, like Libya and Mauritania, and more Balkan countries, thereby rendering the union more comprehensive (Gillespie & Bicchi, 2012, p. 167). The UfM's conception began in February 2007, when former French President Nicolas Sarkozy, during his electoral campaign, called for what he named a 'Mediterranean Union'. The initial idea was that the Mediterranean Union would be a union around the Mediterranean similar to the EU.

'The time has come to build a Mediterranean Union that will be the bridge between Europe and Africa' (Sarkozy International Herald Tribune, 10 May 2007).

The proposal was based on membership for all countries in the Mediterranean basin, with Turkey playing a major role in the union, instead of having EU membership. There was no direct connection between the proposed Mediterranean Union and the current Barcelona Process or the ENP (Carbone, 2008). Very soon after, in the year that followed,

and because of negotiations between France and other EU members, especially Germany, the Mediterranean Union was renamed the ‘Barcelona Process: Union for the Mediterranean’ (Gillespie, 2008, p. 277). The main argument from Germany was that the proposed Mediterranean Union would jeopardise the integration of the EU as well as existing relations with Mediterranean countries, and therefore the Barcelona Process was an attempt to bring the two initiatives under one banner.

France’s motivation behind the Mediterranean Union was multi-fold. Since the 1950s, France had believed in the ‘French Union’ concept, stretching from Paris to Congo. North Africa, especially Algeria, was a crucial element in this plan. This union would restore France’s ‘great power’ (Evans, 2011, p. 130). France wanted to give Turkey an alternative by offering it a key role in the Mediterranean Union (Balfour & Schmid, 2008, p. 279).

Like the Barcelona process, the non-EU Mediterranean countries were only recipients of the EU decision on the genesis of the new process under the banner of the UfM. All negotiations—those for what the UfM should achieve and by which policies—were intra-EU negotiations. Once the rivalry issue had been resolved between France and Germany, the non-EU countries were advised of the next steps (Gillespie, 2008, p. 278).

Nevertheless, several countries, like Algeria, Tunisia, and Morocco, supported the UfM idea, since they felt that the ENP was not in their favour, and the new process would bring a parity in their relations with France which had been beset by their colonial history (Carbone, 2008). The proposals outlined by the French president aimed to address at least one of the criticisms expressed by Mediterranean partner countries over the years by proposing new institutional structures based on a degree of parity in North-South representation. (Gillespie, 2008, p. 278).

The UfM identified six priority projects that were at the heart of the partnership’s efforts, including: 1) de-pollution of the Mediterranean Sea; 2) the establishment of maritime and land highways; 3) civil protection initiatives to combat natural and human-made disasters; 4) a Mediterranean solar energy plan; 5) the inauguration of a Euro-Mediterranean University in Slovenia; and 6) a Mediterranean Business Development Initiative focusing on micro, small, and medium-sized enterprises (European Commission, 2010b).

1.3 Literature Review

The purpose of this literature review is to identify trends and omissions in subject matter, opinions, and root causes. An inventory was made of the articles, books, and reports written about the instruments and the relations between the EU and its neighbours in the Southern Mediterranean: the Barcelona Process, the European Neighbourhood Policy, and the UfM. There is an emphasis on literature with an economic angle, since that is the main focus of this research. A selection of the literature published between 1995 and 2015 is covered.

To see at a glance which topics were discussed in a certain period, I identified nine different main topics and coloured them differently to easily distinguish the trends, as shown in Table 1.1.

The literature is set in chronological order. Table 1.2 below shows that the period from 1995 to roughly 2002 is characterized by subject matter pertaining to a lack of social and cultural dimensions in the agreement and planning, and a less than expected spill over from the economic realm to other fields. As of 2002, security and stability—as well as slow economic integration—became central issues. In 2007 and the following years, EU internal division, power asymmetry, an alleged lack of civilian power—or lack of the will to use it internationally—and eurocentrism were the main topics. Naturally, the main topics and periods coincide with major events like 9/11 and the 2004 enlargements as well as the shifts from one EU instrument to the next. The different articles will be discussed below the table, grouped by period.

Table 1.1. Nine topics and colour coding

Legend for colour coding	
Synergy/spill over	Power asymmetry
Internal security	No use of civilian power/credibility

Lack of/bad planning	Lack of social or cultural dimension
EU internal division	Partner/region internal issues
Eurocentric/Euro self-interest	

Table 1.2. Articles, reports or books about the EU instruments in the Southern neighbourhood, chronologically ordered

Year	Author	Opinion	Cause
1998	Edis, R.	-The process is ambitious. -There are positive feelings towards the process. -Changes may be painful to some countries.	-Major economic and political changes for Mediterranean partners
1999	Youngs, R.	Cooperation is bigger than trust, but progress lags.	-False assumption that the economic, political and social aspects will reinforce each other Solution: Prioritize
2002	Gillespie, R.	-Lack of cultural planning -Cause stagnation because of a collapse in peace process	-False reasoning: Economic liberalization will lead to political liberalization
2002	Manners, I.	-EU is the normative power	-EU is the unique entity and being normative is an inevitable result of what it is.
2002	Youngs, R.	-Democracy promotion became less of a priority because	-External democracy promotion less important than internal

		<p>increased Islamist influence was feared because of liberalization.</p> <p>-EU lost credibility, when no economic pressure was exercised on Israel</p>	<p>security</p>
2003	Gillespie, R.	-More focus on social and cultural planning	<p>-Risk that new security concerns might prevail</p>
2004	Attina, F.	-Reserved positive opinion on Barcelona Process become negative	<p>-Failing of the process leads to a negative attitude</p> <p>-Ambitious project, and the EU learns as it goes</p>
2005	Del Sarto and Schumacher	-ENP failed	<p>-Changing international security policies</p>
2006	Nsouli, S.M.	<p>-Generally improved relationships</p> <p>-Improved macro-economic stability</p> <p>-Slightly improved social indicators</p> <p>-Declining per capita GDP in partner countries.</p> <p>-High youth unemployment rates cannot keep up with population growth</p> <p>-Little progress in internal reforms</p>	<p>-Long transition period, so results, if any, are late</p> <p>-Limited economic integration</p> <p>-No trade liberalization schedule for agriculture</p> <p>-Conflicts in the region affect economic stability</p>

2007	Mortanari, M.	-Barcelona process did not succeed in boosting Euro-Med bilateral trade	-Low financial support for partners. -High agricultural protectionism -Long transition period Solution: Two level EU interests, North-south and Industrial-agricultural
2008	Gillespie, R.	-ENP made relations more positive -Barcelona goals were elusive	-UfM based on French efforts not on ENP evaluation -Result of asymmetric economic relations: Only partners were informed
2010	Bechev, F.	-Eurocentric -Partner ownership debatable because of conditionality	-Result of power asymmetry. Solution: Decentralized polity
2011	Gillespie, R.	-There were no synergy between the political, social and economic aspects.	-UfM coloured by French ambition
2011	Del Sarto, Schumacher	-Few EMP few results -Different approach by ENP (positive conditionality)	-Partners not committed to democratization -EU does not use negative conditionality -EU prefers political stability over democracy
2011	Cardwell, P.J.	-Partnership versus projecting own values	-Euromed layers of governance and a weak partner

		-EU goals seem inconsistent	-EU goals are self-serving
2011	Bicchi, F.	-EU went from regionalism to bilateralism in ENP -Relation is soft hegemony with no partnership -UfM is more bilateral (outcome minority initiative)	-Security concerns -EU goals may be better served with bilateral and positive conditionality
2012	Yildiz, U.B.	-UfM has failed	-Regional conflicts -Mistrust -No active role for the EU in conflict resolution Solution: Active role in conflict resolution -Political inclusion in partner countries
2012	Abu Dalboush, W.	-EU lack influence on Mediterranean countries with regard to democracy promotion	-Inability to challenge the United States on the Israeli-Palestinian issue
2012	Tobias, A.	-Action plans for partners to reform, not for EU to adapt	-Failure of EU to give partners concessions to enter the market -Internal north-south conflict
2012	Teti, A	-EU reaction to Arab Spring: EU repeats earlier mistake of democratization in the region	Weak EU leadership caused by a lack of strategy
2013	Gillespie, R.	-UfM parameter set by EU	-Eurocentric

a		-No enhanced regional identification since ENP	-Did not manage partner diversity -Differing geopolitical motives
2013b	Gillespie, R.	-EU reaction on Arab spring was cool	- Weak EU leadership > lack of strategy
2015	Celata & Coletti	-ENP is important for EU's geopolitical goals	-Guarantee of security and stability -New neighbours > new dividing lines -Strengthening ties with new neighbours
2015	Ion, G.	Enhanced regional cooperation in South Mediterranean failed	-Internal dynamics between Arab states -EU went from regionalism to bilateral cooperation
2015	Kallioras, D. & Pinna, A.	-ENP was launched because new neighbours in the south (and the east) contain crucial energy suppliers and emerging markets	- EU trade and energy interests inspired ENP

1.3.1 Literature review on the Barcelona Process and EMP

Between 1998 and 2002, in the initial years of the Barcelona process, authors remarked that the expected spill over or synergy from economic liberalisation to the social and cultural fields did not take place (Youngs, 1999. Gillespie, 2002). At this point, the terms used, such as 'progress lags behind', were carefully chosen, and causes were found in the Eurocentric approach from a social-cultural perspective. Attina (2004, p. 140 - 152) remarked that a careful positive attitude quickly changed to a more negative outlook when the Barcelona Process appeared to be failing. From a liberal perspective,

improvements in the economic field were expected to be followed by liberalisation in the social and political fields. Social and political liberalisation had not thus far appeared to follow economic liberalisation; yet this seems an early point in the process to generalise this conclusion as being applicable to all Southern Mediterranean partners. Some partners, like Jordan, were not even a part of the process yet.

Furthermore, for economic liberalization to affect other areas, there must be economic liberalization or at least some tangible progress in that field to begin with. The previous section, where the agreement with Jordan was discussed, noted that the AA with Jordan had scheduled a transition to the full abolition of tariffs for purely industrial products over a period of twelve years. Hence, at least at this point in the process, it was difficult to assess whether the dogma that economic liberalization would necessarily be followed by liberalization in other fields proved to be valid or invalid.

Lack of cultural planning and the collapse of the Palestinian-Israeli peace process were seen as potential causes for the stagnation of the process (Gillespie, 2002). For agricultural products, there is little hope that tariffs will be abolished in the foreseeable future, since no schedule for tariff abolition is present in the Barcelona Process, and tariff abolition for industrial products will take up to twelve years. This may also influence the way the partners look at the agreement and cooperation, where there seem to be few easy wins in the short term for the Mediterranean partners.

1.3.2 Literature review on ENP

Between 2002 and 2007, there was a shift in focus towards the EU's increased internal security concerns (Youngs, 2002; Gillespie, 2003; Del Sarto, 2005; Salah, 2006) while the mechanism of cooperation was changed to the ENP, also offering the Southern Mediterranean neighbours an alternative to EU membership. This shift to security can be attributed to the increased global and EU internal security concerns at the time following

the 9/11 event, the collapse of the Israeli-Palestinian peace process, the invasion of Iraq, and the Algerian crisis (Del Sarto & Schumacher, 2005, p. 18). The global and EU internal security concerns appeared to reflect on the EU policies towards their Southern neighbours. In this respect, Youngs (2002) notes a lack of persistence when it comes to democracy promotion in the Southern area. In his view, the EU showed a preference for stability rather than liberalization, since liberalization may ultimately lead to further Islamization and, from the perspective of the EU, destabilization of the region. According to Youngs, the EU pursues a desire for stability, fed by internal security concerns, rather than democracy promotion in the Southern Mediterranean region. Nsouli (2006) noted that the results of the economic cooperation between the EU and the Southern Mediterranean partners were limited. Among the causes that he identified were the absence of a schedule for the implementation of the agricultural integration and the generally limited economic cooperation, in addition to the lack of spillover and synergy between economic, social, and political liberalization mentioned (Youngs, 1999. Gillespie, 2002) in the previous paragraph.

Mortanari (2007), after having noted that the Barcelona Process did not bring about a boost in trade between the EU and the Southern partners, like Nsouli (2006), identifies a long transitional period among the causes. He furthermore sees the EU's internal division of interests between the industrial North and the agricultural South as the main cause for the lack of financial aid to the Southern Mediterranean partners and the protection of the agricultural interests of the countries in the Southern part of the EU.

While Mortanari may have partly answered the question of why economic cooperation was limited, the question remains regarding what goals and intentions the EU may then have had, in view of possibly limited intentions in the field of economic cooperation. Conversely, what then were the goals and expectations of the Mediterranean partners and what was their input and influence during the process, the implementation, and the negotiations?

This also raises the following question: if economic liberalization was the core of the cooperation that would create the momentum to bring change to other fields, why was economic cooperation limited (Nsouli, 2006), and how limited were the results for the partners? At the same time, though, should the criticism be moderated somewhat since economic liberalization was on a slow schedule for industry and on no schedule for agriculture? Bearing in mind the level of industrial development of the partner countries, how much economic liberalization and improvement could realistically be expected in the partner countries in the short and medium term?

At this point, the concept of ‘normative power Europe’ introduced by Manners (2002) becomes relevant. Norm diffusion in general and diffusion of democratic values specifically are part of the normative power proposed by Manners (2002, p. 243). He argues that the EU is characterized by the centrality of respect for human rights, rule of law, democracy, and social justice. The EU’s international identity is further determined by the norms that define the relations between member states within the EU and the relations between the EU and third countries—the same norms that define the EU’s international and developmental policies. Manners (2002, pp. 241-242) concludes that the EU is thus normatively different from other polities. Manners continues with the argument that the EU not only acts like a normative power; it is a normative power at the core of its being (Manners, 2002, pp. 252). While Youngs considers it possible that the EU had the real intent to promote democracy and wanted to be a genuine power for good, the concept of normative power as an exclusive explanatory model does not coincide with Youngs’ (2002, p. 97) conclusion that the EU’s fear of further Islamization of the Southern Mediterranean region was related to the lack of progress in the field of political reform. Gillespie (2002) fears, in the same vein, that the social agenda of the Barcelona Process, although much improved, will be at risk of being secondary to the Union’s security concerns. Del Sarto and Schumacher (2005, p. 19) also attribute the EU’s shift in the ENP to a more conditional bilateral relationship with the Southern Mediterranean partners to the changed security considerations both globally and internal to the EU.

When examining the EU's policy changes in the years following 9/11 and the corresponding literature, a shift towards a more controlled bilateral relationship with individual partners, instead of the previously more regional and region-building approach, is noted, together with the desire to pursue stability rather than normative goals in the field of democratic values or implementations. The policy shifts appear to have been caused by EU internal security concerns, which were in turn created by increased external global security and migration concerns. The policy shift was thus informed by security concerns in the international realm, the interstate anarchy, either in the sense of a constructed anarchy in the spirit of Wendt (1992, p. 394) or in the sense of the more absolute interstate anarchy as proposed by Waltz (2010, p. 91-93). The fact that the EU actively changed relations with its partners to more controlled relations—preferring stability over its own normative core goals of political liberalization and democratic values—may be an expression of self-help in an increasingly hostile international world. That is not to say that a degree of normative intent or action was by definition not present, only that the changing policy behaviour was most likely based, more than anything else, on reasons of self-help in an international world that was perceived as increasingly hostile. As previously noted, in this period, shifts in EU policy and the very core of the relations with the partners in the Southern Mediterranean were observed.

1.3.3 Literature review on UfM

As of 2007, the literature began to focus on the UfM and its inception. In addition to the instruments governing the relations between the EU and the partners in the Southern Mediterranean, the literature begins to revolve around EU internal issues resonating again on the changing focus of the cooperation. The cooperation shifts from issues of security to environmental issues of a different nature that were considered less controversial (Gillespie, 2011, p. 1207): for example, depollution of the Mediterranean Sea, establishment of sea and land highways, Mediterranean solar energy, and civil protection against disasters.

Regarding the goals of prosperity, security, and political reform that were set in the Barcelona Process, Gillespie (2008, p. 277) remarks that these goals were 'elusive'. This may be an indication that the process achieved little in this field. Gillespie, however, feels that the process did improve the relations between the EU and the Partners. At the same time, he concludes that the new process, the UfM, was largely the result of EU foreign policy efforts, and the partners in the Southern Mediterranean were informed rather than consulted in the matter. The UfM was the result of the power asymmetry between the EU and the Mediterranean partners, according to Gillespie (2008, p. 278). Bechev (2010, p. 480) also takes note of power asymmetry and attributes the limited ownership of the Mediterranean partners and eurocentrism to this asymmetry. In his 2011 article titled 'The Union for the Mediterranean: An Intergovernmentalist Challenge for the EU', Gillespie (2011) concludes that the UfM was a challenged project from the start because it was built on the contested 'inter-governmental' compromise between France, which on one hand wanted a new process outside the framework of the EU, and Germany, which was, on the other hand, insistent that the process should be integrated into the EU structure. Furthermore, the previous shift of instruments, from the EMP to the ENP and from multilateralism to unilateralism, was the result of the EMP's failure more than anything else (Gillespie, 2011, p. 1206). Del Sarto and Schumacher (2005) also mention the limited results of the EMP, especially in the field of political reform and the shift from multilateralism to bilateralism in the ENP. They see the addition of positive conditionality in the ENP as a potentially promising development. However, they point out that advancements in the field of political reform may also be limited in the ENP, since the EU may prefer national and regional stability in the Southern Mediterranean over political reform and democratization. Cardwell (2011, p. 236) makes an important observation when he states that, although the EU's different layers of instruments and changing approaches may seem incoherent, the limited input of the Mediterranean partners combined with the EU's core governance system allows the EU to pursue its own goals. That observation is in line with the findings of the previous paragraph, in which instruments and policies appeared to change based on varying EU concerns and interests rather than those of the Mediterranean partners. In this paragraph, a similar pattern is

observed. Authors like Gillespie (2008), Bechev (2010), and Cardwell (2011) are of the opinion that the UfM was mostly the result of power asymmetry and EU internal issues, while the role of the partners was reduced to being ‘informed’. While Bicchi acknowledges the lack of true partnership, she adds that the shift to bilateral positive conditionality that started in the ENP and continued in the UfM may serve the EU’s security concerns better (Bicchi, 20011, p. 16). The EU’s lack of participation in the resolution of local conflicts as well as the EU’s limited efforts to assist in creating political reform and stability in the partner countries is, according to Yildiz (2012, p. 117, 144), among the causes for the limited success of the UfM. Also, Abu Dalbough (2012) points out the EU’s limited application of civilian power. He identifies the EU’s inability to confront the United States with regard to the Israeli-Palestinian conflict as a cause for the EU’s lack of credibility and influence when trying to promote democratization in the Southern Mediterranean partner countries. Tobias (2012, p. 200-201) views the limited progress in the field of political reform in the Southern Mediterranean partner countries as a result of the EU’s inability to offer their partners concessions to access the market. This decreased the importance and influence of the EU in the region. This lack of concessions, he argues, is the result of power asymmetry that led to situations in which action plans for reform only existed for the partner countries, while no plans whatsoever existed for reforms in the EU. Tobias’ observations not only offer explanatory value for the diminishing EU influence in the region but may also give an indication of a strong degree of one-sidedness in the EU process in the Southern Mediterranean. The question of how the agreements and instruments came into being in this form becomes, in this light, inevitable.

Gillespie (2013b) draws attention to the fact that the EU did offer co-ownership in the UfM. Gillespie also notes, however, that the increased number of partners and their differences made it more difficult to bridge these differences, while the divergences at the same time led to the formation of subgroups among the partners (Gillespie, 2013b, p. 178, 186). In another article from the same year, Gillespie (2013a) notes that the EU reacted to the Arab spring with the ENP and that such a reaction was less than expected by the

countries in the Southern Mediterranean. According to Gillespie, this flawed reaction was caused by weak leadership and the resulting lack of an EU strategy (Gillespie, 2013a p. 121-122). Del Sarto and Schumacher had already brought forward in their article (2011, p. 984) that the EU appeared to prefer regional stability over political reform. This EU preference for stability may very well be a plausible explanation for the EU's less enthusiastic reaction to the Arab Spring mentioned by Gillespie (2013a). Also, the EU's delay in reacting was a measure of how it had underestimated the pressure for change or ignored it in the interest of security and stability. Teti (2012, p. 266) highlighted the policy set by the EU as a reaction to the Arab Spring, and in setting the Partnership for Democracy and Shared Prosperity (PfDSP), it repeated its earlier mistakes in democratization promotion in the region. The discussion in that article suggests that there was no substantial break from the EU prior to the Arab Spring policy on democracy and liberalization promotion, but that it is a mere variation to the same rhetoric (Teti, 2012, p. 279-280) and focused only on civil and political rights within the narrow definition of democracy, which depended mainly on procedural criteria that focused on elections and political rights over social and economic factors. The EU position through PfDSP perpetuated its poor reputation on democracy promotion in the region (Teti, 2012, 266)

Celata and Coletti also conclude that the EU's main focus after the 2004 enlargement was security and stability at its new borders and that this security focus led to the ENP as an instrument for building relationships of strategic relevance. Gabriela Ion (2015, p. 496) concludes that the EU's efforts towards region building in the Southern Mediterranean and the efforts to build cooperation between the Southern Mediterranean region and the EU were not successful because of the ENP's shift to bilateralism and the dynamics between the Arab states themselves.

As a conclusion to the literature review on EMP, ENP, and UfM, we can state that while Youngs (1999) and Gillespie (2002) noted that economic liberalisation was not followed by liberalisation in other fields, the intermediate conclusion had to be that, at that point in

time, several partner countries were not yet part of the EuroMed process and that, as a result, not much economic liberalisation or integration could be expected for the partner countries in general. Therefore, fixed conclusions regarding the success or failure of multi-field liberalisations initiated by economic liberalisation were difficult to come to. When the continuation of the various iterations of EU instruments in the Southern Mediterranean is observed, an intriguing picture emerges. The economic interests of the Southern EU Member States hindered swift and optimal economic integration with the Southern Mediterranean partners. In this respect, Tobias (2012) mentions the lack of concessions made by the EU to facilitate market entry, while Mortanari (2007) notes the same protection and adds to that the lack of financial aid given to the partners and the long transition period. Also, Nsouli (2006) took note of the long transition period and views it together with the limited economic integration and the absence of a trade liberalisation schedule for agriculture as reasons for the failure of the ENP to boost trade between the EU and the Southern Mediterranean partners.

Assuming that few tangible economic improvements were made in the different processes, and assuming that, as the literature suggests, little was offered to the partners with regard to incentives and concrete integration schedules to begin with, why would the Southern Mediterranean partners embark on such a process, especially when they were aware that that process was labelled as one in which economic aspects were at the core? Conversely, if genuine economic integration with the Southern Mediterranean partners was intended by the EU, why did the EU not attempt to facilitate this integration more? Since the economic integration and liberalization regarding the different EU processes in the Southern Mediterranean alone leads to many questions, the notion of economic liberalization leading to political and social liberalization will be abandoned for the purposes of this research.

Manners (2002) views the EU as a construct that—because of its history, policies, behaviour, and overall existence—must be a normative power, a power that spreads EU core values like respect for the rule of law and democratization. Interestingly, Youngs (2002) observes that EU efforts in the field of democratization and political liberalization

lessened. He concludes that the EU considered liberalization unfavourable in a political climate with Islamists. The EU thus preferred stability over liberalization. In addition, Del Sarto and Schumacher (2011) note the EU's tendency to let stability prevail over democratization. Bicchi (2011) concludes that the EU's shift to bilateral relations and positive conditionality with regard to the Southern Mediterranean partners was informed by the EU's security concerns, and the conclusion of Celata and Coletti (2011)—that the ENP is the response to the EU's security concerns after it was confronted with new borders—shows the importance of security concerns to the EU. In this case, the instruments and modes of cooperation were arguably changed because of security concerns. Celatta and Coletti (2011) proceed to conclude that the main reason for the establishment of the ENP was the fact that the Southern Mediterranean contained energy suppliers and emerging markets crucial to the EU.

The image emerging mostly from the literature is that of the EU as a polity that changes policies, instruments, and modes of cooperation at least partly based on security concerns external to the EU. Whether this should lead to the conclusion that the nation states gathered in the EU—as well as the EU—have an exclusive view of the international world as an anarchy is questionable. The literature does suggest, however, that important major decisions by the EU were informed by security concerns. Therefore, the perspective of the EU as an entity that is reactive or proactive with regard to security concerns is legitimate and useful as an explanatory model for the purpose of this paper. In addition, a stable energy supply and the wish to enter new emerging markets were mentioned as possible intended economic gains (Kallioras & Pinna, 2015, p. 61). In view of the previous statements, the question arises as to what extent security concerns and/or economic interests motivated the different EU-Southern Mediterranean processes and to what extent these concerns influenced the policies and content of the agreements.

Gillespie (2008) gives an illustrative and near-symbolic example of power asymmetry when he mentions that the Southern Mediterranean partners were merely informed about the changes brought about by the UfM. Bechev (2010) considers power asymmetry to be the main reason for the lack of ownership arguably present in the UfM project, while

Cardwell's (2011) findings suggest that the imposition of EU values on their partners is the result of the relative weakness of the EU partners. Gillespie (2013b) and Tobias (2012) both consider power asymmetry the cause of the Eurocentric approach to the action plans. At the same time, Youngs (2002), Yildiz (2012), and Abu Dalbough (2012) notice the EU's reluctance to use civilian power to assist in conflict resolution regarding Israel. The literature suggests that the presence of a degree of eurocentrism in the instruments and their execution is the result of the power asymmetry between the EU and the Southern Mediterranean partners. If this argued power asymmetry is unlikely to lead to the most favourable conditions and outcomes in an agreement, the question of why the Southern Mediterranean partners decided to become part of the different EU processes in the region begs for an answer.

1.4 Analysis of The Barcelona Process within the Theoretical Framework

At the conclusion of the Barcelona Conference in 1995, the EU and Mediterranean countries came up with a working programme for their association. It took the form of cooperation in three principal areas mirrored in the AAs with various Mediterranean countries. The Declaration of Barcelona in 1995 was formulated around this cooperation in these main areas (EEAS, Barcelona Declaration, 1995), quoted as follows:

1) Political & security partnership: Establishing a common area of peace & stability, 2) Economic & financial partnership: Creating an area of shared prosperity and 3) Partnership in social, cultural and Human affairs: Developing human resources, promoting understanding between cultures & exchanges between civil societies.

Thus, the Barcelona Process was more than a trade agreement; it was a comprehensive process that covered more than 40 domains (Philipart, 2003, p. 203).

If we view the three pillars of the agreement from a liberalist point of view, we may see that the EU is trying to link economic development and democracy with peace.

Liberalism underlines that the cures for war are democracy and free trade. Free trade

helps create a larger community by eliminating the barriers between community subsectors. Democracy minimises the power of the ruling class, which might want to use that power to serve its own interests (Burchill, 1995a).

Neorealism will point out that though peace and prosperity is the rhetoric of liberalism, the mechanisms and tools used in the EU interference with the internal political and economic structure of its partners intended to emphasize EU dominance over its partners to address its internal migration pressure and securities issues. Marxism can complement that view by underlining that the principles of trade between the two parties are based on EU standards rather than a common set of standards, in which an economic power imposes its standards on an economically weaker nation to harness the outcome of that relationship for its own benefit (Parenti, 1995).

The partnership terms (Directorate General External Relations, 1995) established by the EU were defined in the following three levels of the agreements. The first areas were related to political and security terms. At this level, peace in the region would be promoted first through regular dialogue between signatories, while adhering to international laws. Cooperation among the signatories was based on several principles: respect for human rights, internal promotion of good governance and democratic systems, respect for pluralism, respect for sovereign equality, non-intervention by the EU in internal affairs, combatting terrorism, sharing information, and fighting organised crime. Signatory states would pay special attention to promoting security through nuclear, chemical, and biological non-proliferation efforts, limiting armaments to defence requirements and avoiding the accumulation of weapons to achieve a zone free of weapons of mass destruction. The final goal of cooperation in the field of security was to create a Euro-Mediterranean Pact (Directorate General External Relations, 1995). We can review the political aspects of the Barcelona agreement from multiple points of view. First, the political aspect of Euro-Mediterranean relations has its roots in the Common Foreign and Security Policy (CFSP) that the EU wanted to develop (Miller &

Mishrif, 2005, p. 95). These security concerns surfaced during a council meeting in 1994 prior to the launch of the Barcelona Process.

The EU concern relates to the EU's own security, which is threatened by mass migration that the unstable neighbouring countries have caused. This immigration, besides threatening the national identity of the EU, also brings the conflicts of other nations from outside the EU into the EU. This is, within neo-realism, a pivoting point for the state. These concerns started at the beginning of the 1990s and came from the entire region. It started in Algeria when the FIS won the 1992 elections and violence resulted in the cancellation of the election result (Evans & Phillips, 2007, p. 170). By January 1992, the president of Algeria stepped down, causing the cancellation of the second round of elections, and the FIS resorted to violence because they felt they had been robbed of sure victory. The violence pushed people to consider immigrating to France (Evans & Phillips, 2007, p. 185). This influenced the 1.5 million Algerians living in France at the time. The concerns continued with the Gulf wars and the invasion of Kuwait by Iraq in the early 1990s, as well as the ongoing Palestinian-Israeli conflict (Moss, 2000, p. 47). All these events pushed the EU to review its strategy, resulting in the political provisions in the EU-Mediterranean relationship.

At a second level, one can see the EU's attempts at promoting peace in the region through dialogue, especially among the two parties of the Palestinian-Israeli conflict. At a third level, the EU/EC intended to promote human rights and democracy as a method of influencing the internal political system of the participants. Pace, Seeberg, and Cavarort (2005) allude to the logic behind the EU interconnectivity between economic prosperity and democratisation, which brings us back to liberalism, in which the EU's point of view was that economic prosperity automatically leads to democratisation, and on that basis, the EU signed a series of AAs with MENA countries. However, Pace, Seeberg, and Cavarort (2005) raise the idea that an increase in prosperity does not necessarily lead to democratisation, especially since the EU's approach was lacking in both policy and agreements addressing a long-term vision on democratisation in the MENA region (Pace, Seeberg, & Cavarort, 2005, p. 11).

The second of the three areas were the Economic and Financial Partnership for Shared Prosperity. The goal of this cooperation was to achieve a shared area of prosperity, but given the economic disparities between the two parties in the AAs, the long-term objectives were aimed at socio-economic development, improved standards of living for the populations in the participant countries, and encouragement of regional integration. To reach these long-term goals, the signatory states should follow three steps: first, establish a free trade area between signatory states; second, cooperate and coordinate efforts to develop common areas of interest; and third, increase financial aid from the EU to its partners.

The free trade area should have been realised by 2010, and done so according to the World Trade Organization's (WTO) principles of gradually eliminating tariffs and trade barriers. Trade would be divided into three categories: first, trade in manufactured goods, in which there was a set timetable for tariff elimination; second, trade in agricultural goods, which would be dealt with through liberalisation of the markets of the parties, considering the different EU agricultural policies; and third, free trade of services, including the right of establishment, which would be implemented in the respective markets based on the General Agreement on Trade in Services. As a precondition to the establishment of the free trade area, the participants had to adhere to EU regulations concerning country of origin determination and ensure proper application of intellectual property and copyright regulations.

To analyse this goal, we can refer to Hix (2005, p. 379), who argues that the EU effort to develop its external policies went hand in hand with the development of its internal policies. The EU's external policy is based on the Common External Tariff and Common Commercial Policy (CCP) and emanates from the necessity to preserve and support its internal coherence and interests (Peterson & Bomber, 1999, p. 91). The EU's main concerns in the field of its external trade were the key areas of energy and raw materials. Thus, the EU concentrated its external relations on ex-colonies of EU members, which were rich in these resources (Harrop, 2000, p. 261). Therefore, from its inception, the policy was selective in its range of countries and materials.

However, because the CCP overlaps with other internal EU policies, especially the Common Agricultural Policy, the EU was not following the principles of liberalism (Harrop, 2000, p. 261), more those of neo-realism and Marxism. Thus, the EU still has in place several protectionist policies, as follows: 1. Common external tariffs by which the EU applies one tariff on goods entering the EU, the highest being on agricultural products at approximately 18%, and the lowest, and the lowest 0% on some manufactured goods; 2. anti-dumping measures by which the commission can impose a tariff if the EU deems it a necessary measure to protect domestic producers; 3. import quotas, in which national quotas are replaced by EU quotas on imports, mainly of agricultural products, textiles, and iron and steel; and 4. voluntary export restraints, a measure that usually follows political pressure by importers or to protect the interests of exporters or importers on the account of the consumers of importing countries (Hix, 2005). Peterson and Bomberg (1999, p. 95) best describe the trade policy of the EU as ‘schizophrenic’: on one hand, the EU pushes for liberalisation, but on the other hand, it promotes protectionism for certain agricultural products to serve certain classes within the EU. This phenomenon certainly surfaces with highly politicised trade policies; in particular, France would join Italy, Spain, and Portugal to block any decisions for the liberalisation of agricultural markets. Despite the EU’s protectionist policy, Tsoukalis (1997, p. 237) argues for the ‘international liberalisation’ of trade worldwide to the EU. However, did the EU not steer world trade in the direction of its own interests? Here, the role that the EU played in the WTO is significant. The EU, when negotiating in the different multinational rounds of global trade liberalisation, negotiates as a bloc with significant trade weight and thus is more influential in the decision-making process. Tsoukalis explains that during the Uruguay and Doha rounds, the EU was aware that it would lose ground on some of its protectionist policies, especially in the field of agriculture, and the EU wanted to obtain some gains on intellectual property, copyright, and the liberalisation of services (Tsoukalis 1997, p. 238), areas in which the world economy was actually developing. At a second level of analysis for this goal, the EC/EU intended to influence the participants’ internal economic policies by explicitly requiring that the parties keep an open door to dialogue on their own internal policies.

The third area was social, cultural, and human affairs. The aim of this level of the agreement was to increase understanding and tolerance among the different cultures comprising the Mediterranean to bring people closer (Directorate General External Relations, 1995). The participants had to cooperate to promote cultural recognition through the mass media and to organise campaigns against racism and xenophobia (Directorate General External Relations, 1995).

This level of the agreement highlighted the role of migration and its effect on relationships between people and encouraged policies for the reversal of trends, thereby encouraging participants to cooperate ‘to reduce migratory pressure’ (Directorate General External Relations, 1995) using job creation and training. Meanwhile, the signatory states would need to cooperate more closely (Peridy, 2012) to minimise illegal migration, permit re-admission, and develop measures and policies to minimise illegal migration. Finally, participants had to institute effective measures to fight international crime, corruption, terrorism, and human trafficking (Directorate General External Relations, 1995). The theoretical frameworks that explain this element of the agreement are realism and Marxism. In neo-realism, security is the main concern of the EU, and it will thus attempt to put content in all measures to minimize the flow of migration, while in Marxism, in view of the EU internal pressure from the right wing parties in France and Austria, the EU’s aim would have been to influence the internal social and economic structure of its partners to minimize migration to the EU and thus serve the EU right wing parties.

1.4.1 The role of EU institutes in the AA

The role of the EU institutes in the AA is highly relevant to the analysis because it will underline the role of each country in the process and its influence on the actual agreement conditions and concessions. The EU concludes several kinds of agreements with other countries under the scope of Article 300 for Trade Agreements and Article 310 of the AAs (Bomberg & Peterson, 1999, p. 93). However, the AAs underwent a long procedure

that required a majority vote in the European Parliament. This gave EU producers the opportunity to lobby against some of the concessions to low-cost imports in the AAs. The result was ‘disappointing’ agreements for other parties (Peterson & Bomberg, 1999, p. 93).

Montanari (2007, p. 1011) argues that negotiations at different levels—nationally, inter-EU, and finally with Mediterranean countries—have led to greater protectionism for agricultural products, lower financial support, and a long transition period. At the start, EU policy for the Barcelona Process partners was formed at the level of national interest. The EU member states’ interests differed from North to South. Southern EU member states were interested in greater protection of agricultural products to protect their agricultural producers (mainly citrus fruit) from competition from Barcelona Process partners. However, the Southern EU member states are also proponents of greater financial aid to boost the local economies of the Barcelona Process partners, since the bill for financial aid would be paid by the Northern EU member states. However, the Northern EU member states advocate lower protectionism for agricultural products and lower financial aid for Barcelona Process partners, since the northern countries compete less with the Barcelona Process partners (Montanari, 2007). At the level of inter-EU negotiations, the Northern EU countries advocated greater liberalisation of trade with the Barcelona Process partners to open the EU’s agriculture market to those partners in order to ensure liberalisation of the Barcelona Process markets for the industrial products of the Northern EU countries. Meanwhile, the Southern countries of the EU advocated greater protectionism. Thus, the EU policy in the Barcelona process had to be formulated as a compromise between the industrial producers (quick liberalisation of the market) of the Northern EU member states and the Southern agricultural producers (protectionism). Thus, to find an acceptable compromise, the outcome of the inter-EU negotiations was that there would be protectionism of the agricultural sector and lower financial aid (Montanari, 2007, pp. 1019–1021). As a result, the EU negotiators had little manoeuvring space for compromise with the partnering countries when going to the negotiating table with the Mediterranean partners.

The Barcelona Process has set the basis for establishing multiple institutes and bodies to ensure the implementation this agreement:

At the first level, the Foreign Minister's role in the process is crucial to ensuring the implementation of the agreement. The minister meets regularly to set the actions stemming from the agreement and to follow up on implementation. The second level of institution that was set by the agreement was the Euro-Mediterranean Committee for the Barcelona process. The committee consists of senior-level officials from the EU, Troïka, and one representative from each Mediterranean partner. At the third level, The Economic and Social Committee of the European Community and their Mediterranean counterparts would contribute to a better understanding of the major issues relevant in the Euro-Mediterranean partnership.

The European Commission became the secretariat and strategic part of the Barcelona process. It undertook preparatory and follow-up work for the meetings resulting from the Barcelona Work Programme and the conclusions of the Euro-Mediterranean Committee. Representatives from state and public administrations, as well as the private sector and education and civil society, formed a mixed body that served as ad hoc thematic networks and meetings. The commission would plan these meetings, and the Euro-Mediterranean Committee would assess and evaluate these meetings.

Conclusion

An examination of the literature revealed that the economic interests of the Southern EC/EU Member States, the lack of concessions made by the EC/EU to facilitate market entry (Tobias, 2012), the lack of financial aid to the partners and the long transition period (Mortanari, 2007), the long transition period alongside the limited economic integration, and the lack of a trade liberalization schedule for agriculture (Nsouli, 2006) as the reasons for the absence of a boost in trade as a result of the ENP. Little or no spill over to the policy areas of political and social liberalisation was noted (Youngs, 1999; Gillespie, 2002), but since liberalisation achievements in the area of economics were modest, little could reasonably be expected from the other policy areas, at least when following the EC/EU scenario wherein economic liberalisation was the core after which

other policy areas followed. At the same time, the Barcelona Process was considered an ambitious initiative that led to better relations between the EU and the Southern Mediterranean (Edis, 1998; Youngs, 1999). This invites further investigation of the following:

Assuming that few tangible economic improvements were made in the different processes, and assuming that, as the literature suggests, little was offered to the partners with regard to incentives and concrete integration schedules to begin with, why would the Southern Mediterranean partners embark on such a process, especially when they were aware that that process was labelled as one in which economic aspects were at the core? Conversely, if genuine economic integration with the Southern Mediterranean partners was intended by the EU, why did the EU not attempt to facilitate this integration more?

On the other hand, literature suggests that the EU policy choices are at least in part influenced by security concerns, the presence of energy sources, and potential new markets (Celatta & Coletti, 2011). In view of the previous, some questions arise:

To what extent did security concerns and/or economic interests motivate the different EU-Southern Mediterranean processes, and to what extent did these concerns influence the policies and content of the agreements?

Gillespie (2008) gives an illustrative example of an indication of power asymmetry when he mentions that the Southern Mediterranean partners were merely informed about the changes brought about by the UfM. The literature overwhelmingly suggests that power asymmetry in favour of the EU resulted in eurocentrism in the instruments and the execution of the process (Gillespie, 2008, p. 278) (Bechev, 2010, p. 480) (Tobias, 2012, pp. 200-201).

First, was there power asymmetry in the relations between Jordan and the EU, and if yes, to what extent did it affect the negotiations, the Agreement, and its implementation?

Aware that the power asymmetry will not result in favourable results, the question is why the Southern Mediterranean partners agreed to participate in the three processes: EMP, ENP and UfM?

Conclusion and research questions

The literature as well as the examination of the Barcelona Process agreement have supplied many indications that the EU's motivations for changing policies and instruments were based on security concerns and possible economic gain. Therefore, a neo-realist perspective to explain the actions of the actors seems appropriate.

However, some reservations will be had as to the absolute and pre-existing nature of anarchy as proposed in neo-realism. Reference is made in this case to Wendt's (1992) social constructivism, which allows a more fluid inter-subjective definition of the interstate world and to the approach of Carr, who saw an essential need for something more than realism to be able to create an acceptable interstate world (Schmidt, 1998, p. 221). When an analysis towards the improvement of human interest becomes necessary, critical theory (Steinberg & Kincheloe, 2010) may provide an approach. Theory is seen as an explanatory tool for the purpose of this research, not a goal in itself.

Further examination of the questions posed in the above, in the 'Inventory of findings and issues', warrants the following questions:

- What were Jordan's political and economic motivations to join the Barcelona process?
- In view of the asymmetry of power, did the AA negotiations between Jordan and EC/EU serve the goals of Jordan?
- To what extent was the AA resulting from the negotiations between Jordan and the EC/EU economically beneficial for Jordan?
- Did the economic, structural, and legal reforms that Jordan undertook through the action plans of 2005 and 2010 result in improvements in Jordan's economic performance?

Chapter Two

The Jordan Political Economy Leading to the Barcelona Process

Introduction

The goal of this chapter is to create a starting point and a baseline for the political and economic situation in Jordan that led to the 1995 Jordan-EU AA. The different aspects characterise Jordan's economy and political and economic makeup will be explored to create a deeper understanding of who the major political and economic stakeholders are and what motivates the actions of these stakeholders. Since the subject of this research is the EU-Jordan AA signed in 1997, this chapter will start with 1921 and cover events up to the period just before the signing of the AA in the 1990s. A chronological order will be followed to optimally determine cause and effect, while exploring the historical development of Jordan's political economy. An overview will be given of the international and regional economic cooperation initiatives in which Jordan participated or is still participating. In essence, this section describes Jordan's journey towards an open market economy, economic liberalization, globalization, and Jordan's methods for dealing with the tension between internal and external pressures in a volatile and ever-changing region.

The interpretative framework that will be employed in this chapter was outlined in Chapter One. Actions and narratives as well as facts and results will be examined to determine motivational forces and actual goals. A realist perspective will be guided with the assumption of politico-economic actions being largely goal-oriented. However, when exposing motivations, Marxist assumptions about the continuing tension between the possessing class and the working class and the continuing drive of the possessing class to

perpetuate its domination on both the national and international levels will be accepted. A critical analysis is proposed regarding the impact of political and economic change on the general population to maintain perspective on the interests of the majority.

2.1 The Jordan Political Economy

2.1.1 Pre-1970s political economy in Jordan

The March 1921 meeting between Prince Abdullah Ibn Al Hussain and British Minister Churchill resulted in agreeing to instate Prince Abdullah as the ruler of Jordan, which was the Emirate of Transjordan at the time, to establish a national government with an independent administration that was financially supported by the British (Klaifat, 2012, p. 160). In April 1921, Prince Abdullah established the first government, and British high commissioner Herbert Samuel appointed Julius Abramson as his first representative in Amman (Klaifat, 2012, p. 160).

According to the 1924 Britannic Majesty's Government report on Transjordan, its population at the time was around 200,000 and included mainly Muslims, Christians, Circassians, and Chechens.

The territories were divided into three separate districts: Ajloun, the Balqa, and Karak. A Council of Ministers was formed, and a Governor was appointed in each district (Britannic Majesty's Government, 1924). The main cities were Amman, Salt, and Karak. In the first years of his rule, Prince Abdullah saw financial difficulties. After reinstating Prince Abdullah as ruler in 1921, and for the period from 1921 to 1946, the Emirate of Transjordan had political stability. That stability attracted rich elites, mainly of Palestinian and Syrian origin (Wils, 2001, pp. 123-124). At that time, the majority of the Emirate of Transjordan's income came from two sources: taxes and British financial aid, and he depended on British financial aid. Initially, in 1924, Transjordan received financial aid of 150,000 pounds, but it was reduced to 60,000 pounds in 1925 because of a lack of

satisfactory statements of accounts (Britannic Majesty's Government, 1924). This reduction created instability, but it made the Prince open to other sources of income.

Since British financial support was fluctuating and did not cover the prince's obligations, he resorted to the elites for financial support. As a result, these elites enjoyed some privileges with the palace government. In particular, they accumulated huge wealth after World War II, when they had access to import licences. After Transjordan gained independence in 1946 and became Jordan, making Abdullah King, state income was low, so the wealth of these elites began to fund the industries and the financial sector of the country, thus enabling the government to maintain strong relationships with the elites and supplying them with advantages over their competitors (Wils, 2001, pp. 123-124).

The 1948 Arab-Israeli War impacted Jordan's economy. First, Jordan was cut off from its coastal access; then Jordan received thousands of Palestinian refugees. The Palestinian businesspeople transferred their wealth from Palestine to Jordan (Wils, 2001, p. 124).

Thus, by the 1950s, because of high demand, there was a need for industrial modernisation to be led by the government. A close net of nationalist bureaucrats marked by leftist aspirations and led by Hamad Al-Farhan, Minister of Economy, challenged the British free market approach in Jordan that was dominant during the pre-independence period. This close net, convinced of a state intervention policy (El Said, 2001, p. 148) began to develop, and the Ministry of Economic Affairs launched developmental projects, such as the Aqaba Port, and began to cooperate with the wealthy elites to fund these projects in the absence of foreign investment or external financial aid. Thus, during the 1950s, phosphate mining, cement factories, and oil refinery companies were established. In return for financial support, these elites were given privileges and a monopoly over the market, securing against their losses. In the 1960s, when major institutions in the Jordanian economy, like the Central Bank of Jordan, the Industrial Bank of Jordan, and the Chamber of Commerce of Jordan, were established, these elites and their families were appointed as members of the boards of directors in these institutions (Wils, 2001, p. 126).

These bureaucrats' power was amplified by the weakening of the palace after the assassination of King Abdullah I in 1951. The young King Hussein took power at the age of 18 in 1953, and the bureaucrats kept a strong hold until 1957, when, after the failure of the Zarqah military coup, and an attempt on King Hussein's life, the prime minister, Suleiman Nabulsi, was forced to resign (King Hussein, p. 106-108), which weakened the movement.

The 1967 war resulted in another wave of Palestinian refugees, and a military movement began to develop within the kingdom. The Palestinian Liberation Organization (PLO) began to develop a country within a country, and that caused friction between the palace and the PLO. In September of 1970, that friction escalated to military action against the PLO by the Jordanian Armed Forces (King Hussein, 224).

During the Cold War, the Hashemite Kingdom of Jordan, unlike Egypt and Syria, was not linked to the USSR, but remained pro-West. King Hussein's opinion of communism might shed some light on the will of Jordan to ally itself with the free world through its relations with Britain. King Hussein (1975, p. 74) expressed that communism did not provide any freedom of thought or work and deprived populations of any individual ambitions unless their ambitions were to be slaves to the state. In addition, it deprived nations of nationalistic ambitions unless those ambitions were directed towards being under the control of a foreign country. To a great extent, this explains the direct relationship between Jordan and Britain and the keen role of Britain in Jordan, thereby reflecting later relations between Jordan and the EU.

Although there has traditionally been a strong interaction and (inter)dependency between the financial elite and the ruling family and thus a strong influence of this financial elite on the economy, the country also saw other economic influences. There were aspirations towards a limited state-led economy, yet because of the insufficient availability of government sources of funding, the country had to rely on the financial elite. These elites thus secured their positions during and after this left-wing period. Thus, in the period before 1970, economic power was and continued to be in the hands of the few who

owned the industrial and financial infrastructure and were able to fund government projects and thus gain access to influential economic and trade organisations. What can be observed from the perspective of Marxist economic thought is that the financial elites strengthened their grip on the government, ensuring the government's assistance in protecting their interests and perpetuating their grip on Jordan's economy.

2.1.2 Jordan's political economy in the 1970s

The early oil boom shifted the power balance in favour of the palace over the nationalists, since developmental efforts could be financed by external financial aid (Wils, 2001, p. 126).

The weakening of the institution was for multiple reasons: Policymaking was highly concentrated within the Economic Security Committee, a committee established after the 1967 war to deal with the effect of the Israeli occupation. Martial laws imposed after the war were also a means to overpass all laws, increasing the dependency of the technocrats on the palace through a policy of rotation and a reshuffling of economic posts.

By early 1971, Prince Hassan had taken hold of economic planning, thus bringing it closer to the palace. The first oil boom, together with high government spending, resulted in substantial GDP growth for Jordan, leading to a high exchange rate for the Jordanian dinar. This caused lower exports and more investment in construction and services. In 1971, the National Council for Planning (NCP) of Jordan was formed and replaced its predecessor, the National Council for Human Power Planning (Ministry of Planning and International Cooperation, 2018). The NCP began to transform the Jordanian economy and initiated the three-year economic development plan for 1972 to 1974, followed by a five-year developmental plan for the subsequent periods in the 1980s and 1990s.

During those periods, Jordan faced major economic challenges, and its external debt reached more than 180% of the GDP (Al-Wazzani, 2015). The end of the seventies brought the Iranian revolution, while the early 80s brought the Iraq-Iran war and changes in regional oil economics. This all negatively impacted Jordan's revenue from the remittance and caused high unemployment and major destabilization (Lobell, 2008).

In the 1970s, economic power moved closer to the monarch because of his influence on economic planning. At the same time, after multi-annual economic reform plans, Jordan's external debts increased, raising questions about the amount of foreign influence and dependency contained in Jordan's economy. Although the royal family gained economic influence, it appears that dependency on a national financial elite was in part exchanged for international financial dependency.

2.1.3 Jordan's economic crisis during the 1980s

By the 1980s, the growth in Jordan's economy had slowed down owing to multiple factors: cuts in assistance from Gulf countries (Kannan & Hanania, 2009, p. 160), reduced oil prices, decreasing remittance revenue for Jordan, and an unchanged policy of government intervention. This resulted in high debt—add to that the fall of phosphate prices in the early 80s and an increase in unemployment (Sullivan, 1999, pp. 41-42). According to Al Said (2001, p. 150) the public sector contributed to Jordan's economic malaise. The public enterprise would go back to the central government to cover its losses, which increased the government's debt. Yet, the public enterprises' deficient performance was attributed to government price restrictions, corruption, and monopoly, which weakened their competition, as well as a lack of managerial independence and incentives (El Said, 2001, p. 151).

Thus, during the 1970s and 1980s, Jordan suffered from the effects of 'Dutch disease'—most investment was in construction and services, which are non-tradable goods, because exports were weakened as a result of a high exchange rate (Kannan & Hanania, 2009, p. 143).

During that period, from 1980 to 1988, the Iran-Iraq war erupted. Jordan's relations with Iraq intensified for multiple reasons: exports and imports to Iraq were going through the Aqaba port, Iraq provided loans and financial aid to Jordan, and Iraq was Jordan's biggest trading partner (Bouillon, 2002, p. 5)

However, there was a shift in the global economy towards privatization, and both developing and developed countries embarked on these changes and joined the movement (El Said, 2001, p. 145). Compared to other countries like Egypt and Syria, Jordan seemed to be the most private-sector-oriented and the most supportive of privatization and economic reform (Sullivan, 1999, p. 41). The commitment to privatization came from the late King Hussein himself, when he appointed Zaid Al Refai as the head of the cabinet in 1985, making him responsible for reviving the economy based on two strategies: privatize the public sector and increase the role of the private sector in the economy (El Said, 2001, p. 152). The motion was set for privatisation by 1986, when the privatising programme was set and the privatisation committee was established (El Said, 2001, pp. 151-152). This was later supported by the International Monetary Fund (IMF) as part of the reform of the Jordanian economy.

In 1988, the external debt of Jordan reached six billion dinars, and the government was not able to meet its obligations; therefore, the dinar was floated and lost 50% of its value (Bouillon, 2002, p. 4).

Jordan had to call on the IMF for debt rescheduling. The World Bank stepped in to facilitate debt payment. Bretton Woods Institutions made resources available conditional upon economic reform to reduce government intervention and subsidies and to stimulate the liberation of trade, privatisation, and an open market (Schlumberger, 2002, p. 226). First, Jordan embarked on economic reform, trade liberalisation, and privatisation to attract foreign investment. Schlumberger (2002, p. 226) argues that trade liberation was not a choice for Jordan but a result of the unproductive policies that a rentier country would usually follow (Schlumberger, 2002, p. 226). The first agreement with the IMF was put into effect in 1989. To reduce its debts, the Jordanian government reduced subsidies on basic commodities and caused an increase in commodity prices. This led to the first bread riots in 1989 (Lobell, 2008, p. 91; Bouillon, 2002, p. 4). The riots started in Ma'an, the stronghold of King Hussein, so to reinstate his stronghold constituency, the King sacked the unpopular government and called for the first general election in 20 years. The general election was held in November of 1989 (Bouillon, 2002, p. 6).

Under these circumstances, the Arab Cooperation Council between Jordan, Egypt, Iraq, and North Yemen was established in February 1989, in the hope that it would bring economic and political benefit to Jordan. However, it was Gulf countries who provided financial assistance to Jordan to help them face these riots (Bouillon, 2002, p. 4). Soon after, Iraq invaded Kuwait, and the programme was put on hold. Jordan had to deal with 300,000 Jordanians who returned to Jordan (Schlumberger, 2002, p. 227)

Therefore, in the 1980s, regional conflicts, decreasing remittance and oil prices, and unemployed returnees, as well as decreasing exports, led to a further increase of the national debt and inflation. Jordan's financial elite had acquired considerable interests in public service enterprises. However, when these enterprises became less profitable, these ailing companies returned to the government to cover their losses, thus increasing the burden on the government. The fact that the Jordanian government accepted responsibility for the ailing enterprises appears to be an indication of the continuing influence of Jordan's financial elite. Privatisation in a more progressive form, though, was part of the plan to revive the economy, an indication of the monarch's inclination towards economic liberalism. The privatization initiative later became part of the IMF reform package. By that time, the World Bank was also involved in Jordan's external debts, further increasing external economic influence. The royal family came under considerable national pressure because subsidies were reduced as part of the IMF recovery plan. Thus, the Jordanian government and ruling family, faced with a serious increase in national debt, had to balance the policies nationally between pressure from a dissatisfied population and a still-influential financial elite, and internationally between the pressure of debt payment plans and important regional trade interests with Iraq. By explaining this era from a Marxist perspective, in the bread riots, we can observe the struggle of the society's financially weakest paying for the losses caused by the financial elite. While the IMF had pointed out several shortcomings in Jordan's internal economic organisation, it must be noted that, in the 1980s, external factors like regional conflicts, the resulting decreasing remittance, and unemployed returnees had a major impact on Jordan's economy. Hence, in realist terms, Jordan felt the IMF exerting power on

Jordan's internal affairs, while Jordan's international economic interests and affiliations with Iraq were also at odds with the wishes of one of the major Western economic powers, the US. There are indeed many different forces working on a country, especially against the backdrop of intensifying regional conflicts in which Western allies took a stand.

2.1.4 Jordan's political economy during the 1990s

In 1990, during the Arab summit in Baghdad, Jordan's plea for help was only responded to by Iraq, who committed aid for Jordan in the face of its economic crisis. This aid and the economic dependence of Jordan on Iraq made it difficult for Jordan to support the US in its fight against Iraq when Iraq invaded Kuwait.

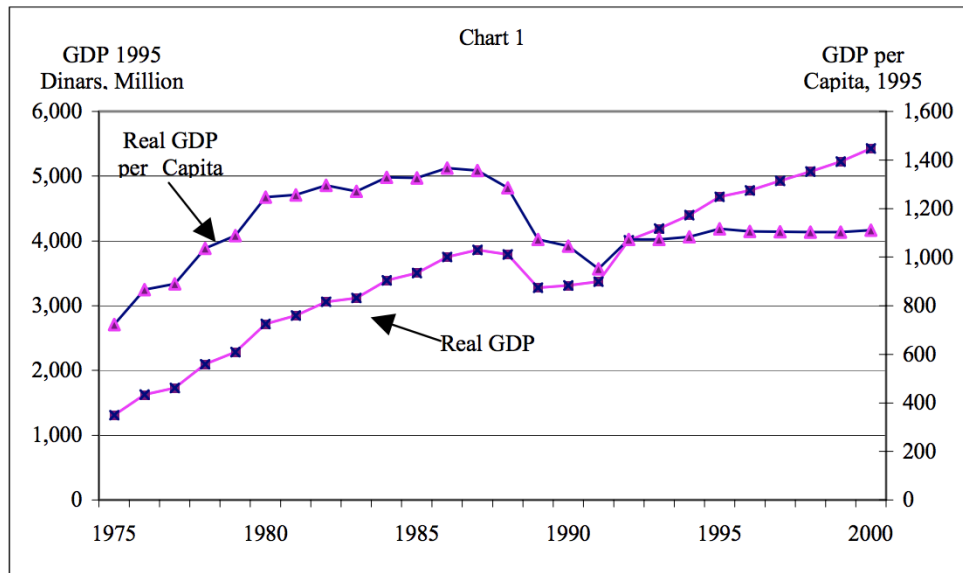
By 2 August 1990, when Iraq invaded Kuwait, Jordan was greatly affected. Economic sanctions were imposed on Iraq, who was the biggest trading partner of Jordan. These sanctions directly impacted Jordan's economy; Jordan lost its trade with its biggest partner. Jordan lost its financial aid from the Gulf countries, and this resulted in a reduction in Jordan's trade in agriculture and industry (Lobell, 2008, p. 91). Internally, the Jordanian population was in full support of Iraq in view of the double standards that US and the West had against Iraq versus Israel. The swift action to form a coalition against Iraq by the US and its allies, while no action was taken against the Israeli invasion, caused the Palestinian population in Jordan, as well as the Jordanians, to feel betrayed by the West (Bouillon, 2002, p. 6). Politically, the King supported his internal population and had to walk a tightrope (Bouillon, 2002, p. 7) between the pressure from the West to support their coalition, and thus receive all the aid and assistance to compensate for the losses that Jordan might incur, and maintaining internal support and keeping to his population's sentiment. King Hussein followed the latter and communicated anti-West pro-Iraq rhetoric internally and neutrality internationally (Bouillon, 2002, p. 7). This was perceived by the West as being pro-Iraq and put Jordan in isolation.

However, after the end of the Gulf crisis, Jordan began to shift back and amend its relationship with the West when Jordan accepted the invitation to the 1991 peace conference in Madrid; yet its relations with Saudi Arabia and Egypt remained stressed (Bouillon, 2002, p. 7). The relationship between Jordan and Iraq was initially still strong but began to sway because the peace process was the main topic of that period. Immediately after Palestine signed a peace agreement with Israel, Jordan signed its own agenda for peace with Israel. In 1995, Jordan's King granted the son-in-law of Saddam asylum in Amman, sealing its relationship with Iraq, and moved to the anti-Saddam camp (Bouillon, 2002, p. 8).

Hence, while the Gulf crisis left Jordan isolated in the international arena, the peace process brought back its pivotal role. Israel insisted that it would not negotiate with the PLO in Madrid and was only willing to accept them as part of the Jordanian delegation, which played a key role in restoring Jordan as a strategic ally in the region (Bouillon, 2002, p. 8).

The second agreement with the IMF was put into effect in 1992, and the return of the 300,000 Jordanians, with their assets, to Jordan created temporary momentum and an increase in the GDP: 11% in 1992, 7.5% 1994 and 3.9% in 1995 (Figure 2.1). This GDP increase, as Schlumberger argues, was wrongly attributed to the peace process's positive expectations and government privatization policies (Schlumberger, 2002, p. 227)

Figure 2.1: Jordan Real GDP in dinar and GDP per Capita for the period of 1975-2000

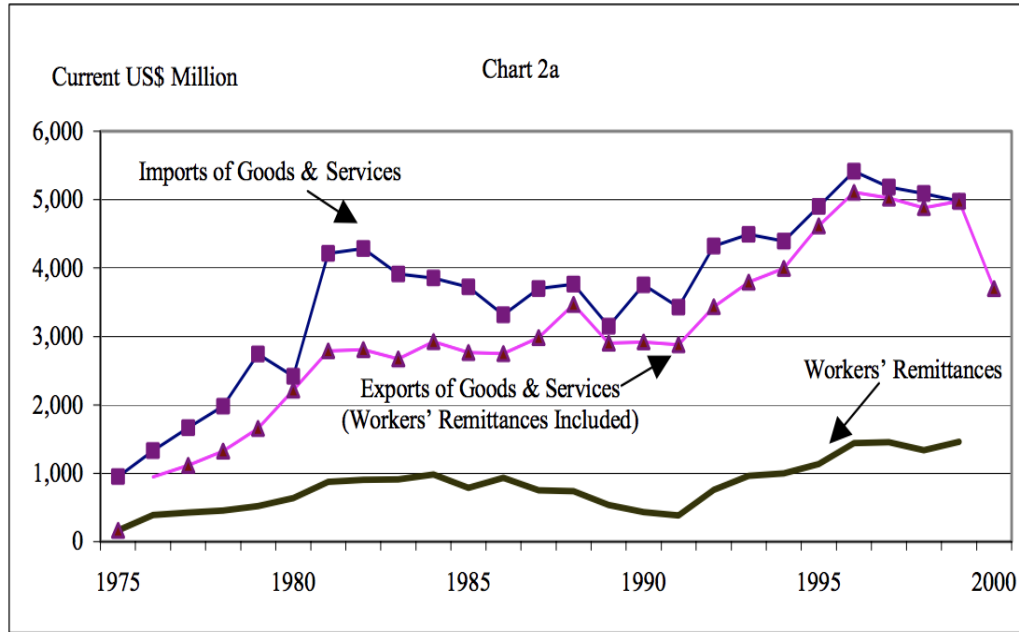


Taken from: [World Bank Documents](#) (Ramachandran, 2004, p. 4)

Yet, in its 2004 report, the World Bank Operations Evaluation Department observed that the economy of Jordan had been stagnating in the 1990s and was not prepared to cope with the economic changes of the early 1990s (Ramachandran, 2004, p. xi). Jordan's policy was to support privatization and promote the free market economy. The aim was to promote private investment in telecommunications and transportation. However, that was faced with major issues: first, these sectors were not profitable and thus did not attract investors on their own and required significant internal transformation to be attractive to private investors; second, the wars and volatility in the region did not reflect well on Jordan, even though it was a stable country, so it did not attract foreign investment (Fluellen & Merriam, 1992; Sullivan, 1999). The increase in remittance (Figure 2.2), according to Faisal Ahmad (2012), would mean that autocratic countries like Jordan would increase their patronage. These countries were then channelling foreign aid to finance their patronage to ensure the survival of their regimes. Patronage would take the form of compensation for government employees and the government's inner circle. Faisal Ahmad (2012) presented Table 2.1 to substantiate that the more remittance Jordan received, the less the government would spend on welfare and more they would spend on

government patronage. His argument that this patronage had a direct correlation with the survival of the regime. In a time of crisis, the government will increase patronage to ensure the support of their employees (Ahmad, 2012, pp. 161-163)

Figure 2.2: Jordan's Remittance, Imports and Exports in Goods and Services for the Period from 1975-2000



Taken from: [World Bank Documents](#) (Ramachandran, 2004, p. 4)

Table 2.1 Aid, Remittances, and Government Expenditures in Jordan, 1990-2004

	1990-1994	1995-1999	2000-2004
Aid (% GDP)	12.8	6.4	7.0
Remittances (% GDP)	15.0	20.3	20.2
Government transfers (% government expenditures)	12.8	11.8	10.1
Government compensation (% government expenditures)	62.9	65.9	68.4
Private health care expenditures (% GDP)	N/A	3.81	4.89
Public health care expenditures (% GDP)	N/A	5.07	4.37
Public health care expenditures (% government expenditures)	N/A	13.16	10.71

Taken from:

http://www.jstor.org.ezproxy.sussex.ac.uk/stable/23275367?seq=1#page_scan_tab_contents (Ahmad, 2012, p. 162)

Economic policy in Jordan did not change. According to Ramachandran (2004, p. 1) in his report on Jordan's economy during the 1990s, the economic policies in Jordan did not change with a change in ministries because the policies were approved by the King and by a limited circle of people who shared the same opinion. According to El Said (2001, p. 154), privatization from 1986 until the death of King Hussein in 1999 was 'non-existent' and limited to franchises in the public buses and selling shares of Jordan's hotels and tourism companies. Yet, under King Abdullah, privatisation gained momentum, and most of the shares in the cement factory and the telecommunication company were sold. However, this privatisation did not mean a decrease in the government role in the economy, since the sales were in non-strategic sectors and were not significant enough to cause changes; it was a mere re-arrangement of the roles of the public and private sectors (El Said, 2001, pp. 154- 155). The privatisation was slowed down by some elites and government officials who benefitted most from the status quo (El Said, 2001, p. 157). Wils (2001) argues that the privileged elite of businesspeople in Jordan has complicated the transformation of the rent approach economy to an open market economy (Wils, 2001).

In 1996, the IMF and Jordan's government declared the success of the program. Yet, both Schlumberger (2002, p. 233) and Harrigan, El Said, and Wang (2006, p. 287) underline that these achievements were overestimated. Schlumberger (2002, p. 234) highlights that after the influx of the Jordanian returnees with their capital, the economy did not register any growth after 1995, and by 1998 it registered negative growth, unemployment remained high, and real salaries continued to fall. The Karak riots of 1996, when the government cut support for bread, was an indication that a large number of the Jordanian population's standard of living was exceptionally low (Schlumberger, 2002, p. 234). Harrigan, El Said, and Wang (2006) argues that the Jordanian government was not the best performer when it came to reforms; there was slippage in the implementation of the reforms. The growth that was achieved was not export-led intensive growth but based on

increased factor inputs rather than productivity gains (Harrigan, El Said, & Wang, 2006, p. 287).

Regarding why the IMF declared that Jordan was successful in its reform efforts, Harrigan, El Said, and Wang (2006, p. 287) highlight that the IMF reflects donor geopolitical interests, thus influencing the allocation of aid. As Wils (2001, p. 130) underlines, the US and EU were very keen on the political stability of Jordan. This resulted in softer conditions for loans and gave the government more room for manoeuvring the reforms needed for privatisation (Wils, 2001, p. 130).

To conclude the 1990s, during Iraq's war with Kuwait, Iraq was not only Jordan's most important trading partner, but Iraq also provided Jordan with loans. It is interesting to note that Jordan also politically sided with Iraq and antagonised the US-led coalition despite Jordan's generally Western political and economic orientation so far. This is an indication of a situation in which Jordan's economic realpolitik had to make way for the royal family's national political survival, since, in this case, strong national sentiments prevailed over pressures related to international debt. The fact that Iraqi loans to Jordan went straight to the government may have helped the Jordanian government to become more independent from the financial elite, may have helped the regime's survival, and thus may have influenced the choices Jordan made at the time.

Therefore, external factors again heavily impacted Jordan's economy. The Gulf countries' sanctions affected Jordan's economy negatively, while the political choice to side with Iraq, driven by the national interests of the royal family, antagonized Jordan's Western allies. The peace process with Israel, however, offered the Jordanian government an opportunity to re-establish its ties with the West. Popular sentiments were still largely against Israel, but Iraq's defeat may have diffused the population's focus enough to allow the Jordanian government to gain a key role in the peace process. When assessing Jordan's decision to unequivocally support the peace process despite popular sentiment, one should bear in mind that Jordan's most important trade partner, Iraq, was a nation in ruins with little economic importance for Jordan. The only real economic choice left was

to befriend its Western debtors. The IMF imposed measures on Jordan that forced the Jordanian government to make far-reaching changes to its national economic policies that ultimately led to popular unrest, meaning the end of the sitting government, and must have impacted the monarch as well. The motivating factors during this period appear to have been the survival of the royal family as the ruling monarchs, as well as economic survival necessitating an economic and diplomatic realpolitik that adapted to drastically changing economic and geopolitical circumstances in Jordan's environment.

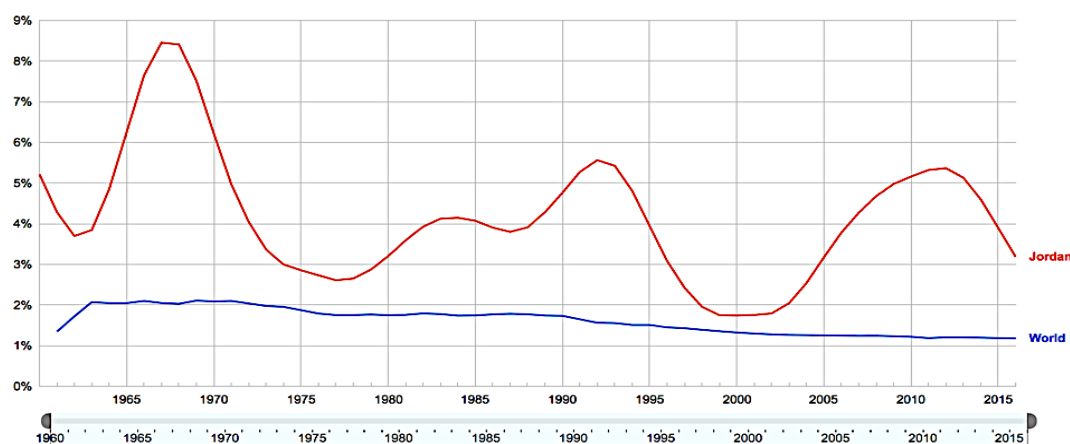
In the 1990s, Jordan did not manage to attract foreign investors, and genuine steps towards privatisation were hindered by the financial elite protecting their interests. The attempt of the ruling class to prolong their dominance appeared to have come at the cost of slowing down economic improvements that could have helped the population as a whole. The interests of the West were the peace process and a stable Jordan, so the IMF was not strict with the enforcement of economic reform plans. As a result, the goals of the West were served rather than building on true economic improvements for the population of Jordan.

2.2 Jordan's Globalization Policy

During the volatile economic period, Jordan's population rose from 1.7 million in 1970 to 5.1 million in 2000 (Table 2.2). This high growth is attributable to natural growth but also due to the influx of immigrants.

Figure 2.3 shows that the population growth rate in Jordan was higher than that of the world growth rate on an average of 2% to 3%, but in extreme years, like in 1967, the population growth was 6% higher than the world growth rate due to Palestinian refugees. During the first Gulf War in 1992, the repatriated Jordanians triggered another peak 5% growth higher than the world growth. The most recent peak of 5% growth in 2012 was triggered by the Syrian refugees.

Figure 2.3: Growth Rate of Jordan's Population Compared with the World Growth Rate



Taken from the World Bank: <https://data.worldbank.org/country/jordan?view=chart>

This demographic growth imposed pressures on the economy to meet the needs of the growing numbers of youth who entered the labour market (Table 2.2). The urgent need for a diversified industrial economy in Jordan was even more urgent in view of the demographic growth (Kannan and Hanania, 2009, p. 144).

Table 2.2 Jordan's Population and Youth Percentage

Jordan Population	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015
Population in million, total	1.71	2.06	2.37	2.89	3.56	4.57	5.10	5.71	7.18	9.15
Population growth (annual %)	6.2	2.9	3.2	4.1	4.8	3.9	1.7	3.2	5.2	3.9
Population ages 20-24, male (% of male population)	8.9	8.0	8.7	9.3	10.1	10.8	10.0	10.2	9.3	9.1
Population ages 20-24, female (% of female population)	8.2	7.5	8.1	8.6	9.2	10.4	9.8	10.1	9.3	9.2

Taken from the World Bank: <https://data.worldbank.org/country/jordan?view=chart>

In the 1990s, Jordan embarked upon regional integration efforts. In 1994, Jordan, along with 14 other Arab countries, concluded an agreement to establish the Great Arab Free Trade Area (GAFTA) by 2007. The aim was to remove tariffs and quotas. The rule of origin was set at 40% of the added value, though some of the agricultural products (10 products per country) could be excluded during the harvest season. There were multiple

attempts at Arab trade integration, but none was as far reaching as the GAFTA, and it encouraged a faster pace of integration among the countries through sub-regional agreements and was thus the birth of the Agadir Agreement (Abedini & Peridy, 2008, p. 851). The early results of the impact of the GAFTA agreement showed an increase in intra-GAFTA exports at a quicker pace than world exports (Abedini & Peridy, 2008, p. 852). Abedini's study used the gravity model to show that the GAFTA agreement resulted in an increase of 20% for intra trade, thus having a positive impact on the region (Abedini & Peridy, 2008, p. 869).

2.2.1 Jordan-Israel peace process

In 1994, Jordan signed the peace process with Israel. This brought Jordan out of the isolation that resulted from its position towards the US-led coalition against Iraq (Bouillon, 2002, p. 8). Immediately after the signing of the peace agreement, the US declared that Jordan was a non-NATO ally. The US provided Jordan with financial aid and military assistance and wrote off Jordan's debts. Jordan further received one billion dollars in aid from the US over three years. As a result, the peace process ensured the restoration of the foreign aid flow (Kassay, 2002, p. 55). In his 2018 Congressional Report, Sharp (2018, p. 1) underlines twenty years later that Jordan's support of Israeli-Palestinian peace as well as the continuity in Jordan's government are still paramount to relations between Jordan and the US.

The other side of the coin is Jordan's concern for keeping popular opinions in the nation in line with the government's policies regarding the peace process with Israel. Jordan has different social and historical links with Palestine than any other country in the region. Furthermore, a very considerable part of Jordan's population is of Palestinian origin. The lack of progress in the peace process in the post-Oslo period therefore weighed much heavier on public opinion and the political balance in Jordan than in other Arab countries (Brand, 1999, p. 65). Jordan's stance in the Gulf War, mentioned above, did not sit well

with the American-led coalition but may have increased the regime's legitimacy in the eyes of the population. Yet, Iraq's quick defeat left popular emotions volatile, and hence, the government in Jordan treaded carefully to avoid letting the peace process with Israel alienate public opinion too much. It was key for Jordan to balance international diplomatic and economic interests with the domestic tension between public opinion and liberalization (Brand, 1999, p. 65). Jordan's stance in the Gulf War followed by Jordan's signing of the peace process with Israel suggest that, although domestic concerns played a role, open communication lines with the Western powers and international economic cooperation were of importance to Jordan in the mid-1990s.

Awartani and Kleiman (1997, p. 216) note that the tendency for Arab signatories in the peace process to trade with each other is low. Therefore, past or present sentiments of hostility towards Israel may likely not be the cause for a low tendency for the Arab signatories to trade with Israel, conclude Awartani and Kleiman. Contrary to the conclusion of Awartani and Kleiman, it may be the case that there are reasons, like ethno-religious tensions, causing deeply rooted and long-standing suspicions among the Arab signatories themselves, impeding their aspirations for intra-regional trade. Therefore, the low tendency to trade with Israel may be based on different reasons than those of the Arab signatories and may still be based on sentiments of hostility. Awartani and Kleiman (1997, p. 216) also mention the vivid trade of the Arab signatories with Turkey. According to them, this is an indication that there are trade policies in place that allow for active trade. In view of the aforementioned low tendency to trade among the signatories of the peace process, trade with Turkey appears only to underline the fact that the reasons for the low tendency towards intra-regional trade need further investigation, and it is also necessary to make feasible a workable economic interaction that supports the peace process in the region. However, this also means that the expectations of possible economic benefits following the peace process should be viewed from the perspective of low tendency towards intra-regional trade. Deardorf (1995, p. 40) is more optimistic and predicts a tangible increase in welfare because of the peace process. It must be noted, however, that Deardorf's predictions are based on the calculation of trade flows between

the signatories of the peace process themselves and the rest of the world as expected when there would be peace in the region. The peace process, though, did not reach its intended completion. The process stopped in its infancy with Syria, while Israel pulled out after the Palestinian Authority was established (Moore, 2004, p. 2).

When looking specifically at Jordan, low intra-regional trade volumes can be explained in part by Jordan's restrictions on competing imports of Palestinian products (Awartani & Kleiman, 1997, p. 220) and Jordan's 'unusually complex import regulations' at the time (Awartani & Kleiman, 1997, p. 221). After the peace treaty between Jordan and Israel was signed in 1994, a trade agreement was signed in 1995. The agreement was to see to the establishment of an FTA but ultimately led to a preferential trade agreement because of Jordan's reservations (Awartani & Kleiman, 1997, p. 226), where Jordan could export cement, paint, and some other industrial products to Israel free of tariffs. For other Jordanian products, tariffs were reduced to between 50% and 80%. Among these products were, for example, fertilizers, cigarettes, and some electrical appliances. A similar list of Israeli imports into Jordan would have tariffs reduced to 90%, with further reduction planned at a later stage. Although this appears to put Jordan in an advantageous position compared with Israel, this may not be the case, since Jordan, being a country with a small industry, may find it difficult to comply with the 35% local value-added rule (Awartani & Kleiman, 1997, p. 226). Jordan's decision not to further pursue the FTA with Israel may reflect Jordanian fears of having to compete with Israeli products. As of 1997, little cooperation between Jordanian and Israeli businesses was seen. The cause for this may be found in the businesses' fear of antagonizing domestic public opinion (Awartani & Kleiman, 1997, p. 227-228).

It is interesting to note that Awartani and Kleiman's study (1997, p. 221) observes that the signatories of the peace process did not form a trading bloc as a matter of course and rather appeared to be more competitive than complementary in their economic policies. This, in turn, leads to the conclusion that opportunities for economic advancement are most likely to be found in the cooperation with big economic powers like the EU and the

United States (Awartani & Kleiman, 1997, p. 221). Also, Brand (1999, p. 65) mentions Jordan's interest in pursuing international diplomatic and economic interests in this case as being related to the peace process. This is despite domestic ambiguity regarding Jordan's involvement in the peace process. In the Gulf War, Jordan alienated itself from the US, but Jordan's support for the peace process despite domestic emotions may further underline Jordan's wish to economically and diplomatically open doors towards Western economies.

2.2.2 The Qualified Industrial Zone (QIZ)

The Qualified Industrial Zone (QIZ) negotiation, a United States initiative to encourage regional cooperation between Jordan, Israel, and Egypt, started after the Israel-Jordan peace process was signed and put into effect in 1997 (Royal Scientific Society, 2013). The QIZ are specially designated zones where the investors are exempt from income tax, social security taxes, and foreign full ownership within the boundaries of the QIZ. Products manufactured in the QIZ will enjoy free entry into the US, if the products comply with agreed-upon rules of origin which stipulate that 35% of the product value has to be of Jordanian origin, and from that 35%, 11.7% must be from the QIZ, 8% from Israel, and the rest can be from the West Bank/Gaza, Israel or the US. There are 13 QIZs established in Jordan (Jordan Investment Board, 2018).

The main advantage of the QIZ Agreement was the ability to export duty free products from Jordan to the US. Other advantages included exemption from income and social security taxes as well as acquiring full ownership or control of plants within the boundaries of the QIZ and full restoration of capital, profits, and salaries, as well as exemption from customs tariffs. The agreement does not include any time limits, renewal requirements or a termination date (Congressional Research Service, 2013).

To ensure enforcement of the economic cooperation, a joint technical committee was established. The committee includes one Jordanian representative, one Israeli representative and one observer from the office of the US Trade Representative. The committee determines which products are eligible for duty-free entry into the US market (Kardoush & Khouri, 2004, p. 14).

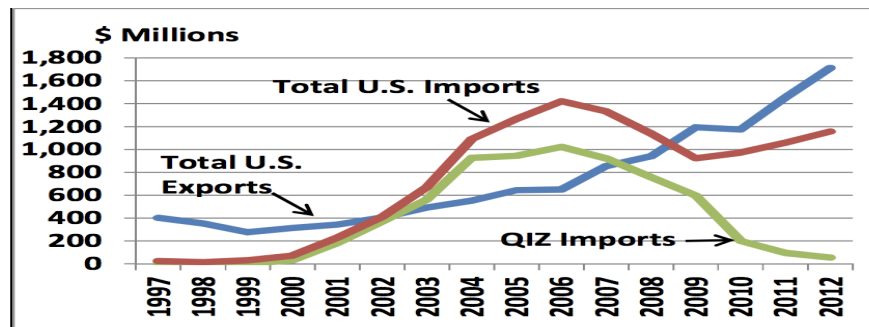
Map 2.1: Map of Jordan and Egypt QIZs



Taken from: (Congressional Research Service, 2013)

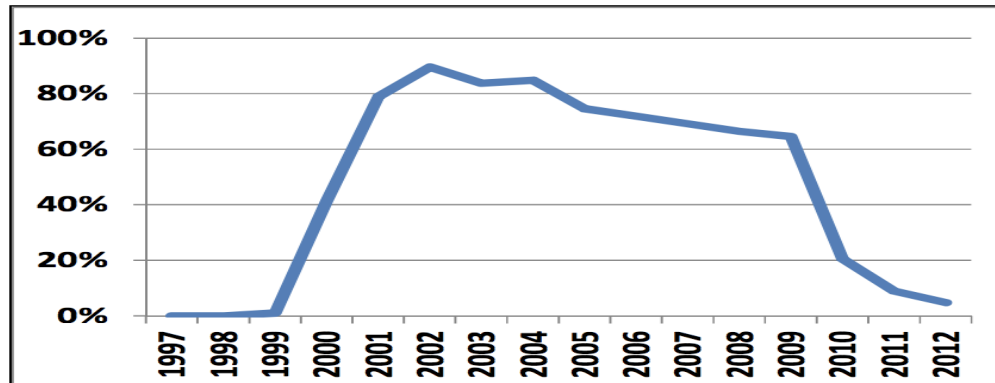
For 1997 to 2011, the impact of the QIZ on Jordan was significant, as shown in Figure 2.4, where the export of QIZ to the US increased from 1999 to 2011 and represented a high percentage of all exports to the US, as shown in Figure 2.5. It also had a positive impact on increasing women's participation in the workforce, according to the Royal Scientific Society report (2013, p. 4).

Figure 2.4: Overview of US Trade with Jordan, 1996-2012



Taken from: (Congressional Research Service, 2013, p. 6)

Figure 2.5: Jordan's QIZ Exports as % of All Exports to the US, 1996-2012



Taken from: (Congressional Research Service, 2013, p. 6)

The QIZs created jobs, and Kardoush and Khouri (2004, p. 9) referenced that the QIZ resulted in creating more than 20,000 jobs in its first four years (Table 2.3) and increased foreign currency earnings due to exports. An increase in women's labour in the workforce of the QIZs was positively received, raising family incomes, empowering women, and creating a 'new working class' in Jordan (Kardoush & Khouri, 2004, p. 28; Saif, 2006).

Table 2.3 QIZ Workforce 2001 to 2003

Year	Employment (000)			Employment (%)	
	Local	Foreign	Total	Local (%)	Foreign (%)
2001	13,300	5,700	19,000	70.1	30.0
2002	13,900	9,600	23,500	59.1	40.9
2003	15,214	11,339	26,553	57.3	42.7
2004	17,654	12,605	30,013	58.8	41.2

Source: QIZ Unit at the Ministry of Industry and Trade

Taken from: <https://www.files.ethz.ch/isn/139049/62.pdf> (Saif, 2006, p. 34)

Foreign investment, especially from Asia (62%), established factories in the QIZs. The investments mainly came from India, at 22%; 40% came from other Asian countries, 17%

from Jordan, and 3% from the United States (Congressional Research Service, 2013, pp. 5-6).

After Jordanian exports increased to the US, Jordan and the US began to negotiate an FTA that meant that the Jordanian factories did not need to obtain the Israeli 8% to qualify for free entry into the US; 35% of the total value of the goods could only be Jordanian. There were differences between the QIZ and the FTA as shown in Figure 2.6, which favoured export under the FTA, so the exports from the QIZ began to fade away by 2006.

Figure 2.6: Main Differences between the QIZ and US-Jordan FTA

	QIZs	FTA
Duty and Quota-Free Status	Exported goods are duty and quota-free	Schedule of elimination of duties to be completed over 10 years
Activities Covered	Only industrial activities	Industrial activities and services
Legal Framework	US-Israel FTA	US-Jordan FTA
Input Requirements	11.7% Jordanian	35% Jordanian under current negotiations
Designated areas	Defined areas within the country	Entire country

Taken from: (Lord, 2001, p. ix)

There were critics of the QIZ and its sustainability. Kardoush and Khouri (2004, p. 10) underlined that QIZ did not bring the industrial transformation to Jordan that it was designed to promote; the work was labour intensive and based on foreign expertise; thus it added little value to the skills of the local labour pool (Kardoush & Khouri, 2004, p. 21).

Employment in the QIZ was dominated by foreign workers. This was attributed to multiple factors: Foreign labour was a condition for foreign investors to invest. Other factors were also attributed: the low technical skills of the Jordanian labour force and the reluctance of the local population to do such jobs for their social status (Kardoush & Khouri, 2004, p. 24). There was resentment from the locals where there was high unemployment, as well as the feeling that investors were taking advantage of the Jordanian open policy for foreign labour to bring cheap labour. While foreign labour was

mainly males who accept long working hours and cheaper wages, most Jordanian labourers were females who do not accept these conditions (Kardoush & Khouri, 2004, p. 25). The government began to put measures in place to discourage foreign workers and penalties on the factories that did not phase out foreign labour workers and replace them with local labour, so with this, Jordan's liberal policy for foreign workers began to change due to the QIZ.

This brings the main issue of working conditions that was raised by the International Labour Organization (ILO) in some of the QIZs. The conditions in the QIZ are poor. Certain factories are crowded, and in the summer, it is extremely hot, and the factories are not air conditioned (Saif, 2006, p. 38)

The backward linkage with the local economy was weak in the QIZ (Kardoush & Khouri, 2004, p. 30; Saif, 2006, p. 6; Congressional Research Service, 2013, pp. 6), the expectation was that QIZ would lead to local suppliers and industries supplying the operations in the QIZ and thus creating demand for a domestic product, thus increasing employment and generating an exchange of technology and foreign currency. Yet, for Jordan, due to its weak industrial base and infrastructure, the QIZ did not link to local suppliers and continued to import raw materials from abroad. The foreign investors also attributed poor quality and slow service to the fact that they opted for foreign suppliers. The role of the government should be underlined: the government did not promote that backward linkage and did encourage and work on the whole industrial base, since the QIZ could not operate in isolation (Kardoush & Khouri, 2004, pp. 29-31)

However, the QIZ contributed to Jordan's economy in other ways: The use of QIZ was leverage for export to other countries, and Jordan increased its use of the QIZ zones. The QIZ was the stepping stone in preparing for the FTA to the US (Congressional Research Service, 2013, p. 7)

Thus, to conclude, the QIZ and the following FTA had a tangible positive impact on Jordan's economy in creating employment and an increase in exports. Critics (Kardoush & Khouri, 2004, p. 10 and 40) argued that the QIZ construction did not add sustainable improvements to the Jordanian workforce or economy. The QIZs did not increase productivity in Jordan proper, since the expected production supply to the QIZs did not take place. This was in part attributed to the professional culture in Jordan that was considered slow and unreliable by the foreign investors in the QIZs and in part attributed to insufficient stimulation from the government, which seemed more concerned with the success of the QIZ as a whole than its potential to contribute to sustainable economic development in Jordan. One can reason that the Jordanian government had to make sudden changes to the Jordanian professional culture and that such a process takes time. At the same time, though, the QIZ did benefit the Jordanian economy. The question that remains is who in Jordan benefitted in the end from the QIZ? The probable answer is that the main beneficiaries were the financial elite who could thus strengthen their positions, while opportunities for more sustainable development towards the workforce and local businesses seem to have been missed.

2.2.3 Accession to WTO

With the IMF conditions to liberate the market and the government's long-term economic objectives to support economic growth via trade and regional and global integration, Jordan pursued General Agreement on Tariffs and Trade (GATT) membership and applied for accession in 1994. With the establishment of the WTO in 1995, the membership file was transferred to the WTO. Jordan set the year 1999 as the accession year to avoid the 'Millennium Round' that might bring higher requirements (Milkawi, 2010, p. 14). Jordan committed to certain obligations, like reducing tariffs, reforming the agricultural sector and removal of all subsidies to that sector, simplifying customs procedures, removing pre-inspection procedures, liberalizing the service sector, and protecting intellectual property (Milkawi, 2010).

Jordan became a member of the WTO in April 2000 (Wils, 2001); the concept was that joining the WTO would bring benefits to the country's global position and competitiveness by opening up global markets to local producers and also open up the local market to global producers.

When applying for the WTO, the country negotiated and underwent economic and legal reforms to meet the WTO standards. According to Bino, Abu Ghunmi, and Qteishat (2014, p. 64) different countries benefit differently from joining the WTO, and the countries that negotiate the best regarding specific products with specific countries benefit the most from accessing the WTO. In the case of Jordan, it is found that Jordan's imports and exports increased after the accession to the WTO in 2000, and it positively impacted its trade, especially when Jordan and the foreign countries were regional members (Bino, Abu Ghunmi, & Qteishat, 2014, p. 64).

However, the accession necessitated significant administrative and financial investment from Jordan. Jordan had to develop policies to protect the most vulnerable groups, which were likely to be impacted by this liberalization, as well as to develop other revenue resources to compensate for the loss in import taxes (Milkawi, 2010, p. 31).

Jordan's accession to the WTO was yet another step to Jordan's economic internationalization. Imports and exports increased, while the country incurred some losses of tariff income because of WTO obligations to reform its tariffs. Special measures had to be taken to protect certain weaker groups in Jordan's society from the consequences of WTO accession (Milkawi, 2010, p. 31). This brings to mind the IMF measures and the QIZ, which did not bring a sustainable positive impact to the general population, nor end up putting financial pressure on the economically weaker groups.

2.2.4 Jordan-US Free Trade Agreement

After Jordan became a member of the WTO in 2000 (Wils, 2001; Barakat & Saif, 2010), Jordan and the US signed an FTA in October 2000 and put it into effect in December 2001. Under the agreement, both Jordan and the US agreed to gradually eliminate all

duties on nearly all products by 2010 (Office of The United States Trade Representative, 2018).

The FTA between Jordan and the US consisted of 19 articles and 3 annexes. The preamble of the agreement outlined the objectives of the agreement. The objects mainly established rules governing their trade and created an environment in which to promote the liberalisation of trade, while remaining compliant with the WTO system, and to promote economic growth to improve standards of living. The objective of the agreement also covered the environment and labour standards (Office of The United States Trade Representative, 2018)

According to Malkwaj, the US had different reasons to sign the FTA with Jordan. First, because Jordan is not a threat to US industries, and the agreement would boost Jordan's economy to minimize its dependence on foreign aid, but most importantly, because of Jordan's role in the peace process and its cooperation in counterterrorism (Malkwaj, 2007, p. 160). Lobell, though, argues that trade is used as a second face to security measures that the US is using to fight fundamentalism. The economic situation in the ME and the high unemployment made the ME a fertile soil for religious fundamentalism (Lobell, 2008, p. 88). The FTA could foster growth, alleviate poverty, and create jobs, thus reducing the reasons for fundamentalism, and a number of George W. Bush's National Security Strategy (NSS) programs in 2002 addressed the need for expanding trade with developing countries (Lobell, 2008, p. 88).

On a critical note, it appears that, for Jordan, trade liberalization and globalization brought little to the general population other than an intended increase of the standard of living in order to minimize interest in religious extremism (Malkwaj, 2007, p. 160), thus reducing the risk to Jordan's internal stability, a stability deemed crucial to the peace process. Thus, Jordan's FTA with the US might very well have had the interest of America's partner Israel at heart and was thus based purely on furthering geopolitical

stability in the region, or, in other words, stemmed from a rather realist desire to pursue the dominance of Western states and their allies.

The US-Jordan agreement contains 19 articles:

Article 1. Establish an FTA based on the GATT and the General Agreement on Trade in Services (GATS).

Article 2. Covers free trade of goods where duties are eliminated gradually based on a schedule in Annex 2.1 of the agreement

Article 3. Covers trade in services

Article 4. Covers intellectual property rights: This article extensively covers all conditions for copyright rules with transition periods ranging from six months to three years based on the product.

Article 5. Environmental protection

Article 6. Labour: Under this article, through domestic laws, each party will ensure respect for the ILO Declaration on Fundamental Principles and Rights at Work and incorporate that into their labour laws.

Article 7. Electronic Commerce: The agreement seems to be one of the first agreements to include an e-commerce provision in it (Malkwaj, 2007); however, the article did not manage to go beyond the WTO provision or add to e-commerce advancement. In the agreement, there is no definition of e-commerce, digitized products, or electronic transmission. The agreement was only a confirmation of the no tariff status policy (Malkwaj, 2007, p. 161). The article does not tie Jordan and US e-commerce with commitment for technical assistance (Malkwaj, 2007, p. 163).

Article 8. Visa Commitment: This article gives equal obligation for both parties to permit the nations of each party to enter and sojourn for the purpose of establishing, developing, administering, or advising on the operation of their businesses.

Article 9. Government Procurement: This section is left for negotiation pending Jordan's accession to the WTO Agreement on Government Procurement.

Article 10. Safeguarding Measures: This is an elaborate article aimed at protecting the domestic industries that might be harmed by imports under this agreement. This article

gives the possibility to halt the reduction of duties on the products in question and goes as far as providing compensation if the damage is irreparable.

Article 11. Balance of Payment: This article gives the right to impose measures for balance of payments purposes; however, they should be within the principles of the WTO Agreement.

Article 12. Covers exceptions

Article 13. Covers economic and technical cooperation

Article 14. Rules of Origin in Customs Administration: The country of origin rules in the FTA were simple compared to those in the EU trade agreement. Jordan qualifies for preferential treatment if the total Jordan materials cost is no less than 35% of the value of the goods (Lord, 2001, p. xiii)

Article 15. Joint Committee

Article 16. Consultation: In the case of differing interpretations of the agreement, each party under this article can request consultation with the other party to arrive at a mutually satisfactory interpretation of the application of this agreement.

Article 17. Dispute Settlement

Article 18. Miscellaneous Provision

Article 19. Entry into Force: Entry into force is assigned two months after each party receives a notification from the other party that the domestic legal procedures have been adapted to meet the agreement conditions. It is interesting to note that there is a termination clause that any of the parties can invoke with six months' notification.

From the articles of the agreement, one can observe that the agreement, contrary to the EU-Jordan Agreement, does not include political or cultural elements. Additionally, the approach to the approximation of laws in the agreement is based on international standards, and any economic liberalization is based on the international standard, not US standards, which is different than the EU-Jordan AA, in which the aim was to approximate Jordan's rules to those of the EU.

From a liberalist point of view, the trade agreement would serve to promote specialization, since Jordan has comparative advantages in certain areas like chemicals and has low-cost labour, footwear, and furniture. Yet, Jordan has the same comparative advantage over the US as the other ME countries like Morocco for chemicals and Egypt and Tunisia for labour-intensive products (Lord, 2001, p. x).

Under the neo-realist theory, one can see that the motivation for the US to enter into a trade agreement with Jordan was security and a way to fight fundamentalism. As Lobell (2008, p. 89) underlines, the US was using a ‘Trojan Horse’ to transform the political and social structure of a strategic country like Jordan to be a supporter rather than a source of security concerns (Lobell, 2008, p. 88). Therefore, though the agreement did not directly stipulate political or economic restructuring for Jordan, the motivation of the agreement was to be used to address US security concerns, for example, terrorism, through the economic means of the trade agreement.

2.2.5 Jordan and EU agreement

Building on the previous sections, the picture is now clearer through which we can understand the economic and political context of Jordan’s motivation to embark on the Barcelona Process in 1995. Jordan, since its inception in 1921, was dependent on Britain to provide financial aid to the country, but Prince Abdullah looked for other sources of financial support and encouraged the wealthy elites to support and to bring their wealth to the country. In return, the elites enjoyed privileges with the palace and became hugely rich after World War II due to their access to import licences (Wils, 2001, pp. 123-124). Until 1948, Britain’s economic policy in Jordan was a market-oriented policy, but that policy was challenged by the net of nationalist bureaucrats with a leftist ideology. In the 1950s, these leftist bureaucrats adopted policies that were characterised by state-owned interventionist enterprises, protection of local industries through import-substitution industrialization policies, and welfare governments. This close net, convinced of a state

intervention policy (El Said, 2001, p. 148), still cooperated with the wealthy elites. The elites funded major projects and became members of the Industrial Bank of Jordan and the Chamber of Commerce of Jordan, thus directly influencing the economy of Jordan (Wils, 2001, p. 126). The palace influence in the 1950s was weakened by the assassination of the King Abdullah I in 1951, but the palace influence began to supersede the nationalist bureaucrats by 1957, after a failed attempt on the life of King Hussein. The 1967 war with Israel brought a huge Palestinian population to Jordan. The 1970s showed a shift in power from the nationalists to the palace (Wils, 2001, p. 126), and by 1971, Prince Hassan had taken over economic planning. The first oil boom, together with high government spending, resulted in substantial GDP growth for Jordan. This caused lower exports and more investment in construction and services, but that did not last long, so by the 1980s, the growth in Jordan's economy had slowed (Kannan & Hanania, 2009, p. 160) due to reduced oil prices, decreasing remittance revenue for Jordan, and an unchanged policy of government intervention. The public sector added to Jordan's economic malaise (Al Said 2001, p. 150). King Hussein initiated privatisation when, in 1985, he appointed Zaid Al Refai as the head of the cabinet with the intent to privatise the public sector and increase the role of the private sector in the economy (El Said, 2001, p. 152).

However, because of high debt, Jordan was not able to meet its obligations and had no choice but to resort to the IMF for the rescheduling of the debt (Bouillon, 2002, p. 4). In 1989, the IMF and the World Bank facilitated Jordan's debt payments. These institutions made resources available conditional upon economic reform (Schlumberger, 2002, p. 226).

Jordan embarked on economic reforms, trade liberalisation, and privatisation to attract foreign investment. However, in 1990, Iraq's invasion of Kuwait significantly impacted Jordan's political and economic situation. Jordan was perceived by the West as being pro-Iraq. The Gulf crisis resulted in isolating Jordan politically and economically and caused Jordan losses in aid and remittance. Yet, while the Gulf crisis left Jordan isolated from the international arena, the peace process brought back its pivotal role when Israel insisted upon speaking to the Jordanians and not the PLO (Bouillon, 2002, p. 8).

Hence, Jordan was eager to get out of its isolation and faced major economic challenges due to the demographic growth that imposed pressures on the economy to meet the needs of the growing numbers of youth who entered the labour market (Table 2.2). There was an urgent need to diversify the industrial economy in Jordan, which became even more urgent in view of the demographic growth (Kannan & Hanania, 2009, p. 144). A shift in policy occurred from an orientation towards security to socio-economic and foreign policy in order to facilitate international trade and adhere to the international standards of trade and economic policies (El Anis, 2010, p. 62). The overarching direction of this economic reform was towards a market economy.

Thus, Jordan underwent substantial structural adjustments, and the country was among the most active in signing trade agreements with the EU (Moore & Springborg, 2001, pp. 66, 84). It also signed an FTA with the United States in 2001 and joined the WTO in April 2000 (Sekkat, 2010, p. 14). During the 1990s, after the end of the Cold War, when the EU embarked on its EMP through the Barcelona Process, it was difficult for countries like Jordan to separate their agreements with the EU from that process, especially given that the EMP was in fact an upgrade to the pre-existing bilateral agreements (Del Sarto, 2006, p. 66). Thus, Jordan began negotiations for a bilateral agreement with the EU in 1995, which was finalised in 1997 and put into effect by 2002 (Delegation of the EU to the Hashemite Kingdom of Jordan, 2012).

Details of the agreement and the negotiation process will be analysed in Chapter Three.

2.2.6 Agadir Agreement

Jordan, in its intent to harness the benefit of the open markets offered to its products in return for opening its own market to foreign products, embarked on regional and bilateral trade liberalization (Kang, 2011, p. 74) Jordan signed the Agadir Agreement with Tunisia, Morocco and Egypt in 2004, which was put into effect in 2006 (Royal Scientific Society, 2013, p. 5)

As a member of the Great Arab FTA, Jordan, Tunisia, Morocco, and Egypt recognized a need for another level, an inter-Arab (members of the Barcelona process) agreement, to benefit most from the Barcelona process. As a result, the Agadir Agreement was launched in 2001, when the four countries agreed upon the main objectives of the agreement: to enhance the coordination of positions vis-à-vis the EU and to achieve the economic integration of the four partners in order to increase intra-trade and the countries' competitiveness in the EU (Wippel, 2005; Kang, 2011, p. 76)

The Agadir Agreement was directly linked to the EU/EC AA agreements. The Agadir Agreement followed the EU country of origin rules allowing for the cumulative added value of products to qualify for exemption under the AA agreement (Bilateral Org, 2017). The Agadir Agreement received more support from the European Commission than the GAFTA agreement (Wippel, 2005, p. 45). The EU provided financial support of 3 million euros to support this south-south trade integration initiative (Peridy, 2005, p. 329).

Jordan participated in the Agadir Agreement in an attempt to benefit from the cumulative added value of products to qualify for duty-free entrance under the AA agreement (Bilateral Org, 2017). Therefore, Jordan initiated policies and programmes to improve economic cooperation with members of the Agadir Agreement to enhance export performance in the EC/EU (Kang, 2011, p. 95).

Peridy's (2005) study based on the gravity model studying the potential effects of trade integration concluded that intra-trade would be slow among these countries because of the trade cost variables among them, since it would be more expensive to trade among themselves than with non-Agadir countries (Peridy, 2005, p. 343). In contrast, Kang (2011, p. 95) highlights that Jordan has not been actively using the Agadir Agreement to enhance its export performance in the EC markets and that Jordan needs to set policies to enhance the integration with the Agadir countries to improve their export to the EC/EU.

Conclusion

Based on the above findings, an overview of the characteristics that influence Jordan's political economy will be outlined. These characteristics are: 1) Jordan's dependence on external financial support; 2) Jordan's Western orientation and dependence; 3) its proximity to Israel; 4) half of the population being of Palestinian descent; and 5) the influence of Jordan's financial elite. The development of Jordan's economy will then be viewed in the light of the theoretical framework developed in Chapter I to better understand the motivation of Jordan to enter into an agreement with EU.

A determining feature of Jordan is its political and economic orientation towards the West. In the Cold War, King Hussein took a principled stand against communism, and the country reliably held that position and thus a pro-free-market policy. Economically, Jordan was closely related to Great Britain, receiving support. That is not to say that Jordan's interest was never at odds with its Western orientation. Being a small country with few natural resources and a developing economy, the Jordanian government had to make decisions based on realpolitik. An example is that, during the Gulf War, under heavy internal pressure, Jordan sided with its then most important trading partner, Iraq, against the US-led coalition. Subsequently, Jordan grabbed the opportunity to endear itself to the West again when Jordan's strategic geographical position, as well as its role in the peace process, offered that opportunity. It is probable that America's quick turnaround towards Jordan, with regard to lenient repayment conditions and the stimulation of various trade initiatives, would not have been as easy had Jordan not traditionally been a pro-west country. Jordan's border with Israel and the relatively stable situation between the two countries became an important characteristic for Jordan's political economy once the peace process gained momentum. In that sense, this characteristic is related to the previous point.

Related to Jordan's proximity to Israel is also Jordan's demographic composition, where about half of the population is of Palestinian descent. This is of political importance, since the Palestinian refugee population has specific opinions regarding Jordan's cooperation with Israel.

Another characteristic of Jordan's economy is the presence of an influential financial elite. This elite became influential after they offered needed resources to the Jordanian government, and their importance grew when they acquired ownership or decision-maker power in services, businesses, and economic organisations. The fact that this elite wanted to safeguard their interests had different consequences. The desire to maintain the status quo led to non-competitive management practices and their financially ailing companies burdening the national economy. Furthermore, the slow implementation of improvements and competitive privatisation may be partly attributed to the financial elite protecting their interests. Initiatives for more state intervention in the economy by the government were redirected because the financial assistance of the elite remained necessary.

An important driver is also the interest of the government in perpetuating and protecting itself. This involves several areas of tension: on one hand, between the government and the royal family during the 50s, and on the other hand, the financial elite. Often, the interests of both these groups likely converge. There is also tension between the government and the Palestinian population in Jordan. Not only does the Palestinian population have specific political opinions and interests, but they also feel that they are a separate group in Jordan's society. This last point led to a violent confrontation in 1971 with the Palestinians in Amman and Irbid, in which the Jordanian army had to intervene.

Jordan's economy started like the borders of the country itself, as the result of imperialism. Jordan has few natural resources, and its developing economy relied upon support from Great Britain. The Jordanian government, faced with the desire to improve the economy and in need of financial help, turned to the national financial elite. An increasing national debt combined with a decreasing influx of money was briefly relieved by Iraqi trade and loans, but soon enough, intervention by the IMF, and later the World Bank, became factors. Cooperation with the IMF improved as soon as Jordan's role in the US-initiated peace process was confirmed. The emerging pattern is that Jordan has always been, to a greater or lesser extent, dependent on and influenced by assistance from

Western powers. Britain served its own purposes, and later, the US, wishing to create a stable neighbour for Israel, did the same with its economic initiatives. The motivations and actions were realist and the goals imperialist in nature. At the same time, the Jordanian government cooperated internally with the financial elite, needing their resources, ultimately leading to an economy that was in part focused on perpetuating the influence of the financial elite and maintaining the distribution of wealth and influence as it was. This pattern stems from a Marxist perspective and shows a country where, both on a national and international level, the powers that be supported and maintained a system where the interests of the wealthy elite were protected, and class differences were reinforced. Continuing this line of thought, one can observe that the government's survival was of concern in view of the pressures of the Palestinian demographic component, but also in view of securing the support of the Jordanian population. The government made decisions in line with popular sentiments when it supported Iraq but antagonized most of the population by pledging Jordan's full support to the peace process. One also wonders what would have happened if the government and the royal family would have antagonized the financial elite through more ambitious privatizations, or rather, nationalizations of services, just to give an example. The pressure that the government experienced from the IMF becomes clear when the infamous bread riots come to mind. On a critical note, improvements for the population may be found in exposure to international business practices as a by-product of the QIZ areas rather than intent.

For Jordan, it is clear that to keep the boat floating, the course of the boat highly depended on the prevailing winds. Jordan was not a strong economic power to begin with, and the country is situated in a volatile environment. The pattern that became visible was that of the government practicing *realpolitik* to safeguard its existence and the interests of its elite. Realist political practices led to the continuation of the distribution of wealth. In view of the results of regime changes in the region, one could argue that governmental stability is preferable. From a critical point of view, one notes that efforts brought little sustainable enrichment to the population. The forces from outside are no different, as US

initiatives to improve Jordan's economy appear motivated by imperialist notions. However, cooperation with the IMF and US as well as regional economic frameworks led to internationalization. Jordan's cooperation with the other Western economic power, the EU, was an expected next step.

Chapter Three

EU-Jordan Association Agreement Content and the Negotiations Process

Introduction

The purpose of this chapter is to analyse the goals and content of the EU-Jordan AA to bring out its significant features. The analysis will be done within the theoretical framework set in Chapter One. At the same time, it will compare the Jordan EU agreement with that of the EU-Morocco agreement to highlight and determine whether the Jordan AA is substantively different from that of other MENA countries like Morocco. This will permit construction of the basis for the analysis of the negotiation process. The process will first be reviewed within a theoretical context; second, it will be assessed at the empirical level by involving the views of the EU negotiators themselves, as well as the Jordanian private and public sectors' expectations in addition to debates covered by the Jordanian press, the available literature, and Jordanian government documentation during that period. These resources will give insight into the negotiation process itself and the views of the negotiators on the outcome of the AA. This approach was followed to reconstruct the environment of the negotiation process and to evaluate whether Jordan had the opportunity to negotiate agreement terms that would better serve its national interest, or whether the Jordanian negotiators were only in a position to accept negotiation terms set by the EU.

Establishing who conducted the negotiations and thus the exact framework proved difficult. I contacted the European External Action Service (EEAS) to obtain the names of the negotiators on both sides, as well as the minutes of the negotiations. The EEAS provided only 1) Aide memoire – Partnership Agreement Negotiations 22 October 1996 (Appendix V), 2) Agreed Agenda for the last negotiation session 16 April 1997 (Appendix VI), 3) Meeting Commission – Jordan 29-30 January 1997: Delegation

Commission (Appendix VII), and 4) the names of eight of the 13 EU negotiators (Appendix VIII), and Meeting Commission Jordan Jan 1997 (Appendix IX). As for the Jordanian side, after four months of correspondence with the EEAS, the EEAS sent me a letter stating that it was not authorised to share the names of the Jordanian negotiators. EEAS shared only the composition of the Jordanian delegation (Appendix X). The letter from the EEAS dated 20 December 2012 stated, ‘The names cannot be disclosed as their disclosure could undermine the protection of the public interest’. In addition, the EEAS referred to Article 4(1)(b) of Regulation 1049/2001 regarding access to the European Parliament on the protection of the privacy and integrity of the individuals. For the second time in December 2017, I contacted the EU and obtained the full minutes of the EU-Jordan negotiations, and for the second time, the EEAS sent me a letter (Annex X) dated 4 June 2018 stating that they do not hold any of the requested documents; they searched for them to no avail, and that they took six months to respond because they could not locate the documents.

Although I had none of the names of the Jordanian negotiators, I identified Dr. Rima Khaled Huneidi from the documents as the Minister of Planning at the time. I attempted several times to contact her through Birzeit University, where she is on the Board of Trustees, but I received no response. I then tried to get Jordanian input on the agreement through the parliamentary documentary from the government website. I also contacted the Al Rai, Jordan Time, and Al Distour newspapers. Al Rai thankfully provided me with articles about the EU-Jordan AA. This meant that, in terms of the precise information upon which I drew, I referred to the newspapers and the available literature on the parliamentary debate and Jordanian reaction to the EU-Jordan Agreement.

For me to obtain the input of the EU negotiators, I first had to ensure that the questionnaires and process complied with the university’s ethical review. Thus, I prepared the questions, an information sheet, and a consent form and submitted them to the Ethical Committee. The Ethical Committee issued an approval reference,

ER/MR375/1, for me to proceed and granted me six months within which to undertake the project. The questionnaire, information form, and consent forms are in Annex IV. I searched and found the contact details of the EU negotiators, and I sent requests to all of them. Out of the eight negotiators whose names I was given, only three responded. I am most grateful that two among them gave insight into the negotiations: Mr. Peter Zangl, Director EU External Relations, and Mr. Michele Villani, Administrator of Industrial Affairs, Dismantling of Tariffs (Annex XI Consent forms). The third person indicated that his participation was limited and thus, he would be in no position to answer the questions. The questionnaire has nine questions aimed at shedding light on the EU position and policies that motivated the EU to negotiate the AA with Jordan and the dynamics of the negotiations with the Jordanian negotiators. In the first set, questions one to five were on the negotiation process itself and the main topics of concern, while the second set, containing the remaining questions, was aimed at obtaining the views of the negotiators on whether the agreement did indeed benefit Jordan. Questions 1 and 2 aimed to understand the motives of the EU and Jordan when negotiating and concluding the AA. Question 3 was directed towards understanding the main domain with which Jordan was concerned. Question 4 was to understand which countries in the EU were most involved in the negotiation process. Question 5 aimed to understand if the negotiation process with Jordan was different from the negotiation process with any other country within the Barcelona Process. Questions 6 and 7 targeted the change that the AA has brought to Jordan and whether these changes were beneficial to Jordan. Question 8 pursued another direction of the negotiations by putting the EU negotiators in the position of the Jordanian negotiators: What would their requests have been if they had been negotiating from the Jordanian negotiators' position? Finally, the goal of Question 9 is to assess whether the EU negotiators consider the agreement successful.

3.1 Agreement Main Aims and Content

The agreement between Jordan and the EC/EU comprises eight titles, 107 articles, seven annexes and four protocols; the main aim of the agreement is highlighted in Article One

which set the conditions for the liberalization of trade in goods, services and capital to develop balanced economic and social relations through dialogue, to improve living and employment, to increase productivity and finance stability, to encourage regional cooperation, to attain peaceful co-existence, and to promote cooperation in mutual areas of interest. All these conditions should be implemented while respecting democratic principles and human rights (Article 2). Through this, one can see that the main aim of the agreement was trade liberation and attaining peace in the region.

It is worth underlining that there is no mention of the free movement of persons in the objectives. In the objective of the agreement with Jordan, there was also no mention of regional integration, but only regional cooperation, while in the agreement between the EU and Morocco, it was outlined as a separate objective of the agreement to encourage the integration of the Maghreb countries. Thus, economic integration appeared to be less important to the EU with regard to Jordan. One wonders whether regional (economic) integration of the Maghreb countries directly bordering the Southern part of the Mediterranean Sea held special importance for the EU from the point of view of geographic location and their status as direct neighbours.

The first title of the agreement is on political dialogue. It was covered in articles three to five to encourage dialogue between parties as a means to ensure peace, while the same title for Morocco was aimed at dialogue within Maghreb countries. This, again, may indicate that the EU sees a different (geopolitical) role for Jordan compared with the Maghreb countries. Jordan was a major partner to the EU in the peace process with Israel, and thus, Jordan's role within this agreement revisits its pivotal role in the region.

The second title is on the free movement of goods. It is extensive and covered by 24 articles, from Article 6 to Article 29. The aim of Article 6 was the gradual elimination of trade barriers and the creation of a free trade area in 12 years. The agreement includes a distinction between industrial and agriculture goods. Industrial goods are covered in the agreement, except the goods that contain any of the items listed in Annex II as a component. Those are industrial products with an agricultural component and are a part of

the agricultural products that are protected by the EU. It is noteworthy that three articles were dedicated to political dialogue, while 24 articles were devoted to trade. If the most important title of the agreement were to be chosen solely based on the number of articles dedicated to it, the free movement of goods would be the most important aspect of the agreement for the EU.

Article 10 grants both the EU and Jordan the ability to retain the right to levy on the agricultural components listed in annexes I and II and Article 11. Regarding all items not listed in annexes II, III, and IV, tariff barriers would be abolished immediately according to the agreed upon schedules. Annexes II, III and IV would follow a schedule for gradually abolishing import duties in 12 years.

In Article 13, exceptional measures are allowed for Jordan to introduce customs duties for the protection of local industries that are in their infancy, but these should not exceed 25% of the ad valorem, which is also stated in the agreement between the EU and Morocco.

Agricultural products are covered in Article 14. The provision applies to Annex II of the treaty establishing the EC, Article 15, the EU liberation of agricultural products. In this section, protectionism of the agricultural product appears and is exercised by the EU. It should be emphasized, however, that industrial products with an agricultural component as defined in Annex II are viewed as agricultural products for the purpose of this agreement and are thus, like the agricultural products, not a part of the group of products that are scheduled for the abolition of tariffs.

Article 16 refers to Protocol I, which sets up the arrangement for Jordanian imports into the EC/EU. It includes a table of Jordanian imports benefiting from the customs reduction; however, it also set limitations in the form of a volume quota.

A highlight is necessary for the discussion point of tomato concentrate CN code 20029031/39/91/99. It has a quota of 4,000 tons specified, and the provision contains a

detailed description and the percentage of dry matter of tomato concentrate allowed. Also, this item was subject to paragraph 1(4), in which the quotas would be also increased annually at 3% of these amounts, while Protocol II set up the arrangement for EC/EU imports to Jordan. It is worthwhile to note here that quotas were set for Jordanian exports to the EU, while it appears that no quotas were set for EU exports into Jordan. This limitation goes against all liberation theory because goods are not free, yet realism theory explains that the EU was dominant in the negotiation and managed to impose limitations on the free movement of goods for the benefit of certain EU member states. On another level, Marxism states that the agreement was set as a tool to oppress the weaker party for the benefit of the stronger one.

It is interesting that, in the same protocol in the agreement of the EU with Morocco, the list of products is longer with more quotas; it is more specific regarding establishing prices per ton for entry into the EU. Here one can notice the extensive detail and care that the EU introduced into the agreement to ensure complete protection of the trade of agricultural goods. The bilateral agreement with Morocco is even more specific and detailed regarding agricultural exports to the EU. One explanation could be that it is even more important for the EU to strictly regulate trade in agricultural products with Morocco, since Morocco is closer and has 13.6% of its GDP value added by agriculture, while that figure is 4.3% for Jordan (The World Bank, 2016).

The common provision of that title is covered in articles 18 to 29. It is outlined that no new restriction was to be introduced on trade between the EU and Jordan, but there was the possibility to amend the arrangement. An important article in this section is Article 28, which refers to Protocol II regarding rules of origin. That protocol is detailed and has 39 articles and four annexes to outline country of origin rules and procedures. These rules have proved to be some of the most complex and demanding requirements for the Jordanian industries to comply with. These rules made it hard for the Jordanian industries to feel encouraged to export to the EU. Through Marxism, one can see that the EU was imposing its own standards on Jordan and putting major hindrances and markedly high

standards that directly influenced the level of benefit Jordan obtained from this agreement to tip the benefits towards its own side.

Title Three of the Agreement covers the rights of establishment and service, and in the agreement with Jordan, it is elaborate and covers two chapters: in Chapter One, rights of establishment, and in Chapter Two, services. Article 30 EU grants Jordan access to the right of establishment, but Annex V restricts activities related to mining, fishing, real estate purchase, and audio-visual services including radio and telecommunication services, as well as infrastructure, agricultural activities, and news agencies. The benefit of this clause would only apply to company branches or subsidiaries established after the AA became active. Yet, the rights of establishment in the Morocco AA were only confined to two articles, Article 31 and 32: Article 31 of the AA stipulates that there should be an assessment within five years of the agreement entering into force.

The migration fear on the EU side is evident in this article. Realism can explain this through the dominance that the EU exercised to service its security-centred interests. This article establishes a one-sided limitation on Jordan. The EU had no restrictions on any activities related to the rights of establishment in Jordan. However, Jordan had limitations on both access to certain activities and the time of establishment of the benefiting companies.

Article 31.1 lists that the provisions of Article 30 do not apply to air transport, inland transport or maritime transport. It then lists the activities that are permitted: marketing purchases for transport and related services, preparing documentation for transport or customs, providing information about businesses, setting business arrangements, and organizing calls for the ship or cargo.

Article 33 states that both parties shall make all efforts to avoid taking any restrictive measures against the establishment of the other party. Article 34 is about the right to employ or be employed by the branches or sub-branches in the partner country. These

employees should only be employed for those companies and for the duration of that employment.

Yet, here, they introduced a restriction that those personnel should be the key personnel working in senior positions: directors, supervisors or employees who have the authority to employ, and those who possess uncommon knowledge, and they should have originally been working at the main company in the origin country and transferred temporarily and are not engaged in making direct sales.

The fourth title is regarding payment, capital movement, and other economic matters. These are covered by articles 48 to 52 regarding cooperation for the free movement of capital between the EU and Jordan and abolishment of any restriction on the free movement of capital that existed prior to the agreement. Chapter Two sees to competition and other economic matters, and articles 53 to 56 set the rules for fair competition. It is interesting to note that the competition rules in Chapter Two of the Agreement are notably similar to the competition rules in Article 81(1) of the EC treaty. The question that arises is whether Jordan really wanted to adopt EU competition rules or whether there is a degree of asymmetry at work somewhere. Tobias (2012, p. 198), in this respect, points to power asymmetry when he concludes that several reforms in the action plans were requested in the from the partners in the Southern Mediterranean, while no reforms were requested from the EU. This is clearly explained by realism and Marxism under direct dominance and influence—the dominance of EU in imposing its own standards on Jordan to yield its own interests.

The fifth title is concerned with economic cooperation and covers 20 articles. It is similar to the agreement the EU had with Morocco. The objective of this section is to support Jordan's efforts to reach economic development, covering the areas that will face difficulties, arising from the liberalization of trade under the scope of this agreement. The economic cooperation will take the form of dialogue, an exchange of information, training, and joint ventures. An important article to bring to the foreground is Article 68 regarding standardisation and conformity assessment. The parties needed to cooperate to

increase the implementation of EU standards and improve Jordanian standards to eventually reach a level of mutual recognition. The situation with the adoption of EC/EU standardisation rules by Jordan is quite similar to the situation where Jordan was to adopt EC/EU competition rules outlined above. Is there, again, a desire from the Jordanian side to adopt EC/EU rules, or are other reasons playing a role here?

Article 70 sees to financial services and is aimed at cooperation for the approximation of the standards to restructure the financial system and improve the accounting and supervision of the financial sector in Jordan. Here, similar to the competition law and rule of origin, Jordan was expected to adopt EU financial standards and structure; therefore, the inclusion of this article is an expression of EU dominance or Jordan's desire to adopt EU rules internally.

Title VI sets rules for social and cultural cooperation and cultural matters. It is covered in Articles 80 to 85. The goal is to establish social dialogue between the parties, similar to the Morocco Agreement, and the focus is on migration, illegal migration, equality, and the elimination of discrimination. Encouragement should be given to social cooperation, while the priority is to reduce migration through job creation, re-integrate illegal immigrants, improve health care, and improve the social role of women. It is remarkable that a special working body was designed by the Association Council to monitor the implementation of chapters one and two of Title VI of the Agreement. It is therefore probable that the implementation of these chapters in Title VI was especially important to the EU. This importance reflected back to the EU policy to fight migration and its consequential impact on EU culture.

Title VII pertains to financial cooperation and is covered by articles 86 to 88. It addresses the financial cooperation package that will be available to Jordan, and has the aim, in addition to titles V and VI, to promote reforms to the economy, promote private investment, and to create jobs. The EU can examine suitable ways for supporting structural reforms.

Title VIII is directed towards the institutional setup for EC/EU-Jordan relations.

The Association Council was established by the agreement. It meets at the ministerial level once a year to discuss key issues arising from the framework of the agreement.

Members of the Association Council include the government of Jordan, members of the Council of the EU, and members of the Commission. The Association Council sets the rules of the procedures and will be chaired every other year respectively by the Jordanian government and the member of the Council of the EU. The Association Council can make recommendations or decisions that are binding and can set up bodies to aid in the implementation of the agreement. Each party can refer an issue to the Association Council to settle a dispute. If the dispute is not settled, each party can assign an arbitrator, and the Association Council can assign a third arbitrator.

On the second institutional level is the establishment of the Association Committee, which is responsible for the implementation of the agreement. It reports to the Association Council. The Association Committee includes members from the government of Jordan, members of the Council of the EU, and members of the Commission. The Association Committee sets the rules of the procedures and will be chaired in turns by the Jordanian government and the member of the Council of the EU. The Association Committee has the power to make binding decisions for the management of the agreement.

Conclusion

While examining the content of the agreement, several things are noteworthy. Political and economic regional integration were mentioned in the bilateral agreement with Morocco, while for Jordan the agreement mentions regional dialogue. The section on trade in the Moroccan agreement is more detailed than in the agreement with Jordan. Jordan has a different position regarding the EU than does Morocco. It is worthwhile to shed light on the reasons for these differences.

A special body is provided for with regard to the monitoring of the implementation of the articles pertaining to migration. This is an indication of special importance that should be considered during the rest of this investigation.

With 24 articles, the section on the movement of goods is the largest and apparently holds particular importance. Agricultural products and industrial products with an agricultural component are out of the scope of tariff abolition. Certain quotas for trade are set, but only limiting Jordan's exports, not the EU's exports. The EU rules for financial services, standardisation, and competition are to be adopted by Jordan in such a way that the rules in Jordan will, in due course, be acceptable for the EU, while no approximation of EU rules to the Jordanian rules is provided for. All this poses questions about the power division among Jordan and the EU during negotiations as well as the level of protectionism involved, and the respective benefits expected or intended.

If we refer to the theoretical framework, liberalism can explain some of the intended liberalisation of goods and services but does not explain the limitations in the form of quotas on certain agricultural products and any manufactured goods that have these agricultural products as components. Also, it cannot explain the one-way limitation set for Jordan on the free movement of persons. Liberalism assumes equality between the two negotiating parties, and therefore it cannot explain the asymmetry of power that this agreement demonstrates. Asymmetry is evident when the EU imposes its standards in the rule of origin, competition law, and financial standards on Jordan, and Jordan did not have the power to implement its own standards on its territories, let alone impose them on the EU.

Realism can explain this asymmetry, and it is evident that the EU had the upper hand and was the dominant party in the negotiation of the agreement in view of the fact that the signed agreement contained only EU standards and it managed to maintain its protectionism over the agricultural product of concern. Marxism also brings about the fact that nation states may further the interests of certain dominant classes by exporting the

class struggle to the international world. Another analytical aspect sourced from Marxism is that relations between the EU and Jordan also exist at the level of dominant and dominated classes, because the states are each at a different stage of development when it comes to class struggle, and thus the relations between the states cannot be at an equal level as would have been the case if the parties were at the same stage of development.

3.2 Theoretical Context

When intending to analyse negotiations, several bargaining theories present themselves: cooperative bargaining, non-cooperative bargaining, and the theory of fair division. Since no transcripts of the EU-Jordanian negotiations were made available, we have no insight in terms of the numbers, quantities, or percentages that were discussed during the actual negotiations. This makes the application of calculation-based analytical tools impossible. In the work of Nash (1950) on non-cooperative bargaining, however, strategic equilibrium is a key component of the division of the spoils during negotiations. The final division of the value of the object being negotiated is a function of all the components that constitute the strategic equilibrium. Thus, the strategic equilibrium addresses more aspects than only the division of ‘the pie’. Therefore, without the transcripts of the actual negotiations, a step-by-step analysis of offers and counteroffers is not feasible, but we will examine to what extent aspects of the strategic equilibrium in non-cooperative bargaining theory could be helpful in giving insights regarding the relative level of advantage at which the EU and Jordan were operating during the negotiations. However, these theoretical frameworks cannot, by their very nature, be viewed as a comprehensive tool for a complete analysis (Carraro, Marchiori, & Sgobbi, 2005, p. 1) but should be seen as isolated theoretical approaches. Furthermore, in this research, only selected aspects of the strategic equilibrium that tie in with the available information about the negotiations will be examined, with the aim of exposing factors in the negotiations that may have had a significant role with regard to the final outcome.

3.2.1 Bargaining theory

The model for ‘cooperative bargaining’ developed by Nash (1950) is based on several assumptions that are explored in the next paragraph. Furthermore, Nash’s model does not provide for a strategic component in bargaining. Since, realistically, the absence of a strategic component cannot be assumed in the negotiations between international partners from different continents, non-cooperative theories appear to provide a more reasonable starting point. Furthermore, in view of the asymmetry between the EU and Jordan as economic powers, the theory of fair division is proposed to identify aspects that are not directed exclusively at the efficiency of the outcome, like equity or being invulnerable to strategic manipulation.

3.2.2 Applicable model: cooperative versus non-cooperative bargaining models

Cooperative bargaining as proposed by Nash (1950, p. 156) sets out to determine the expected satisfaction of each participant and the value of the negotiation itself to the participants, since, in the end, a participant can simply walk away if he/she so chooses. Nash recognises a degree of idealisation in his model (Nash, 1950, p. 155), since participants are, among other things, supposedly fully aware of each other’s priorities and can accurately assess how desirable the various options are for each other. Regarding the negotiations between Jordan and the EU, each party may have had an idea of each other’s priorities and preferences, but certainly not in full. Furthermore, Nash (1950, p. 159) assumes symmetry of the participants in the negotiation; that is, they are identical. Clearly, Jordan and the EU are far from identical as economic entities.

For the reasons mentioned above, the cooperative bargaining model sways far from the realities of the EU-Jordan relationship. Therefore, it might be worthwhile to explore to what extent the non-cooperative model provides a better approach in an attempt to find indications of a relative advantage for one of the parties. Bearing in mind that the non-cooperative model is, by its very nature, also a reduction of the realities of the

negotiations, there are a few points of interest. Like the actual negotiations, the non-cooperative model suggests a turn-based approach. Furthermore, disagreement, in other words, failed negotiations not leading to an AA, would be the least desirable outcome for the parties. It is reasonable to assume that it is highly likely that failed negotiations were indeed the least desirable outcome, since both the EU and Jordan wanted an AA in the first place. On the other hand, loss owing to delay is an always-increasing function of negotiation. One may wonder to what extent the passage of time in the case of the EU-Jordanian negotiations would actually lead to a loss by any of the two parties. Another assumption that is part of the balance in the solutions found by the players in the sequential bargaining steps is the presumed advantage of the party that makes the first proposal in the negotiations; in other words, the one who begins the negotiations.

Although it is not certain to what extent solely beginning the negotiations is an advantage in this particular situation—in which proposals were semi-fixed in the sense that both parties had little room for actual bargaining—the EU, in the role of initiator and larger power, which was also proposing AAs to other countries in the region, could most probably be regarded as the party in the advantageous role.

The starting point for Rubinstein's model of non-cooperative bargaining, as is the case with Nash's model, is that there is one single pie to be divided between the players (Carraro, Marchiori, & Sgobbi, 2005, pp. 13–14). Translated to the EU-Jordanian negotiations, that would mean there was only one issue to negotiate about. Since the AA to be negotiated encompassed a multitude of issues in many different fields, it may be observed that there was more than a single pie to divide.

There are two approaches to the multiple issue complication of the non-cooperative bargaining model. In the first approach, the multiple issues would be bundled into one package, and then that package would be negotiated in one set of bargaining rounds. In this way, when multiple issues are approached as one pie, the same rules would apply as in Rubinstein's classical non-cooperative model. If multiple issues were negotiated one at a time, the negotiations would comprise several sequential sets of bargaining rounds. Since issues are negotiated sequentially, the order in which issues are being negotiated might influence the outcome of the bargaining game. Thus, the negotiators could make

strategic use of the agenda of the negotiations by influencing the order of issues to be negotiated. In this respect, one might consider, for example, a certain time constraint that one party might have that could be exploited by the other party (Carraro, Marchiori, & Sgobbi, 2005, p. 15). Another and more likely manipulation in the case of a trade agreement might be that the interest of party A is actually directed towards one or two issues only, i^1 and i^2 , while the interest of party B is focused on several issues, i^3 to i^7 , and party B is only mildly interested in i^1 and i^2 . Thus, for party A, the willingness to negotiate on issues other than i^1 and i^2 and to have the agreement at all depends, in effect, exclusively on the outcome of bargaining regarding i^1 and i^2 . If party B now would succeed in putting i^1 and i^2 at the end of the agenda, then party A might negotiate and agree to points regarding i^3 to i^7 only to reach the end of the agenda and hope for a favourable outcome regarding i^1 and i^2 . Thus, it is likely that party A would give more of the pie of i^3 to i^7 to party B when i^1 and i^2 were at the end of the agenda. Thus, party B's power to influence the agenda to a degree would be directly proportional to party B's extra gain in the sequential negotiations. Research by Inderst (2000) further underlines that an 'agenda can have a marked impact on pay-offs' (Carraro, Marchiori, & Sgobbi, 2005, p. 16), regardless of the level of patience demonstrated by the negotiators. It is worth noting that all bargaining models mentioned offer only a static approach and assume an exclusively rational pursuit of pure self-interest.

Theories of repeated bargaining are not addressed, since no information was made available about the Jordanian delegation. Therefore, it is not possible to assess whether contact moments continued afterwards or took place before the end of the negotiations for the AA.

3.2.3 Connecting the model to the negotiations

What needs to be investigated now is the extent to which the EU-Jordanian negotiations for the AA were sequential or in the form of a package. Another issue is that negotiation agendas, strictly speaking, might contain multiple sequential packages rather than purely sequential issues. As an example, referring to the previous paragraph, on day one, issues

i^1 and i^2 might be on the agenda to be discussed together, while issues i^3 to i^7 might be scheduled for day two. In the case of an agenda with multiple sequential packages, since a sequence is applied, the possible advantages associated with sequential bargaining would still apply. The Aide Memoire from the EU delegation in Appendix V with the attached agenda suggests that negotiations took place in a sequential manner and therefore that the ability to influence the agenda may be advantageous in a bargaining game.

It should be noted that the limited information made available about the actual negotiations restricts the practical application of the models. The available information does not allow the examination of negotiation steps, for example, simply because no transcripts were made available.

However, some interesting points emerged in the examination of bargaining theory, which may help to shed light on whether parties were in advantageous roles. First, in non-cooperative bargaining theory, the party that begins the negotiations is regarded as having an advantage. The European Commission, being the disproportionately larger party and initiator of its own plans for the Southern Mediterranean, of which Jordan is but a small component, may be seen as the initiator of all agreements on a regional scale, and therefore, may also be seen as the initiator at the national Jordanian level for that AA. In this context, the relevance of who made the first proposal during the actual negotiations remains debatable from the viewpoint of bargaining theory.

The EU, with the Barcelona Process and its other plans for the Southern Mediterranean, has a clear economic vision of the contents of the AAs it wants to close in that region. Several countries in North Africa preceded Jordan in negotiating with the EU. It can be observed that the EU has a standard template for the AAs. In addition, the EU went through multiple negotiation sessions with these countries, which meant that the EU has substantial experience in negotiating different elements of the AA and was already prepared for any eventual disagreement from the Jordanian side. When examining the AA of Jordan and other countries in the region, it can be observed that these AAs were not all that different from each other, supporting the notion of a standard template—a template, of course, that reflected the EU's interests. This is underlined by the fact that the only issue for which a detailed follow-up was stipulated in the action plans was the reduction

of tariffs, arguably the most interesting issue for the EU from an economic point of view. According to Villani, one of the members of the EU delegation who responded to the questionnaire, Jordan was cooperative during the negotiation process but wanted to negotiate the best conditions for itself regarding gradual tariff reduction. Another delegation member, Zangl, remarked that the actual importance of the AA for Jordan was perhaps found in the opportunity to enter into a relationship with the EU more quickly than in the actual contents of the agreement. What does this tell us about Jordan? Though Jordan was trying to negotiate the content of the agreement, Jordan had a globalization strategy in the back of its mind when negotiating the conditions. It seems the ultimate goal of the agreement was to be partners with a global economic power like the EU and serve as a step towards other western partnerships. The facts that the early 1990s Jordan economy was hampered by the Gulf crisis, that it lost its main trading partner, Iraq, of its tense relations with other Arab countries, and that Jordan was under pressure to find other partners meant that the only real economic choice left was to partner with Western economic power like the EU, followed by an agreement with the US.

All this leads to the notion that the contents of the negotiations were, to a certain extent, declared by the EU rather than discussed bilaterally. Not only does this give the EU the advantage of experience and knowledge, but the EU's ability to, at least to an important degree, determine the very contents of the negotiations also had an impact on the negotiation process itself. This is explored below.

Second, the power to set or influence the agenda is considered an advantage in negotiations (Fershtman, 1990; Inderst, 2000). As mentioned, the agreement's structure, intent, and content were all designed by the EU as part of its overall regional plans.

Therefore, the EU, to begin with, largely determined what was on the agenda.

Furthermore, the contents of the Aide Memoire sent internally by the EU delegation on 22 October 1996 and still to be discussed with the Jordanian Minister of Planning are found in the agenda of the EU-Jordanian negotiations on 29 and 30 January 1997 almost as a carbon copy. This may lead to the observation that from the side of the Jordanians, there was full agreement with the suggested issues for the agenda or possibly that content

was pre-discussed but not the agenda as such. The likelihood that the EU, to an important extent, determined the issues to be negotiated and the possibility that the EU was largely responsible for setting the agenda would put the EU in a highly advantageous position as a negotiator and stakeholder.

3.3 Empirical Context

The negotiation process from the EU perspective had multiple steps. After internal discussion and assessment of the impact of trade agreement, the European Commission would hold public consultations on the impact of the trade agreement with that specific country. Then, the commission would initiate an informal talk with the country in question. Thereafter, the commission would request official authorisation Negotiation Directives from the European Council to start the negotiations (European Commission - Directorate General Trade, 2013). In June 1995, the council approved the negotiation directive to initiate negotiations with Jordan, and the commission started negotiations with Jordan in July 1995 (Commission of the European Communities, 1997). In October 1997, the commission submitted a proposal for the council to sign and conclude a Euro-Mediterranean FTA with Jordan. Thus, the negotiation between Jordan and the EU lasted for a period of two years. According to the proposal, Jordan was not willing to accept the points as proposed; thus, the negotiation had to be extended to two more sessions to come to a compromise (Commission of the European Communities, 1997, p. 3).

The negotiation process was led by the EU's chief negotiator with the help of experts in the field of EU external relations, service, rules of origin, agricultural affairs, intellectual and industrial property, and legal services. On the Jordanian side, the negotiators included the head of the delegation from the Ministry of Planning, the Ambassador of Jordan in Belgium, the Secretary General from the Ministry of Industry and Trade, the Director General of the Budget from the Ministry of Finance, the Director General of Customs, the Secretary General from the Ministry of Agriculture, the Director of the Central Bank of Jordan, the Agricultural Marketing Corporation, the Head of the Technical Department,

Ministry of Planning, and representative of the Customs and Duties Department from the Ministry of Finance. The rounds of negotiations took place in the EU and Jordan.

In the second half of the 1990s, Jordan was focused on globalising Jordan; thus, Crown Prince Hassan oversaw the Jordanian negotiation process with the EU over the AA (El-Said & Becker, 2001, p. 184). Abu Dalbough (2005) maintains that the EU and Jordan went through marathon negotiation rounds on the economic and financial aspects of the AA, while the political aspects were less favoured.

The negotiation process that the EU followed was bilateral with the negotiating country. This meant that Jordan, as an individual country, needed to face 15 strong opponents in the negotiations, which put Jordan in a disadvantaged position and weakened any negotiating power from the start (El-Said & Becker, 2001, p. 184).

3.4 Jordan's Input into the Process

Jordan's perspective on the agreement needs to cover both the public and private sectors, among which there were mixed expectations. The government built up lofty expectations for the EMP. With the urge to integrate into the global market, terminate its isolation, and build a healthier trade balance, Jordan embarked on the process expecting great things. This was evident from Dr. Rima Khalaf's, then Jordan Minister of Planning, statement to the lower house about the agreement with the EU: *'if we don't sign the Euro-Mediterranean Partnership association agreement, our industries will shrink because other Arab countries would have privileges that we don't ... In this case, who would want to invest in a market that is closing itself off from a quarter of the world's economy?* (Abu Dalbough, 2005, p. 140). In his speech addressing the Jordanian Parliament in 1996 and 1997 (prior to signing the AA), King Hussein (1996; 1997) declared that in an effort to enhance Jordan's economy regionally and globally and continue in the open market economy, there were negotiations with the EU for an AA where the open market would be gradual, and it would increase Jordan's capability and competitiveness in the world economy. The Jordanian Senate (1997), in their response to the King Hussein speech,

underlined that the global economic direction was oriented towards trade unions and free markets to facilitate the free movement of capital. Thus, Jordan's agreement with the EU would open doors for it to enter the world economy and improve its chances to increase its exports and foreign investments.

Prince Hassan (1997), when addressing the Chamber of Commerce in its annual meeting, pointed out that the agreement that would be signed with the EU would open new horizons for cooperation between Jordan and the EU that would benefit both parties. The government did try to include the private sector in discussions on the agreement.

Mohammad Asfour, The Minister of Industry and Trade, held a discussion meeting about the agreement with the private sector in the Finance Committee of the Chamber of Deputies (Carroll, 2001, p. 157). In an open discussion on the agreement arranged by the Jordan Europe Business Association (JEBA) in 1997, the private sector, Jordanian economists, and businessmen recognized that the agreement would bring benefits to the Jordanian economy and would reflect the liberalization policy of Jordan; however, the country needed to address economic imbalances to be able to benefit from the agreement (Aloul, 1997, p. 9). The former Jordan minister of Finance, Mr. Anis Mouasher, said that the private and public sector needed to modernize and that liberalization should be preceded by reducing bureaucracy, increasing the role of the private sector (Aloul, 1997, p. 9). Mouasher said that Jordan should learn from the experience of other countries who negotiated an AA with the EU, and Jordan should seek advice from international consultants and local legal teams to seal a good deal with the EU (Aloul, 1997, p. 9). Mouasher added that one of the major issues to address was the proprietary rights Jordan had to amend its legislation to meet its international standards (Aloul, 1997, p. 9).

In the Al Rai newspaper (2002) the General Secretary of the Ministry of Trade and Industry, Samer Al Taweel, outlined that the AA would be one of the attracting factors for foreign investment in Jordan's export industries. However, this agreement would put the Jordanian industries in direct competition with European industries, and these industries needed rehabilitation to be able to compete. The President of the Union of

Jordan Chambers of Commerce, Haidar Murad, (Al Rai, 2002) indicated that the AA would open a market of 450 million consumers to the Jordanian industries, which represents a great opportunity for the Jordanian industries. However, the biggest challenge would be rehabilitating these industries through specialized supporting programs to modernize it and reach the level that would guarantee its entry into the EU market (Al Rai, 2002). He also underlined that, in spite of the negative impact that would face Jordan's economy due to this AA, including the loss of import duties and replacing that with local taxes, he still saw that there would be a lot of positive impact, like attracting foreign investment (Al Rai, 2002). Munir Hamarneh, from Jordan University (Al Rai, 2002), commented that the first goal of this AA that the EU offered to the Mediterranean countries, including Jordan, was to maintain its interest in the region, and the association between a group of highly developed industrial countries with one individual country would create great pressure on an individual country like Jordan. To face this pressure, it would be better to enter into regional groups and negotiate as a group, not as individual countries. Then, the partnership would be symmetrical (Al Rai, 2002). Mr. Outhman Budair (Al Rai, 2002), president of the Amman Chamber of Industry, said that the AA with the EU would enhance economic relations with the EU and increase Jordan's exports to the EU, and thus improve the trade balance, which was then in favour of the EU. Thus, the expectation would have been to establish joint investment projects based on the AA's preferred treatment (Al Rai, 2002). Budair also highlighted that the AA would open the EU market to the Jordanian industries and would motivate foreign and local investors to invest in Jordan in industries aimed at exporting to the EU.

Yet, in an interview with parliament member Ahmad Abadi, Abu Dalbough (2005, p. 140) mentioned that only 10% of the MP were informed about the EMP when it presented to the Jordanian Lower House for approval. In an interview with Abdulatif Arabyat, secretary general of the Islamic Action Front, on 27 September 2003 (Abu Dalbough, 2005, p. 141), Arabyat mentioned that civil society, especially the Islamist opposition

group, did not expect any benefit from the EU-Jordan agreement (Abu Dalbough, 2005, p. 141).

The private sector clearly voiced concerns regarding the opening of the Jordan market and the competition that it would create for weak local industries (Abu Dalbough, 2005, p. 141). Carroll (2001, p. 157) mentioned that the private sector in Jordan did not mobilise against signing the agreement because of the economic incentives inherent in aid and assistance. For the private sector, cautious acceptance was encouraged by the promise of technical and financial assistance to update their infrastructure and support investment policies (Carroll, 2001, p. 160)

In the Al Rai newspaper, Nadin Namari (2005) expressed that there was a growing gap for the Jordanians in meeting their expectations of the agreement with the EU. Namari (2005) highlighted that the agreement did bring to Jordan financial aid and increased its exports, but she saw the performance as being less than expected in terms of improving the trade balance with the EU, as the imports from the EU far exceeded exports, thus, the trade balance was still in favour of the EU.

In the Al Distour newspaper, it was reported that in spite of the agreement Jordan had with the EU, it perceived the result as below expectations, and that the private sector in Jordan was facing several problems with exports to the EU, particularly the rule of origin, and in order to improve exports to the EU, major efforts should be exercised by the government to re-negotiate the rules of country of origin and to reach an agreement to free the services sector (Al Shawabkeh, 2008).

In the Jordan Times, Fahed Fanek (Fanek, 2016) stated that the trade agreement condition on country of origin was unfair, that the requirements for Jordanian goods to qualify to enter into the EU under the trade agreement were very demanding, and that the Jordanian industries would not be able to meet them. He made a comparison with the US

agreement, which requires only 30% of Jordanian origin to qualify, which is a better condition than that of the EU agreement.

In the Al Madenah news (2017) the private sector urged the Jordanian government to re-negotiate some of the FTAs with Jordan, like the EU agreement, which caused an influx of goods, putting pressure on the Jordanian market and weakening local industries. The article is referring to the complexity of the country of origin procedure as one of the main reasons causing the Jordanian industries not to optimise their exports to the EU.

Thus, the Jordanian perspective on the AA can be summed up as follows: The public sector was very enthusiastic about the AA, and that was clear in view of their publications. It had high expectations that the agreement would attract investment and improve the Jordanian economy and industries. The private sector was concerned about opening up the market to European competition, the rule of origin, and the adequacy of the Jordanian industries to face this competition but was expecting aid and assistance and thus did not object strongly to the agreement.

3.5 Points in the Negotiations

In the Proposal for a Decision of the Council and the Commission on the signature and conclusion of the Euro-Mediterranean Agreement with Jordan (Commission of the European Communities, 1997), the commission pointed out that Jordan had three main issues to be addressed: 1) trade in agricultural products, 2) readmission of illegal immigrants, and 3) Jordanian nationals working in the EC.

The main countries that orchestrated the negotiation of the AAs within the framework of the Barcelona Process were France and Spain, combined with the European Commission. Negotiations took place in Brussels and the capitals of the Mediterranean countries. The EU dictated details, and the Mediterranean countries were cooperative rather than demanding (Richard, 1998, p. 96). Villani (2016), a member of the EU negotiating team, mentioned that no specific country on the EU side dominated the negotiations.

Jordan piloted negotiations with the EU from the Mashreq countries, preceded by Morocco, Tunisia in the Maghreb, and Israel, and followed by Egypt, Lebanon, and Syria (Zangl, 2016). Thus, the process with Jordan formed the building block for negotiations with other Mashreq countries, such as Syria and Lebanon (Villani, 2016; Zangl, 2016). The negotiation for the AA between Jordan and the EU concentrated mainly on the economic and financial partnership, while the political aspect was given a much lower priority (Abu Dalbough, 2005, p. 140). The cultural and human aspects were also given extremely low priority (El-Said & Becker, 2001, p. 184). The EU's protectionism of the agricultural products of Spain and Italy ensured that this would remain a main point in the negotiations with the Mediterranean countries and Jordan.

Another issue in the negotiations was the rule of country of origin (Richard, 1998, p. 5). Zangl and Villani (EU Negotiators with Jordan) (2016) highlighted that, were they to have been on the Jordanian side of the negotiations, the rule of origin would be one of the points to tackle to benefit the Jordanian side. Villani referred to the need for the diagonal accumulation of the operationalisation of the rule of origin to facilitate regional integration. In addition, Zangl (2016) highlighted the need to request greater flexibility on the rules of origin. However, Zangl (2016) indicated that the negotiations on the rules of origin were not flexible, since the rule of origin needed to be coherent with the rules of origin of all the other AAs, both existing and future ones. According to a report on the rules of origin (United States Agency for International Development, 2008, p. XV), the EU rules of origin are more complex and costly for Jordanian exporters compared with the US-Jordan FTA. These complex rules laid out in Protocol 3 of the AA in 2006 had another impact on Jordanian exports. The fact that there are different levels of complexity and costs of the rules of origin requirement for different Jordanian AAs prevents scalability for Jordanian exporters by creating 'destination-specific industries' (United States Agency for International Development, 2008, p. XV). Fanek, in the Jordan Times (Fanek, 2016) indicated that the trade agreement condition on country of origin between the EU and Jordan was unfair. The private sector urged the government to renegotiate the rule of origin (Al Shawabkeh, 2008).

The Jordanian negotiators worked hard to obtain more concessions on agricultural products and more aid (El-Said & Becker, 2001, p. 184). Thus, the Jordanians negotiated certain sensitive quotas. The commission was willing to grant concessions on the EU quota in return for Jordan signing onto the monitoring of illegal asylum seekers going to Europe from Iraq, Lebanon, and Syria through Jordan. The EU needed a country in the Mashreq to accept this requirement. Other countries in the Maghreb, which preceded Jordan in the negotiations, and, contrary to Jordan, had high numbers of immigrants to the EU, refused this clause. However, Jordan accepted it in return for a higher quota for its agricultural products (El-Said & Becker, 2001, p. 184). These quotas were covered in Article 16 Protocol I, and even though the Jordanian negotiators might have obtained concession on quota levels, it was still a limitation in the form of a volume quota, and it was a one-way limitation on Jordan that was not reciprocal to the EU.

The news of the negotiations on some of the agricultural products reached Spain, which was angered by this outcome, and the signing of the agreement was delayed by EU bureaucratic measures. In addition, Jordanian criticism of the agreement emerged. Local businesses considered that the agreement would work in favour of the EU and not Jordan (El-Said & Becker, 2001, p. 184). Furthermore, Prince Hassan highlighted in his speech to the commission in 1997 that little attention had been paid by the EU to cultural interchange, and the focus of the EU had been mainly economic. To Prince Hassan, little time had been dedicated to discussing and developing ethnic and people-to-people relationships (El-Said & Becker, 2001, p. 184). Further negotiations were directed towards policies in the fields of admission and migration.

Zangl highlighted that fundamental human rights (Article 2) and the 'readmission clause' for illegal immigrants were difficult negotiation topics for most of the negotiating partner countries, but, as far as he could recollect, this was not the case for Jordan.

The negotiations on the rights of establishment were concluded to the disadvantage of Jordanian companies. Jordan was expected to grant European companies national privileges, while the EU granted only the most favoured national benefits to Jordanian companies (Abu Dalbough, 2005, p. 141). Thus, after intense negotiations, which led to

mistrust between the EU and Mediterranean countries, Jordan signed off agricultural access in return for non-MEDA (*Mesures D'Accompagnement Financieres et Techniques*) aid (Richard, 1998, p. 3).

Based on the minutes of the meeting between the commission and the Jordanian delegation on 28 October 1996 and the meeting agenda dated 29-30 January 1997 (Annex V), the main points of disagreement were as follows:

1. Agricultural products embodied in Article 10 of the agreement on processed agricultural products, agriculture package, council decision of 1 October 1996 on agriculture re-admission
2. Intellectual property rights and the text in Annex 8, protection of pharmaceutical products, and Jordanian draft patent law
3. Liberalisation of services and the Jordanian reaction to comments by the commission on the exclusion list for services proposed by Jordan
4. The gradual elimination of tariffs on industrial products

The Jordanian private sector was not happy with the parts pertaining to services and urged the government to reach an agreement to free the services sector (Al Shawabkeh, 2008), because the negotiation was not, in that aspect, successfully in favour of Jordan.

According to Villani (2016), throughout the negotiations, Jordan was 'cooperative' but also 'adamant to make the best out of this agreement'. Jordan negotiated strongly for the gradual elimination of tariffs on sensitive products or gradual tariff dismantling. Zangl (2016) concurred that Jordan was cooperative throughout the negotiations but pointed out that Jordan was aware it that was the first country from the Mashreq to negotiate with the EU and wanted to conclude the negotiations quickly, and with positive results.

When inquiring if the agreement was beneficial to Jordan, Zangl (2016) pointed out that the agreement was a 'declaration of intent' for both parties to cooperate. The AA was, for Jordan, the start of quick cooperation between the parties and 'goes beyond the provisions of the agreement itself', although the situation in the region hindered Jordan from benefiting most from the agreement. Villani (2016) highlighted two facts about the

benefits of the agreement. He drew on the fact that there was assistance both to implement the AA and to support economic, civil society, and sectorial reforms, which benefited Jordan in terms of governance, but on the other hand, in terms of results, he considered the agreement to have reached a minimal level. Abu Dalbough (2012, p. 301) highlights that financial assistance brings the opposite effects to the economic development of Jordan. Financial assistance confirms the 'dependency' of Mediterranean countries on the EU and directs the cooperation process towards the economic interests of the dominant partner, in this case, the EU.

Conclusion

This chapter is based upon the following archive sources: minutes of a meeting, an aide memoire, a list of negotiators and a negotiation agenda, Jordanian private and public expectations, and parliamentary input on the agreement made available for the benefit of this research. The kind cooperation of several members of the EU delegation provided this study with insightful comments from some of the direct participants in the negotiations. The help of the archive teams in Jordanian newspapers gave some views and parliament debate on the Jordanian feedback regarding expectations for the agreement with the EU.

It is clear from the start that the EU was the bigger economic power, that it considered programs for regional cooperation, and thus, had vast knowledge and experience regarding the negotiation of AAs, putting it in an advantageous position regarding power and knowledge vis-à-vis Jordan. Munir Hamarneh from Jordan University (Al Rai, 2002) underlines that disadvantage and the asymmetry of the process of negotiation between a group of highly developed industrial countries with one individual country, putting great pressure on the individual country. It would have been better to enter into the negotiation as a regional group and negotiate as a group, which would have made the positions symmetrical, instead of as individual countries (Al Rai, 2002).

Empirically, the terms of agreement for the negotiations were not to the advantage of Jordan; the EU was mainly concerned with the elimination of tariffs and the economic aspects and had little interest in cultural interchange and the development of ethnic and people-to-people relationships (El-Said & Becker, 2001, p. 184; Prince Hassan Speech to the Commission in 1997). Jordan negotiated well with regard to the gradual elimination of tariffs (Villani, 2016), but the negotiations on rights of establishment were concluded to the disadvantage of Jordanian companies (Abu Dalbough, 2005, p. 141). The rule of origin was a point of negotiation, but the EU did not give any concessions, and this rule was unfair for the Jordanian industries (Fanek, 2016). As Zangl (2016) indicated from the EU side, the rules of origin needed to be the same as the rules of origin agreed upon in other AAs, and that if they were changed, then they needed to be changed in all the other AAs. The rules of origin were too complex, which set up Jordanian industries and exporters for a disadvantage, since a different FTA with Jordan would mean that Jordanian industries and exporters had to establish country of origin processes based on a specific destination (United States Agency for International Development [USAID], 2008, p. XV). As indicated by Zangl (2016), the agreement was a ‘declaration of intent’ for both parties to cooperate, and the negotiation process was aimed at that goal. This means that, during the negotiation, concessions were made to reach this goal. As Zangl said: ‘Jordan was aware of being a front runner compared in particular to other Mashrak countries and was keen and interested in coming rapidly to a positive result’. Abu Dalbough (2005) maintained that the EU and Jordan had gone through marathon negotiation rounds on the economic and financial aspects of the AA, but the political aspects were less favoured.

Thus, during the negotiation process, the EU had the upper hand in the terms of the agreement. This was evident when imposing its own rules of origin that were difficult for the Jordanian industries to meet. The rules were perceived by the Jordanian private sector to be unfair (Fanek, 2016). Jordan lost the negotiation when it came to agricultural production; this is evident in the quotas imposed in the agreement on tomato paste. However, Jordan served its goals in the agreement by terminating the economic and

political isolation that the Gulf Crisis imposed on Jordan. Also, the Jordanian public sector expected that the agreement would attract foreign investment to Jordan that targeted exports to the EU. As for the private sector, they were cautious in their expectations and had concerns about opening the market and the industries to European products and competition, but they did not mobilise any objections to the agreement and were expecting financial aid and technical assistance to address the shortcomings for their industries. The next chapter will explore how much improvement the agreement achieved in the Jordanian economy.

Chapter Four

The Impact of the EU-Jordanian Preferential Free Trade Agreement on Jordan's Economy

Introduction

The AA between the EU and Jordan imposed conditions on Jordan to amend its economic, political, and social structure. Did this FTA bring improvements to Jordanian welfare? To answer this question, we need to use an assessment model to examine the impact of the agreement on Jordan.

The aim of this chapter is to analyse the extent to which the AA between Jordan and the EU, which was put into effect in 2002, was beneficial for Jordan from an economic perspective. This is achieved by comparing economic data in the periods prior to and after the signing of the AA. It should be noted that, with regard to content and intent, the 2002 AA can be considered an FTA, especially since the establishment of a free trade area was one of the major goals, perhaps even the major goal, outlined in the agreement. This free trade aspect of the agreement is a key factor in choosing the most appropriate tools and methods in this chapter.

The analysis is based on the different models of assessment available for an FTA. The strengths and weaknesses of each model are outlined. Subsequently, the most suitable model is chosen in terms of data and resource availability, practical feasibility, expected accuracy, and suitability of the outcome regarding the intended purpose of this study, for application to the FTA between Jordan and the EU.

The structure of the chapter will follow the same overall structure of the thesis, first discussing the different FTA assessment methods to set up the framework for this

chapter; second, comparing each method to identify the best method to implement in view of the data availability; third, identifying the best method; fourth, applying this method to the AA; and finally, analysing the outcome and drawing a conclusion.

4. Different Models to Assess Free Trade Agreements

There are different assessment models used to check the effect of an FTA. For the policy-maker to decide on how to proceed with an FTA and to assess the project impact, the ex-ante assessment model is used. However, for policy-makers to assess to what extent they have reached the desired goals of the FTA, an ex-post assessment model is used.

Until 1950, the general idea was that FTAs between countries would have a positive impact on the welfare of these countries. However, Jacob Viner, Princeton economist, developed a new model in 1950, in which an FTA might have a negative impact on the partner countries, and thus, he introduced the two concepts of trade creation and trade diversion (Plummer, Cheong, & Hamanaka, 2010, pp. 9–10). Viner argued that cutting tariffs would not always bring welfare or work to the country (Bhagwati & Krishna, 1997, p. 441). The Viner's key concept is quoted as follows.

Trade creation is the displacement of less efficient national production in favour of more efficient partner-country production, while trade diversion is the displacement of more efficient non-partner imports in favour of less efficient partner-country sourced imports (Plummer, Cheong, & Hamanaka, 2010, p. 9).

Viner's model is important for trade assessment, since it laid the framework for the international trade theories that followed, like the 'general theory of second best'⁴ (

⁴ The second-best theory holds that, given a distorted economic system, eliminating one set of distortions does not guarantee an improvement in overall economic welfare so long as other economic distortions remain unchanged. In the context of an FTA, this theory implies that reducing tariffs on a discriminatory basis might not improve welfare for individual countries or the world economy, because some tariffs are still maintained (Plummer, Cheong, & Hamanaka, 2010, p. 11).

Lipsey & Lancaster, 1956), that expanded upon the Viner model (Bhagwati & Krishna, 1997, p. 442). The Viner model is based on one product exchange, and thus, the international trade theorist, Lipsey, developed a multiple goods model (Plummer, Cheong, & Hamanaka, 2010, p. 11). The ex-post and ex-ante model FTA assessments stemmed from this framework.

4.1 Ex-ante Assessment Models

These models are applied prior to signing to assess the projection of the aspects of an agreement. There are different ex-ante assessment models, as described by Plummer, Cheong, and Hamanaka (2010), as follows: trade indicators to evaluate the potential economic effects of an FTA, estimating the potential economic effects of an FTA in an individual market, and a computable general equilibrium estimation of the potential.

4.1.1 Trade indicators

The assessment of the trade indicators is based on the dependency of the partner countries in the trade agreement. It is examined based on imports of goods prior to the agreement and the tendency of imports to increase or decrease. Thus, the inter- and extra-regional trade share is calculated on the basis of the following formula (Haddoud, Salamon, Jones, & Newbery, 2011):

Formula 1: $ITS = \text{Sum of imports and exports between the EU and Jordan} / \text{Sum of imports and exports between Jordan and the world}$

The extra-regional share is:

Formula 2: $ETS = 1 - ITS$

In addition, the inter- and extra-regional intensity indicators based on Formula 3 below are calculated. The trade intensity index (TII) establishes whether the value of trade between Jordan and the EU is as expected relative to their share in the world's trade. It is calculated as follows:

Formula 3. $T_{ij} = (x_{ij}/X_{it})/(x_{wj}/X_{wt})$

where x_{ij} and x_{wj} are the values of country i 's exports and of world exports to country j , and X_{it} and X_{wt} are country i 's total exports and total world exports, respectively (World Bank, 2011).

The comparative advantages of the partners should be measured (Haddoud, Salamon, Jones, & Newbery, 2011). The revealed comparative advantage (RCA) gives an indication of the country's specialisation in specific products, and it assesses a country's export potential by measuring its success in exporting to a specific partner. Countries with different RCAs have a higher possibility of being successful trade partners than countries with similar RCA profiles (World Bank, 2011).

The next indicator to be calculated is regional orientation (ROI), which indicates the extent to which a country's exports are oriented towards one region more than to another. The ROI is higher in the most favourable sectors of a country, that is, the sectors in which the country is most specialised and has the highest RCA. Thereafter, the trade complementarity index (TCI) can be calculated. The complementarity index matches the exports of a country with the imports of a region. The higher the complementarity indices, the higher the prospect of success of the trade agreement (Plummer, Cheong, & Hamanaka, 2010, p. 35). The main strength of this model is that it is a simple and direct method. The data needed for this model are straightforward and available in country statistics. However, its weakness is that it cannot explain the trends of trade flows.

4.1.2 The SMART model

The Software for Market Analysis and Restrictions on Trade (SMART) model is a software-based model. The focus of this model is the effect of trade policies on imports (Cheong, 2010, p. 13). The FTA in the SMART model influences the price index of a product and the domestic prices of relevant items. This is because in the case of an FTA, the prices from the partner would decrease and thus, demand would shift to imports from

the partner country and away from other imports from the non-partner country (Cheong, 2010, p. 13).

The strength of this model is that it is easy to calculate using the data from the World Integrated Trade Solution (WITS). The main weakness of the SMART model is its exclusive consideration of the direct effect of the trade agreement. It does not consider the indirect effects of trade, such as internal factors.

4.1.3 Computable general equilibrium

An FTA includes a reduction in tariffs across the board of the product spectrum between two countries. The computable general equilibrium (CGE) method, or estimation of the potential effect of an FTA, computes the direct effect of tariff reduction as well as the indirect effect on individual markets (Cheong, 2010, p. 17). The CGE studies the equilibrium between multiple markets (Gilbert, 2001, p. 89). The model that is most used within this CGE is the global trade analysis project (GTAP). This model assumes constant circumstances (perfect competition and return-to-scale technology) and electricity on the production side, as well as constant circumstances (fixed values for government income and households) on the demand side (Gilbert, 2001, p. 92).

The advantage of this computer model is that it links supply and demand within the different variables (exogenous or endogenous) and provides equilibrium numbers for policy-makers. However, its disadvantage is that it requires extensive data, which are not always available. Second, it cannot provide a timeframe for reaching the point of equilibrium between demand and supply. Finally, the model cannot consider the non-tariff barriers to trade that are included in FTAs, such as sanitary and technical barriers (Plummer, Cheong, & Hamanaka, 2010, pp. 20–21).

4.2 Ex-post Assessment Models

According to Plummer, Cheong, and Hamanaka (2010, p. 73), ex-post models should address three main questions relevant to the impact of the FTA on the country, as follows.

Did the FTA affect the trade and the welfare of the trading country? How did trade affect welfare? Through which methods did trade affect welfare?

In a study on South Asia, Plummer, Cheong, and Hamanaka (2010) outline three models for ex-ante assessments: the FTA preference indicators, FTA trade and welfare indicators, and the gravity model.

4.2.1 Free Trade Agreement preference indicators

An FTA translates into lower duties imposed on imports of the partner countries compared to duties imposed on the non-partner countries. The difference between the two rates is referred to as the ‘preference margin’.

To calculate the effect of the FTA under the free trade preference indicators, we need to calculate first the coverage, utility, and utilisation rates, and finally, the value of FTA preferences (Plummer, Cheong, & Hamanaka, 2010, p. 73; Cheong, 2010, p. 2).

Calculation of the coverage rate enables us to understand how many of the dutiable goods are covered by the FTA; the bigger the coverage rate, the bigger the scope of the FTA on the product range within countries.

The formula for the coverage rate is

Formula 4:

$$\text{Coverage Rate} = \frac{\sum_{i \in P} M_i}{\sum_{i \in D} M_i}$$

where i is the line tariff;

M is the value of imports in the tariff line from FTA members;

D is the set of all tariff lines with dutiable imports from FTA members; and

P is the set of all dutiable tariff lines that are eligible for preferences under the FTA (Plummer, Cheong, & Hamanaka, 2010, p. 73; Cheong, 2010, p. 2).

One of the downsides to calculating the coverage rate is that companies in the countries may not apply for the preferential rates simply because of the administrative burden

associated with the use of the preferential agreement. In addition, the rules of origin imposed by the agreement could add costs for companies with regard to all dutiable tariff lines that are eligible for preferences under the FTA (Plummer, Cheong, & Hamanaka, 2010, p. 75). The second aspect that needs to be covered is the extent to which companies are using the preferential agreement. This is calculated using the following:

Formula 5:

$$\text{Utilization Rate} = \frac{\sum_{i \in P} M_i^U}{\sum_{i \in P} M_i}$$

where i is the tariff line;

M_i is the value of imports in tariff line i from FTA members;

M_i^U is the value of imports from FTA members that utilised the agreement's preferential rate in tariff line i ; and

P is the set of all dutiable tariff lines that are eligible for preferences under the FTA.

Thus, the higher the utilisation rate, the more likely it becomes that the companies in the countries consider the costs of using the tariff advantages created by the preferential agreement worth the effort.

A third aspect that needs to be calculated to complement the coverage rate is the utility rate, which computes imports using the actual advantageous tariffs of the preferential agreement in relation to all the dutiable imports. Thus, the higher that ratio, the higher the use of the preferential agreement (Plummer, Cheong, & Hamanaka, 2010, p. 75) (Cheong, 2010, p. 4).

Formula 6:

$$\text{Utility Rate} = \frac{\sum_{i \in P} M_i^U}{\sum_{i \in D} M_i}$$

Where

i is a tariff line

M_i is the value of imports in the tariff line i from FTA members

M_i^U is the value of imports from FTA members that actually utilized the FTA's preferential rate in the tariff line i

D is the set of all tariff lines with dutiable imports from FTA members

P is the set of all dutiable tariff lines that are eligible for preferences under the FTA

Finally, to calculate the value of the FTA, we need to calculate the interest over the savings realised by the exporters and importers benefiting from the agreement's preferential tariffs. These savings are distributed between the exporter paying less or no duties and possibly the importer as well, if the importer changes buying habits in the domestic country (Plummer, Cheong, & Hamanaka, 2010, p. 76).

This method is a direct calculation of the scope and the utilisation of the advantages of the FTA by the partner countries. However, it cannot provide an explanation for the reasons behind the utilisation, nor does it provide the amount of impact of the FTA on the agreement's partners (Plummer, Cheong, & Hamanaka, 2010, p. 77).

4.2.2 FTA and welfare indicators

This is another method to assess the impact of the FTA on the participating countries. However, this method goes beyond the direct figures of the scope and utility rates. It investigates the impact on the welfare and economy of the country rather than on the direct trade data. Plummer, Cheong, and Hamanaka (2010, p. 80) suggest two approaches to assess this impact: qualitative and quantitative.

The main indicators for the qualitative are trade creation and trade diversion. Trade creation refers to the expansion of trade as a result of the trade agreement. On the other hand, trade diversion is the expansion of trade between FTA partners, which supplants erstwhile imports from non-trade agreement partners at higher costs (Haddoud, Salamon, Jones, & Newbery, 2011; Dalimov, 2009).

To achieve positive welfare, trade creation should be larger than trade diversion. Thus, the emphasis is on domestic production and trade with the region or beyond. To assess the extent of trade creation/diversion, the following aspects before and after the FTA need to be investigated (Plummer, Cheong, & Hamanaka, 2010, p. 81), as shown in Table 4.1.

Table 4.1 Trade creation and trade diversion impact on welfare

Positive/negative welfare effect	Criteria	Imports from FTA partner	Imports from non-FTA partner	Domestic production	Total imports
	Trade creation	Increase		Decrease	
	Trade diversion	Increase	Decrease		
Positive welfare effect	No trade diversion		Constant/increasing		Increase
Negative welfare effect	Trade diversion exceeds trade creation		Decrease	Decrease (less than the decrease in imports from non-FTA partner)	Increase
Positive welfare effect.	Trade creation exceeds trade diversion		Decrease	Decrease (larger than the decrease in imports from non-FTA partner)	Increase
Negative welfare effect					Decrease

The quantitative approach for assessing welfare indicators depends mainly on the changes in trade volume, intra-union terms of trade, and extra-union terms of trade. The welfare of the country's economy is positively affected in direct proportion to the positive changes in the three key indicators: trade volume, intra-union terms of trade, and extra-union terms of trade. Change in trade volume is measured using the following formula (Plummer, Cheong, & Hamanaka, 2010, p. 81; Cheong, 2010, p. 15).

The formula for the change in trade volume is

Formula 7:

$$\text{Change in Trade Volume} = \sum_p t_{mp} u_{mp}^0 (m_p^1 - m_p^0)$$

where P indicates a partner country;

T_{mp} is the import-weighted ad valorem tariff on imports from partner country p in the base period;

U_{mp}^0 is the unit value of imports from partner country p in the base period;

m_{mp}^1 is the quantity of imports from partner country p in the new period; and

m_{mp}^0 is the quantity of imports from partner country p in the base period.

According to Lloyd and Maclaren's model (Plummer, Cheong, & Hamanaka, 2010, p. 15), the change in terms of trade should be weighted by base period trade quantities.

$$\text{Change in Terms of Trade} = \sum_p x_p^0 (u_{xp}^1 - u_{xp}^0) - \sum_p m_p^0 (u_{mp}^1 - u_{mp}^0)$$

where

p indicates a partner country

x_p^0 is the quantity of exports to partner country p in the base period

u_{xp}^1 is the unit value of exports to partner country p in the new period

u_{xp}^0 is the unit value of exports to partner country p in the base period

m_p^0 is the quantity of imports from partner country p in the base period

u_{mp}^1 is the unit value of imports from partner country p in the new period

u_{mp}^0 is the unit value of imports from partner country p in the base period

However, the effect of the FTA needs to be investigated while taking out of the equation other effects on welfare indicators, such as changes in the costs of fuel and income. To achieve that, the effects should be evaluated against the backdrop of an FTA and without an FTA (Plummer, Cheong, & Hamanaka, 2010, p. 82; Cheong, 2010, p. 15).

This model is the only model that uses both quantitative and qualitative approaches to assess an FTA. The strength of the qualitative approach is that it provides a quick

overview of the effects. However, its main flaw is that it is only descriptive with regard to the effects. Meanwhile, the main advantage of the quantitative approach is the simplicity of its application. However, the quantitative approach does not differentiate between the non-FTA effects and the FTA effects on the welfare indicators.

4.2.3 Gravity model

This model positively correlates the bilateral trade of country X and country Y to the GDP of both countries but negatively correlates this trade to the geographical distance between country X and Y.

Formula 7: $\text{Bilateral trade} = \text{GDP}/\text{distance}$

This means that the greater is the distance between the two countries, the higher are the costs and hindrances related to trade, leading to an increasing impediment to bilateral trade (Deardorff, 1998, p. 8).

The gravity model is considered a tool capable of describing the size of the trade flow between two countries (UN and WTO, 2012, p. 103). The name ‘gravity model’ is derived from Newton’s gravity theory, which describes the attraction between planets being directly proportional to their size and inversely proportional to their proximity. The trade flows between countries would be determined by the size of their GDP and the distance between them. Thus, an increase in GDP would have a positive influence on bilateral trade flow, while an increase in geographic distance would negatively affect the bilateral trade flow.

The gravity model has proved to be empirically sound but is simultaneously time criticised as merely an econometric tool that lacks a theoretical basis. Now, there is awareness that gravity is necessary to make most models work, but, at the time, the theoretical validity of the gravity model was questioned (Deardorff, 1998, p. 7; UN and WTO, 2012, pp. 103–104). One of the prevailing models in the second half of the previous century, the Heckscher-Ohlin model, initially provided little hope for a theoretical foundation, since GDP size was not an important component of that model. Despite earlier obstacles for a theoretical basis for the gravity model, in the 1980s and

1990s, it was found that a variety of trade models might lead to the gravity model.

Particular reference is given in this respect to the works of Bergstrand (1985).

A typical database necessary for the gravity model is substantial. The large size of the database is because to assess the impact of, for example, a free trade zone in one country, the data of all countries must be included in the database in order to assess gravity properly. In addition, given that, in general, data must be studied over a period of years, it becomes clear that a database needs to be a substantial size to be able to serve the gravity model properly. Another complicating factor is that, given the sheer size of the amount of data, it is almost inevitable that data from different sources must be incorporated into the database. Therefore, it is necessary that the units used, the measurement method, the definition of periods, etc., be exactly the same between the different sources. Since this is unlikely to be the case, either considerable effort would have to be made to make the datasets with different sources compatible or there is a risk of facing irreparable incompatibility between the different sources (UN and WTO, 2012).

A common advantage of the gravity model is the easy availability of data (Paas, 2000, p. 633). The model provides measurable indicators on changes in the welfare of an economy for countries participating in FTAs. However, if the different datasets used are not correct or not fully compatible in all relevant aspects, the results could be misleading. Thus, the weakness of this model is that useable results are highly dependent on the correctness, completeness, and compatibility of the data used, as outlined earlier in Section 3.2.3. (Plummer, Cheong, & Hamanaka, 2010, p. 93).

4.3 Identifying the Appropriate Model to Assess the EU-Jordan AA

When comparing analytical models to examine the EU-Jordanian FTA, one of the primary factors in choosing the best model to apply is the availability of data needed for the model. Other factors are the model's approach and how the model address economic

aspects. Table 4.2 presents the advantages and disadvantages of the different model types, both before entry into force of the FTA (ex-ante models) and after entry into force (ex-post models), to highlight the logic of choosing the models most applicable to the EU-Jordan FTA.

Data are collected on Jordan's imports and exports both globally and from and to the EU. The primary resources for this data are the WITS (WTO, 2014), EU (European Commission - Trade, 2013) and the Jordan's Department of Statistics.

Table 4.2 Model advantages and disadvantages

Model	Advantages	Disadvantages
Ex-ante Models		
Trade indicators model	This is a simple method, and the data needed are available. Given its simplicity, it gives an initial indication to policy-makers.	These indicators cannot determine the causes of a particular state or of a trend in trade flows.
SMART model	This model is easy to calculate using data from the WITS.	This model is limited, considering only the direct effect of the trade agreement; it does not consider the indirect effects, such as internal factors.
Computable general equilibrium model for estimation of the potential effect of an FTA	This computer model links supply and demand within the different variables (exogenous or endogenous), and provides equilibrium numbers for policy-makers.	The data required are not always available. Moreover, the model is not able to provide a timeframe to reach the point of equilibrium between demand and supply. Finally, the model is not able to take into consideration non-tariff barriers to trade that are included in FTAs, such as sanitary and technical barriers.

Ex-post Models		
FTA preference indicators	This method is a direct calculation of the scope and use of the advantages of the FTA by the partner countries.	It cannot assess the reasons behind the use, nor does it measure the impact of the FTA on the partners of the FTA (Plummer, Cheong, and Hamanaka, 2010, p. 77).
FTA and welfare indicators	This is the only model that provides qualitative and quantitative approaches to data analysis. The strength of the qualitative approach is that it provides a quick overview of the effects. The quantitative approach has the advantage of simplicity of its application.	The main flaw in the qualitative approach is that it is only descriptive with regard to the effects. The quantitative approach does not differentiate non-FTA effects from FTA effects on welfare indicators.
Gravity model	The gravity model is widely used, and data needed are usually available from different sources, such as the IMF, World Bank, and UN Commodity database. The common advantage of this model is the accessibility and availability of the data. It provides measurable indicators on changes in the welfare of the economy for countries participating in FTAs.	If different data sets used are not correct or not fully compatible in all relevant aspects, the results could be misleading. Thus, the weakness of this model is that useable results are highly dependent on the correctness, completeness, and compatibility of the data used. This model lacks a theoretical basis.

Based on Table 4.2, of the ex-ante models, the SMART model and the trade indicators model are easy to calculate, and the data are available for this case study. However, the SMART model considers only the direct effects of the FTA, and not the indirect effects, while the trade indicator model cannot determine the causes of a trend. The CGE model requires extensive data and does not provide a timeframe to indicate the point at which the model reaches equilibrium. Thus, the CGE model is not considered as a useful ex-ante model, which leaves us with the two former models. Of these two, the SMART model considers only the direct effects on the import side, while the trade indicators model considers both imports and exports as well as internal factors. Thus, among the ex-ante models, the trade indicator model is the best option to apply to the EU-Jordan FTA for the three-year period of 2000 to 2002 (the years prior to the FTA entering into force).

Regarding the ex-post models, both the gravity model and the FTA preference indicators address the quantitative aspects of the assessments of FTA indicators. The FTA preference model is a direct calculation of the scope and utility of the FTA with regard to partner countries. However, it cannot assess the reasons for the use, nor does it provide the size of the effects of an FTA on its partners (Plummer, Cheong, & Hamanaka, 2010, p. 77).

The FTA and welfare indicators, however, assess both aspects of FTAs—quantitative and qualitative aspects—and the required data are available. Thus, the current research uses the FTA trade and welfare indicators to examine the period before and after the FTA with the EU was signed by Jordan (Plummer, Cheong, & Hamanaka, 2010, p. 77; Cheong, 2010, p. 16)

Thus, this research applies the ex-ante assessment model of trade indicators on the Jordan-EU FTA and the FTA and welfare indicators for the ex-post assessment.

As for the sources of data, the first source of data used for this research is the WITS from the WTO. The selection of data sources was prioritised on the basis of the quality, availability, and reliability of the data resource. The information extraction was focused on the EU sources owing to the reliability of the EU data. Thus, export and import data from and to Jordan were taken from the EU reported figures and the Eurostat: EU exports to Jordan (or Jordan's imports from the EU) and EU imports from Jordan (or Jordan's

exports to the EU). The second data source was the Jordanian Department of Statistics for Jordanian domestic production.

To verify the accuracy of the data sourced from the Jordanian Department of Statistics, we needed to verify the level of economic corruption in Jordan. This is necessary to verify corruption in Jordan, since economic corruption directly affects public resources and decisions on the utilisation of national wealth. Corruption leads to wasted resources that otherwise would have been efficiently invested in projects for the benefit of public welfare. Thus, corruption affects businesses directly. Fair competition is distorted, thus hinders investment, and thereby affects the imports and exports of the country (Transparency International, Global Coalition Against Corruption, 2014).

According to Transparency International (2014), Jordan ranked 55 out of 174 countries in 2012, 2013, and 2014 in the Corruption Perception Index (CPI), as illustrated in Table 4.3, which is a composite of multiple corruption indicators based on assessments undertaken by multiple institutions. These institutions specialise in analysing business and government behaviour. The 2014 CPI drew information from 12 data sources, as follows: 1) African Development Bank Governance Ratings, 2013, 2) Bertelsmann Foundation Sustainable Governance Indicators, 2014, 3) Bertelsmann Foundation Transformation Index, 2014, 4) Economist Intelligence Unit Country Risk Ratings, 2014, 5) Freedom House Nations in Transit, 2013, 6) Global Insight Country Risk Ratings, 2014, 7) IMD World Competitiveness Yearbook, 2014, 8) Political and Economic Risk Consultancy Asian Intelligence, 2014, 10) Political Risk Services International Country Risk Guide, 2014, 11) World Bank— Country Policy and Institutional Assessment, 2013, 12) World Economic Forum Executive Opinion Survey, 2014, and 13) World Justice Project Rule of Law Index, 2014.

The CPI Index ranks countries on the basis of how corrupt their public sector is perceived to be. The ranking is based on the number of countries in the index, from 1 to 174; the lower the rank is, the less corrupt is the country's public sector. Scores of 0 to 100 points are given; the higher the score, the less corrupt the public sector. In 2014, Denmark was ranked first, with a score of 92, while Somalia was ranked last, with a score of 8.

When comparing Jordan with some EU member states, we observed, as shown in Table 4.3, that Jordan ranked 55, just after Slovakia in the CPI, which is much higher in the index than several EU member states, like Bulgaria, Greece, Italy, and Romania.

Table 4.3 CPI ranking for 2012, 2013 and 2014

CPI Rank	Country	2014 score	2013 score	2012 score
1	Denmark	92	91	90
54	Slovakia	50	47	46
55	Jordan	49	45	48
69	Bulgaria	43	41	41
69	Greece	43	40	36
69	Italy	43	43	42
69	Romania	43	43	44
174	Somalia	8	8	8

Source: Transparency International, <http://www.transparency.org/>.

Over the years from 2002 to 2011, Table 4.4, which covers the period when Jordan and the EU entered into an AA, Jordan ranked better than some EU member states.

Table 4.4 CPI ranking for the period covering the EU Jordan agreement 2002-2012

Country	Rank in 2011	Rank in 2010	Rank in 2009	Rank in 2008	Rank in 2007	Rank in 2006	Rank in 2005	Rank in 2004	Rank in 2003	Rank in 2002
Denmark	2	1	2	1	1	4	4	3	3	2
Jordan	56	50	49	47	53	40	37	37	43	40
Slovakia	66	59	56	52	49	49	47	57	59	52
Bulgaria	86	73	71	72	64	57	55	54	54	45
Greece	80	78	71	57	56	54	47	49	50	44
Italy	69	67	63	55	41	45	40	42	35	31
Romania	75	69	71	70	69	84	85	87	83	77
Latvia	61	59	56	52	51	49	51	57	57	52

Source: Transparency International, <http://www.transparency.org/research/cpi/overview>

Thus, in terms of reliability, the data from Jordan could be similar to or even better than the data from six EU member states.

The first data used in this research are imports and exports between Jordan and the world, by product, using Standard International Trade Classification (SITC) revision 2 (Table 4.1) for 1998 to 2012, to cover the period before and after the signing of the EU-Jordan

FTA. Then, the second dataset comprises EU exports to Jordan, which should equal Jordanian imports from the EU.

The division of trade products between Jordan and the EU is based on the SITC revision 2. The availability of data dictated the choice of revision used. The product group is as follows: agricultural raw materials, chemicals, food, fuel, machinery, and transport equipment, manufactures, ores and metals, and textiles.

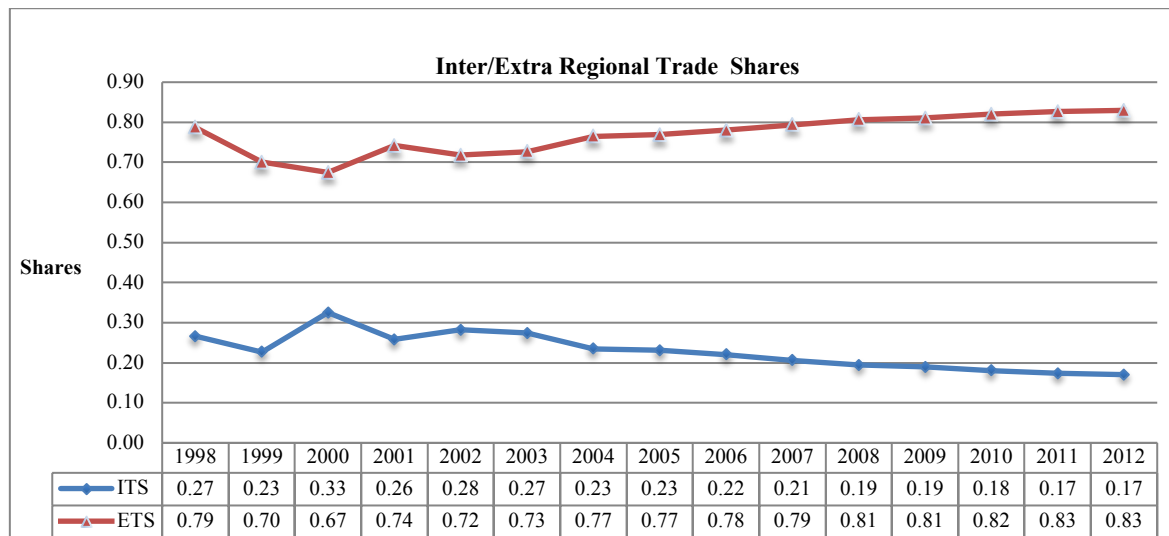
4.4 Applying the Identified Model to the Jordan-EU AA

Based on the analysis in the previous section, this section will apply the ex-ante assessment model of trade indicators, and the FTA and welfare indicators for the ex-post assessment on the Jordan-EU FTA.

4.4.1 Ex-ante assessment: the trade indicators

To follow the model, we start by measuring the inter- and extra-regional share between Jordan and the EU.

Figure 4.1: Inter- and extra-regional trade shares



Source: Compiled by the author based on the WITS (World Bank)

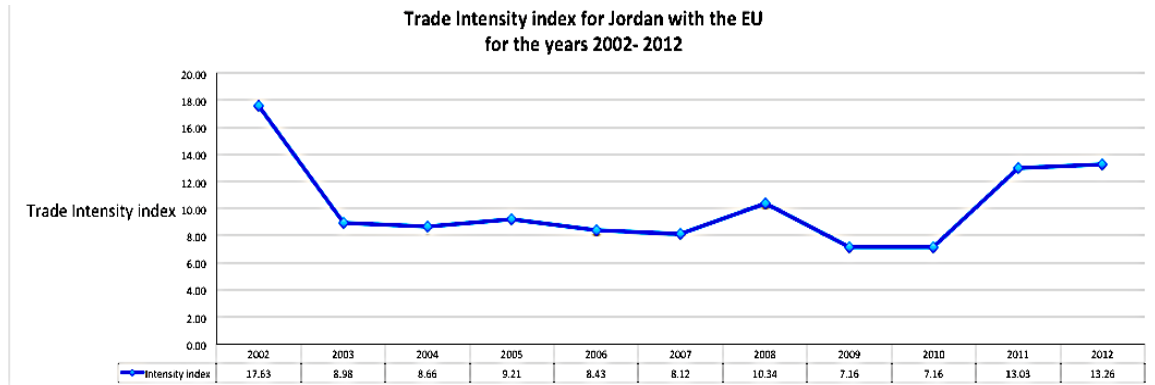
Figure 4.1 shows that the interdependency between Jordan and the EU was higher in the period prior to the signing of the agreement in 2002; immediately after the agreement

started, in 2003, the regional interdependency between Jordan and the EU began to decrease, while the inter-dependency between Jordan and other regions began to increase. Based on the inter-regional trade share and extra-regional trade share, the latter is constant and progressive with regard to the non-EU partners of Jordan. Figure 4.1 shows that the inter-regional trade share between the EU and Jordan has the tendency to decrease at the time the agreement was put into effect in 2002.

The second indicator to measure is the trade intensity index of Jordan with the EU, extracted from the WITS, which shows only data from 2002, when the FTA was put into effect. The trade intensity index moved from 17.62 in 2002 to a low in 2010 of 7.16, followed by a surge in 2011 to 13.03, but the linear representation of the index is a downward slope. However, since the index values are above 1, there is an indication of bias towards trading between Jordan and the EU.

However, according to Plummer, Cheong, and Hamanaka (2010, p. 36), the trade intensity index has disadvantages, since it may lead to contradictory interpretations. It is mathematically possible that both inter-regional and extra-regional trade intensity both move in the same direction. This would present a challenge in interpretation. Another limitation is the comparison between the numerator and the denominator. While the numerator may exceed double-digit figures, the denominator is in the range of 1 or less. The third limitation is that the denominator is dependent on total trade with the world. This means it differs by region, thereby making comparisons difficult (Plummer, Cheong, & Hamanaka, 2010, p. 36). Therefore, based on the above discussion, it can be observed that the trade intensity index for Jordan and the EU dropped by about 60% in the year following the signing of the FTA, from 17.63 in 2002 to 7.16 in 2003, as seen in Figure 4.2.

Figure 4.2: Trade intensity index for Jordan and the EU for 2002–2012

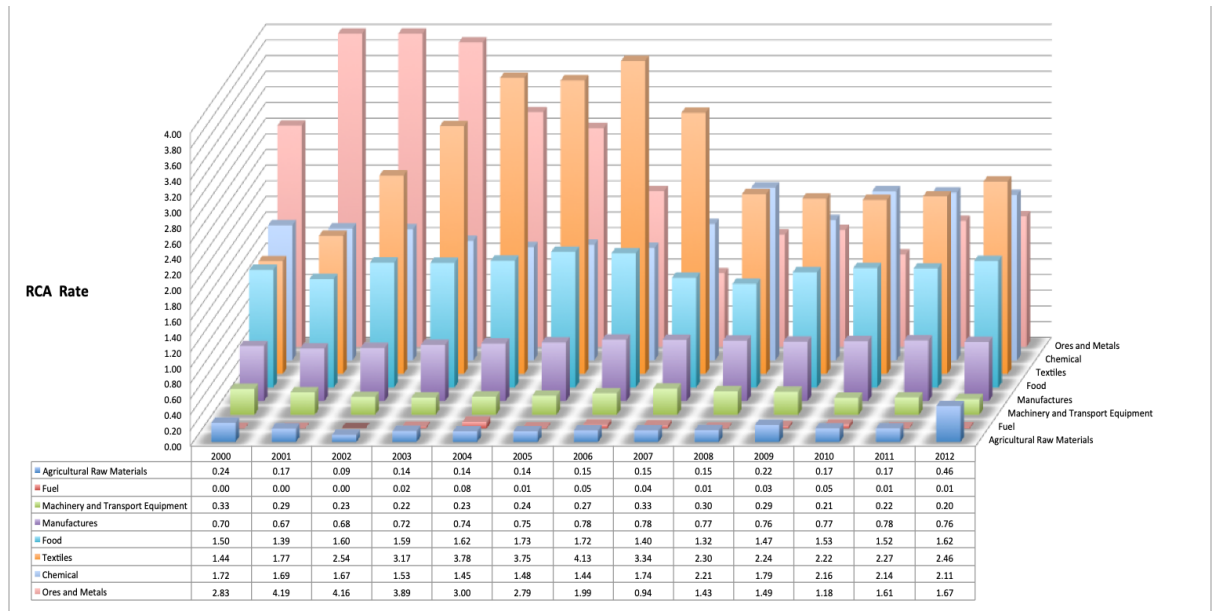


Source: WITS, compiled by the author

The third indicator is the Revealed Comparative Advantages (RCA): The RCA must be calculated for Jordan and the EU, since the benefits of the FTA should be yielded from sectors in which Jordan has the highest comparative advantage.

Jordan's revealed comparative advantage is calculated in Figure 4.3.

Figure 4.3: Jordan's revealed comparative advantage by SITC (Revision 2)

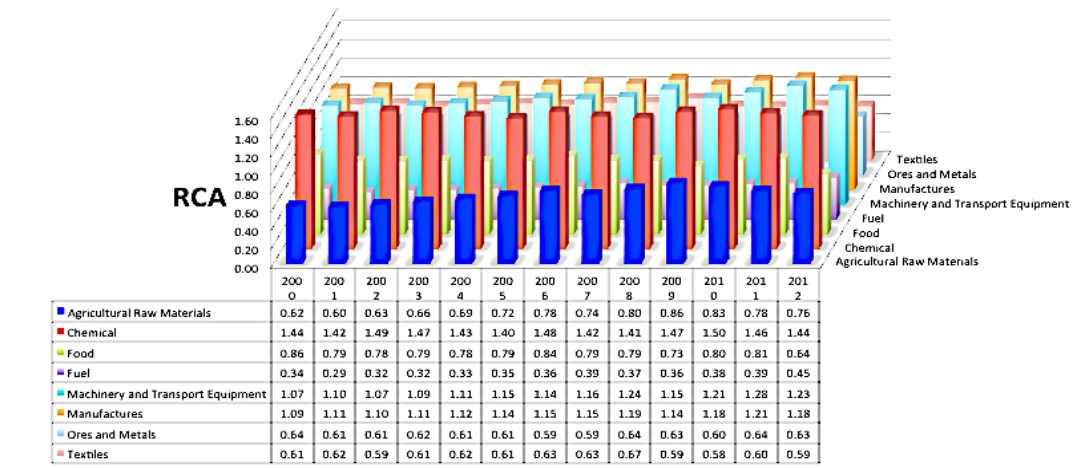


Source: Compiled by the author based on WITS (World Bank)

Figure 4.3 shows that Jordan has a comparative advantage in the chemicals sector, where the RCA was consistently higher than 1 both before and after the FTA with the EU. It increased from 1.72 to 2.11 over the period from 2000 to 2012. The food RCA was consistently above 1 and hovered around 1.5 throughout the 13 years from 2000 to 2013. The ore and metals RCA was above 1 but on the decline from 2.93 to 1.67. Finally, the textiles RCA was above 1 and increased until 2006, when it reached 4.13, after which it began to decrease.

The EU's revealed comparative advantage is calculated in Figure 4.4.

Figure 4.4: Revealed comparative advantage of the EU by SITC (Revision 2)



Source: Compiled by the author based on WITS

Figure 4.4 shows that the EU has a comparative advantage in the chemicals sector, where the RCA was constantly above 1 and hovered around 1.5 throughout the 13 years from 2000 to 2013. The RCA of manufactured goods was above 1 and was relatively constant around 1.2. Finally, the machinery and equipment RCA was above 1, increasing from 1.07 to 1.23 over 2000–2014.

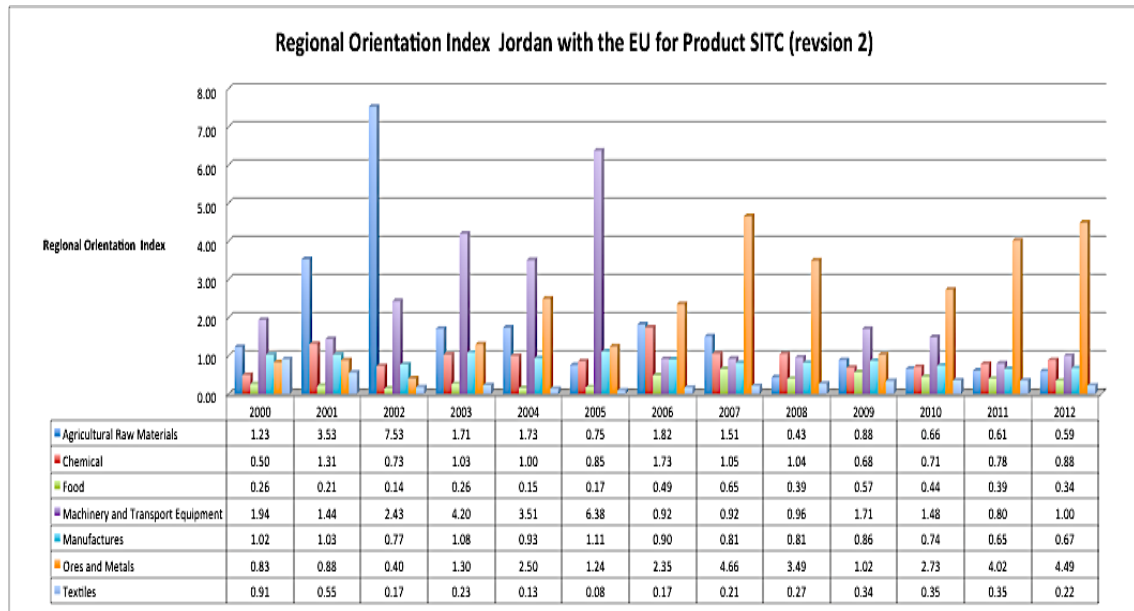
The fourth indicator to be calculated is the Regional Orientation Index (ROI). The ROI shows the orientation of a country towards exporting to a specific region. In Table 4.5 and Figure 4.5, the ROI shows that Jordan was less oriented towards exporting to the EU. The agricultural raw materials ROI was 1.23 prior to the trade agreement, increased until 2002 to 7.53, and then declined to 0.59 in 2012. The ROI of chemicals, in which Jordan has a comparative advantage, reached 1.73 in 2006 but declined to less than 1 thereafter (0.88). Regarding machinery and transport equipment, the trend showed an exceptional increase to 6.93 in 2006 followed again by a decline. Overall, prior to the agreement, the ROI was 1.94 and in 2012 decreased to 1. The ores and metals ROI increased from less than 1 to 4.49. The ROI for textiles and food was less than 1. Thus, the regional orientation for trade between Jordan and the EU decreased in most of the sectors over the period of the study.

Table 4.5: Regional orientation index

Regional Orientation Index													
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agricultural Raw Materials	1.23	3.53	7.53	1.71	1.73	0.75	1.82	1.51	0.43	0.88	0.66	0.61	0.59
Chemicals	0.50	1.31	0.73	1.03	1.00	0.85	1.73	1.05	1.04	0.68	0.71	0.78	0.88
Food	0.26	0.21	0.14	0.26	0.15	0.17	0.49	0.65	0.39	0.57	0.44	0.39	0.34
Machinery and Transport Equipment	1.94	1.44	2.43	4.20	3.51	6.38	0.92	0.92	0.96	1.71	1.48	0.80	1.00
Manufactured Goods	1.02	1.03	0.77	1.08	0.93	1.11	0.90	0.81	0.81	0.86	0.74	0.65	0.67
Ores and Metals	0.83	0.88	0.40	1.30	2.50	1.24	2.35	4.66	3.49	1.02	2.73	4.02	4.49
Textiles	0.91	0.55	0.17	0.23	0.13	0.08	0.17	0.21	0.27	0.34	0.35	0.35	0.22

Source: Compiled by the author based on WITS (World Bank)

Figure 4.5: Regional orientation index for Jordan and the EU by product SITC (Revision 2)

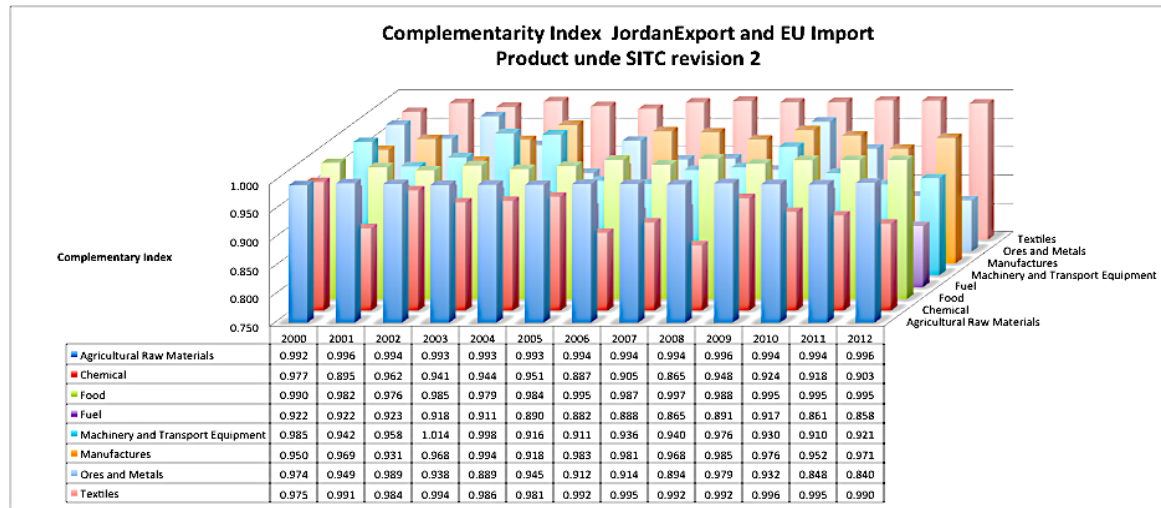


Source: Compiled by the author based on WITS database

The fifth indicator is TCI between Jordan and the EU. A high degree of complementarity in trade indicates a higher prospect of a successful trade agreement.

According to Figure 4.6, most product categories (as per SITC revision 2) for Jordanian exports show high complementarity with EU imports. This means that there is a high possibility for successful matching between Jordanian exports and EU imports. However, the trend for the complementarity index in chemicals shows a decrease from 0.977 prior to the signing of the agreement to 0.903 in 2012. The ores and metals complementarity index decreased from 0.974 in 2000, prior to the agreement entering into force, to 0.840 in 2012. However, the complementarity index for agricultural raw materials increased from 0.992 in 2000 to 0.996 in 2012. As for textiles, the index also increased, from 0.975 in 2000 to 0.990 in 2012.

Figure 4.6: Complementarity index for Jordanian exports and EU imports by product SITC (Revision 2)



Source: Compiled by the author based on WITS database

Thus, based on the above, the findings on the ex-ante approach for the EU-Jordan FTA can be as follows: Based on the inter-regional trade share and extra-regional trade share calculated in Figure 4.1, the latter is constant and progressive with Jordan's non-EU partners. The graph shows that the inter-regional trade share between the EU and Jordan tends to decline from the time of the AA entering into force in 2002.

The RCA for Jordan shows that the country has comparative advantage in chemicals, food, and textiles. In addition, the TCI reveals high complementarity for trade between Jordan and the EU in chemicals, ores and metals, agricultural raw materials, and textiles, meaning that regional orientation with the EU should show an increase. However, the results show that the regional orientation between Jordan and the EU was on the decline.

4.4.2 Ex-post assessment: FTA trade and welfare indicators

The FTA trade and welfare indicators were compared for the EU-Jordan FTA. The qualitative and quantitative approaches were tested over the evolution of Jordan's trade values with the EU and non-EU partners, measured in \$ millions, during the period from 2000 to 2012. The period covers before and after the EU-Jordan FTA was put into effect in May 2002.

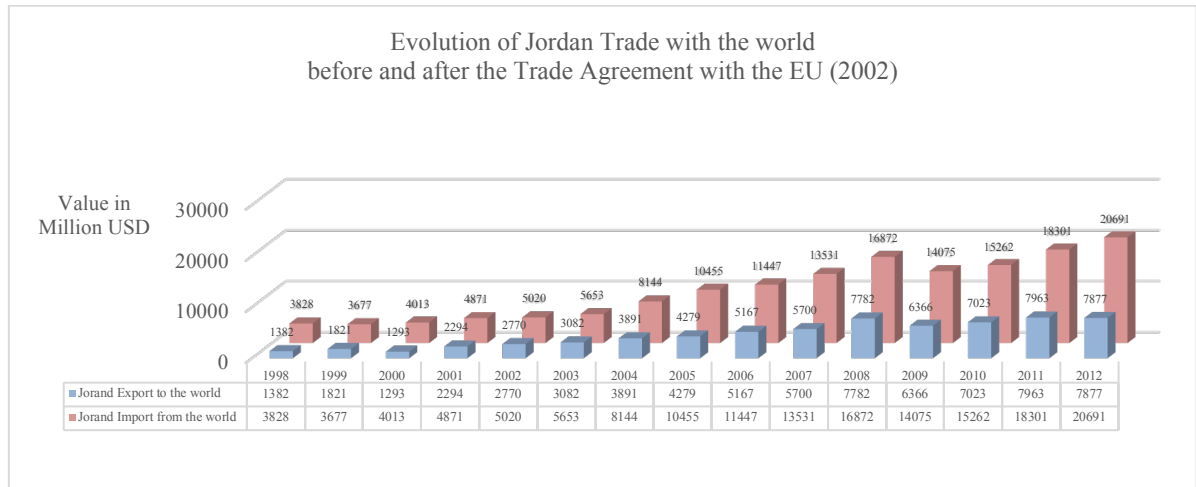
To start with the qualitative approach, we needed to examine the trends in international trade for Jordan; trade creation and trade diversion were reviewed alongside domestic production (Plummer, Cheong, & Hamanaka, 2010, p. 80).

The basic starting point is the use of Jordan's imports and exports from and to the world in general and the EU specifically. The data resource was the WTO and the WITS for a period of 13 years covering before and after the signing of the trade agreement in 2002. Then, data for domestic production of Jordan's main sectors were used.

As shown in Figure 4.7, as a starting point, there is an increasing trend for both imports and exports of Jordan to and from the world, although the increase in imports over the years is at a higher in volume than that for exports. The average increase rate in imports from 2002⁵ to 2012 was 16%, while the average rate of export from 2002 to 2012 was around 12%. The average increase rate from 1998 to 2002 (prior to the AA entering into force) for export to the world was 25%, and the average increase rate for imports was 7%. This has resulted in an increase in Jordan's trade deficit with the world.

⁵ The increase rate is calculated as the difference in volume between the year at hand and the previous year, divided by the previous year's volume. The starting point is 2002, since 2002 was the year of the signing of the agreement; therefore, the difference was calculated between 2003 and 2002. The average is that of all the increases over the years.

Figure 4.7: Jordanian imports from and exports to the world

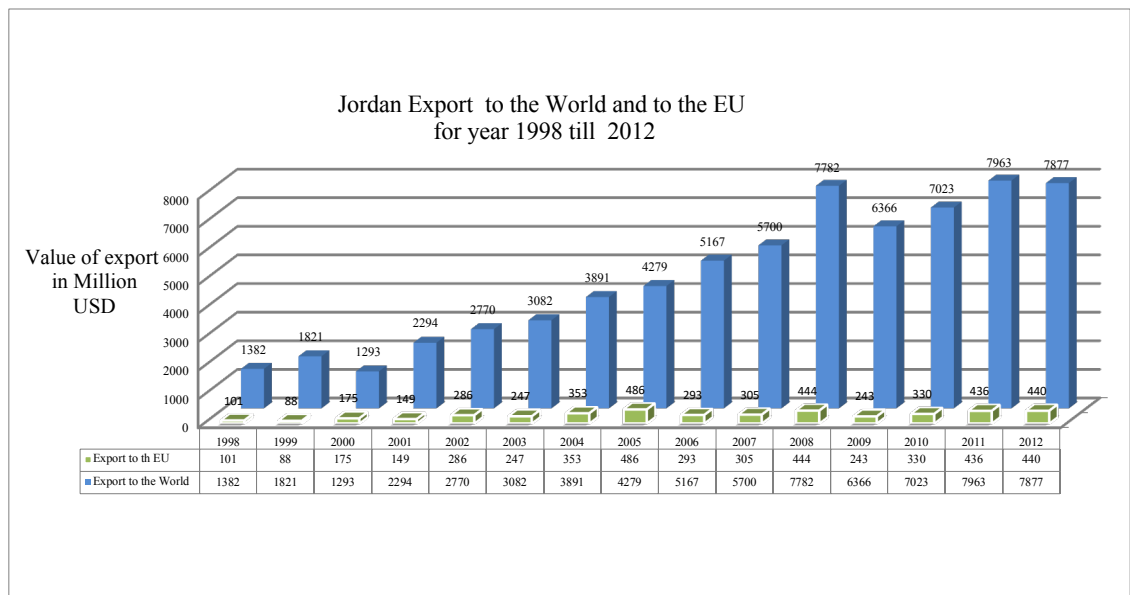


Source: Compiled by the author based on WITS (World Bank)

Regarding Jordan's trade with the EU and the world, Figure 4.8 shows that export to non-EU partners were at a higher volume than that of the export to the EU.

The exports increased at a higher rate (12%) to non-EU partner compared to that to the EU partners (10%) starting in 2002. The export increasing rate prior to the agreement (1998 to 2002) with the EU was at 41%, while to the non-EU it was 25%.

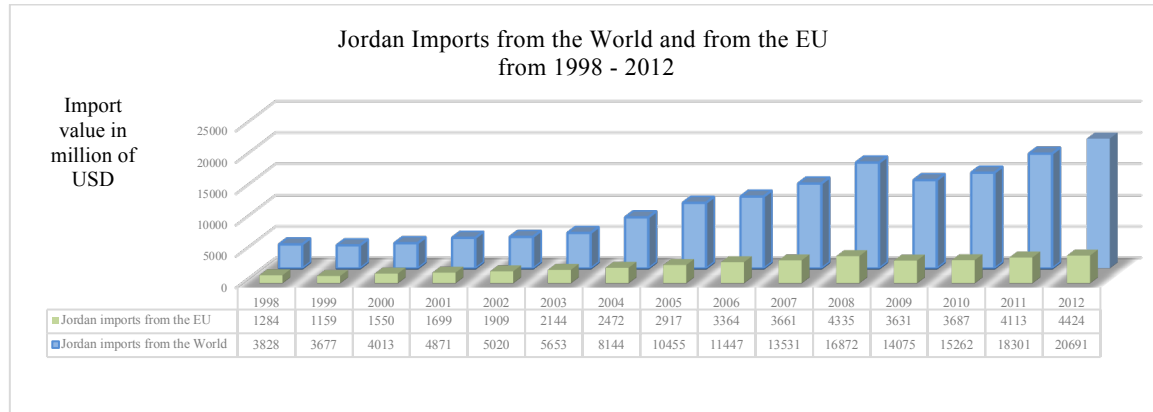
Figure 4.8: Jordanian exports to the world and the EU



Source: Compiled by the author based on WITS (World Bank)

Figure 4.9 shows that imports from non-EU partners were at a higher volume of those from EU partners.

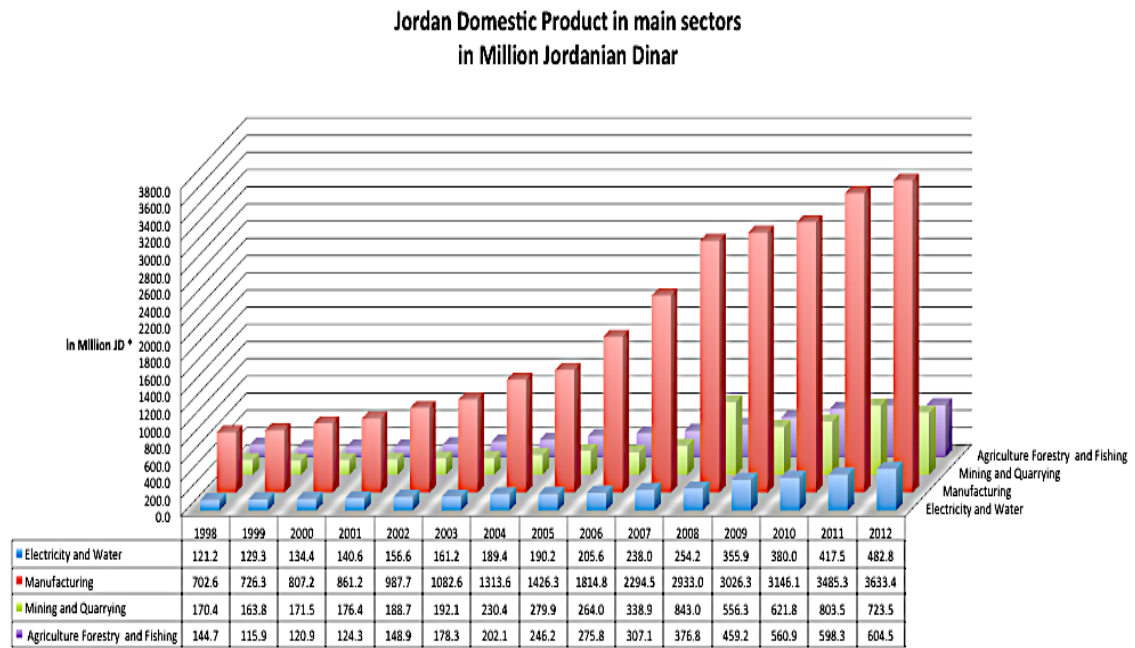
Figure 4.9: Jordanian imports from the world and the EU



Source: Compiled by the author based on WITS (World Bank)

The third issue is to establish the trend of domestic production in Jordan's main sectors. The data resource was the Central Bank of Jordan (2012). Values are in Jordanian dinars only. To exchange to US dollars, the official exchange rate (yearly average) published by the Central Bank of Jordan for the corresponding year is used. It must be noted that in the 13 years in question, from 2000 to 2012, the exchange rate was constant at 1.00 USD to JD 0.709. The published information was categorised as electricity and water, manufacturing, mining and quarrying, and agriculture, forestry, and fishing, Figure 4.10. No reference is made in these documents to the SITC categories. The author sent a request to the Central Bank of Jordan to obtain more detailed information based on the SITC categories but received no response. Thus, the data were used based on the general descriptions outlined above and were used to show the general trends of domestic production.

Figure 4.10: Jordanian domestic production in main sectors

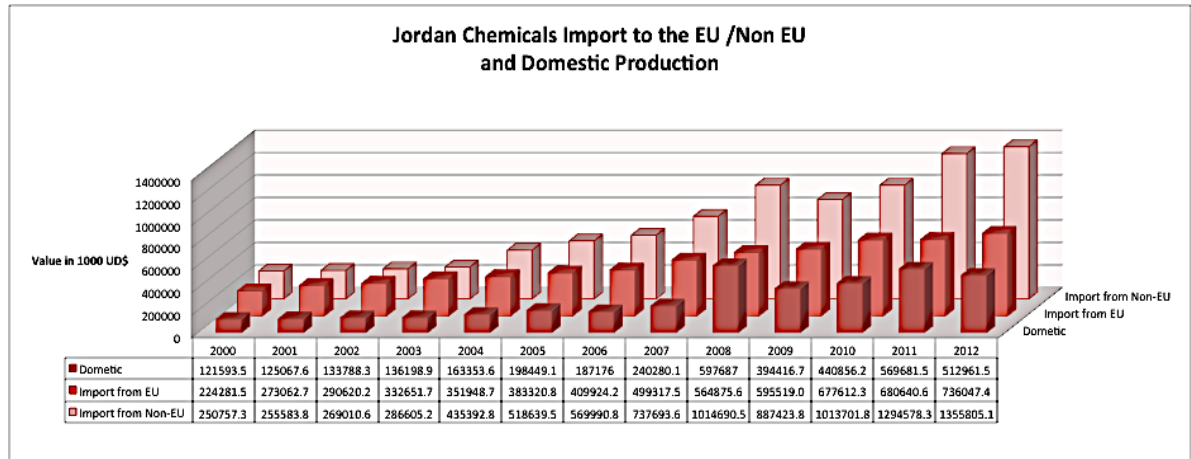


Source: Jordan Central Bank: <http://www.cbj.gov.jo/pages.php>

Jordanian domestic production in the main sections of agriculture, mining, and manufacturing showed an increase in volume year over year. The year 2006 was notable for production increasing at a faster rate.

Based on the quantitative analysis of trade creation and trade diversion, the FTA is considered to have had a positive effect if trade creation was greater than trade diversion. Trade creation occurs if imports from the EU increase with a simultaneous drop in domestic production. From the findings in Figures 4.11, 4.12, and 4.13 below, it can be observed that imports from the EU increased, but also that Jordanian domestic production increased for the chemicals, manufactured goods, and agricultural raw materials sectors.

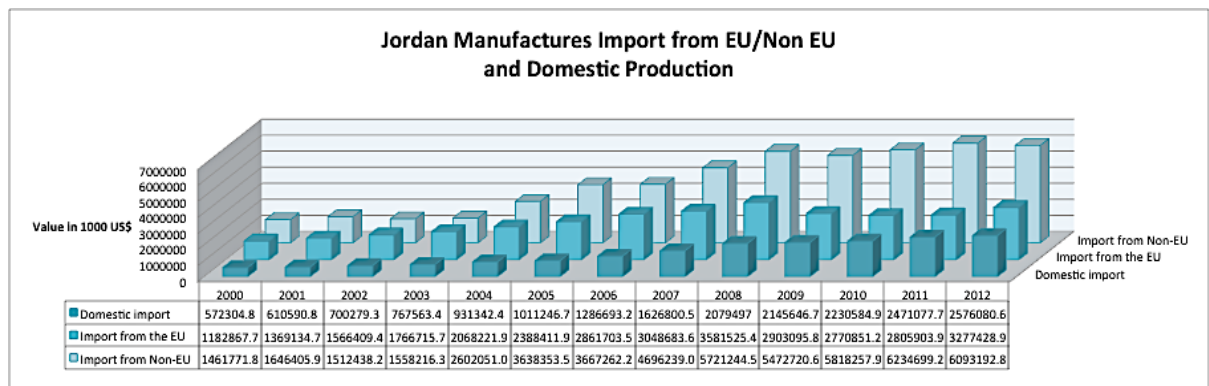
Figure 4.11: Jordanian chemical imports to EU/non-EU partners and domestic production



Source: World Bank, WITS, and Jordan Central Bank (Values from the Jordan Central Bank are provided in Jordanian dinar. The average exchange rate of JD to USD\$ is published by the Jordan Central Bank)

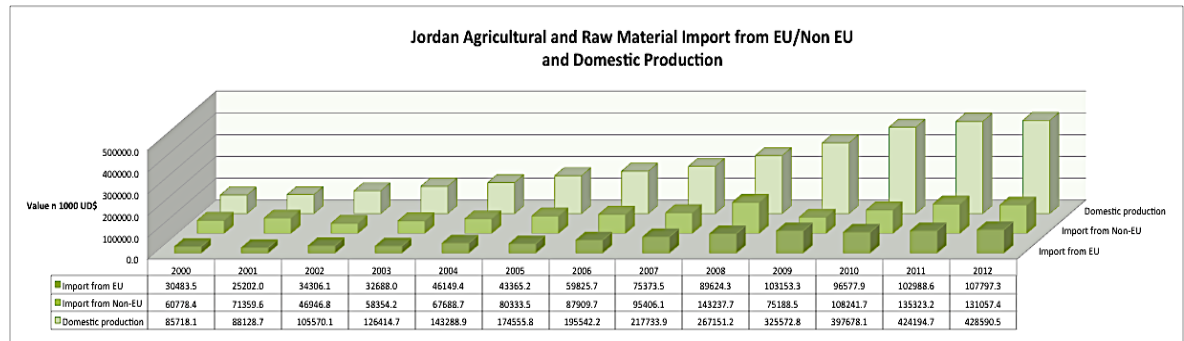
<http://wits.worldbank.org/WITS/WITS/AdvanceQuery/RawTradeData/QueryDefinition.aspx?Page=RawTradeData>

Figure 4.12: Jordanian manufacturing imports from EU/non-EU partners and domestic production



Source: World Bank, WITS, and Jordan Central Bank (Values from the Jordan Central Bank are provided in Jordanian dinar. The average exchange rate of JD to USD\$ is published by the Jordan Central Bank)

Figure 4.13: Jordanian agricultural raw materials imports from EU/non-EU partners and domestic production



Source: World Bank, WITS, and Jordan Central Bank (Values from the Jordan Central Bank are provided in Jordanian dinar. The average exchange rate of JD to USD\$ is published by the Jordan Central Bank)

Thus, for the findings in the field of trade creation, it can be noted that there was an increase in domestic production as well as in imports. Therefore, it cannot be stated that the preferential tariff replaced domestic production—supposedly inefficient domestic production—since this production also increased at a considerable rate.

However, a drop in total imports would imply a negative welfare effect, and thus, inversely, an increase in total imports (EU and non-EU) would imply a positive welfare effect. Therefore, the fact that there was an increase in total imports suggests the existence of trade creation. However, the findings are not conclusive with regard to trade creation.

Trade diversion is the result of an increase in imports from EU partners and a decrease in non-EU imports. The findings in Figures 4.11, 4.12, and 4.13 below suggest an increase in imports from the EU, but also an increase in imports from non-EU partners, which would indicate that no trade diversion took place.

Thus, while the observations regarding trade creation are not conclusive because there was an increase in imports as well as in domestic production, the observations regarding trade diversion were clear; that is, imports from EU and non-EU partners increased, and thus there was no trade diversion.

As for the quantitative approach, regarding the EU-Jordanian trade agreement, the analyses entail the calculation of changes in trade and the volume of trade. To calculate the change of volume, Formula 8 was used on product sections as proposed in SITC Revision 3 (Haddoud, Salamon, Jones, & Newbery, 2011, p. 25; Plummer, Cheong, & Hamanaka, 2010).

Formula 8:

The formula for the change in trade volume is:

$$\text{Change in Trade Volume} = \sum_p t_{mp} u_{mp}^0 (m_p^1 - m_p^0)$$

where

p indicates a partner country

t_{mp} is the import-weighted ad valorem tariff on imports from partner country p in the base period

u_{mp}^0 is the unit value of imports from partner country p in the base period

m_p^1 is the quantity of imports from partner country p in the new period

m_p^0 is the quantity of imports from partner country p in the base period

As per Plummer et al. (2010, p. 83), to be able to calculate the change in trade volumes, we need the following data:

- P as per the formula: Jordan's partner country is the EU
- T imported weight tariff from Jordan's partner (EU) for the base period as shown in Table 4.7
- Unit values of imports from the EU to Jordan in the base period, which is 2002, the year the EU-Jordan FTA was put into effect, as shown in Table 4.6. The source of data is the International Customs Tariff bureau.

- Quantities of imports from the EU to Jordan in the new period, which is 2009, covering eight years after the implementation of the FTA. The source of the data is EuroStat (Eurostat - European Commission, 2014).
- Quantities of imports from the EU to Jordan in the base period, which is 2002.

The source is EuroStat (Eurostat - European Commission, 2014).

Table 4.6. Quantity and value of Jordanian imports and exports with the EU for the base year 2002 and the new year 2009. The source of the data is EuroStat (Eurostat - European Commission, 2014).

...	...	PERIOD	2002	2002	2002	2002	2002	2002	2009	2009	2009	2009	2009	2009
...	...	FLOW	Export	Export		Import	Import		Exort	Export		Import	Import	
Reporter	Partner	PRODUCT/INDICATORS	value in Euro	Qty in KG	unit value*	value in Euro	Qty in KG	unit value*	value in Euro	Qty in KG	unit value*	value in Euro	Qty in KG	unit value*
JORDAN	EU	Food and live animals	4711322	3623200	1.3	124017198	143917400	0.9	11452263	9943600	1.2	159192423	107017900	1.5
JORDAN	EU	Beverages and tobacco	4216	800	5.3	30677116	8506400	3.6	473254	159400	3.0	49698611	11821100	4.2
JORDAN	EU	Crude materials,inedible,exce	19535528	311641400	0.1	31802981	99438900	0.3	12951941	59725500	0.2	64783197	207577300	0.3
JORDAN	EU	Animal and vegetable oils,fats and waxes	1162519	1495000	0.8	3127299	3674100	0.9	460724	220300	2.1	3733334	2748000	1.4
JORDAN	EU	Chemicals and related products,n.e.s.	46354724	182363200	0.3	327740579	98619500	3.3	35650321	43809200	0.8	434704729	112369600	3.9
JORDAN	EU	Manufactured goods classified chiefly by material	10765538	6400000	1.7	242047815	243397000	1.0	12047083	3172000	3.8	229674999	262739600	0.9
JORDAN	EU	Machinery and transport equipment	77204769	773000	99.9	971412837	104578900	9.3	39475895	1506300	26.2	1162092555	164862500	7.0
JORDAN	EU	Miscellaneous manufactured articles	26595863	1043900	25.5	249253917	18970600	13.1	23566821	1187200	19.9	279686482	13828700	20.2
JORDAN	EU	Commodities and transactions not elsewhere classif.	118163265	262100	450.8	9505442	11943600	0.8	37763679	346300	109.0	39048906	10815900	3.6

Table 4.7. Weighted average for the start year 2002 and end year 2009

Reporter	Partner	Product	Product Name	DutyType	Weighted Average 2002	Weighted Average 2009
Jordan	World	0	Food and live animals	AHS	12.22	3.77
Jordan	World	1	Beverages and tobacco	AHS	58.44	60.61
Jordan	World	2	Crude materials,inedible,except fuels	AHS	6.89	2.74
Jordan	World	3	Mineral fuels,lubricants and related materials	AHS	8.40	0.95
Jordan	World	4	Animal and vegetable oils,fats and waxes	AHS	12.19	1.95
Jordan	World	5	Chemicals and related products,n.e.s.	AHS	7.68	0.92
Jordan	World	6	Manufactured goods classified chiefly by material	AHS	14.20	4.93
Jordan	World	7	Machinery and transport equipment	AHS	12.90	6.74
Jordan	World	8	Miscellaneous manufactured articles	AHS	19.44	11.62
Jordan	World	9	Commodities and transactions not elsewhere classif.	AHS	17.97	18.32
Reporter	Partner Name	Product	Product Name	DutyType	Weighted Average 2002	Weighted Average 2009
Jordan	EU	0	Food and live animals	AHS	13.43	8.27
Jordan	EU	1	Beverages and tobacco	AHS	75.64	108.48
Jordan	EU	2	Crude materials,inedible,except fuels	AHS	6.83	2.63
Jordan	EU	3	Mineral fuels,lubricants and related materials	AHS	25.37	10.18
Jordan	EU	4	Animal and vegetable oils,fats and waxes	AHS	10.6	16.17
Jordan	EU	5	Chemicals and related products,n.e.s.	AHS	7.56	1.6
Jordan	EU	6	Manufactured goods classified chiefly by material	AHS	15.84	10.16
Jordan	EU	7	Machinery and transport equipment	AHS	11.75	6.23
Jordan	EU	8	Miscellaneous manufactured articles	AHS	14.78	12.17
Jordan	EU	9	Commodities and transactions not elsewhere classif.	AHS	16.88	19.66

Source: To obtain the average weight, information was obtained from WITS using the Trade Analysis Information System (TRAINS) for both the EU and the world for the base year 2002 and the new year 2009.

Table 4.8. Change in trade volume

Reporter	Product STIC 2	Product Name	Change in Trade Volume base year is 2002, new year 2009 with the EU	Change in Trade Volume base year is 2002, new year 2009 with the World	Change in Trade Volume base year is 2002, new year 2009 with the Non EU
Jordan	0	Food and live animals	-427036605.6	-8197471097	-7770434492
Jordan	1	Beverages and tobacco	904199944.7	29549031828	28644831883
Jordan	2	Crude materials,inedible,except fuels	236217550.4	6946184164	6709966614
Jordan	3	Mineral fuels,lubricants and related materials	1536677012	-5872099570	-7408776582
Jordan	4	Animal and vegetable oils,fats and waxes	-8355687.38	2962242992	2970598679
Jordan	5	Chemicals and related products,n.e.s.	345457855.3	14707375696	14361917840
Jordan	6	Manufactured goods classified chiefly by material	304688437.5	-10820512123	-11125200560
Jordan	7	Machinery and transport equipment	6579559443	12831074402	6251514959
Jordan	8	Miscellaneous manufactured articles	-998525097.8	-3739652309	-2741127211
Jordan	9	Commodities and transactions not elsewhere classif.	-15149667.07	-2164736117	-2149586450
		Total	8457733186	36201437866	27743704680

Source: WITS (TRAINS), values were compiled by the author

Table 4.8 suggests an increase in trade volume with the EU in most product categories except for food and live animals, as well as the commodities and transactions not elsewhere classified. However, there is a negative trade volume with non-EU countries for food and live animals, mineral fuels, manufactured goods, miscellaneous manufactured articles, and commodities and transactions not elsewhere classified. This negative trade volume with non-EU countries means that for those sectors, there is a negative welfare effect on Jordan. However, considering all the different sectors, the total trade volume has a positive value of 36 billion euros, indicating a positive welfare effect for Jordan, which mainly comes from the chemicals and related products sector and the machinery and transport equipment sector.

The changes in terms of trade between Jordan and the EU as well as non-EU countries were calculated based on Formula 9 (Plummer, Cheong, & Hamanaka, 2010, p. 83):

Formula 9:

The formula for the change in terms of trade is:

$$\text{Change in Terms of Trade} = \sum_p x_p^0 (u_{xp}^1 - u_{xp}^0) - \sum_p m_p^0 (u_{mp}^1 - u_{mp}^0)$$

where

p indicates a partner country

x_p^0 is the quantity of exports to partner country p in the base period

u_{xp}^1 is the unit value of exports to partner country p in the new period

u_{xp}^0 is the unit value of exports to partner country p in the base period

m_p^0 is the quantity of imports from partner country p in the base period

u_{mp}^1 is the unit value of imports from partner country p in the new period

u_{mp}^0 is the unit value of imports from partner country p in the base period

The change in the terms of trade was calculated based on data sourced from WITS in Table 4.5. The import-export quantities and values for Jordan with the world, as represented in Table 4.9 below, are from the Department of Statistics of Jordan at the request of the author. This is the case for both imports and exports during the base period (2002) and the new period (2009). The unit values of imports and exports are calculated as follows:

- unit value for imports = value of imports/quantity of imports from the partner country.
- unit value for exports = value of exports/quantity of exports to the partner country.

Finally, it should be underlined that the values provided by the Jordanian Department of Statistics were in Jordanian dinars. The exchange rate for the new year was obtained from the EU Financial Programming and Budget. However, the exchange rate for the base year is not published by either the EU or the Jordanian Central Bank and Department of Statistics. Thus, the most appropriate approach is to use the exchange rate based on the historical exchange rate.

Table 4.9. External trade statistics by SITC classification

External Trade Statistics by SITC Classification for years 1998-2012*									
Value in JD, quantity KGs									
Year	SITC	Imports				Exports			
		Value in JD	Qty KG	Unit value	Unit value	Value in JD	Qty In kg	unit value	Unit value in Euro***
2002	0	530179479	2307249509	0.23	0.31	141316423	497539711	0.28	0.38
	1	43593130	56713826	0.77	1.03	30292510	18553919	1.63	2.20
	2	106311209	985548950	0.11	0.14	252324199	6227112607	0.04	0.05
	3	540290104	5074117101	0.11	0.14	99375	302440	0.33	0.44
	4	58519878	193859361	0.30	0.40	67818822	147479995	0.46	0.62
	5	402383921	574934042	0.70	0.93	391854649	1267661737	0.31	0.42
	6	690557163	1186560638	0.58	0.78	159721114	1319411845	0.12	0.16
	7	889864691	96880336	9.19	12.26	101175425	19064866	5.31	7.14
	8	247198631	82797238	2.99	3.98	412110726	71405894	5.77	7.76
	9	90262169	18829990	4.79	6.40	35065	1578	22.22	29.88
2009	0	1488782920	3161265787	0.47	0.45	513185052	1097061732	0.47	0.44
	1	102668008	119844431	0.86	0.81	61142441	133776146	0.46	0.43
	2	171076316	549607024	0.31	0.29	316757277	3442749083	0.09	0.09
	3	1805314570	7988403303	0.23	0.21	20085599	139341633	0.14	0.14
	4	117767724	154894480	0.76	0.72	6123846	4411402	1.39	1.31
	5	1070662887	797042535	1.34	1.27	1196154615	2490355680	0.48	0.45
	6	1754819537	2625153032	0.67	0.63	406335768	769229474	0.53	0.50
	7	2641292067	205493669	12.85	12.15	203518434	49773747	4.09	3.87
	8	742445609	178020121	4.17	3.94	767527737	112248302	6.84	6.47
	9	199775907	34518753	5.79	5.47	83043669	52675	1576.54	1491.52

JOD/ Euro 1.3446 in 2002
<http://www.freecurrencyrates.com/exchange-rate-history/JOD-EUR/2002>

1 EUR is equal to 1.05769 JOD in 2009,
http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm

* Source: Direct contact with the Jordanian Statistical Bureau

** Unite value = total import/quantity

*** JOD/ Euro 1.3446, <http://www.freecurrencyrates.com/exchange-rate-history/JOD-EUR/2002>

***Exchange rate from Euro to JOD is take from EU Financial Programing and Budget 1 EUR is equal to 1.05769 JOD in 2009,
http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm

Based on the formula, Table 4.10 below shows the results of the change in the terms of trade between Jordan, the EU, and its non-EU partners.

Table 4.10. Changes in Jordan's terms of trade

Change in terms of trade with the EU; base period is 2002 and new year is 2009	Change in terms of trade with the EU	Change in terms of trade with the whole world	Change in terms of trade with non-EU
--	--------------------------------------	---	--------------------------------------

JORDAN	EU	Food and live animals	-90601609	-289656778.0	-199055169.3
JORDAN	EU	Beverages and tobacco	-5087578	-20468482.6	-15380904.6
JORDAN	EU	Crude materials, inedible, except fuels	48815247	54585488.1	5770240.9
JORDAN	EU	Mineral fuels, lubricants and related materials	250834	-363277487.1	-363528320.9
JORDAN	EU	Animal and vegetable oils, fats and waxes	99845	41235181.6	41135336.2
JORDAN	EU	Chemicals and related products, n.e.s.	48274234	-144067654.7	-192341888.3
JORDAN	EU	Manufactured goods classified chiefly by material	42822549	616260482.8	573437933.4
JORDAN	EU	Machinery and transport equipment	177304284	-52099107.7	-229403391.3
JORDAN	EU	Miscellaneous manufactured articles	-140301529	-88790855.7	51510673.5
JORDAN	EU	Commodities and transactions not classified elsewhere in the site	-123196341	19727801.7	142924142.7
Total			-41620064	-226551411.6	-184931347.6

Source: WITS and direct request to the Jordanian Department of Statistics, compiled by the author

The data in Table 4.10 show a positive increase in the change in terms of trade in the crude material, animal and vegetable oils, and manufactured goods categories. This means there is a positive welfare effect on Jordan for these sectors. There is a negative change in the terms of trade in food and live animals, beverages and tobacco, mineral fuels, manufactured goods, miscellaneous manufactured articles, and commodities and transactions not classified elsewhere. The negative change in the terms of trade in these sector means there is a negative welfare effect on Jordan for those sectors. The overall change in the terms of trade has a negative value of 226 million euro. This is an indication of a negative welfare effect for Jordan (UN and WTO, 2012).

4.5 Trade Agreement Impact on Jordan's Internal Economic Indicators

One weakness of the models presented in this study is the lack of consideration of internal factors and the impact of trade on the welfare of the country. The internal impact that is

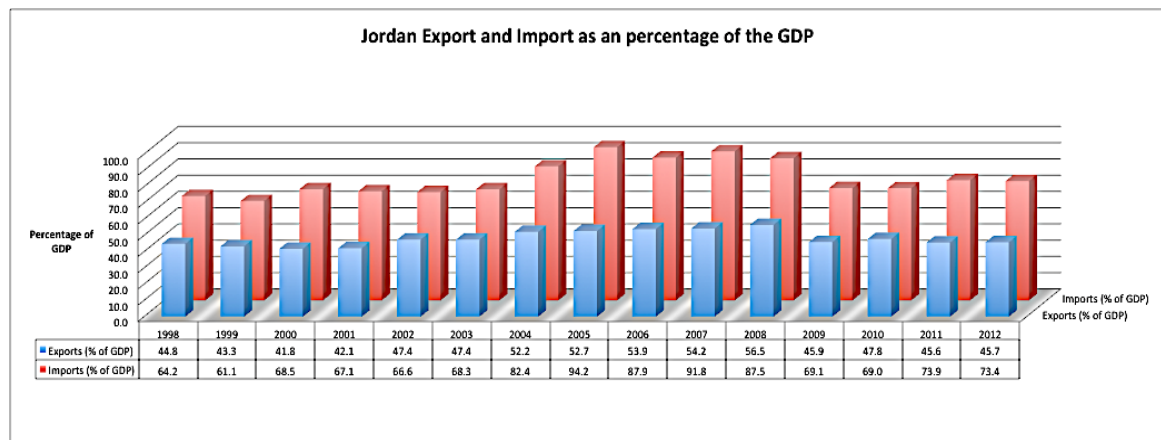
influenced by external trade and that is the direct result of trade is a country's trade balance, proportion of GDP, external debt, unemployment rate, and the sectors affected most by imported goods from the year the FTA with the EU started until 10 years after its implementation.

4.5.1 Jordanian trade balance

To understand the impact of trade on the GDP of Jordan, we need to analyse the size of trade in Jordan's GDP, thereby determining the size of external trade.

As shown in Figure 4.14, Jordan's exports and imports with the world, including the EU, represent a high percentage of Jordan's GDP. Import values in 2005 reached 94% of the total value of Jordan's GDP. While imports were increasing, their percentage of the GDP also increased. From 1998, when the value of imports was 64% of GDP, the proportion peaked at 94% in 2005, but then decreased to 73.4% in 2012. Thus, by the end of the period under review, there was an average 10% increase in the value of imports as a percentage of GDP. In contrast, the proportion of the value of exports of GDP started at 44.8% in 1998, peaked in 2007 at 56.5%, and returned to 45.7% in 2012. Thus, there was an average 3% increase in export value as a percentage of Jordan's GDP over a period of 15 years.

Figure 4.14: Jordanian exports and imports as a percentage of GDP

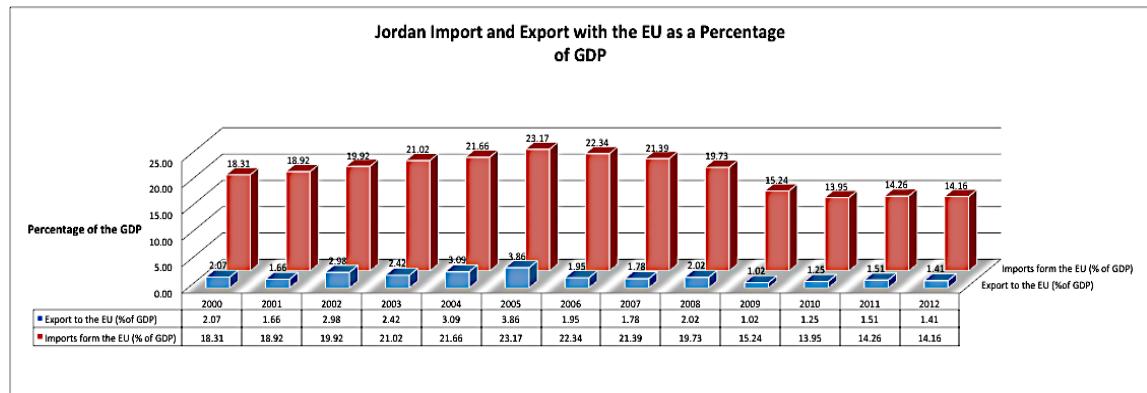


Source: WITS, compiled by the author

Jordanian trade with the EU as a percentage of Jordan's GDP (shown in Figure 4.15), was 18.3% in 2000. The percentage increased in 2002—the year the FTA with the EU was signed—to 19.92%. The percentage peaked in 2005 at 23.17%, but as the year progressed, it decreased to 14.16%. Thus, imports decreased on average in the years following the signing of the FTA by 5%.

Exports to the EU as a percentage of Jordanian GDP were 2.07% in 2000, prior to the signing of the FTA. In 2002, the percentage of exports increased to 2.98%. In the year following the signing of the agreement, the percentage decreased to 1.41%. Thus, exports to the EU as a percentage of the value of Jordan's GDP decreased by an average of 1.4%.

Figure 4.15: Jordanian imports and exports with the EU as a percentage of GDP

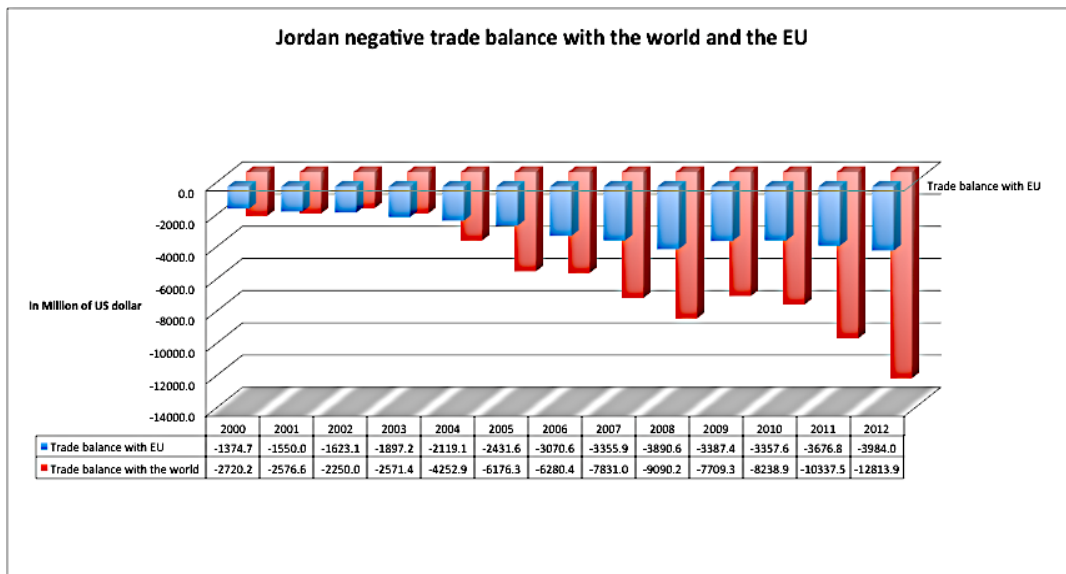


Source: WITS, compiled by the author.

The trade balance of Jordan with the world as shown in Figure 4.16 shows an increase in Jordan's negative balance over the period under review from 2000 to 2012. There is trade creation, as illustrated in the Section 4.4.2 Ex-post Assessment. When evaluating increase in imports as was done in this chapter with the qualitative analysis of trade creation and trade diversion, one can assume that the FTA has had a positive effect if trade creation exceeds trade diversion. Imports increased from non-FTA partners as well as from the EU. Thus, trade creation was higher than trade diversion, but trade creation in Jordan has only increased on the import side. The exports did not match the imports in speed or volume. This leaves Jordan in the end with a negative trade balance and thus, external debts. This applies to Jordan's trade with the world, as well as its trade with the EU,

although it is worth noting that the negative trade balance with the world is increasing at a higher pace than the negative trade balance with the EU.

Figure 4.16: Jordan's negative trade balance with the world and the EU

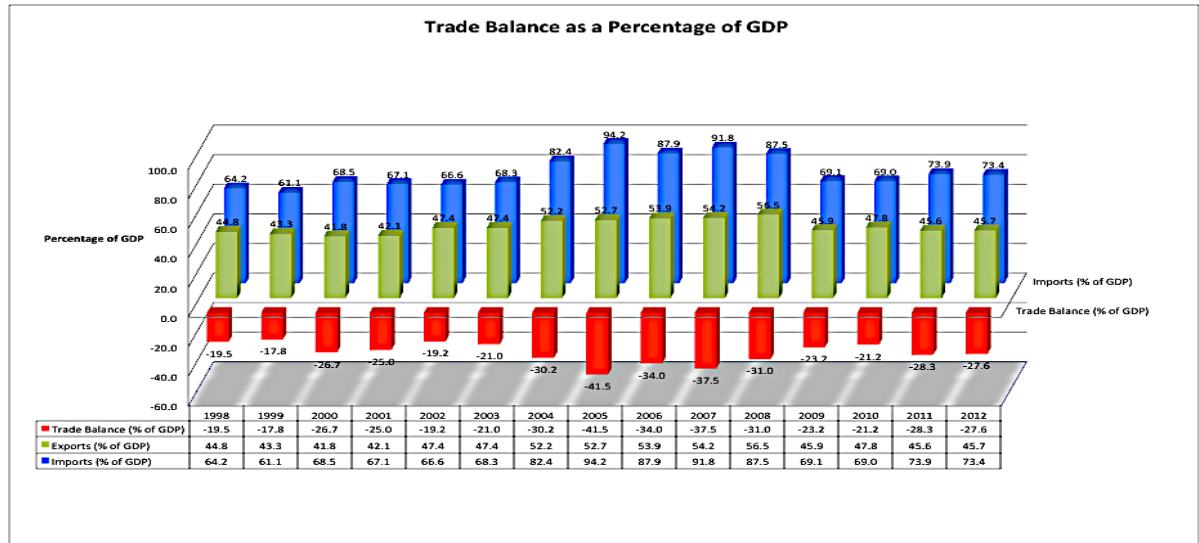


Source: World Bank, WITS

<http://wits.worldbank.org/WITS/WITS/AdvanceQuery/RawTradeData/QueryDefinition.aspx?Page=RawTradeData>

Figure 4.17 shows the trade balance for Jordan as a proportion of GDP. Jordan's negative trade balance peaked in 2005, three years after the signing of the agreement in 2002, at 41.5% of Jordan's GDP. The negative trade balance began to improve and reached 27% by 2012.

Figure 4.17: Trade Balance as a percentage of GDP



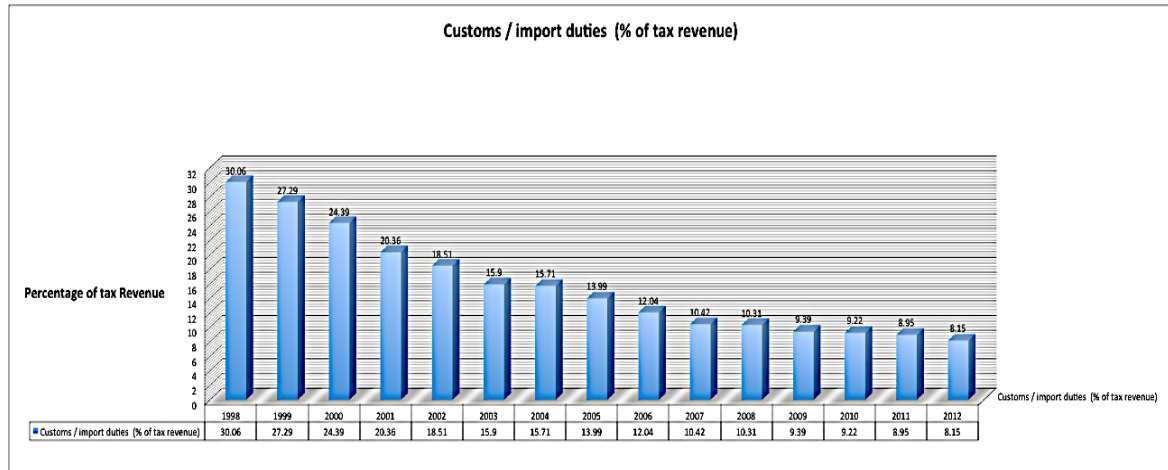
Source World Bank, WITS

4.5.2 Losses from elimination of import duty trade

Among the goals of the EU-Jordan FTA was to contribute positively to the welfare of Jordan, to improve Jordan's competitive position, and to decrease consumer prices in Jordan. One of the tools to accomplish these goals was the creation of a free trade zone between the EU and Jordan within a period of 12 years and hence to eliminate customs duties and taxes within the same period. However, as shown in Figure 4.18, before the agreement was put into effect in May 2002, Jordan relied heavily on revenues from duties and taxes levied on imports. Customs and import duties represented around one-third of Jordan's tax revenue in 1998 (Feraboli, 2003, p. 2). By 2002, customs and import duties made up 18.5% of the tax revenue, which decreased further to 8% by 2012. Due to the loss of customs and import duties as part of tax revenues, the Jordanian government had to implement several tax reforms to compensate for this loss and had to broaden the tax base. Thus, the general sales tax rates on domestic and imported goods was replaced by a

sales tax in 2000, and income tax reform took place in 2001 (Feraboli, 2003, p. 3). The extent of the implementation of tax reforms based on the Jordan action plan will be examined in Chapter Four.

Figure 4.18: Customs/import duties as a proportion of tax revenue



Source: World Bank, WITS, compiled by the author

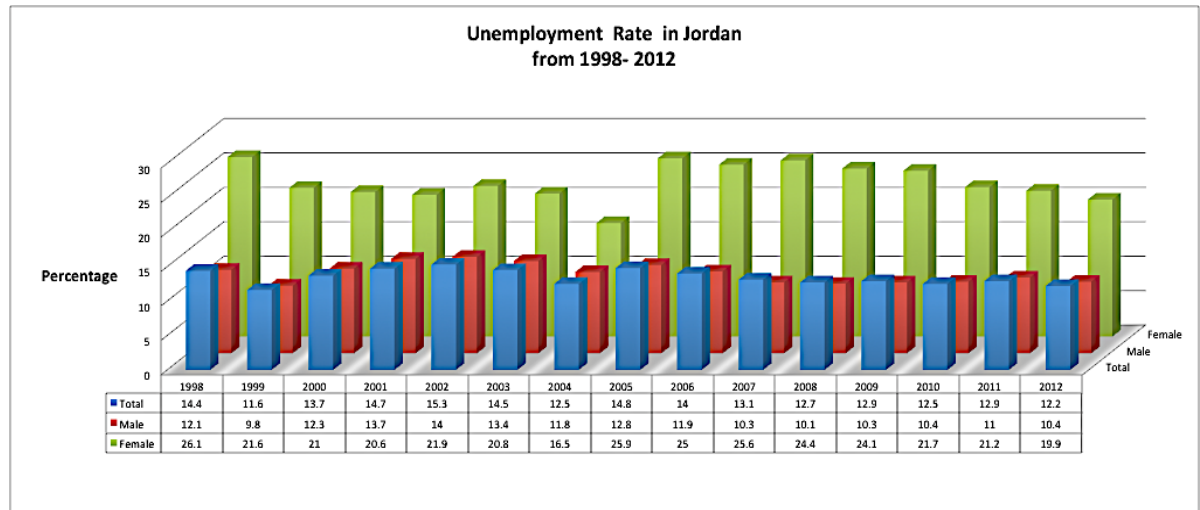
4.5.3 Unemployment rates⁶

Unemployment rates can provide an indication of the increase or decrease of economic activities related to imports and exports in a given area. Generally, the unemployment rate is expected to decrease in a situation of increased economic activity and the associated positive changes in the areas of imports and exports. As shown in Figure 4.19, the unemployment rate in Jordan, as published by the Jordanian Department of Statistics, was 14.4% prior to the FTA entering into force, and this increased to 15.3% in 2002, the year the FTA was put into effect. In the first five years after the agreement, the unemployment rate remained around 14%. In 2007, it began to decrease, and in 2012, it reached 12.2%. The unemployment rate in Jordan is higher among females. In 2002, when the FTA was signed, male unemployment was 14%, and after 12 years of the FTA the male

⁶ The unemployment rate is the number of unemployed people divided by the labour force (Department of Statistics, Jordan Statistical Yearbook, 2012).

unemployment rate was 10.4%. Thus, there was a decrease of 3.6% in the unemployment rate of the male labour force. However, for female unemployment, a slightly different picture emerges. The unemployment rate of the female labour force in 2002 was 21.9% and 12 years later, in 2012, it was 19.9%. Thus, the unemployment rate for females decreased by only 2%.

Figure 4.19: Unemployment rate in Jordan



Source: Employment and Unemployment Survey 1993–2012

Conclusion

The aim of this chapter was to test the 2002 AA between Jordan and the EU and to determine whether the agreement was beneficial for Jordan from an economic perspective. One of the challenges was to determine methods for comparing economic data over the periods preceding and following the EU-Jordan FTA of 2002. These methods had to yield results that were reliable and meaningful for the purposes of this study. In addition, the data methodology should not exceed what is available locally and in (semi-) public repositories of socio-economic data maintained by various national and international organisations. In a few instances, where no relevant data were available, the author sent requests for the data to the Jordanian Department of Statistics, which provided the requested data.

The findings regarding the impact of the EU-Jordanian trade agreement are as follows.

Curiously, the inter-regional share of trade between Jordan and the EU showed a decrease starting in 2002, the year the agreement was signed. At the same time, the trade share with regions other than the EU increased. The EU-Jordan trade intensity index began to decrease starting in 2002. The decrease was a substantial 48% in one year.

In the period following the agreement, Jordan experienced a relatively stable or slightly growing RCA in the chemical and food sectors, whereas the RCA of the textiles sector increased until 2006 and then decreased. The ores and metals sector had an advantage throughout the period investigated but experienced a decline.

Regarding the trade share with the EU, the chemicals and manufacturing sectors had a stable advantage, while the advantage in the machinery and equipment sector amounted to a 20% increase.

The formation of a trade deal may be considered cost-effective when trade creation exceeds trade diversion. In other words, more attractive products from the perspective of price and tariffs are traded more within the new trade partners, lowering costs and enabling new trade flows, based solely on the fact that these products originate from a country that has become part of the new trade deal. When considering only trade creation, the picture is ambiguous. While the increase in imports into Jordan suggests that trade creation occurred, a simultaneous increase in local production might suggest the contrary, or at least that there was a relative decrease in trade between the regions of the trade deal because local producers still deemed certain productions competitive. However, the increased imports from both the EU and other trade partners would suggest that it is unlikely that significant trade diversion took place. Thus, the overall increase in imports as well as the increase in domestic production suggests that a general increase in economic activity took place. However, since the inter-regional trade share between the EU and Jordan decreased after the agreement, trade creation was likely to have taken place as a result of the EU-Jordanian trade agreement but with less intensity than with Jordan's other trade partners.

The fact that Jordan's trade with partners other than the EU grew more makes it difficult to assess the expected relative value of the EU-Jordan FTA for Jordan's economy without

a thorough understanding of the possible incentives or lack thereof that the relationships with other trade partners offered.

The quantitative approach to trade volume data reveals an increase in trade volume with the EU in most product categories, except for food, live animals, and commodities and transactions. This increase in trade volumes is an indication of a positive welfare effect on Jordan. It is notable that the sectors that did not experience growth in trade volumes with the EU experienced negative trade volumes with other countries. This may indicate that the sectors that did not experience trade volume growth with the EU were dealt with differently by Jordan itself, via more local production.

What changes were there in trade itself? The overall change in terms of trade had a negative value of 226 million Euro. This may indicate a negative welfare effect for Jordan.

Total imports and exports as a percentage of Jordan's GDP both increased in the period under investigation; imports increased by an average of 10% and exports by 3%.

However, imports and exports with the EU both decreased on average after the signing of the agreement. In other words, trade with the world increased, while trade with the EU did not. It is especially noteworthy, however, that all trade peaked around 2005. Based on the models used in this research, it is difficult to attribute a meaning to this peak. Was the 2005 increase a delayed reaction to the agreement with the EU? Was there a demographic change caused by an influx from the region? Alternatively, was something entirely different going on?

As Figure 4.9 shows, imports increased from other trade partners as well as the EU.

However, the increase in exports shown in Figure 4.8 did not match the imports in either speed or volume. This left Jordan in the end with an increasing negative trade balance. In this respect, it is noteworthy that Jordan's negative trade balance with the world was increasing at a higher pace than its negative trade balance with the EU. Although this may be a far-fetched explanation, it could indicate that, despite trade between Jordan and the EU decreasing on average, the balance between imports and exports was deepening at a lower rate and thus may be explained as being better for Jordan, or on the other hand can be explained by the fact that the import and export to the EU is at a lower rate than that of

the rest of the world. But under both explanations, the trade balance with the EU was still deepening in disfavour to Jordan, thus being negative for Jordan.

In addition, the negative trade balance peaked in 2005, underlining that Jordan's overall increase in trade in 2005 and the preceding years took place more on the export side.

Unemployment rates for both men and women decreased on average after the EU-Jordanian trade agreement was put into effect in 2002. In addition, in the case of unemployment rates, an initial increase was experienced in the aftermath of the agreement, after which the rate decreased.

Revenues from taxes levied on imports decreased from one-third of Jordan's total tax revenues to 18.5% in 2002 and decreased further to 8% in 2012. It is probable that the free trade zone with the EU, which was established in 2002, was an important reason for the significant reduction in revenue from import duties. Jordan had to compensate for this reduced tax income by introducing sales taxes and income tax reform. In this respect, Jordan most probably did not benefit from the agreement, since imports grew more than exports; thus, any gains for Jordan on the export side would not outweigh the loss of import taxes.

Before attempting to come to any conclusions based on the analysis of the above-mentioned findings, two points must be considered. All models used make comparisons over time based on all other things being equal, and therefore are descriptive in nature.

Thus, the explanatory value of these models has limitations. This study is focused on revealing to what extent the EU-Jordanian agreement was beneficial for Jordan.

Therefore, explanations beyond this scope are not sought.

First, the following points present the indicators that show a decreasing tendency in the period following the EU-Jordanian agreement:

- The interregional trade share and the trade intensity index both showed a decrease for trade with the EU. This meant that the trade between two EU and Jordan was less attractive or the country of origin played a role in creating a burden on the Jordanian partners.

- The overall change in the terms of trade had a negative value of 226 million euro. This may indicate a negative welfare effect for Jordan.
- Imports and exports with the EU both decreased on average after the agreement was signed, while trade with the rest of the world increased.
- Revenues from taxes levied on imports decreased from one-third of Jordan's total tax revenues to 18.5% in 2002 and further decreased to 8% in 2012.
- Jordan's trade balance and external debt increased with negative effects on Jordan.

The following points might be indicators that Jordan benefited from the agreement.

- Trade creation was likely to have taken place because of the EU-Jordanian trade agreement but with less intensity than with Jordan's other trade partners and more intensity on the import side.
- The increase in trade volume is an indication of a positive welfare effect on Jordan.
- Unemployment rates for both men and women decreased on average after the agreement.

Finally, the following points are indicators of more or less neutral benefits to Jordan from the EU-Jordanian agreement.

- Jordan and the EU had RCAs in some of the same fields and in a complementary way, indicating opportunities for trade.
- Jordan's negative trade balance with the world was increasing at a higher pace than its negative trade balance with the EU.

The decreasing inter-regional trade share of the EU in the period following the agreement is an indication that trade with the EU did not become more attractive, and therefore was more intense, following the agreement. A similar signal is given by decreasing imports and exports. In addition, the considerable decrease in tax revenues forced Jordan to undertake domestic tax reform. Trade creation most likely took place, indicating a beneficial influence on Jordan's economy, but more so with partners other than the EU, and more so for imports than for exports. The increase in trade volume is a signal of a positive welfare effect, as is decreasing unemployment. There was complementarity in

the comparative advantages of both the EU and Jordan. However, the EU's decreasing trade share is an indication that neither Jordan nor the EU took advantage of this in a significant way. Jordan's trade balance became more negative, but less so with the EU than with the rest of the world.

Jordan appeared to gravitate towards trade with others rather than the EU after the agreement. On the other hand, the EU's influence on Jordan's negative trade balance was less negative than with other trade partners, indicating a step in the direction of a more beneficial balance between imports and exports for Jordan.

Overall trade increased, and unemployment decreased but was still exceedingly high in the period under investigation, although it is not possible to tie these findings to the EU-Jordanian agreement in any certain way.

Thus, if we put all these points in a table (Table 4.11) we can, at a glance, have the output:

Table 4.11. Impact of the trade agreement on Jordan

Model	Indicator	Findings	Impact
Ex-Ante Mode			
Inter-Regional dependence between Jordan and EU	ITS	Is decreasing	Negative
Trade Intensity Index	TII	Is decreasing	Negative
Revealed Comparative Advantage	RCA	There is potential advantage	
Regional Orientation Index	ROI	There is potential advantage	
Trade Complementary index	TCI	There is potential advantage	
Ex-Post model			
Quantitative approach			

Trade creation		There is an increase in domestic production and increase in imports. Therefore, it cannot be stated that the preferential tariff replaced supposedly 'inefficient' domestic production	Not decisive
Trade diversion		There is no diversion	Positive
Trade creation exceeds trade diversion		There is trade creation (though indecisive) but there is no trade diversion, so trade creation exceeds trade diversion	Positive
Qualitative approach			
Change in trade volume		5 out 10 products are decrease	Positive
Change in terms of trade		Negative results for the trade with the EU	Negative
Other indicators			
Trade balance		Balance is negative	Negative
Customs duties		Decreased	Negative
Unemployment		Decreased	Positive

Examining pure numbers in Table 4.11 yields five negative impacts on Jordan's economy, four positive ones, and one indecisive. Thus, on one side of the conclusion is that the EU-Jordanian trade agreement was not exploited as expected; the EU did not become a more important trade partner to Jordan, and the negative trade balance of Jordan deepened, which is a sign that the trade with the EU alone might suggest that the AA with the EU did not bring the economic benefits that Jordan had expected. However, Jordan had other goals when signing the AA, as outlined in Chapter Two, through its globalisation policy: Integrate into the global market, exit its isolation, and build a healthier trade balance. The overarching direction of Jordan's economic reform was towards a market economy. Jordan's economic policy was to facilitate trade through international and regional trade and adhere to the international standards of trade and economic policies (El Anis, 2010, p. 62) Chapter Five will detail these changes to adhere to international standards.

King Hussein, in his speech addressing the Jordanian Parliament in 1996 and 1997, outlined the goals of the AA, and he underlined that the AA would enhance Jordan's economy regionally and globally and continue in the open market economy, and that it would increase Jordan's capability and competitiveness in the world economy.

Jordan's most important trade partner, Iraq was a nation in ruins with little economic importance for Jordan. In the 1990s, Jordan had major economic pressures. Therefore, Jordan's goals were to diversify its international trade partners, and signing an agreement with the EU provided Jordan with another major economic partner that would serve this purpose.

Through the agreement with the EU, Jordan has managed to integrate itself into the global economy, since the EU is one major player in world trade.

Jordan managed, with the EU agreement, to completely anchor its free-market image.

Through the EU agreement, Jordan triggered and motivated further regional integration with other Arab countries when signing the Agadir Agreement to better benefit from the AA.

By signing the free trade agreement with the EU and US and its participation in the peace process with Israel, Jordan re-established itself as an important regional partner to the Western world and ended the early 1990s' isolation that their stance in the Gulf War had brought them.

Chapter Five

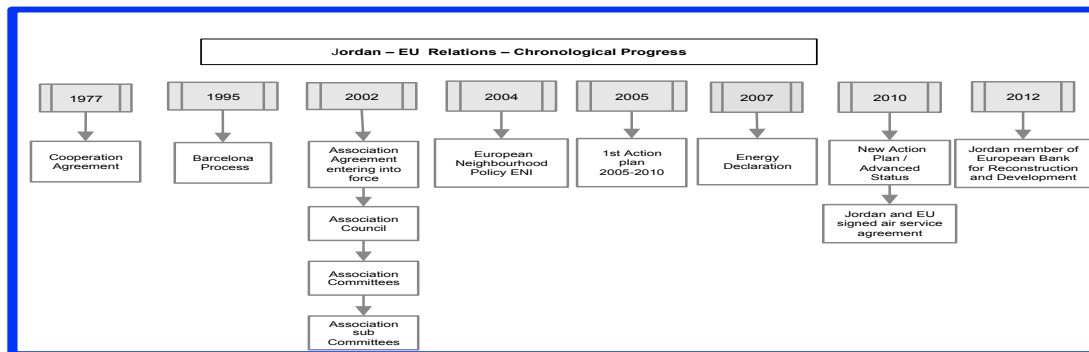
EU-Jordanian Preferential Agreement Progress over the Seven Years of 2006 to 2012

Introduction

This chapter first assesses the action plans put in place for Jordan that aimed at reaching the goals stipulated in the AA signed by the EU and Jordan. Second, it reviews Jordan's progress reports over a seven-year period from 2006 to 2012. This review is accomplished by comparing the action plans and corresponding progress reports for that period. The expectation is that this side-by-side review of action plans and progress reports will shed light on the nature and mechanics of the practical implementation of the agreement. This review will check whether the reforms that Jordan undertook resulted in improvements in Jordan's economic performance. The period studied in this chapter largely corresponds to the period studied in Chapter Four. This is aimed at further developing the analysis in Chapter Four and complementing the analysis covering the period prior to the signing of the AA, that is, 1998 to 2002, and then 2002 (when the AA was put into effect) to 2012. The overlapping period of the action plans, 2006 to 2012, is analysed in this chapter.

Jordan's relationship with the EU evolved at the institutional level in the period between 1977 and 2010, when Jordan became a signatory to various agreements that have led to various levels of cooperation with the EU and commitments towards the EU as shown in Figure 5.1.

Figure 5.1: EU-Jordanian relations



Source: Compiled by the author

After becoming a partner to the Barcelona Process and signing the AA, Jordan committed to two action plans stipulating the implementation of the ENP in Jordan. The first action plan was agreed upon in 2005 and covered a five-year period from 2005 to 2010, while the second action plan, adopted in October 2010, was for the period from 2010 to 2015. For the purpose of this study, five aspects of the action plan are assessed: (1) the macroeconomic framework and functioning of the market economy, (2) trade-related issues as well as market and regulatory reform, (3) employment and social policy, (4) transport, energy, information society, and environment, and (5) other areas. Political reform and person-to-person contact are not within the scope of this research.

To assess the progress methodology, I refer to Del Sarto and Schumacher (2011, p. 936) regarding benchmarking as a tool to assess progress. This benchmarking tool requires certain prerequisites: (1) clear indicators, both quantitative and qualitative, (2) a timeframe, (3) and agreed-upon methods of collecting data to measure progress. As demonstrated in Section 5.1 on the action plans, the action plans for Jordan lack these three criteria, and therefore this method cannot be used in this section.

The only component of the action plans that has a structured methodology for assessment is the enterprise policy section. The assessment process is based on the enterprise charter indicators, as developed by the Organisation for Economic Co-operation and Development (OECD), and implemented with regard to enterprise policy in the Balkan

countries (European Commission, OECD, European Training Foundation, 2008, p. 135). In this assessment methodology, each policy area has policy indicators that are identified. The progress on each indicator is subsequently rated. For the rating process, a scale from 1 to 5 is used, in which 1 is no policy whatsoever and 5 represents a situation in which a full policy is in place, also meeting international standards (European Commission, OECD, European Training Foundation, 2008, p. 135).

Thus, in the absence of the elements needed to utilise the benchmarking methodology, I draw on the enterprise policy method to implement the assessment for all other aspects of the progress reports over the seven-year period under review. The five aspects of the action plans within the scope of this research each has several indicators outlined as reference for progress. I used the 1-to-5 rating method described above for each indicator and for every year. The rating is based on the enterprise charter methodology. It ranks the rating per indicator detailing the expected results per level from 1 to 5. For the purpose of this research, the rating is as follows (European Commission, OECD, European Training Foundation, 2008, p. 135): score 1 is given for no policy, structure, or improvement. Score 2 is given for strategies under development or discussion at the government level: that is, preparation for plans but no approval yet; score 3 is given for multi-year strategies that are approved by the government while institutions are in place; score 4 is given for solid evidence of implementation with indications of key targets being achieved and instances in which funds are also received; score 5 is given for a fully implemented and proactive global policy based on international standards. In this case, institutions are fully functional.

The strength of this methodology is that it results in a numerical value to assess Jordan's progress regarding the targets stipulated in the action plans. This provides an instant and comparable indication of the extent of Jordan's performance compared to the stipulated results in the action plan. The weakness of this method is that when a policy has been developed and implemented, it is designated a score of 3. However, the score gives no indication of the content, the goals of the policy, or its effectiveness in achieving the set goals. It indicates only that a policy relevant to the issue was approved; the level of the

content can be at an initial or advanced level, but in either case the score is 3. The same applies to scores of 4 or 5 in terms of the full implementation of the approved policies.

5.1 Action Plans for Jordan

The legal basis of EU-Jordanian relations is the FTA Agreement, which was put into effect in May 2002. The ENP laid the basis for the action plan with Jordan (European External Action Service, 2013). The first action plan of Jordan was adopted on 11 January 2005 for a period of five years. The second action plan was adopted in October 2010.

5.1.1 EU-Jordan action plan for 2005

The action plan of 2005 covers a five-year period. In the introduction of the action plan, the EU lists the reasons for political and economic cooperation with Jordan (European Commission, 2005).

The action plan divides the action expected from Jordan into the short and medium terms for each set of sub-priorities: 1) Political reforms, 2) Economic and Social Reform and Development, 3) Trade-related Issues, Markets, and Regulatory Reform, 4) Cooperation in Justice and Home Affairs 5) Cooperation in Justice and Home Affairs reforms 6) Transport, Energy, Information Society, and Environment reforms, 7) Person-to-Person Contact. If we compare Jordan's action plan with Morocco's and Tunisia's, all three action plans have exactly the same seven elements listed above, with the same sub-elements, and all three 2005 action plans had short-, medium-, and long-term objectives. In the three action plans of 2005, Jordan, Morocco, and Tunisia had to approximate their regulations and standards to that of the EU in many areas for the goal of integration into the EU's internal market and its regulatory structures. This means that the EU had an action plan template that it was implementing with every partner, though there might be slight alterations adapted to the different countries in view of their geopolitical situations and importance, for instance, Jordan's role towards in Israeli-Palestinian peace process versus migration and the proximity of Tunisia and Morocco to Europe.

The political reforms imposed in the action plans covered three subjects: (1) democracy and the rule of law, (2) human rights and freedom, (3) cooperation on foreign and security policy, and (4) conflict prevention at regional and international levels. Jordan, on both short-term and long-term bases, needed to strengthen its institutions through dialogue to reach democracy and support freedom of speech and women's equality (European Commission, 2005). Dalbough (2005) has underlined that the EU, in the case of Jordan, pursued a rather imbalanced strategy that has favoured economic and financial cooperation over political objectives.

The conflict prevention goal had the highest attention from the EU, since it had the longest list of action points spread over the short, medium, and long terms. This goal was oriented towards serving Europe's security goals. In addition, there was a focus on the role of Jordan in the peace process involving Iraq and other neighbouring countries where Jordan has played a pivotal role in mediation.

The economic and social reform and development goal covers the reform of fiscal policies to achieve macro-economic stability and growth with fiscal stability, a decrease in public debt, price stability, and a sustainable fiscal and pension system (European Commission, 2005). This goal justifiably falls within the Jordan privatisation policy that was re-launched after 1999 by King Abdullah; therefore, this action plan would supply momentum for the privatisation process.

The trade-related issues, markets, and regulatory reform goal involves a long list of reforms required to ensure the free movement of goods. This action point covers reforms in trade relations, customs, conformity with technical regulations, and EU standards. The trade-related action point mainly concentrated on tariffs and the elimination of non-tariff barriers for industrial goods. Meanwhile, for agricultural goods, the action point was to 'examine the possibility' of further liberalising agricultural goods (European Commission, 2005). This keen attention of the EU to trade related issues and setting a lengthy list of reforms confirms the EU's major interest in achieving these reforms over any other elements of the action plan.

As for the customs aspect, the action point revolved around improving and simplifying the customs system as per the Palermo recommendations (European Commission, 2005). With regard to conformity with technical regulations and EU standards, this action promoted the free movement of industrial products into the EU market, thereby meeting EU standards prior to entry (European Commission, 2005).

As for the right of establishment. Jordan had to facilitate the establishment of companies by creating a suitable environment for companies and investment in line with EU standards (European Commission, 2005)

The action plan also covered the taxation system. Jordan had to introduce reforms to meet WTO standards and improve tax administration as well as intellectual and industrial property, for which Jordan had to strengthen the directorate to improve intellectual and industrial property and fight against trade in counterfeit goods. Also included was the statistics system, in which Jordan had to develop its statistical system to meet EU standards in areas of interest to the EU (European Commission, 2005).

For cooperation in justice and home affairs reforms, the main action was immigration, both legal and illegal. For visa management, the EU and Jordan had to cooperate on the visa system according to the *Acquis Communautaire*. Jordan was required to enhance border management (European Commission, 2005). Here, again, EU standards were set as the reference point for Jordan to improve border management efficiency.

In the transport, energy, information society, and environment reforms, Jordan had to develop its transport system by developing a national transport policy, prioritising development by sector (European Commission, 2005). Jordan was expected, in the short and medium terms, to adapt its energy policy and standards to those of the EU (European Commission, 2005),

Person-to-person contact was relevant to education, training, and youth. In this aspect, Jordan was to adjust the national system aimed at closer connection to EU systems. Key

areas were vocational training programmes, institution building, licensing and accreditation (European Commission, 2005).

5.1.2 EU-Jordan action plan for 2010

The action plan of 2010 (European External Action Service, 2013) was based on three pillars: political, economic and social, and scientific and human dimensions. An action plan is the ENP tool used to bring relations between Jordan and the EU to an ‘advanced status’. This ‘advanced status’ partnership meant that Jordan could participate in ENP-specific initiatives.

The action plan starts with an introduction about EU-Jordanian relations, which started in 1977 with the signing of the Cooperation Agreement. The relations between the parties picked up momentum 20 years later in 1997, when negotiations for the AA commenced, resulting in the AA entering into force in 2002, followed by the ENP in 2005 (European External Action Service, 2013).

In the introduction to the action plan, a direct link was established between the advanced status that Jordan could reach and the objectives of peace and prosperity based on democratic principles, rule of law, and respect for human rights (European External Action Service, 2013).

5.1.3 Financial instruments of EU-Jordan relations

The EU provided multiple financial instruments in support of Jordanian efforts to implement economic and political reforms. The first programme was MEDA, which was the main instrument of economic and financial cooperation under the Euro-Mediterranean partnership. MEDA I was established in 1996 and was amended by MEDA II in 2000. The MEDA objectives were to support the economic transition of the partner countries, sustainable socio-economic development, and regional, sub-regional and cross-border cooperation. MEDA allocations to Jordan were 423 million euro until 2003. In 2004, Jordan received 36.5 million euro in funds for poverty reduction and water resource management (European Commission, 2004c).

Under the European Neighbourhood and Partnership Instrument (ENPI) Jordan received 488 million euro for the period of 2007-2013. By 2014, the ENPI was replaced by the European Neighbourhood Instrument (ENI). This instrument was directed towards key political and socio-economic reforms. From 2012 to 2013 the EU advanced 91 million euro under the Support for Partnership, Reform and Inclusive Growth (SPRING) to assist in economic and good governance reforms (EEAS, 1995).

The operation and financial activities of the European Bank for Reconstruction and Development (EBRD) were expanded to Jordan in December 2011. The contribution of EBRD was 1 billion 39 million euros cumulative EBRD investment for 2017. For the period of the study, the one year in scope is 2012, in which the EBRD had three projects planned for Jordan. Two projects were cancelled, and one project went through. The EBRD funded a loan of USD 360 million for a power plant (European Bank for Reconstruction and Development, 2018) that is in repayment status.

The European Investment Bank has been supporting Jordan since 1978 and has since provided Jordan with a total of 940 million euro. The European Investment Bank's Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is the financial instrument between the European Investment Bank and the and the Mediterranean. FEMIP activities focus on two areas: developing the private sector and creating an investment-friendly environment to facilitate the opening up of the economies of the Mediterranean partner countries (European Investment Bank, 2013).

How can we analyse EU financial aid to Jordan under the umbrella of the AA? First, the private sector in Jordan depended on the financial support that was expected with the signing of the AA with the EU to modernize Jordan's industry. The modernization of Jordan's industries would bring it to the level where it could compete on the global market. The President of the Union of Jordan Chambers of Commerce, Haidar Murad, (Al Rai, 2002) highlighted that the biggest challenge for Jordan would be to rehabilitate its industries through specialised supporting programs to modernize it and reach a level that

would guarantee its entry into the EU market (Al Rai, 2002). Carroll (2001, p. 157) mentioned that the private sector accepted signing of the agreement because of the economic incentives inherent in aid and assistance.

The private sector's cautious acceptance was encouraged by the promise of technical and financial assistance to update their infrastructure and to support investment policies (Carroll, 2001, p. 160). Villani (2016), the EU negotiator, mentioned that the financial support from the EU to assist Jordan in social, political, and economic reforms was one of the benefits that the agreement brought to Jordan.

On the other hand, one can argue that financial assistance might bring the opposite effects to the economic development of Jordan. Financial assistance perpetuates the dependency of Jordan on the EU and directs the cooperation process towards the economic interests of the dominant partner, in this case, the EU (Abu Dalbough, 2012, p. 301). All financial aid was directly linked to a programme under the AA and served the policy related to it.

5.1.4 Analysis of the EU-Jordan action plans for 2005 and 2010

The analysis of the action plans will follow two paths: 1) compare the action plan of 2005 to the action plan of 2010 to understand perception by the EU and Jordan and the progress that was achieved in the 2005 action plan; 2) follow the theoretical framework set in Chapter One.

Initially, one can observe that the action plans did not have a legally binding characteristic and thus depended mainly on political will to implement changes in the local legislation to meet the objectives of the action plans (Pieters, 2009, p. 159). As a result, it would depend on Jordan's motivation to implement the different reforms and its political economy interests.

The Commission describes the action plans as political tools in the framework of the ENP. The reason behind the action plans was to offer a tool that provided certain continuity and that could, in one document, address all issues within the scope of the EU relationship with an ENP partner (Van Vooren, 2011, p. 192). The action plans served a 'steering function' and as such were flexible and adaptable to changing political relations

(Van Vooren, 2011, p. 194). The action plans, being an instrument of soft law, lacked a mechanism of enforcement (Van Vooren, 2011, p. 195)

In the two action plans of 2005 and 2010, it can be observed that the priorities of the 2005 action plan were repeated in the 2010 action plan priorities. However, in the 2005 action plan, the goals were set for the short and medium term, while in the 2010 action plan, there is no reference to medium-term implementation. The fact that the priorities are repeated indicates that the EU and Jordan were aware that the first five years of reforms did not achieve the set goals in action plan 2005. This might be an indication that the goals were too ambitious, and Jordan needed more time to adjust to the list of reforms, or Jordan had other internal challenges to achieve these goals.

In the introduction to the 2005 action plan, a direct link is established between the level of commitment and achievement of Jordan and the level of ‘ambition’ of the EU-Jordanian relationship. The approach of the EU to achieve the action plan is ‘positive conditionality’ and abandoning ‘negative conditionality’. However, the incentive to Jordan is not comparable to the incentive provided by the prospect of joining the EU (Del Sarto & Schumacher, 2011, pp. 933–934).

One aspect clearly highlighted in the introduction to the action plan of 2005 is the objective of approximating Jordanian legislation and norms to those of the EU. The objective of the action plan is to ensure that Jordan promotes reforms at the political, economic, and social levels to be able to meet European standards. The same appears in the action plans of Morocco and Tunisia, which is a sign of EU dominance in the whole process.

The action plan of 2005 implies that Jordan, to harmonize its standards for industrial products, will review its own legislation to remove any discrimination against imported goods from the EU. In addition, Jordan will cooperate with the private sector to solicit its input on the reviewed legislation (Pieters, 2009, p. 169).

In the action plan of 2005, the EU put forward incentives for Jordan to fulfil the plans. It mentioned the possibility of new contractual relations. The incentives included increased financial and technical support linked to fulfilling the action plan, especially political and economic reforms; the possibility for Jordan to move from economic cooperation to economic integration; increased political cooperation; convergence of economic legislation to simulate investment; strengthening economic ties; and extending cooperation to include the agricultural and service sectors.

The EU outlined clear priorities in the action plan; political reform and democratisation were at the top of this list, yet Del Sarto and Schumacher (2011) question the seriousness of the EU commitment to the democratisation process in Jordan. Within the call for political reform and democratisation, an independent judiciary and ensuring individual liberties and freedom of speech was developing. Another top action plan priority was political dialogue for the Palestinian-Israeli peace process. After political reform, economic improvement was the second priority for the EU. Economic priorities included improving business conditions and the liberalisation of trade in goods and services. The next-highest priorities related to migration and cooperation in managing the movement of people. The last set of priorities related to poverty reduction and developing the energy, transport, and information sectors to interconnect with EU networks. The final priority was scientific and technological cooperation (European Commission, 2005). The priorities set in the 2010 action plan were democracy and rule of law, judicial independence, equal treatment of women, the liberalisation of markets, foreign security policy, transport, energy, environment, and finally, technological cooperation (European External Action Service, 2013).

The action plans have elements of reform that Jordan must achieve; however, they have no concrete measurable goals against which they can be assessed. The reforms are not linked to any specific regulation that Jordan must address. This leaves room for interpretation of what should be changed. The approach of the EU to achieve the action plans was ‘positive conditionality’; however, the incentive is not comparable to joining

the EU (Del Sarto & Schumacher, 2011). In every aspect of the action plans, political and economic reforms must be directed towards EU standards. There was no reference to Jordanian standards or criteria in the action plans. Jordan's input into the action plans was not recorded, and the action plans aimed to bring Jordanian legalisation approximately in line with the standards of the EU.

In the action plans, it can be observed that the EU policy was to impose Washington Consensus elements on Jordan. The Washington Consensus imposed the so-called 'Ten Commandments' or policy instruments that countries should follow to reform their economies and reduce debt (Williamson J., 2004, p. 3): '1) Fiscal Discipline to reduce inflation, 2) Reordering public expenditure priorities, To reduce government subsidies and from education health d and infrastructure to growth economic activities sector, 3) Tax Reform, 4) Liberalising interest rates, 5) A Competitive exchange rate, 6) Trade Liberalization. Open market to international trade, 7) Liberalization of Inward Foreign Direct Investment, 8) Privatization of government owned services, 9) Deregulation, 10) Property Rights' (Williamson J., 2004).

In the action plans, EU emphasises privatisation, liberalisation of markets, tax reforms, and the rule of law. The Washington Consensus advocates free markets, trade liberalisation, and reducing government support, principles that major international organization like the IMF supports. The EU is a major defender of the Washington Consensus and its support of these principles is shown in the action plans with Jordan and through its loan strategies for countries like Latvia (Lütz & Kranke, 2010, p. 2).

Within the theoretical framework, if we look at the action plans of 2005 and 2010 from the liberalism lens, one can observe that the EU was promoting liberalisation in goods, capital, privatisation, and the free market economy. The EU was promoting all legislative reforms in enterprise, trade, and free market to bring Jordan's economic approach closer to that of the EU and thus achieve sustainable development and reduce poverty. The EU was also promoting financial system reforms in Jordan to attract foreign investment. These steps within liberalism would mean prosperity for Jordan, that the EU was

extending the basic principle of free trade to enable countries to deal with each other on peaceful terms.

However, realism might suggest that the EU, by imposing their own standards economically, politically, and financially (in the same path as the agreement itself), was exercising its dominance on Jordan's economy to serve its own economic interest by approximating Jordan's standards to its own. In realism, when applied to the action plans, the EU used the international economy to emphasise its powers, and by rendering Jordan dependent on the EU, this dependency makes dependents weak. The fact that the action plans of Jordan, Morocco and Tunisia addressed the same seven elements and sub-elements and imposed on these countries the approximation of the EU's regulations and standards, confirms the EU dominance not only over Jordan but over other partners.

Here, Marxism might bring up the imperialism of EU relations with Jordan, in which the EU is trying to maintain the power status quo to serve its own economic interests by setting a structured action plan for Jordan on tariff reductions on industrial goods that was based on its Eurocentric standards, while keeping its agricultural goods protected, and its financial structure and banking structure set up. This, according to Marxism, would perpetuate the wealth of the EU over Jordan, since the EU had no fear of competition for its industrial goods due to its strong industrial base, while they did have concerns about competition from Jordan's agricultural products.

If it is possible to apply the best of intentions to the EU and consider the EU as a 'power of good' that genuinely wants to spread prosperity to its neighbours and bring peace to the Mediterranean region, let us consider the following: 1) the EU used Eurocentric standards based on their own geopolitical history as the standards to follow, 2) the EU imposed these standards on the Mediterranean using 'positive conditionality' and abandoning 'negative conditionality' (Del Sarto and Schumacher, 2011, pp. 933–934), 3) the EU went as far as using the *Acquis Communautaire* in certain cases, such as

intellectual and industrial property, as standards for countries that have no prospects to become EU member states. All combined, this brings us back to imperialism.

5.2 The Impact of the Action Plans for 2006 to 2012

In the following sections, the impact of the action plan on Jordan will be examined. It will be done by analysing yearly progress reports while, in the background, keeping scores of the five elements (underlined) of the action plans based on the OECD method. By the end of the analysis of all the years, I will present the overall scoring in Table 5.5 to give an evaluation of the process through which Jordan has gone.

The methodology of analysis will be done by using the information about each element in the report to explain the impact of that element on the Jordanian population, and where possible, by using statistics to support or negate the reported progress and its benefit (or lack of benefit) to the Jordanian population.

5.2.1 The impact of the action plan in 2006

According to the progress report of 2006 (Commission of the European Communities, 2006), economic growth in Jordan from 2004 to 2005 averaged 7.5%. The value of the GDP increased constantly (see Figure 5.2), but the national income growth rate lagged behind.

Figure 5.2: Jordanian GDP and national income growth rate

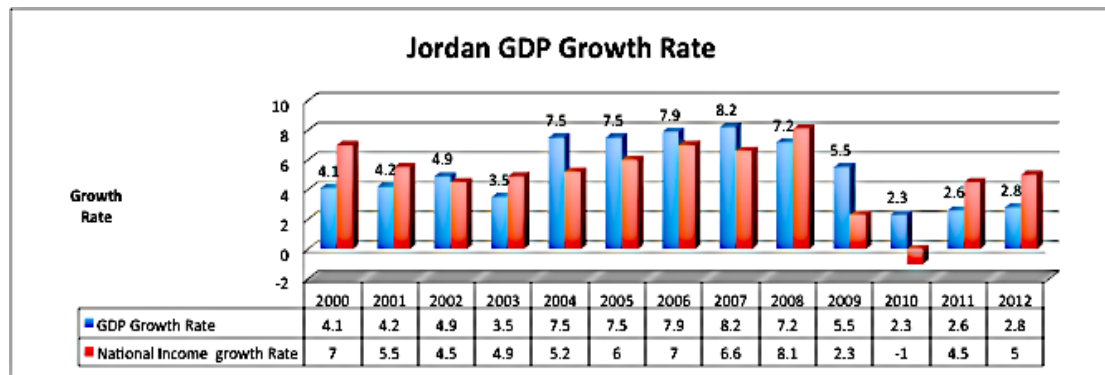


Figure 5.2: Jordanian GDP and national income growth rate

Source: Source: Central Bank of Jordan, www.cbj.gov.jo (Saieq, 2013)

The national income and GDP growth rate are being compared because both GDP and national income are indicators of the economic health of the country. Choosing to report one indicator that reflects a positive image and failing to report the other less positive indicator means that both the EU and Jordan wanted to make the results look good. One might surmise that the EU was keen on keeping Jordan motivated to continue its participation in view of its pivotal role in the region, and that Jordan was motivated to show its population that the agreement was yielding good results for the economy.

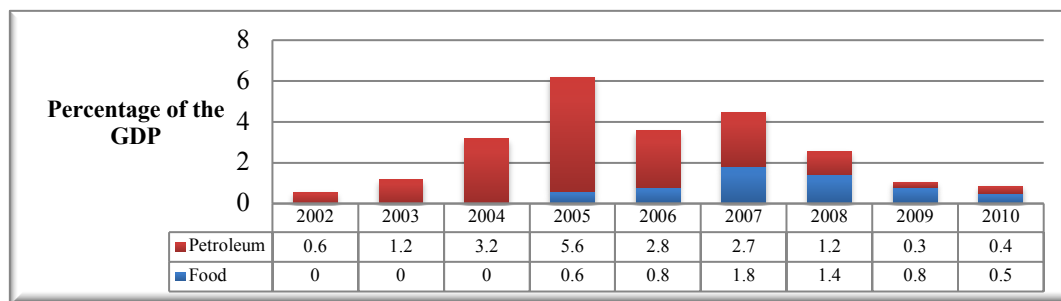
Regarding another marker of financial progress, Jordan maintained a strict monetary regime of ‘pegging’⁷ to the US dollar to maintain a stable exchange rate for the Jordanian dinar. However, the inflation rate has remained high at up to 6% (Commission of the European Communities, 2006). According to Ghosh et al. (1996), pegging a currency to another could lead to higher confidence in the currency, bring about monetary policy discipline, and reduce the inflation rate. Pegging the Jordanian dinar to the dollar indicates Jordan’s strong monetary discipline. Why did Jordan follow this strict policy? Jordan was, as mentioned in Chapter Two, following globalization policy to bring foreign

⁷ Pegging to US dollar, when a country maintains its currency's value at a [fixed exchange rate](#) to the [U.S. dollar](#) (Kimberly, 2019)

investment to its country. This discipline brings confidence in the currency and induces investment, but Jordan was not able to curb inflation despite its strict discipline.

Jordan stopped subsidising fuel to curb government debt (Commission of the European Communities, 2006). These fuel subsidy cuts have increased the income burden on the Jordanian population (Green Fiscal Policy Organization, 2013). From 2002 to 2005, oil prices increased significantly, resulting in a substantial increase in Jordan's fuel subsidies from 1.2% of GDP in 2003 to 5.6% of GDP in 2005 (Figure 5.3), (Coady, El Said, Gillingham, Kpodar, Medas, & Newhouse, 2006; Green Fiscal Policy Organization, 2013).

Figure 5.3: Jordanian energy from 2002 to 2010



Source: <http://www.greenfiscalpolicy.org/wp-content/uploads/2013/08/Jordan.pdf>

These cuts had the heaviest impact on the income of the poorest in Jordan, both directly and indirectly. The subsidy cuts caused lower-income families to lose 2% of their income as a direct result of the increase in fuel prices, and to lose 2.4% of their income in indirect effects (increased prices of goods and services), or a total income loss of 4.4%, despite the support received from the Jordanian government (Coady, El Said, Gillingham, Kpodar, Medas, & Newhouse, 2006; Green Fiscal Policy Organization, 2013). As a result of this, major protests took place in Jordan. In response to these protests, the Jordanian government gave salary increases to civil servants, military personnel, and private employees earning less than \$1000/year. In addition, the Jordanian government supported

the beneficiaries of the National Aid Fund, which was established to help widows and orphans (Jones, et al., 2009, p. 19).

Jordan had tackled poverty reduction and unemployment, yet youth unemployment was still a major issue, with the youth unemployment rate at about 30.1% in 2006 (World Bank, 2015c). By May 2006, Jordan had installed a national strategy for poverty reduction and worked with the ILO on workers' rights. Jordan continued to pursue the 1996 'Agenda 21, Towards Sustainable Development'. However, a coherent approach was lacking regarding integrating sustainable development in the planning cycle (Commission of the European Communities, 2006).

When analysing trade-related issues and market and regulatory reform, one will notice another choice of attributes that beautifies the trade balance. The progress report indicates a successful growth year for Jordan by highlighting that Jordan's 2004 exports to the EU increased by 30%, and in 2005 increased by 41%.

However, the original figures for exports from Jordan to the EU were exceptionally low (Figure 4.8), so any minor amount of increase would be considered a high percentage. Exports from Jordan to the world were much higher than are those from Jordan to the EU, which, based on Chapter Four (Figure 4.8), confirmed that trade with the EU was less than that with the other partners. In addition, the report fails to mention the increase in imports to Jordan during the same period (Figure 4.9) that resulted in a perpetuating negative trade balance for Jordan.

One action point that required following a schedule was the dismantling of tariffs for industrial and agricultural products. The industrial tariff negotiations between the EU and Jordan were in progress, while the agreement on the agricultural tariff had been concluded between Jordan and the EU (Commission of the European Communities, 2006). The seriousness of implementing this aspect is apparent because a schedule was set for it, while other issues were left open-ended.

The Jordan Standards and Metrology Organisation began to implement EU standards and prepare a priority list for approximating sanitary and phytosanitary legislation with the EU *Acquis Communautaire* (Commission of the European Communities, 2006). This resulted in the high EU-imposed standards required at the *Acquis Communautaire* for EU candidates being imposed on a Jordan, even though Jordan did not have a prospect of becoming an EU member state.

Jordan adopted Competition Law No. 33 in 2004. The original drafts of the legislation went through several failed attempts from 1996 to 1998, until recent versions of the redrafts took place in 2002 in a cooperative effort between Jordanian authorities and the Euro-Jordanian Action for Development Enterprise. The 2002 provisional law No. 49 was issued and endorsed by Parliament in 2004 (Abbadi, 2006, p. 81). Shortly after the law was put into effect, the Jordanian Magistrate's Court ruled in favour of a foreign company that filed a lawsuit against a local company that made copies of a foreign product. The implementation of competition law in Jordan has resulted in the establishment of institutional support for implementing laws (Abbadi, 2006, p. 82).

In the field of energy, since Jordan depended solely on oil imports from Iraq and Saudi Arabia, Jordan worked to develop a master plan to move from oil to gas. According to the progress report (Commission of the European Communities, 2006), this pipeline would contribute to EU energy security. With the financial support of the EU, the Euro-Mashrek gas centre was established in Damascus. According to a congressional study on Europe's energy security (Belkin, Nichol, Ratner, & Woehrel, 2013, p. 25), for Europe, the North African supply of gas would have been a good supply alternative to the Russian gas supply. However, owing to uncertainty, there is not a conducive political situation for foreign investment in the energy field. The Egyptian revolution between 2011 and 2012 resulted in the gas pipeline from Egypt through Jordan being attacked multiple times by fundamentalists in the Sinai, interrupting gas supply, and again leaving Jordan vulnerable due to its dependence on external energy resources (Belkin, Nichol, Ratner, & Woehrel,

2013, p. 25). The interruption of gas cost Jordan millions of dinars for diesel replacement (European Commission, 2012c).

Jordan did make some improvements to electricity regulations to encourage privatisation. According to a study on the evaluation of solar energy in Jordan (Badran, Abdulhadi, & Mamlook, 2010), Jordan is considered one of the world's sun-belt countries. Jaber and Mohsen (2008, p. 279) show that in 2004, Jordan's spending on fuel comprised about 15% of GDP. However, the EU was funding the Arab gas pipeline for its potential energy security, and there was no serious commitment from the EU to renewable energy resources for Jordan, despite Jordan's abundance of solar energy (Badran, Abdulhadi, & Mamlook, 2010; Jaber & Mohsen, 2008; Qasaimeh, 2012).

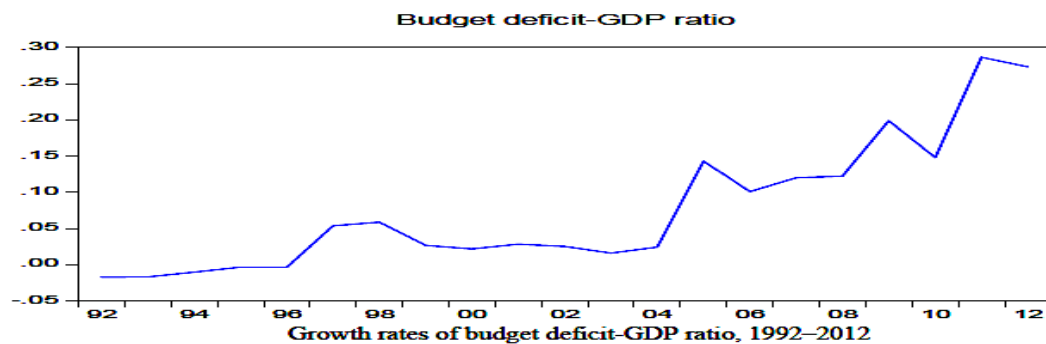
Therefore, in an overall evaluation of the progress of 2006, Jordan scored 2.2 (details in table 5.5), which indicated that it had strategies under discussion or in development. The impact on Jordan during this year was, on one hand, not optimistic: trade balance was still in favour of the EU, cut off subsidies mostly impacted the poor, and the inflation rate did not improve. Most of the focus was on tariff reduction, and energy focus was on the Arab National Gas pipeline, instead of building solar energy that might sustain Jordan and minimize its fuel bill. On the other hand, there was growth in Jordan's GDP. Unemployment in general was improving, although it was still remarkably high among youth. There was discussion on competition law and the establishment of institutional support.

If we align the progress with Jordan's globalization goals, Jordan scored 3, which meant that they were achieving results. Jordan amended their bilateral trade agreement with Israel, and they were in the final phases of negotiating a Free Trade Area (FTA) with Turkey. In addition, major regional integration was embodied in the Agadir Agreement for the establishment of a free trade zone among four Mediterranean nations, which was put into effect in July 2006.

5.2.2 The impact of the action plan in 2007

Jordan made little progress towards economic stability in the medium term. The report puts the burden of growth to boost the economy on structural reform, and if Jordan did not take the necessary steps to ensure stability, economic growth could decline (Commission of the European Communities, 2008). In 2007, there was a slowdown in growth, and inflation continued to raise fuel and food prices, but it was kept under control via monetary policy. The budget deficit, as shown in Figure 5.4, taken from Shahateet et al. (2014, p. 269), shows that the overall trend for deficit-to-GDP ratio was on the rise, although between 2006 and 2007, there was a slight decrease in the ratio.

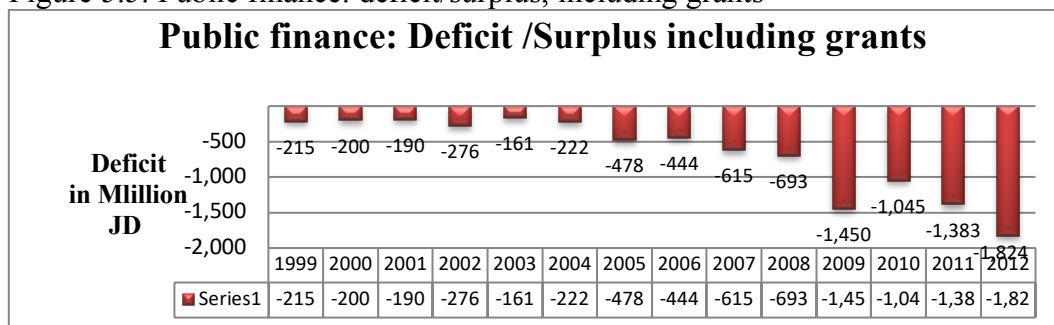
Figure 5.4: Growth rates of budget deficits as a proportion of GDP ratio



Source: Central Bank of Jordan, Shahateet et al. (2014, p. 269)

However, in terms of the actual deficit, Jordan's public deficit increased in 2007. Jordan continued to depend significantly on grants, and no progress was made in reducing debt, even though the debt-to-GDP ratio improved slightly, as shown in Figure 5.5.

Figure 5.5: Public finance: deficit/surplus, including grants



Source: Jordanian Department of Statistics (Central Bank of Jordan, 2010)

Note: Public finance: overall deficit/surplus (including grants): equals total revenues and grants minus total expenditure in million Jordanian dinar (Central Bank of Jordan, 2010).

Jordan was committed to privatisation, but in 2007, the process slowed (Commission of the European Communities, 2008). Privatisation, according to Saieq (Economic Dimensions of Jordan's Privatization Policy, 2013, p. 497), should contribute to improving the following indicators: GDP, inflation rate, government debt reduction, government revenue, and the competitiveness of Jordan on the international market. In 2007, Jordan's GDP growth rate was highest (Figure 5.2) at 8.2%, and its debt-to-GDP ratio was lowest (Figure 5.6) at 24% (Saieq, 2013, pp. 496–497).

Figure 5.6: Internal and external debt-to-GDP ratio

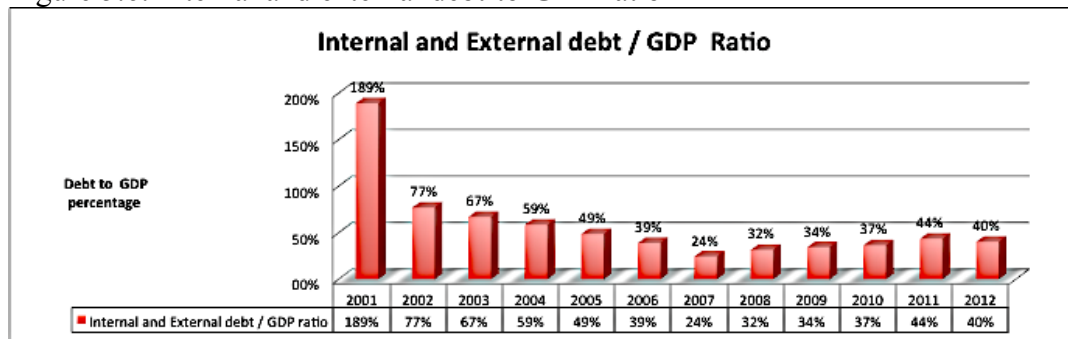


Figure 5.6: Internal and external debt-to-GDP ratio

Source: Central Bank of Jordan, www.cbj.gov.jo (Saieq, 2013, p. 496)

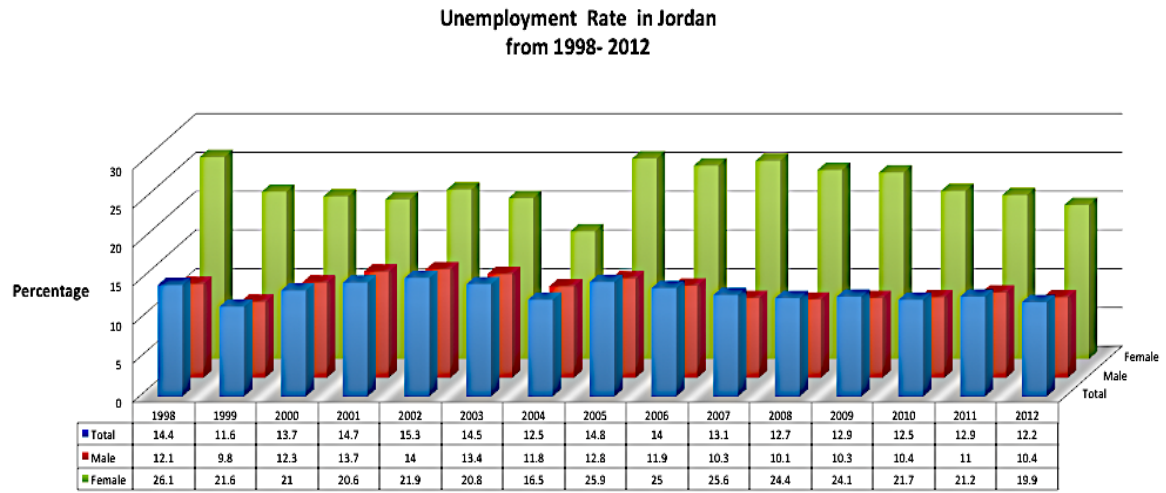
However, the inflation rate for 2007 increased in Jordan to 5.4% from 4.8% in 2006 (Saieq, 2013, p. 496). With regard to poverty reduction, Jordan's strategy, according to the report (Commission of the European Communities, 2008), was inconsistent, which meant that the EU delayed assistance for poverty alleviation through local development programmes. In addition, middle-class income shrank due to this distortion.

The report (Commission of the European Communities, 2008) attributed the increasing unemployment rate in Jordan to a mismatch between the labour market and the educational system, especially for youth. However, the report highlighted Jordan's achievement in reducing the unemployment rate through the cooperation of four bodies—the Jordanian Company for Training, the Ministry of Labour, the Jordanian armed forces, and the Jordan Contractors' Association—in training Jordanians to work in the construction sector (Commission of the European Communities, 2008). In addition,

Jordan was working on a labour law that included the rights of foreign workers; yet the report indicated that societal discrimination against foreign workers was still present in Jordan.

The female unemployment rate, as shown in Figure 5.7, increased by 0.9% in 2007 from 25% to 25.9%, while the male unemployment rate decreased by 1.7% from 11.9% to 10.3%.

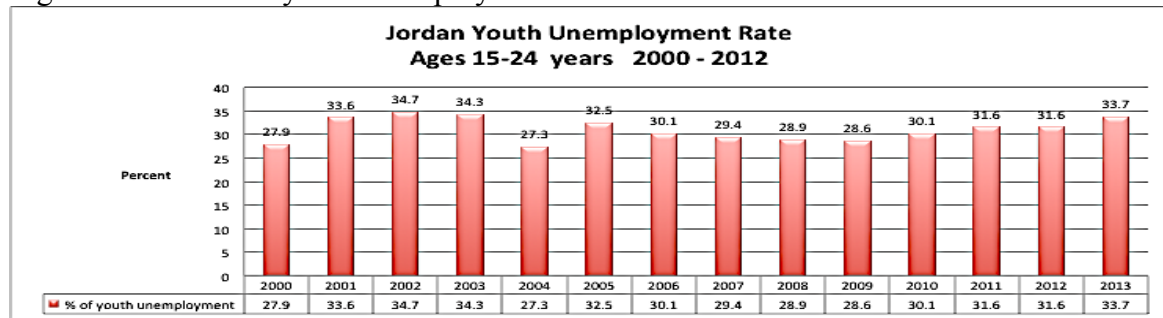
Figure 5.7: Unemployment rate in Jordan from 1998 to 2012



Source: Employment and Unemployment Survey 1993–2012 (Jordan Department of Statistics, 2012)

The youth unemployment rate, as per Figure 5.8, was high at 29.4% in 2007, even though this was a decrease of 0.7% over the previous year's rate of 30.1%. The highest youth unemployment rate was among young educated females. Stevenson (2011) gives two reasons for this: first, employers prefer male employees to females owing to the possibility of females taking family leave, and second, the educated female population does not accept low-skilled, low-paid jobs.

Figure 5.8 Jordanian youth unemployment rate



Source: (World Bank, 2015c)

Jordan's trade with the EU increased for both exports and imports; according to the report, this was positive. Jordan's exports to the world increased 10% in 2007 over the previous year. This occurred for the same reason in 2007 as the previous year: Jordan's exports to the EU were exceptionally low. Jordan's total exports to the EU represented only 5.3% of its exports worldwide. Thus, a slight increase would represent a high percentage of overall exports to the EU. However, to clarify the picture, as shown in Figure 4.8, the increase in exports to the EU was minimal compared to the overall increase of Jordanian exports—only 4% higher than the previous year. The report attributes Jordan's inability to increase exports to its limited range of export products, thus, there was a need to develop a national export promotion strategy (Commission of the European Communities, 2008). However, the actual reason for Jordan's problems in exporting to the EU was the rule of origin (Al Shawabkeh, 2008).

The 2007 score is 2.4 (Table 5.5), which is a slight improvement over 2006, showing progress in certain fields. Jordan did experience a slowdown, and trade balance did not improve; yet there was improvement on unemployment and government debts. In terms of regional integration, Jordan made some progress; Jordan signed an FTA with the European Free Trade Association, expanded bilateral FTAs, and negotiated FTAs with Turkey, Canada, and Kazakhstan.

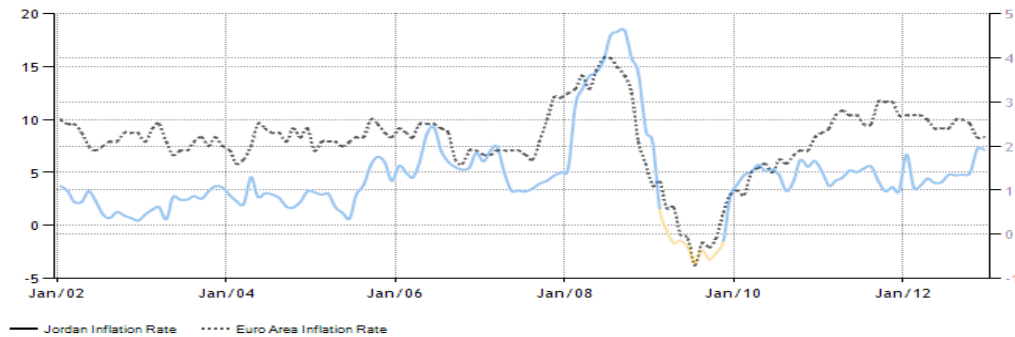
5.2.3 The impact of the action plan in 2008

Two major events in 2008 stood out regarding Jordan's relations with the EU. First, in July 2008, during the Paris Summit, the UfM was launched to revitalise relations between the EU and Mediterranean countries. Sarkozy's initial idea for the UfM was a 'Mediterranean Union', but after negotiation with Germany, Sarkozy's Mediterranean Union was renamed the 'Barcelona Process: Union for the Mediterranean' (Gillespie, 2008, p. 277).

Second, in December 2008, Jordan submitted a report to the General Affairs and External Relations Council meeting, 'Upgrading of Jordan-EU relations', to bolster its relations with the EU. The aim of the report was to intensify relations with the EU at political and economic levels. Jordan, in this report, outlined its intent to enhance relations with the EU through increased dialogue (Council of the European Union, 2009). The lack of progress in terms of trade balance might have motivated Jordan's request to upgrade its relations with the EU.

The 2008 progress report indicated that Jordan's real GDP growth was around 5.5% (real GDP growth is nominal GDP growth adjusted for inflation). As shown in Figure 5.2, Jordan's nominal GDP growth was 7.2%, and thus the growth rate decreased by 1% from 8.2% in 2007. Jordan's inflation rate for oil and food increased during 2008, as per Figure 5.9. The inflation rate reached around 18% in the last quarter of 2008 compared to an inflation rate in the Eurozone for the same period of around 4% (Commission of the European Communities, 2009).

Figure 5.9: Jordanian inflation rate versus Eurozone inflation rate



Source: Trading Economics <http://www.tradingeconomics.com/jordan/inflation-cpi> (Trading Economics 1, 2015)

In 2008, Jordan linked salaries to the inflation rate, adding to the budget deficit. However, Jordan launched government financial management to introduce better fiscal management, and government debt decreased to around 62% of GDP at the end of 2008 as indicated in Figure 5.10 (Commission of the European Communities, 2009).

Figure 5.10: Jordanian government debt to GDP



Source: Trading Economics <http://www.tradingeconomics.com/jordan/government-debt-to-gdp> (Trading Economics 2, 2015)

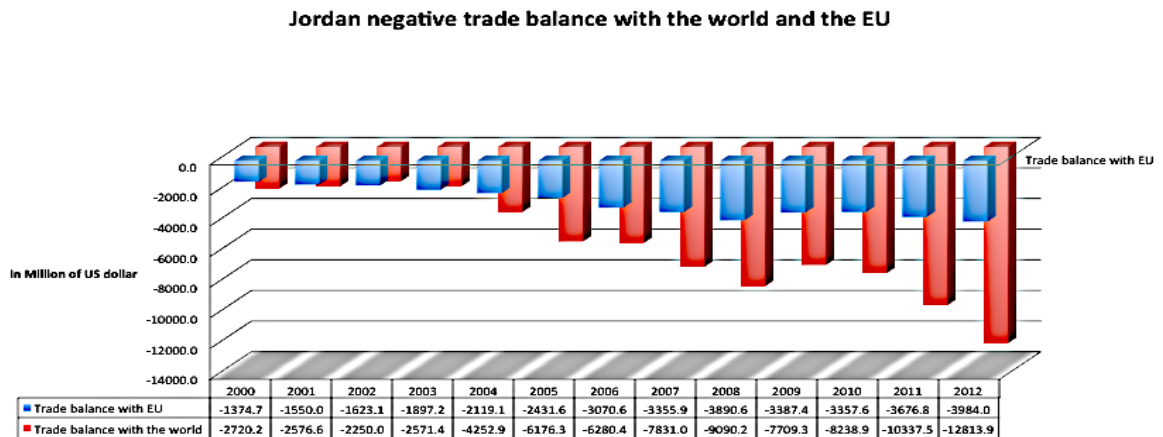
Jordan continued to peg the dinar to the dollar during 2008, giving financial confidence to the local currency. However, the prices of chemicals, Jordan's primary export, declined, and oil and food prices increased, resulting in an increase in the deficit (Commission of the European Communities, 2009).

Regarding poverty, during 2008, 14% of the Jordanian population was under the poverty line, although the country had adopted a three-year programme for national social and economic development with the help of the EU Poverty Alleviation program. With regard to employment, Jordan exported skilled labour to the Gulf countries and imported low-

skilled labour. The unemployment rate decreased during 2008 from 13.1% to 12.7%; the unemployment rate declined mainly for females by about 1%, as shown in Figure 5.7. In addition, the youth unemployment rate fell from 29.4% to 28.9%, as shown in Figure 5.8. Jordan worked on social inclusion and social protection by creating a safety net for the poorest by stabilising the prices of bread, water, and electricity and increasing the salaries of public servants who, on average, earned 110 JD per month.

There increases in exports and imports persisted in 2008. However, imports from the EU were much higher in volume than exports to the EU, resulting in a higher trade deficit with the EU, as shown in Figure 5.11. Tariff dismantling continued throughout 2008 for two product groups: (1) used vehicles and (2) textiles and furniture (Commission of the European Communities, 2009).

Figure 5.11: Jordanian trade deficit with the EU and the world



Source: Source World Bank, WITS

Jordan made little progress on regional integration in 2008. Negotiations with Turkey on an FTA were not yet completed, although Jordan was keen to maintain its relationship with Turkey. For Jordan, Turkey was a good success story to follow, while Turkey considered Jordan an important partner to expand and diversify its trade routes to the Gulf countries via the port of Aqaba in the Indian Ocean (Bozkurt, 2013).

In terms of customs progress, according to the progress report (Commission of the European Communities, 2009), Jordan continued to roll out the use of the Automated

System for Customs Data (ASYCUDA), a global system for customs declarations processing, but a study funded by USAID in 2006 (Dvorsky, 2006) outlined that Jordanian customs had decided to replace ASYCUDA due to the system's inability to meet increasing demands to communicate with other IT systems, and to implement a customs system that was easier to use. Jordan continued to work on its Golden List programme and managed to sign a mutual recognition agreement with the US in June 2008 (US Customs and Border Protection, 2014).

The free movement of goods in Jordan remained in progress, with Jordan preparing for the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), while a product safety law was prepared but not passed in the Parliament. These two pieces of legislation would bring Jordanian legislation on safety and conformity in line with that of the EU.

Regarding the business climate, Jordan scored high in terms of a safe climate, property rights, and protection. According to the report, Jordan scored well in terms of perceptions of corruption, even better than some of the EU member states, as shown in Table 5.1 (Transparency International, Global Coalition Against Corruption, 2014).

Table 5.1 Corruption perceptions index

Country	Rank in 2012	Rank in 2011	Rank in 2010	Rank in 2009	Rank in 2008	Rank in 2007	Rank in 2006	Rank in 2005	Rank in 2004	Rank in 2003	Rank in 2002
Denmark	1	2	1	2	1	1	4	4	3	3	2
Jordan	58	56	50	49	47	53	40	37	37	43	40
Latvia	54	61	59	56	52	51	49	51	57	57	52
Slovakia	62	66	59	56	52	49	49	47	57	59	52
Bulgaria	75	86	73	71	72	64	57	55	54	54	45
Greece	94	80	78	71	57	56	54	47	49	50	44
Italy	72	69	67	63	55	41	45	40	42	35	31
Romania	66	75	69	71	70	69	84	85	87	83	77

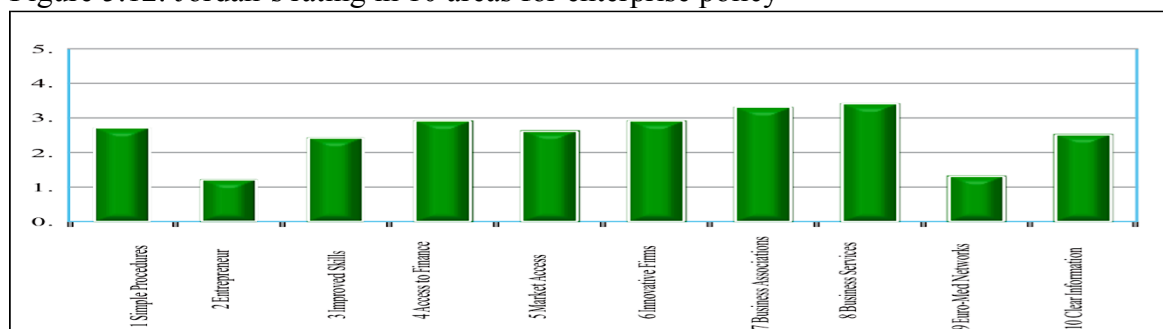
Source: Transparency International, <http://www.transparency.org/research/cpi/overview>

Competition law, like previous years, was still under revision, with the key issues revolving around the transport, telecommunications, and energy sectors. However, there was major progress in the field of intellectual property rights. Jordan submitted its

accession to three international agreements on registrations of marks and patents procedures: the Nice Agreement, the Vienna Agreement, and the Budapest Treaty. These agreements were put into effect by the end of 2008 (Commission of the European Communities, 2009). These accesses increased Jordan's integration with the international business environment and thus served Jordan's globalization policy.

In a 2008 report, the European Commission rated Jordan an average of 2.8 out of 5 in 10 areas for enterprise policy (Figure 5.12). This is the only section using structural methodology to assess the progress of Jordan and other states.

Figure 5.12: Jordan's rating in 10 areas for enterprise policy



Source: (European Commission, OECD, European Training Foundation, 2008, p. 106)

Jordan reviewed its 2008 to 2010 transport plan for the next period. The country was in the process of bringing the private sector into the transport sector through joint projects. In the aviation sector, Jordan was gradually liberalising the market. In 2008, major progress was made in the aviation sector with the establishment of the Jordanian Civil Aviation Regulatory Commission (CARC) (Commission of the European Communities, 2009). The CARC would manage airports until an independent airport company was established. The Jordanian government worked with the International Finance Corporation to hand over Jordan's main airport, Queen Alia Airport, which accounts for 97% of Jordan's air traffic, to the Airport International Group by November 2009 (Airport Technology, 2015).

In the energy sector, the Arab gas pipeline was still the focus of energy activities in 2008. Jordan became a partner in the Regional Centre for Renewable Energy and Energy Efficiency and endorsed the Development of the Mediterranean Solar Plan (Commission of the European Communities, 2009).

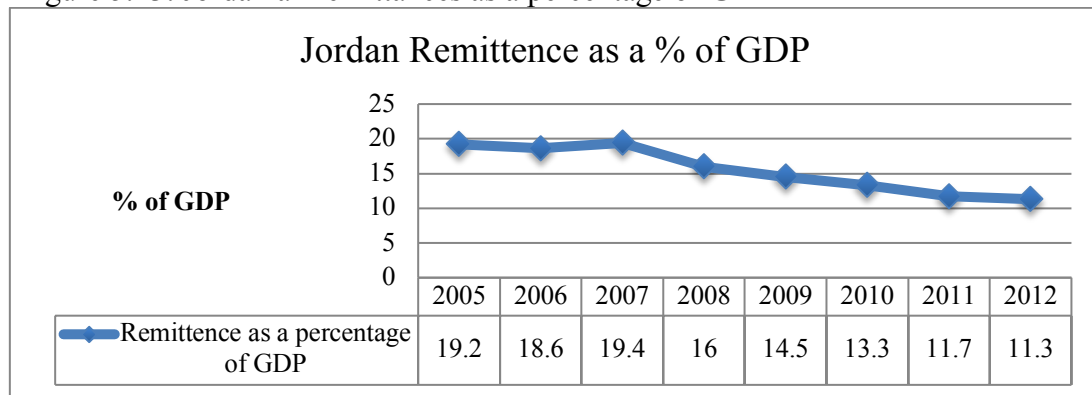
The overall score was 2.4 for 2008, which is similar to that of 2007. The impact of the action on 2008 is still similar to that of 2007 in terms of negative trade balance. Yet there was growth registered in Jordan's GDP. In terms of Jordan's privatisation policy, there was also progress on that goal in the transport sector and major progress in the aviation sector. The energy sector still focused on the gas pipeline, but efforts were made to encourage and endorse a solar plan. There was progress in the business environment in Jordan, which falls into Jordan's policy to make Jordan attractive to the international business community.

5.2.4 The impact of the action plan in 2009

To follow up on its December 2008 request for advanced status in its relations with the EU, in 2009, Jordan set up a steering committee to implement the advanced status requirements. Jordan's motivation outlined methods to develop relations with the EU on the political, economic, trade, and social levels, and to reach strong collaboration with the EU in energy, water, transport, agriculture, and science and technology (Selleslaghs, 2014).

The year 2009 was marked by several global events, most notably the economic crisis, which had an indirect effect on Jordan. The contribution of remittances to Jordan's GDP fell to 14.5% in 2009 from 16% in 2008 (see Figure 5.13) (World Bank, 2015b)

Figure 5.13: Jordanian remittances as a percentage of GDP



Source: World Bank (2015c)

GDP growth in Jordan slowed in 2009, with a real GDP growth of around 3% (real GDP growth is the nominal GDP growth adjusted for inflation). As shown in Figure 5.2, Jordan's nominal GDP growth was 5.5%, a decline of 1.7% from the previous year's 7.2%. In addition, the national income growth rate declined from 8.2% in 2008 to 2.3% in 2009, a sharp drop of 5.9% (Saieq, 2013). Inflation in Jordan during 2009 decreased to an average of 1% from an average of 14.5% in 2008 (an inflation high of 18% was notched up in 2008), as shown in Figure 5.9 (Trading Economics 1, 2015). According to the report, the trade balance decreased (European Commission, 2010c). However, as shown in Figure 5.11, the trade balance of Jordan with the EU and the world was still negative. The decrease in imports was due to the decrease in food and oil prices, not an increase in exports. However, the government deficit-to-GDP ratio decreased by 13.53% in 2009 to 60.24% from 73.77% in 2008, as shown in Figure 5.13 (Trading Economics 2, 2015). Thus, implementation of the reforms still did not yield results in the direction of Jordan's goals with respect to improvement in the trade balance.

Poverty in Jordan in 2009 was about 10%; yet the implementation of the strategy for poverty reduction continued, and a survey was implemented in 2009, but results were not out at the time of the progress report. The unemployment rate remained high in 2009 at 12.9%, an increase of 0.2% from the previous year. Male unemployment increased from 10.1% to 10.3%, while female unemployment decreased from 24.4% to 24.1%, as shown in Figure 5.10 (Jordan Department of Statistics, 2012). There was an improvement in youth unemployment for 2009, and the unemployment rate decreased by 0.3% from 28.9% to 29.6%, as shown in Figure 5.11, although this was still a very high percentage (World Bank, 2015c). Therefore, in 2009, the unemployment rate worsened for males, but improved for youths and for females.

Trade between Jordan and the EU decreased both in terms of imports and exports, as shown in Chapter Four (Figures 4.8 and 4.9); however, the figures also show that Jordan's imports and exports with the world decreased during 2009 (WTO, 2014).

Regarding regional integration, in December 2009, Jordan signed an FTA with Turkey, which came into effect in 2011. This agreement fell within Jordan's globalization goals; thus, this was an improvement for Jordan.

The ease of doing business with Jordan changes every year, as shown in Table 5.2, but its average over the years gives it a score of 51%.

Table 5.2. Ease of doing business ranking in Jordan

Year	2006	2007	2008	2009	2010	2011	2012
Jordan rank	83	78	94	104	107	95	96
Total countries	155	155	181	181	183	183	183

Source: International Bank for Reconstruction and Development/World Bank (2006, 2007, 2008, 2010, 2012)

During 2009, transport in Jordan—land, air, and maritime—was affected by the cabinet-approved national strategy for transport for 2009 to 2012. Regarding land transport, because of the new strategy, plans were made to establish a single regulatory body for land transport, and preparations were made for a major rail project connecting Jordan with the Gulf countries. Regarding air transport, a new strategy meant that there would be more pressure to the complete regulatory framework for civil aviation, and there was a push to privatise the sector. The new strategy affected maritime transport by recommending a review of all port-related aspects (European Commission, 2010c).

In the energy sector, in 2009, a draft law on energy and minerals was submitted to the Parliament. Jordan announced plans to play a role in EU energy security by allowing the Arab gas pipeline to pass through its territory. In the field of renewable energy, new plans were made to source 30% of household energy from solar energy by 2020. In the field of nuclear energy, in 2009 Jordan ratified the Convention on Nuclear Safety and signed an agreement with investors for the exploitation of domestic uranium.

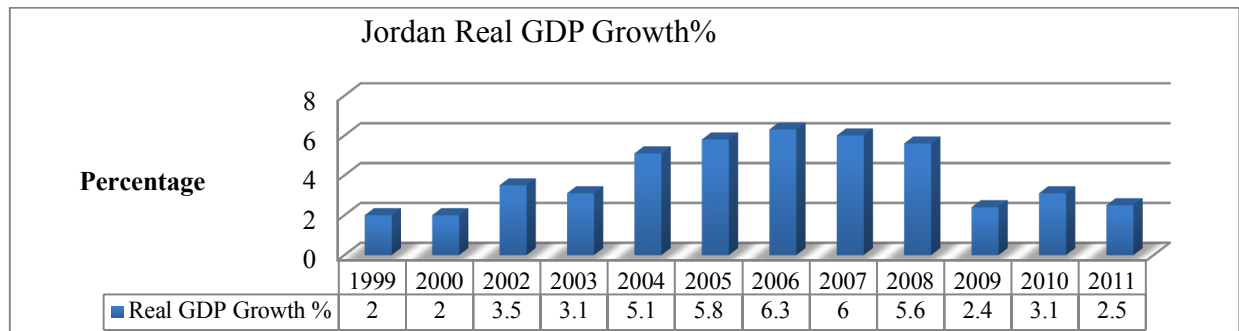
The overall score of progress for 2009 is 2.3, lower than the previous year. The trade balance was still negative, but global integration improved because Jordan signed a trade agreement with Turkey, indicating that Jordan was reaching some of its globalisation goals.

5.2.5 The impact of the action plan in 2010

The year 2010 was marked by the decision of the EU to grant Jordan advanced status partnership. This was granted on 26 October 2010. Advanced status was granted to Jordan after Jordan and the EU finished negotiating the new action plan of 2010, which formed the basis for the advanced status. Jordan was the first to obtain such status among the Mediterranean countries. This status entails further cooperation and commitments from both sides (European Commission, 2010a). Why was Jordan keen on obtaining the advanced status? Jordan, under the advanced status, sought to enhance cooperation with the EU to support its energy, transport and environmental projects and to bring those sections to EU-compatible levels (Jaidi, 2009). This again highlights the motives of the Jordan cooperative approach with the EU, which was the aim to receive EU financial support to upgrade its industries to be able to face international competition.

In 2010, the economy of Jordan began to improve after contracting in 2009. Jordan's GDP increased, as shown in Figure 5.2, from 23.82 billion USD at the beginning of 2010 to 26.43 USD at the beginning of 2011 (Trading Economics 3, 2015). However, the growth rate of the GDP declined from 5.5% in 2009 to 2.3% in 2010 (Saieq, 2013). The 2010 Progress Report reported only the real growth rate, which increased from 2.4% to 3.1% (Figure 5.14), and failed to mention that the national income growth rate fell 3.3% from 2.3% to -1%, as shown in Figure 5.2 (European Commission, 2011). In addition, inflation in 2010 increased from around 3% to approximately 6.1%, as shown in Figure 5.9 (Trading Economics 1, 2015).

Figure 5.14: Jordanian real GDP growth



Source: CIA World Factbook <http://www.indexmundi.com/g/g.aspx?c=jo&v=66> (Index Mundo, 2011)

The trade balance in 2010 continued to be negative (see Figure 5.11); imports increased at a quicker pace than exports, as shown in Figure 4.9 (Chapter 4). It is noteworthy that Jordan's exports to the EU increased slightly, which meant its trade balance, although still negative, was lower than in 2009 (Figure 5.11).

The female unemployment rate, as indicated by the Jordanian Department of Statistics (Jordan Department of Statistics, 2012), showed some improvement in 2010. The female unemployment rate decreased from 24.1% to 21.7%, although it was twice as high as the male unemployment rate (Figure 5.7).

According to the report (European Commission, 2011), in 2010, Jordan's banking and financial system was strong, and the Central Bank of Jordan introduced further measures to improve the efficiency and supervision of the banking system. Zeitun et al. (2013) studies the efficiency of the banking system in Jordan for 2005 to 2010 based on a data envelopment analysis of 12 local banks. The top-ranking banks in terms of assets, out of 19 local and international banks operating in Jordan, are shown in Table 5.3. The study proves that many banks were 'inefficient in managing their financial resources', and out of the 12 local banks in Jordan, Jordan Kuwait Bank was the most efficient, followed by Dubai Islamic Bank (Zeitun & Benjelloun, 2013, pp. 16–17).

Table 5.3 List of banks operating in Jordan by ranking of assets

Arab Bank	1
Housing Bank for Trade & Finance	2

Jordan Islamic Bank	3
Jordan Ahli Bank	4
Jordan Kuwait Bank	5
Bank of Jordan	6
Cairo Amman Bank	7
Bank al Etihad	8
Capital Bank of Jordan	9
Islamic International Arab	10
Arab Jordan Investment Bank	11
Jordan Commercial Bank	12
Arab Banking Corporation	13
Investment Bank	14
Egyptian Arab Land Bank	15
Société Générale de Banque Jordanie	16
Jordan Dubai Islamic Bank	17
Philadelphia Investment Bank	18
National Microfinance Bank	19

Source: Central Bank of Jordan, Bank Scope, and Bank annual reports (Zeitun & Benjelloun, 2013)

According to the agreement (Official Journal of the European Union, 2012), Jordan had to adapt its aviation legislation and norms to meet EU legislation and had to open its market to European aviation operators to operate on an equal basis to Jordanian operators. However, the Centre of Aviation (2012) points out that this agreement was ‘unbalanced’, quoting the Royal Jordanian Airline’s comment to the Jordanian government. Jordan’s 10 air operators would not be able to compete with the 150 EU-registered airlines. In addition, the agreement did not come with access to slots. According to an Oxford Business Group report on Jordan (Oxford Business Group, 2011, p. 59), the Royal Jordanian Airlines faced a major restructuring in its operating environment, with profit falling 9.7 million JD in 2010 from 28.6 million JD in 2009 to 18.9 in 2010. Although this was partly related to the global financial crisis, a key factor contributing to this loss was the agreement to open skies with the EU.

In 2010, Jordan again scored 2.3 on average, the same as the previous year. This meant that, five years after the first action plan, Jordan was still in the initial stages of strategy development or discussion at the government level; that is, there was preparation for

plans but no approval. However, Jordan secured more funding and enhanced cooperation with the EU by obtaining advanced status.

5.2.6 The impact of the action plan in 2011

The year 2011 was marked by the Arab upheaval in Tunisia and Egypt, which had an impact on the political situation in Jordan (Pirolli, 2013). There were demonstrations in Jordan asking for reforms. However, Jordan faced demonstrations that differed in both demands and size from those in Tunisia, Egypt, and Libya.

The demonstrations in Jordan were lower in intensity and number than those in Tunisia, Egypt, and Libya. The protestors did not call for regime change, but rather, changes in the political system. The protestors belonged to opposition factions, including the largest opposition party, the Islamic Brotherhood. The demands were directed towards political reforms and economic goals (Ryan, 2014b). The beginning of discontent in Jordan occurred after the shift of the government in 1989 from government-owned services to privatisation. This raised fears of reduction in the social support system in Jordan. This change of approach impacted Jordan's internal and external relations (Ryan, 2014b). Jordan had to tread carefully, both internally and externally, to maintain the kingdom's stability amid a boiling region. The war in Syria resulted in a new wave of refugees, this time, Syrian refugees entering Jordan, which placed a greater strain on an already unfavourable economic situation. In 2011, in an attempt to meet demonstrators' demands, the government was changed twice (Pirolli, 2013, p. 8).

In May 2011, the Gulf Cooperation Council (GCC) extended an invitation to Jordan to join. The invitation was also extended to Morocco. Ryan (2014a) attributes this invitation to (1) Saudi concerns that the Arab spring would spill over to the Saudi kingdom and other Gulf states and (2) the extent of Iranian influence in the region, through the Shiite government in Iraq, Hezbollah in Lebanon, and support of the Assad Regime in Syria. The invitation was seriously received by Jordan, who felt that it could offer the GCC its educated work force and military and intelligence training (Ryan, 2014a).

The beginning of 2011 witnessed a major economic slowdown in the ME due to the Arab Spring, and Jordan was affected by it. However, overall, as shown in Figure 5.2, the

economy bounced back in the second half of the year and balanced the impact of the slowdown. Jordan's GDP grew from 23.3 billion USD in 2010 to 26.43 billion USD in 2011. The GDP growth rate was 2.6% in 2011, up from 2.3% in 2010. In addition, the growth rate for national income increased to 4.6% in 2011, rising 5% from the -1% growth rate of 2010 (Saieq, 2013). The average inflation rate in Jordan for 2011 fell 0.5% from 5% in 2010 to 4.5% in 2011, as shown in Figure 5.12 (European Commission, 2012c; Trading Economics 1, 2015).

Jordan's deficit increased in 2011, and the deficit-to-GDP ratio also increased. This was related to the impact of energy sector disruption due to attacks on the gas pipes supplying Jordan with gas from Egypt (European Commission, 2012c). The business environment, as shown in Table 5.4, improved Jordan's status with regard to the ease of doing business. Jordan improved its rank to 95 in 2011 from 107 in 2010 among 183 countries (European Commission, 2012c).

Table 5.4. Ease of doing business ranking in Jordan

Year	2006	2007	2008	2009	2010	2011	2012
Jordan rank	83	78	94	104	107	95	96
Total countries	155	155	181	181	183	183	183

Source: International Bank for Reconstruction and Development/World Bank (2006, 2007, 2008, 2010, 2012)

Unemployment in Jordan increased by 0.4% during 2011 to 12.9% from 12.5% in 2010. The male unemployment rate increased by 0.6% from 10.4% in 2010 to 11% in 2011, while the female unemployment rate decreased by 0.5% from 21.7% in 2010 to 21.2% in 2011, as shown in Figure 5.9 (Jordan Department of Statistics, 2012).

The unemployment rate among youths aged between 15 and 24 years was the hardest hit, as shown in Figure 5.11. Youth unemployment rose as high as 31.6% in 2011, increasing by 1.5% over the previous year, when unemployment was 30.1% (World Bank, 2015c).

Jordan's trade balance with the EU grew negatively from -3357.6 million USD to -3676.8 USD. Jordan's imports from the EU increased 401% over the exports increased

to the EU in 2011, as shown in Figures 4.8 and 4.9 (WTO, 2014). Nevertheless, dismantling Jordanian tariffs continued on schedule (European Commission, 2012c). In terms of regionalism, the GCC extended an invitation to Jordan and Morocco to join the GCC. Jordan was interested in joining the GCC and had previously applied twice but was rejected. The wave of unrest in the ME pushed the Arab monarchs of the Gulf countries to seek strategic allies and to consider establishing joint military forces (Ryan, 2014a). The GCC was wary of the wave of change and was concerned it would spill over to their countries. Thus, for the GCC, the timing was suitable for Jordan to join. However, Jordan was undergoing political and economic systems reform, and critics in Jordan were concerned that accession to the GCC would jeopardise the country's political reform progress (Braizat, 2011).

Jordan's performance in 2011 scored at 2.0; this can be attributed to the wave of demonstrations for reform that passed through Jordan becoming the priority and directing the attention of the government towards appeasing the concerns and returning stability to the country.

5.2.7 The impact of the action plan in 2012

During 2012, the demonstrations that started after the Arab Spring in 2011 continued in Jordan and caused even more changes to the cabinet. Waves of Syrian refugees continued to arrive in Jordan during the same period, and Jordan faced growing economic and political strain (Ryan, 2014b).

In 2012, due to higher oil prices and the disruption of gas transported via the Egypt gas pipeline, there was no improvement in Jordan's public balance of payments (European Commission, 2013b). The public finance deficit deepened to –1,824 million JD in 2012, increasing from –1384 million JD in 2011, as shown in Figure 5.5 (Central Bank of Jordan, 2010). The Jordan budget deficit-to-GDP ratio also increased, as shown in Figure 5.4. In 2012, the budget deficit-to-GDP ratio increased to around 28% from about 26%

(Shahateet et al., 2014, p. 269). The government debt-to-GDP ratio reached 80% in 2012 from around 70% in 2011, as shown in Figure 5.10 (Trading Economics 2, 2015)

In the second half of 2012, there was an increase in Jordan's GDP growth rate, but this was due to an injection of 2 billion USD from an IMF adjustment programme (European Commission, 2013b). As shown in Figure 5.2, Jordan's GDP growth rate increased to 2.8% in 2012 from 2.6% in 2011 (Saieq, 2013). The inflation rate in Jordan in 2012 stayed around 5%, as shown in Figure 5.9 (Trading Economics 1, 2015).

There were improvements in the unemployment rate in Jordan during 2012, as shown in Figure 5.7. The total unemployment rate decreased from 12.9% in 2011 to 12.2% in 2012, with improvements for both the male and female workforce. The male unemployment rate declined from 11% in 2011 to 10.4% in 2012. The female unemployment rate declined from 21.2% to 19.9%, although it was still twice as high as the male unemployment rate (Jordan Department of Statistics, 2012). Figure 5.8 shows that the unemployment rate among youths remained at 31.6% in 2012, similar to that of 2011 (World Bank, 2015c). Unemployment among the youth and new graduates remained the biggest challenge for Jordan, and thus, during 2012, the Jordanian government launched the National Employment Strategy 2012–2020 to improve employment among the female and youth workforce through training and better working terms and conditions (European Commission, 2013b). For social protection, Jordan implemented a new strategy to include the most vulnerable sectors of society with the help of an EU technical assistance team (European Commission, 2013b).

Figure 4.8 (Chapter 4) (World Trade Organization [WTO], 2014) shows that Jordan's exports to the EU in 2012 increased by less than 1% over 2011 but decreased by about 1% to the rest of the world over the previous year. In contrast, Figure 4.9 (Chapter 4) shows that Jordan's imports from the EU in 2012 increased by around 7.6% over the previous year. Jordan's imports from the world in 2012 increased by 13% over the previous year's (WTO, 2014).

Jordan and the EU began to negotiate the directive for the Deep and Comprehensive Free Trade Area (DCFTA), according to the report (European Commission, 2013b). The

DCFTA is another level of cooperation to integrate Jordan into the EU market, yet according to a study (Liargovas, 2013), the EU FTA agreement is the EU path to implement ‘bilateral means to the end of multilateral liberalization and rulemaking’ (Liargovas, 2013, p. 2), and the DCFTA is another opportunity for the EU to go ‘beyond the border’ with concerns and negotiate regulatory issues. According to a 2013 OCED report (Organisation for Economic Cooperation and Development [OECD], 2013, p. 122), Jordanian officials indicated that, for the DCFTA, further discussion was needed on EU technical standards and rules of origin imposed on exports to the EU. These two aspects represent hurdles, in terms of costs and technical support, to Jordanian exporters to increase their exports to Jordan (OECD, 2013, pp. 122–123). Thus, in terms of the ACAA, Jordan was preparing for negotiations on these standards with the EU.

Regarding customs, Jordan applied the one-window concept, but the pre-arrival and pre-departure clearance procedure was still not implemented because of delays in adopting the new customs law. However, the Golden List customs programme, which grants preference to low-risk companies, increased, albeit slowly (European Commission, 2013b).

In terms of regional integration, Jordan’s application with the GCC seemed to have cooled since the first reservations of the Saudis, and there was not much progress on Jordanian membership (Ryan, 2014a). However, Jordan’s FTA with Canada was put into effect on 1 October 2012 (OECD, 2013, pp. 122–123).

Jordan’s policy on small and medium enterprises did not improve during 2012. In fact, Jordan’s ranking for ease of doing business dropped (International Bank for Reconstruction and Development World Bank, 2012).

In 2012, Jordan addressed income tax to impose it progressively to alleviate taxes on lower-income categories. In addition, as of September 2012, Jordan became a member country of the European Bank for Reconstruction and Development (European Commission, 2013b). In 2012, Jordan spent 100 million USD to build a new Al Manakher gas-fired power plant; the project was completed in July 2014 (Zgheib, 2014).

Jordanian air carriers were taken off the EU-restricted list of air carriers, because Jordan improved its safety procedures and cooperated with the European Aviation Safety Agency (EASA). In May 2012, Jordan signed a working arrangement between the EASA and Jordan's CARC on technical cooperation in the field of civil aviation safety. The objective of the agreement was for Jordan to cooperate with the EASA to achieve the highest level of safety standards (European Aviation Safety Agency, 2012). At the level of maritime transport standards, Jordan improved its certification and training standards, which led the EU to recognise the Jordanian system of training and certification for seafarers (European Commission, 2013b).

5.2.8 Analysis of progress reports over the seven years

The following scores on the progress reports over the seven years of the assessment period are based on the EU enterprise methodology.

As Table 5.5 shows, Jordan, under a macro-economic framework and functioning of the market economy, experienced positive improvements in growth and sustainable development, but this was accompanied by budgetary deficits that showed no improvement at all and deepened.

For employment and social policy, Jordan experienced a decrease in the unemployment rate, but the unemployment rate remained high, especially among youth and women.

For trade-related issues and market and regulatory reform, Jordanian trade improved, but that was due to increased imports, while the trade balance was negative and worsening over the six-year period after the agreement was signed. Customs issues scored well, attributed to the fact that there was a schedule and timeframe for Jordan to follow, and the EU was interested in ensuring that customs barriers were eliminated. Other aspects of trade did not score high, such as services, right of establishment, and company law. In other areas, statistics and enterprise policy scored 3, since improvements were implemented, but other elements, like public procurement and audit, were still under discussion and in the planning phase. Finally, in the fields of transport, energy, information society, and environment, Jordan scored around 3 in all aspects: national

transport policy, energy cooperation, environment, information society, and research. This means that laws were passed, and progress was achieved, but Jordan's energy expenses remain one of the biggest burdens on its budget.

Table 5.5. Jordanian progress scores over the seven-year period

Policy	Indicators	2006	2007	2008	2009	2010	2011	2012	Average
Macro-economic framework and functioning of the market economy									
	Growth	3	2	3	3	3	3	3	2.9
	Inflationary pressures	1	2	1	4	1	3	1	1.9
	Budget deficit	1	1	1	2	1	1	1	1.1
	Government debt	4	4	4	3	1	1	1	2.6
	Sustainable development	3	3	3	3				3.0
Employment and social policy									
	Unemployment rate	4	4	4	1	4	1	4	3.1
	Poverty-reduction strategy	2	2	3	2	3	3		2.5
	Youth unemployment	1.5	1.5	1.5	1	1	1	1	1.2
	Social dialogue	2	2	3	2		3	3	2.5
	Labour law		2	3	3	3	3	1	2.5
Trade-related issues, markets, and regulatory reforms									
	Trade performance	3	3	3	1	3	3	3	2.7
	Trade balance	1	1	1	1	1	1	1	1.0
	Customs	2	3	3	3	3	3	3	2.9
	Free movement of goods and technical regulations	2	2	2	2	2	2	2	2.0
	Services and right of establishment	1	1	1	1	1	1.5	2	1.2
	Regional integration	3	3	1.2	3		3	2	2.5
	Sanitary and phytosanitary	2	2	2	2	2	2	2	2.0
	Business environment	2	2	3	2	2	3	2	2.3

	Company law	2	2	2	1	2	1	1	1.6
	Financial sector reforms	2	3	3	3	3		2	2.7
Other key areas									
	Personal and corporate income tax	2	2	2	3	3	3	2	2.4
	Competition law	1	2	2	2	1	3	1	1.7
	Intellectual property rights	2	2	3	1	2	3	1	2.0
	Statistics	2	3	3	2.5		3	2	2.6
	Public procurement law	2	2	2	2	2	2	1	1.9
	Enterprise policy	3	3	3	3	3	3		3.0
	Public external audit	2	2	2	2	2	4	2	2.3
Transport, energy, environment, information society, research and development									
	National transport policy	2	2	2	3	3	3	3	2.6
	Energy cooperation	2	3	3	3	3	3	3	2.9
	Environmental issues	3	3	2	3	2.5	2	2	2.5
	Information society	3	3	2.5	3	3	3	3	2.9
	Research and technology	2.5	3	3	3	2.5	3	3	2.9
Average/year		2.2	2.4	2.4	2.3	2.3	2.5	2.0	2.3

Note: An empty box means that nothing was reported for that subject.

Conclusion

Using the outcome provided in Table 5.5, one can conclude that the action plans that were developed for Jordan described directions rather than prescribed actions to create a climate of cooperation rather than achieve a set of goals. The action plan of 2010 repeated the priorities of the action plan of 2005, meaning that, for 10 years of cooperation, the priorities set by the EU for Jordan remained the same, and there were no lessons learnt from the first five years of cooperation.

The methods to assess progress were rudimentary compared with the EU process to assess member candidates. The EU placed importance on certain aspects, which is reflected in linking progress to a schedule, like the customs tariff.

After 10 years of the AA being in force and seven years of implementing the action plans, Jordan's trade balance is negative and continuing in that direction, and government debt is increasing. However, unemployment is decreasing but is still exceedingly high, especially among females (double the male unemployment rate) and youth.

Trade balance scored 1, which is a negative indicator showing an inability of the government to set up policies, implement plans, address and improve circumstances for local business to export, and slow down declining trends. The EU-Jordanian agreement did not manage to encourage local Jordanian business to export to the EU.

All the indicators covering the two action plans of 2005 and 2010 are in the performance range of 2 to 3.

Over a period of 7 years, progress was limited to setting policies and obtaining government approval. This indicates that progress was slow and limited.

However, if we review the achievement of the action plans, all the reforms that have been performed by Jordan over the period of seven years, though slow and not comprehensive, would not have been achieved at all had the EU-Jordan action plans not stipulated them and set the standards and tools to promote these changes. Jordan set its goals to liberate the market and tariff reduction, make reforms in the agricultural sector, remove of all subsidies to this sector, simplify the customs procedures, remove the pre-inspection procedures, liberalize of the service sector and protect intellectual property (Milkawi, 2010). One can argue that the EU-Jordan agreement might have given momentum to the process, even if it was a slow momentum.

In view of Jordan's policy regarding long-term economic objectives to support economic growth via trade and regional and global integration, Jordan might have benefited from its EU action plans by structuring the experience of trade agreements that prepared it for its agreement with the US and Turkey. The EU-Jordan agreement has motivated the regional integration of Jordan with other Mediterranean countries; the signing of the Agadir Agreement gives evidence of that.

Conclusion of the Research

Chapter One examined different arguments about the Barcelona process that evolved over the years and the different processes that followed the Barcelona Process, namely, the ENP and UfM. It started with careful optimism and a possible spillover effect, then shifted to EU security concerns, and then to the UfM centring on less controversial issues, like the environment. The literature examined in this thesis involved three chronological steps:

Starting with the Barcelona Process (EMP), the literature review showed that the expected spill over from economic liberalization to the social and cultural fields did not take place (Youngs, 1999; Gillespie, 2002). It underlined cultural planning and the collapse of the Palestinian-Israeli peace process (Gillespie, 2002) and the Eurocentric approach from a social cultural perspective as potential causes for stagnation in the process. It was expected that social and political liberalism would follow improvement and liberalism in the economic field. Social and political liberalisation did not appear to follow the economic liberalization, yet it seems early in the process to generalise this conclusion as applicable to all Southern Mediterranean partners. The initial careful positive attitude towards the Barcelona Process quickly changed to a more negative outlook when the Barcelona Process appeared to be failing (Attina 2004, p. 140 - 152). Reasons for the Barcelona Process failure cited by Mortanari (2007) and Nsouli (2006) include a failure to boost trade between the EU and the Southern partners; the EU's internal division of interests between the industrial North and the agricultural South caused a lack of financial aid to the Southern Mediterranean partners in favour of the protection of the agricultural interests of the countries in the Southern part of the EU.

The ENP showed a shift in the EU policy to more focus on security in view of the global security concerns at the time: the 9/11 events, the collapse of the Israeli-Palestinian peace process, the invasion of Iraq, and the Algerian crisis (Del Sarto and Schumacher,

2005, p. 18). The EU appeared to show preference for stability over liberalization, and for the EU, the desire for stability was fed by internal security concerns rather than democracy promotion.

Authors like Young (2002, p. 97) consider it possible that the EU had the real intent to promote democracy and wanted to be a genuine power for good; however, the EU's fear of the further Islamisation of the Southern Mediterranean region was related to the lack of progress in the field of political reform. Gillespie (2002), in the same vein, shows that the social agenda of the Barcelona Process was at risk of being secondary to the EU's security concerns.

During ENP discussions, the EU shifted to more controlled policy changes in the years following 9/11—a shift towards a more controlled bilateral relationship with individual partners instead of the previously more regional and region building approach. The policy shifts appear to have been caused by EU internal security concerns which were in turn created by increased external global security and migration concerns. The policy shift was thus informed by security concerns in the international realm—the interstate anarchy—either in the sense of a constructed anarchy in the spirit of Wendt (1992, p. 394) or the more absolute interstate anarchy as proposed by Waltz (2010, p. 91-93). The fact that the EU actively changed relations with the partners to a more controlled relationship and preferred stability over its own normative core goals of political liberalization and democratic values may be an expression of self-help in an increasingly hostile international world.

The review of UfM was focused on EU internal issues and the shift of cooperation from issues of security to less controversial issues (Gillespie, 2011, p. 1207) like environmental issues, for instance, depollution of the Mediterranean Sea, establishing of sea and land highways, Mediterranean solar energy, and civil protection against disasters.

The goals of prosperity, security, and political reform were considered at this stage as elusive; however, the process did improve relations between the Union and the partners (Gillespie 2008, p. 277). However, many felt that the UfM was the result of power

asymmetry and EU internal issues (Cardwell 2011, p. 236), and the role of the partners in it was reduced to being informed. While Bicchi acknowledges the lack of true partnership, she adds that the shift to bilateral positive conditionality that started in the ENP and continued in the UfM, may serve the EU's security concerns better (Bicchi, 20011, p. 16).

How does the Jordan case fit into the different views on the Barcelona process?

To answer this question, we needed to first examine the political economy that motivated Jordan to enter this process in the first place. Chapter Two outlined the progress of Jordan's political economy from its beginning in 1921 to the early 1990s, when Jordan negotiated and signed the AA with the EU in 1997 and put it into effect in 2002. The EU-Jordan negotiation process and the terms of the AA are discussed in Chapter Three, examining how it fits within views on power symmetry or asymmetry between the EU and Jordan. Following that, Chapter Four analysed whether the agreement was beneficial using FTA assessment models, and Chapter Five evaluates the process undergone by Jordan under the action plans of 2005 and 2010.

Therefore, what was the political economy of Jordan prior to the joining the Barcelona Process? Since the establishment of the Emirate of Transjordan in 1921, and in the absence of major financial resources, Jordan depended on financial support from England. However, that support was insufficient and fluctuated, so the Emir Abdullah turned to the rich elites for funding in exchange for privileges. This started the cycle of the dominance of these elites over the economy as well as the main economic institutes: The Industrial Bank of Jordan and the Chamber of Commerce of Jordan (Wils, 2001, p. 126). Until 1948, Jordan's economy was a market-oriented economy, but by 1950, leftist nationalist bureaucrats challenged these policies and adopted policies characterised by state-owned interventionist enterprises, the protection of local industries through import-substitution industrialization policies, and welfare governments. These bureaucrats still cooperated with the rich elites, and these policies put a major burden on Jordan's economy.

In the 1970s, the first oil boom, together with high government spending, resulted in high GDP growth for Jordan; this caused lower exports and more investment in construction and services. That changed in the 1980s, when Jordan's economy slowed down due to reduced oil prices—decreasing remittance revenue for Jordan—and an unchanged policy of government intervention. In absence of external funding, the economy was dominated by wealthy elites, who financed major economic projects that added burdens on the economy to secure their losses. This added to the malaise in the economy. As a result, Jordan initiated privatisation in 1985 to increase the role of the private sector in the economy (El Said, 2001, p. 152), but that did not go far. Jordan's high debt in 1989 put it in urgent need of IMF loans. Jordan had to embark on a fundamental reform of its economic structure to meet the demands of the IMF. In the early 1990s, Jordan's economy suffered even more due to the Iraq invasion of Kuwait and the consequences of losing its main trader, Iraq. Jordan became isolated due to its pro-Iraq position, but the role of Jordan in the peace process with Israel restored Jordan's pivotal regional importance.

Jordan entered into the Barcelona Process and began negotiation on the AA with the EU with the following needs: 1) economic reforms, trade liberalisation, and privatisation to attract foreign investment privatization, 2) an urgent need for a major economic trading partner to replace Iraq, 3) financial support to modernize its infrastructure, 4) support for economic growth via trade and regional and global integration, 5) an end to the isolation that the Gulf War entailed, 6) high growth rate in the young workforce and demographic pressure on the economy in which Jordan needs to absorb into the labour market, and 7) the need to offset a global negative trade balance. With that mindset, Jordan entered the negotiation process with the EU. Chapter Three analysed the negotiation for the process within the theoretical framework, using several resources: first, interviews with the three EU negotiators, second, some material on the actual agenda and memos relevant to the negotiation itself, third, Jordan's public and private expectations drawn from Jordanian Parliamentary publications and Jordanian newspaper follow up on, and finally, literature available on the subject.

The content of the Jordan AA was analysed and compared to that of Morocco. Many similarities existed between the Jordan and Morocco agreements. Both had the same sections and covered the same areas. Political and economic regional integration were mentioned in the bilateral agreement with Morocco, while for Jordan the agreement mentioned regional dialogue. The section on trade in the Moroccan agreement was more detailed than in the agreement with Jordan.

In the Jordan agreement, special importance was given to migration, and a monitoring body was provided for the implementation of these aspects of the agreement. This is an indication of priority for the EU. The articles on movement of goods was the largest, also indicating importance. Agricultural products and industrial products with an agricultural component were out of the scope of tariff abolition. Certain quotas for trade were set, but only limiting Jordan's exports, not the EU's exports. The EU rules for financial services, standardisation, and competition were to be adopted by Jordan in such a way that the rules in Jordan would, in due course, be acceptable for the EU, while no approximation of the EU rules to the Jordanian rules was provided. All this poses questions about the power division between Jordan and the EU during negotiations as well as the level of protectionism involved, and the respective benefits expected or intended.

The non-cooperative bargaining theory was applied as an analysis tool for the Jordan-EU negotiations. The theory offered some angles from which to approach the matter of advantage in negotiations. There are strong suggestions that the EU was in a position of advantage regarding being the initiator of the negotiations and having more information about the agreement's intent and content because the same agreement terms were used previously for negotiation with other Mediterranean countries. In addition, the EU had the possible means to influence the mere existence of an issue on the agenda as well as its order of appearance in the negotiations' agenda. The EU negotiators themselves did not have replete manoeuvring space, since the agreement went through multiple steps.

At the end of the negotiation, the resulting agreement followed the EU standards and kept the agriculture quotas which meant that the EU had the upper hand in negotiations.

The next step was to measure if the AA results were beneficial to Jordan using the FTA assessment methods. First, the different ex-ante and ex-post models were compared to identify the most comprehensive method. The analysis covered three ex-ante and three ex-post models as follows.

Ex-ante Assessment Models: 1) Trade Indicators 2) The SMART Model 3) Computable General Equilibrium. Ex-post Assessment Models: 1) FTA Preference Indicators 2) FTA and Welfare Indicators 3) Gravity Model

After reviewing the strength and the weakness of each method, the Trade Indicators model was identified as the best ex-ante assessment model, and FTA and Welfare Indicators was identified as the best ex-post assessment model to apply. The analysis was complemented with additional indicators like unemployment, trade balance, and losses in tax revenue. The findings of the chapter showed that, as per the ex-ante Trade Indicators model, there was good potential for trade between Jordan and the EU: the RCA indicated that Jordan had a comparative advantage in chemicals, food, and textiles. The TCI revealed high complementarity for trade between Jordan and the EU in chemicals, ores and metals, agricultural raw materials, and textiles, meaning that ROI with the EU should show an increase. Despite the good potential, some indications like inter-regional dependence and trade intensity between Jordan and EU showed a decrease. The ex-post model FTA and Welfare Indicators had quantitative and qualitative approaches: the quantitative approach showed that there was more trade creation than trade diversion and consequently a positive impact, while the qualitative approach showed one positive impact, which was change in trade volume, and one negative impact on welfare, which was a change in terms of trade. The other complementary indicators, like trade balance and customs duties, still showed a negative impact, while unemployment showed positive impact. Pure numbers show more negative impact than positive, but there might be some indication that the AA was beneficial on another level. The AA agreement served Jordan by allowing it to integrate into the global market and exit its isolation that the Gulf War had caused. The AA also helped Jordan to implement economic reform and facilitate trade through international and regional integration (El Anis, 2010, p. 62)

After the AA was put in effect, action plans were installed to follow up on Jordan's progress in different economic aspects. To measure the progress and the impact of the action plan, over seven years, progress reports were analysed and scored. The scores were based on the enterprise charter methodology the OECD developed for EU enterprise. It ranks the rating per indicator detailing the expected results per level from 1 to 5 (European Commission, OECD, European Training Foundation, 2008, p. 135). The findings of the analyses over seven years show that, in most of the aspects, Jordan scored around 1—for progress in trade balance, budget deficit, services and rights of establishment, which means there was no progress or improvement in these aspects of the action plans—to around 3, which indicates multi-year strategies approved by the government while institutions are in place—in sustainable development, economic growth, and unemployment. On average, over the seven years that the progress was tracked—from 2006 until 2012—Jordan scored about a 2.3, which indicates strategies under development or discussion at the government level, confirming that the progress was slow, or the action plan was too ambitious. Yet, Jordan began implementing reforms that would not have started had the AA not been in place.

How does the Jordan case fit into the different views of the Barcelona Process?

First, we can look at this case through the theoretical framework. If we assume that the EU had the best intentions and was aiming to create an environment for peace and prosperity by putting liberalism in place, one can see that the method was, in fact, Eurocentric and served the best interests of the EU and that the EU was dominant every step of the way, thus, indicating that realist thought was used, and that the EU imposed its standards to spread its values reflects a Marxist line of thought.

Thus, at the starting point for Jordan when entering the negotiations for the agreement, there was a cautious optimism that the AA with the EU would bring certain economic benefits, financial support, and transformation to Jordan's industrial infrastructure to help Jordan to be more competitive globally. However, when entering the negotiation, the EU

protectionism over agricultural products was evident when there were restrictions on agriculture, such as in the limitations on tomato paste and in quotas.

The conditions of the agreement were Eurocentric, and in certain conditions, including the standards imposed by the EU such as the rule of origin, competition laws, and reaching the level of *Acquis Communautaire* conditions, and visa requirements demanded of EU candidates even though Jordan was not a potential member, the asymmetry of power was clear in the negotiation process. The shift the EU made in the ENP to address its security concerns is evident in the case of the EU's tolerance of the lack of progress in Jordan in favour of stability.

Del Sarto and Schumacher also mention the addition of positive conditionality in the ENP as a potentially promising development that can be observed in Jordan as well, as the advanced status was granted based on Jordan's progress.

Thus, to respond to the question of the thesis '*To what extent has the 'Barcelona Process: Union for the Mediterranean' been economically beneficial to Jordan?*' the benefit can be measured on the basis of Jordan's expectations from the agreement and its goals when it entered into the Barcelona Process. Its early 90s' economy that was dominated by rich elites and the isolation that the Gulf Crisis put them into meant that Jordan wished to integrate into global market and exit its isolation in order to replace its main trading partner, Iraq, with global partners, as well as to attract foreign investment. The goals King Hussein (1997) outlined were to enhance Jordan's economy regionally and globally and continue into the open market economy to increase Jordan's capability and competitiveness in the world economy. The Jordanian Senate's (1997) expectation for the AA was to open doors for Jordan to enter the world economy and improve Jordan's chances to increase their exports and increase foreign investment.

Prince Hassan (1997) outlined that the agreement with the EU would bring new horizons for cooperation between Jordan and the EU. The agreement would reflect Jordan's liberalisation policy (Aloul, 1997, p. 9). The General Secretary of the Ministry of Trade

and Industry, Samer Al Taweel (Al Rai newspaper 2002), outlined that the AA would be one of the attracting factors for foreign investment in Jordan's export industries.

The President of the Union of Jordan Chambers of Commerce, Haidar Murad, (Al Rai, 2002) indicated that the AA would provide the Jordanian industries with access to a market of 450 million consumers. Mr. Outhman Budair (Al Rai, 2002), President of the Amman Chamber of Industry, said that the AA with the EU would enhance economic relations with the EU and increase Jordan's exports to the EU, thus improving the trade balance that was then in favour of the EU. Budair also highlighted that the AA would open the EU market to the Jordanian industries and would motivate foreign and local investors to invest in Jordan in industries aimed at EU export. Namari (2005) highlighted that the agreement did bring financial aid to Jordan and increase its exports.

One can see that Jordan reached most of its goals: Jordan gained a powerful economic partner and opened the EU market to its products. The EU provided aid to and investment in Jordan and brought other sources of financial aid besides that from Jordan's rich elites. The agreement paved the way for Jordan to integrate regionally through the Agadir Agreement and globally through integration with the EU, thus fully escaping the isolation that the Gulf War brought on in Jordan. The agreement with the EU anchored Jordan to reflect the liberalization policy of Jordan. The agreement incited economic reforms and provided financial aid to assist in the impact of these reforms. Zangl (2016) remarked that the actual importance of the AA for Jordan was perhaps found in the opportunity to more quickly enter into a relationship with the EU than in the actual content of the agreement.

However, the FTA ex-ante and ex-post assessment models show that there was more negative impact on the Jordan economy than positive impact as a result of the agreement. Jordan's exports increased, but not enough to counter the negative trade balance with the EU. Jordan lost revenue from import duties. The interregional trade share and the trade intensity index both showed a decrease in trade with the EU, which means it was less attractive. The overall change in terms of trade had a negative value, thus indicating that

it had a negative welfare effect on Jordan. The models indicated a positive impact in trade creation because of EU-Jordanian trade as well as an increase in trade volume and, most importantly, that unemployment rates for both men and women decreased on average after the agreement.

The different policies implicated at both the Jordan and EU levels, show the impact of certain policies: Jordan's globalization and privatization policies and the common agricultural and security policies of the EU.

Jordan's globalization policy was one of the main incentives for Jordan to enter into this agreement with the EU, with regard to the cost benefits of this policy, the analysis in this thesis demonstrated that Jordan achieved certain gains from this policy: trade agreement with one of the biggest economic blocks in the world—the EU, diversifying its trading partners—which makes it less vulnerable to the external factors evident in its relationship with Iraq. The policy helped Jordan achieve better regional integration through the Agadir Agreement. The privatization policy Jordan followed helped it to minimize the impact of the elites' grip and impact on business and diversify financial resources to support the modernization of Jordan's industries. However, regarding the cost benefit of this policy, when the costs were paid, the trade balance was still in favour of the EU, and Jordan was dependent on the EU for financial support. Jordan's industries were not ready to face competition from EU industries.

The EU common agricultural policy also had an impact on its trade agreement with the Mediterranean countries. A review of this policy is necessary to improve the impact of the EU soft powers on the Mediterranean countries' peace, prosperity, and partner reform commitments. Euro-centricity also played a role. The inclusion of the partners' standards could bring better commitment to and ownership of reform from the partners. The EU security policy and the preference for security over democratisation were evident in the trade agreement with Jordan. One wonders if the other choice would have produced better output for Jordan in view of the region's instability and the fundamentalist growth in the region.

One lesson learnt from Jordan's experience that might apply to other countries in the region is the fact that the asymmetrical relationship between Jordan and the EU perpetuated the dominance of the EU and served its interests. Munir Hamarneh from Jordan University (Al Rai, 2002) recognized that the association between a group of highly developed industrial countries with one individual country would create substantial pressure on an individual country like Jordan. To face this pressure, it is better to form regional groups and negotiate as a group, not as an individual country; then, the partnership would be symmetrical (Al Rai, 2002). For Jordan and the other ME countries to better negotiate an agreement with the EU, full regional integration within the ME and Maghreb countries is necessary to negotiate as a group with negotiating powers.

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List of Abbreviations

AA	Association Agreement
ACAA	Agreement on Conformity Assessment and Acceptance of Industrial Products
ASYCUDA	Automated System for Customs Data
BBC	British Broadcasting Corporation
CAP	Common Agricultural Policy
CARC	Civil Aviation Regulatory Commission
CCP	Common Commercial Policy
CEEC	Central and Eastern European Countries
CFSP	Common Foreign and Security Policy
CGE	The Computable General Equilibrium
CPI	Corruption Perception Index
DCFTA	Association Agreement and Deep and Comprehensive Free Trade Area
DoTS	Direction of Trade Statistics
EASA	European Aviation Safety Agency
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECC	European Economic Community
EEAS	European External Action Service
EMP	Euro–Mediterranean Partnership
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EPC	European Political Cooperation
ETS	Extra-regional Trade Share
EU	European Union
FEMIP	The European Investment Bank’s Facility for Euro-Mediterranean Investment and Partnership
FIS	Islamic Salvation Front
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade (GATT)
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GMP	Global Mediterranean Policy
GTAP	Global Trade Analysis Project
ILO	International Labour Organization
IMF	International Monetary Fund
ISTD	Income and Sales Tax Department of Jordan
ITS	Inter-regional trade share

JEBA	Jordan Europe Business Association
ME	Middle East
MEDA	<i>Mesures D'Accompagnement Financieres et Techniques</i>
MENA	Middle East and North Africa
Mercosur	Mercado Común del Sur
MoICT	Ministry of Information Technology and Communications Technology
NAFTA	The North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NIS	Newly Independent States
OECD	The Organisation for Economic Co-operation and Development
PCA	Partnership and Cooperation Agreement
PfDSP	Partnership for Democracy and Shared Prosperity
PPP	Purchasing Power Parity
RCA	Revealed Comparative Advantages
ROI	Regional Orientation
SITC	Standard International Trade Classification
SMART	The Software for Market Analysis and Restrictions on Trade
SPRING	Support for Partnership, Reform, and Inclusive Growth
TRAINS	Trade Analysis Information System
TRC	Telecommunication Regulatory Commission
UfM	Union for the Mediterranean
UN	United Nations
USAID	United States Agency for International Development
USD	United States Dollar
USSR	Union of Soviet Socialist Republics
WDI	World Development Indicators
WEO	World Economic Outlook
WITS	World Integrated Trade Solution
WTO	World Trade Organization

Appendices

Appendix I: Jordan total export to the world per SITC revision 2 (in 1000 USD)

Product Group	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agricultural Raw Materials	8003.3	9298.3	5600.4	8918.8	11167.6	11749.5	14254.4	17644.5	23128.0	25670.7	25412.3	30525.7	75884.8
Chemical	276640.4	509345.8	586586.9	604298.6	769857.3	877834.2	946236.4	1478822.7	2616526.3	1791784.6	2343274.1	2532919.8	2487404.5
Food	181422.0	314159.3	409128.2	435709.2	556611.5	641810.7	689821.6	744911.7	1049732.7	1031538.5	1111206.5	1256662.7	1372711.0
Fuel	626.6	1083.0	487.3	7553.0	43929.4	7511.9	43157.3	39164.7	14581.2	31995.5	66706.0	18860.6	24396.6
Machinery and Transport Equipment	247136.6	369588.6	321500.5	329510.9	463358.5	526563.7	669313.4	1004903.4	1189656.4	887242.9	733418.8	797648.3	732527.2
Manufactures	953503.9	1590708.7	1794247.3	2029625.1	2757590.1	3077921.5	3595276.0	4494407.7	5923178.1	4564983.1	5102298.3	5572182.3	5485378.3
Ores and Metals	143410.5	368287.9	384415.9	387378.8	466810.5	526591.6	537383.4	332360.3	658731.1	468700.9	506892.1	813143.6	756942.4
Textiles	160216.3	344471.3	560761.3	719090.2	1061493.3	1104756.8	1308648.4	1279513.1	1105348.4	911171.1	963136.9	1078018.2	1147469.8
Jordan total export	1810743.3	3162471.6	3501966.5	3802994.4	5069324.9	5669983.2	6495442.6	8112215.0	11475533.9	8801916.1	9889208.1	11021942.9	10935244.8
World export to export to the world per SITC revision 2 (in 1000 USD)													
Product Group	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agricultural Raw Materials	113579591.5	103675650.9	106916563.1	124477211.9	146678704.5	15529809 9.2	175980466. 5	199026271.1	207854586.7	162368297.1	220559687.5	283298555.6	260462607 .7
Chemical	556277660.9	577424720.7	606755833.4	772975206.7	944916240.0	10644963 93.9	120317962 4.2	1415229701.4	1611732668.2	1381876201.3	1623567626.2	1890273365.0	184457622 6.6

Food	418769539.7	433056768.4	444208956.1	534658668.9	610107053.7	662768042.8	734129366.6	886038988.0	1078283498.8	967514569.2	1090614622.8	1321957761.6	1331873530.3
Fuel	633940662.1	571778598.4	551219758.2	704008176.7	928883649.2	1254251349.2	1652535675.0	1736106716.0	2531700430.8	1608536590.5	2072784477.9	2823153897.3	2645558722.5
Machinery and Transport Equipment	2613949813.4	2465886214.3	2457779965.3	2942262429.6	3536759030.8	3895952338.1	4471899107.8	5040213173.6	5402859662.0	4203173010.5	5120841126.4	5791866962.2	5786798023.8
Manufactures	4702007399.3	4533810974.5	4578209628.8	5532450815.1	6660481691.8	7365084551.4	8370129170.0	9574950364.1	10450657400.3	8318623621.1	9981231786.0	11492842193.9	11387247973.3
Ores and Metals	175881741.3	167995034.3	160039328.8	194697261.7	276510423.2	337495669.9	493328165.4	589837881.7	625312892.2	434291402.9	643744782.9	809142291.9	711980309.5
Textiles	385395572.1	372758578.9	383213762.0	443745033.3	498126980.6	527279420.0	578002892.1	639379924.3	654597464.9	561707672.9	648311042.6	760228009.2	731608573.0

World Total Export in 1000 USD

All Products	6276493269.2	6042005486.1	6066740929.6	7431866549.6	8999589052.7	10149933678.7	11856552199.3	13522192634.9	15605329230.9	12155282219.9	14802160788.8	17632909318.6	17145012779.8
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Resource : WITS 2012

Jordan Trade balance as a percentage of the GDP

Reporter ne	Year	Trade Balance (% of GDP)	Exports (% of GDP)	Imports (% of GDP)	Exports (Current USD)	Imports (% of GDP)	Imports (Current USD)	Trade Balance (% of GDP)	Trade Balance (Current USD)
Jordan	1998	-19.5	44.8	64.2	3544310016	64.2423	5084211200	-19.4576	-1539901184
Jordan	1999	-17.8	43.3	61.1	3529798400	61.1475	4984463360	-17.8453	-1454664960
Jordan	2000	-26.7	41.8	68.5	3538928128	68.4764	5795768832	-26.6643	-2256840704
Jordan	2001	-25.0	42.1	67.1	3781705472	67.1132	6027062272	-25.0028	-2245356800
Jordan	2002	-19.2	47.4	66.6	4544026624	66.6039	6383470592	-19.1924	-1839443968

Jordan	2003	-21.0	47.4	68.3	4829773824	68.3185	6966952960	-20.9573	-2137179136
Jordan	2004	-30.2	52.2	82.4	5955712512	82.4344	9406911488	-30.2435	-3451198976
Jordan	2005	-41.5	52.7	94.2	6634978816	94.2068	11859379200	-41.5008	-5224400384
Jordan	2006	-34.0	53.9	87.9	8111847936	87.8733	13231030272	-33.9988	-5119182336
Jordan	2007	-37.5	54.2	91.8	9279831040	91.7584	15700423680	-37.524	-6420592640
Jordan	2008	-31.0	56.5	87.5	12415386624	87.5113	19227842560	-31.0054	-6812455936
Jordan	2009	-23.2	45.9	69.1	10929295360	69.0755	16453803008	-23.1927	-5524507648
Jordan	2010	-21.2	47.8	69.0	12628310016	69.0299	18241409024	-21.2413	-5613099008
Jordan	2011	-28.3	45.6	73.9	13144788992	73.8592	21301127168	-28.2811	-8156338176
Jordan	2012	-27.6	45.7	73.4	14284000256	73.3515	22917462016	-27.633	-8633461760

Source : WITS

Appendix II: Exchange rate JD to US.

Source Central Bank of Jordan

http://statisticaldb.cbj.gov.jo/index?action=level4&page_no=1#

JD Exchange Rate Per \$US			
Year	Month	JD Exchange Rate End of Period JD / \$US	JD Exchange Rate Period Average of JD / \$US
1998	12	.709	.709
1999	12	.709	.709
2000	12	.709	.709
2001	12	.709	.709
2002	12	.709	.709
2003	12	.709	.709
2004	12	.709	.709
2005	12	.709	.709
2006	12	.709	.709
2007	12	.709	.709
2008	12	.709	.709
2009	12	.709	.709
2010	12	.709	.709
2011	12	.709	.709
2012	12	.709	.709
2013	12	.709	.709

Appendix III: Questions to the EU Negotiators on the EU-Jordan Negotiation process.



University of Sussex

Goal of the questionnaire: To shed the light on the EU position and policies that motivated the EU to negotiate the Association Agreement with Jordan and the dynamics of the negotiations with the Jordanian negotiators

Prepared by: Madlen Rabadi: Ph. D Candidate, University of Sussex

Date: November 2015

1. What was in your view Jordan's main motives for concluding the Association Agreement with the EU?
2. What was in your view the EU's main motive for concluding the Association Agreement with Jordan?
3. What was in your view Jordan's attitude during the negotiation period with the EU, which aspects Jordan was most adamant to defend/keep/take away in the Association Agreement with the EU?
4. What was the most important change in EU – Jordan trade (relations) brought about by the Association Agreement with Jordan?
5. In the event that you considered the Association Agreement with Jordan successful, could you describe how in your opinion Jordan and the population of Jordan benefitted?
6. Is it your impression that certain countries were more involved than others with regard to the conception of the Association Agreement with Jordan? If so which countries were more involved?
7. Did the process towards the conclusion of the Association Agreement with Jordan differ in any way from other countries?
8. If you would find yourself all of a sudden on the Jordanian side of the negotiation table, what would you ask from the EU?
9. Looking at these main motives in particular but also considering the Action Plans or other goals, to what extent would you say that the Association Agreement with Jordan was successful?



University of Sussex

CONSENT FORM FOR PROJECT PARTICIPANTS

PROJECT TITLE:

To What Extent the 'Barcelona Process: Union for the Mediterranean' has been economically beneficial to Jordan?

Researcher : Madlen Rabadi

Project Approval

Reference: ER/MR375/1

The undersigned agrees to take part in the above University of Sussex research project. I have had the project explained to me and I have read and understood the Information Sheet, which I may keep for my records. I understand that agreeing to take part means that I am willing to:

- Be interviewed by the researcher and my interview be referenced in the Ph.D thesis of Madlen Rabadi.

I understand that I have given my approval for my name to be included in the write up of the research.

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

Name: _____

Signature _____

Date:



University of Sussex

PARTICIPANT INFORMATION SHEET TEMPLATE

STUDY TITLE

To What Extent the ‘Barcelona Process: Union for the Mediterranean’ has been economically beneficial to Jordan?

Dear Mr./M XXXXXXXX

I am conducting my Ph.D. research on the EU - Jordan Free Trade Agreement as a student at the University of Sussex, History Department. I would like to invite you to take part in this research. Below, I will describe the goal and scope of the research, in order to help you to make an as informed as possible decision about your participation. I would highly appreciate it if you could take the time to read the following information.

The purpose of the study is to evaluate the Association Agreements that the EU signed with Jordan and to verify to what extent Jordan's economic situation has improved or deteriorated as a result of the agreement that came into force in 2002. The research is composed of 5 chapters. Chapter one is setting the theoretical baseline for the thesis. Chapter two describes the Jordan economic policies that lead to the signing of the AA. Chapter three will contain the input of the EU negotiators on the FTA negotiation process with Jordan. Chapter Four evaluates the agreements using the ex-ante assessment model of “Trade Indicators” and the “Free Trade Agreement and Welfare Indicators” for the ex-post assessment. Chapter five reviews the progress reports of Jordan from 2002 till 2012, while the final chapter will contain the input of the EU negotiators on the FTA negotiation process with Jordan.

Your views on the negotiation process would be a precious contribution to get a further understanding of the EU-Jordan relation. Your views will be captured in the form of a questionnaire that may be best completed by yourself to ensure that your exact words are being correctly referenced or quoted in the research.

Your participation is, needless to say, entirely voluntary. In the event that you do decide to take part in the research you will be given this information sheet to keep and you will be asked to sign a consent form. In case you decide to participate you can still withdraw at any time and without giving a reason.

Taking part in the study will take a maximum of 30 minutes of your time. Your participation is crucial to bring further insight to the EU policies and motives that lead to the signing of the agreement. It will also shed a light on the mechanisms of the negotiations and how the Jordanian negotiators acted and reacted and what was their approach and motivation. Your feedback will be referenced and quoted in the study.

If you require any further information, please feel free to contact me directly by email:

M.Rabadi@sussex.ac.uk or by phone: +31 611538674

I, furthermore, have to inform you of the following. If you have any concerns about the way in which the study is being conducted, you can contact my academic supervisor: ~~Dr.~~ Martin Evans at M.J.Evans@sussex.ac.uk. The University of Sussex has an insurance in place to cover its legal liabilities in respect of this study.

Thanking you for having taken the time to read this information sheet and with, Kind regards,

Madlen
Rabadi Ph.
D.
Candidate
School of History, Art History and Philosophy
Room A 7, Arts A
University of Sussex
Falmer, Brighton BN1
9QN UK

Appendix IV: Aide Memoire – Partnership Agreement Negotiations 22 October 1996

SENT BY: Xerox Telecopier 1021 22-10-96 3:23PM : EURO DEL JORDAN- 32 2 2991045: # 1

URGENT

EUROPEAN COMMISSION
DELEGATION IN AMMAN JORDAN
FAX NO. 962-6-686746
TEL NO. 962-6-668191

Telecopy no: _____

Chef d'Unité	IB / A 2	Attrib.
	22 OCT. 1996	VD

COVER PAGE PLUS 1 PAGE(S)

TO: MR TOMAS DUPLA DEL MORAL FROM: EC DELEGATION, AMMAN
DG I.B.A.2

DATE: 22 OCTOBER 1996

PLEASE COPY TO:

SUBJECT: AIDE MEMOIRE - PARTNERSHIP AGREEMENT NEGOTIATIONS

Please find attached a copy of the Aide Memoire which we will discuss with the Minister of Planning tomorrow, Wednesday, 23 October 1996. The Delegation would be grateful for your approval and/or comments.

Agreement?
Deadline?

[Signature]
Yves Gazzo
Head of Delegation

URGENT

22/10 '96 MAR 15:24 [TX/RX N° 6112]

AIDE MEMOIRE
Partnership Agreement Negotiations

In order to facilitate a quick and smooth finalisation of current negotiations of the EU-Jordan Partnership Agreement prior to its presentation to the General Affairs Council scheduled for 28 October 1996, the following issues were reviewed:

1. {
 - 1.1 Details of the gradual elimination of tariffs on industrial products
 - 1.2 List of products excluded from the gradual elimination of tariffs
 - 1.3 The new formulation of Article 10 (processed agricultural products)
 - 1.4 The Jordanian position on the Commission's amended text on intellectual protection of pharmaceutical products, and its connection with the Jordanian draft patent law
 - 1.5 The Jordanian reaction to comments made by the European Commission on the exclusion list for services proposed by Jordan.

2. The Commission insisted in particular on (a) the need to ensure that the list for tariff elimination be transmitted as soon as possible, since EU Member States would require a period of two weeks for examination before approving the final draft of the Association Agreement, and (b) the official Jordanian reaction to points 1.2, 1.3 and 1.4 above.

3. { It is hoped that a final agreement on these points could be reached very soon, as much has been accomplished so far during the previous round of negotiations. If, however, certain issues remain outstanding, a final round of negotiations could be envisaged although it may delay the planned agenda.

Done in Amman on 21 October 1996.

For the Government of Jordan

For the European Commission

Dr. Rima Khalaf Hunaidi
Minister of Planning

Dr. Yves Gazzo
Head of Delegation

Appendix V: Agreed Minutes 16 April 1997

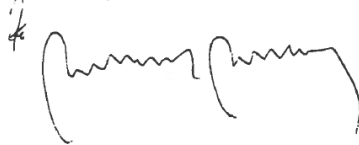
AGREED MINUTES

The delegations of the European Commission and the Hashemite Kingdom of Jordan have concluded today the negotiations on a new Euro-Mediterranean Association Agreement as in the annex.

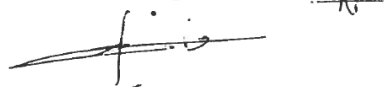
Both delegations will submit this Agreement for adoption to their relevant authorities.

Malta, 16 April 1997

On behalf of the delegation of
the European Commission



On behalf of the delegation of
the Hashemite Kingdom of Jordan



**Appendix VI: Meeting Commission–Jordan 29-30 January 1997: Delegation
Commission**

**Meeting Commission - Jordan
29-30 January 1997
Brussels**

Delegation Commission

DG	Name Service	Fonctionnaire
DGIB/A	Relations extérieures: Méditerranée du Sud, Moyen et Proche-Orient, Amérique Latine, Asie du Sud et du Sud-Est et coopération Nord-Sud	Peter Zangl, Directeur Tomas Duplá, Chef d'unité Stefano Di Cara, Négociations Accords
DGI/M	Relations Externes: Services	
DGXXI/B	Règles d'origine	
DGVI/H	Affaires internationales concernant l'Agriculture	
DGIII/E	Affaires industrielles: Produits Agricoles Transformés	Hermann Spitz, Administrateur
DGIII/A	Affaires industrielles: Démantèlement Tarifaire	Michele Villani, Administrateur
DGI/D	Propriété intellectuelle et industrielle	Raimund Raith, Chef de Secteur
Service Juridique		Esa Paasivirta, Conseiller Juridique
Secrétariat Général	Réadmission	Floriana Sipala, Administrateur

Appendix VII: The composition of the Jordanian Delegation 28-31 Jan

EMBASSY OF JORDAN
Av. F. Roosevelt, 104
1050 BRUSSELS

TEL.: (02)640.77.55
FAX.: (02)640.27.96
TX.: 62513 AMBJOR B

FACSIMILE

DATE : 27 January 1997 NUMBER : 02/296.66.12

TO THE ATTENTION OF : Mr. Peter ZANGL
Director for Southern Mediterranean and Middle East
DG1-SC 14864

C.C. : Mr. Del Dupla
Mr. Harold Cool

LOCATION : BRUSSELS

NR. OF PAGES TRANSMITTED : 1 (cover)

SUBJECT : The composition of the Jordanian delegation to the fifth round of Euro-Jordanian Partnership 28 -31 January 1997

Dear Mr. Zangl,

I herewith confirm the composition of the names of the Jordanian delegation who will attend the fifth round of Euro-Jordanian Partnership scheduled to be held on 28 -31 January forthcoming as follows :

- [REDACTED] Head of Delegation/Secretary General, Ministry of Planning,
- [REDACTED] Ambassador Extraordinary and Plenipotentiary of the Hashemite Kingdom of Jordan to the Kingdom of Belgium,
- [REDACTED] Secretary General, Ministry of Industry and Trade,
- [REDACTED] Director General of Budget Department, Ministry of Finance,
- [REDACTED] Director General of Customs and Duties Department, Ministry of Finance
- [REDACTED] Assistant Secretary General, Ministry of Agriculture,
- [REDACTED] Executive Director, Central Bank of Jordan,
- [REDACTED] Ministry of Agriculture,
- [REDACTED] Agricultural Marketing Corporation,
- [REDACTED] Head of Technical Department, Ministry of Planning,
- [REDACTED] Customs and Duties Department, Ministry of Finance

for your kind attention.

With best regards.

[REDACTED]
Ambassador

Appendix VIII: Meeting Commission Jordan Jan 1997**Meeting Commission - Jordan****Brussels 29/30 January 1997**

1. Draft Agenda
 2. Jordanian and Commission delegation
 3. Briefing note on outstanding points
 4. Draft Agreement (version 4c)
-
5. Annexes & protocols
 6. New text of Art. 10 (processed agricultural products)
 7. Council decision of 1.10.1996 on agriculture & readmission
 8. Agricultural package
 9. Cross reference Jordan ⇒ Tunisia/Morocco/Israel Agreements
 10. New text of Annex 8 on Intellectual Property Rights
 11. Comments of DG I/M on liberalisation of services

Appendix IX: Letter from European Commission dated 4 June 2018



EUROPEAN COMMISSION
Directorate-General for Trade
The Director General

Ref. Ans(2018)0898386 - 04/06/2018

Brussels,
trade.dga2.e.3(2018)2663248

*By registered letter with
acknowledgment of receipt*

Madlen Rabadi
2e Schuytstraat 178
2517TP Den Haag
The Netherlands

Advance copy by email:
madlenrabadi@yahoo.com

Subject: Your application for access to documents – Ref GestDem No 2017/7397

Dear Ms Rabadi,

We refer to your e-mail dated 1 December 2017 in which you make a request for access to documents, registered on the same date under the above-mentioned reference number. We apologise for the long delay in getting back to you.

We regret to inform you that the Commission does not hold any documents that would correspond to the description given in your application.

Indeed, the delay in our reply reflects the fact that we have spent quite some time searching through our archives to try to find the information corresponding to your request, but to no avail.

As specified in Article 2(3) of Regulation 1049/2001, the right of access as defined in that regulation applies only to existing documents in the possession of the institution.

Given that no such documents, corresponding to the description given in your application, are held by the Commission, the Commission is not in a position to handle your request.

In accordance with Article 7(2) of Regulation 1049/2001, you are entitled to make a confirmatory application requesting the Commission to review this position.

Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22991111

Such a confirmatory application should be addressed within 15 working days upon receipt of this letter to the Secretary-General of the Commission at the following address:

European Commission
Secretary-General
Transparency unit SG-B-4
BERL 5/282
B-1049 Bruxelles

or by email to: sg-acc-doc@ec.europa.eu

Yours sincerely,

Jean-Luc DEMARTY

Appendix X: Consent forms



University of Sussex

CONSENT FORM FOR PROJECT PARTICIPANTS

PROJECT TITLE: To What Extent Does the “Barcelona Process: Union for the Mediterranean” Offer Real Partnership and Equal Economic Benefits to the Middle East Partners?

Case Study: EU- Jordan Relation

Reseracher : Madlen Rabadi

Project Approval

Reference: ER/MR375/1

The undersigned agrees to take part in the above University of Sussex research project. I have had the project explained to me and I have read and understood the Information Sheet, which I may keep for my records. I understand that agreeing to take part means that I am willing to:

- Be interviewed by the researcher and my interview be referenced in the Ph.D thesis of Madlen Rabadi.

I understand that I have given my approval for my name to be included in the write up of the research.

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

Name: Peter Zaugh

Signature: [Signature]

Date: 19. 1. 2016



**CONSENT FORM FOR PROJECT
PARTICIPANTS**

PROJECT TITLE: To What Extent Does the “Barcelona
Process: Union for the Mediterranean” Offer
Real Partnership and Equal Economic
Benefits to the Middle East Partners?

Case Study: EU- Jordan Relation

Reseracher : Madlen Rabadi

Project Approval

Reference: ER/MR375/1

The undersigned agrees to take part in the above University of Sussex research project. I have had the project explained to me and I have read and understood the Information Sheet, which I may keep for my records. I understand that agreeing to take part means that I am willing to:

- Be interviewed by the researcher and my interview be referenced in the Ph.D thesis of Madlen Rabadi.

I understand that I have given my approval for my name to be included in the write up of the research.

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

Name: Mr Michele Villani

Signature

Date: 15 January 2016

Appendix XI: Responses of the EU Negotiators



Goal of the questionnaire: To shed the light on the EU position and policies that motivated the EU to negotiate the Association Agreement with Jordan and the dynamics of the negotiations with the Jordanian negotiators

Prepared by: Madlen Rabadi: Ph. D Candidate, University of Sussex

Responded by: Mr. Michele Villani

Date: Jan 2016

1. What was in your view Jordan's main motive for concluding the Association Agreement with the EU?

It was mainly threefold. First to be an integral part of the new Euro-Med area as a whole, i.e. not being left out from what was a topical effort of economic and, to a lesser extent, political regional integration by the time. With this, Jordan would participate in all Euro-Med policy fora established regionally between the two sub-regions (EU and the South). Second, have a chance to place preferentially its limited industrial and agricultural exports to the wide EU market, i.e. with no tariffs on industrial products and reduced non-tariff barriers on agriculture. As a consequence, and thirdly, this competitiveness enhancing process (outward and inward competition within the free trade area in the making) would have supported an endogenous economic reform drive in Jordan, mainly in the industrial and trade/export domains (although Jordan's export capability was quite limited).

2. What was in your view the EU's main motive for concluding the Association Agreement with Jordan?

Jordan was an important (and easy) partner, although not a strategic market for the EU. It was seen as (the first) building block of the Euro-Med FTA strategy in the Mashrak area. This was designed to enhance growth in the (sub)region by creating a regional FTA through progressive (and asymmetric) tariff dismantling and enhancement of economic cooperation. Jordan was regarded as a reliable and positive partner to build this new concept upon, as well as a market where, through cumulation of rules of origin, trade could have been enhanced within that subregion (including Palestine and Israel).

3. What was in your view Jordan's attitude during the negotiation period with the EU, which aspects Jordan was most adamant to defend/keep/take away in the Association Agreement with the EU?

My recollection was of a cooperative, positive and forward-looking negotiating Jordan, adamant to make the best out of this agreement for its own economy and further regional integration. They negotiated well on gradual tariff dismantling to phase out tariff protection on some sensitive products, and strove to correctly understand the implication, for their own internal reform policy efforts, of clauses on economic cooperation.

4. What was the most important change in EU -- Jordan trade (relations) brought about by the Association Agreement with Jordan?

First, better penetration of Jordanian products into the EU market (though limited due to size/scope and competitiveness) and involvement of Jordan in the Euro-Med policy and dialogue fora (economic, trade, cooperation) often to facilitate regional discussions involving Arabs and Israel.

5. In the event that you considered the Association Agreement with Jordan successful, could you describe how in your opinion Jordan and the population of Jordan benefitted?

Unfortunately, I am not in a position to assess the impact of the Agreement which, at that time (19 years ago!), I contributed to negotiate on the industrial products trade/tariff part, so would not be able to assess the ex-post benefits for the country and its population. Yet, the significant amount of assistance both to implement the Association Agreement (the first to be signed by the EU in that subregion) and to support economic, civil society and sectoral reforms was certainly beneficial to the country in terms of governance.

6. Is it your impression that certain countries were more involved than others with regard to the conception of the Association Agreement with Jordan? If so which countries were more involved?

No. No third countries influenced the bilateral negotiating process. No Member States of the EU, either, as the Euro-Med FTA concept was a Community one with collective deliberations with all Member States led by the European Commission, the sole negotiator on behalf of the EU within the framework of negotiating directives approved by the EU Council.



7. Did the process towards the conclusion of the Association Agreement with Jordan differ in any way from other countries?

Not really. Clearly, it was the first one to be signed and enter into force in the Mashrek area (Tunisia led in the Maghreb) and the EU ratification process took relatively shorter (few years) compared, for instance, to Egypt whose negotiations and ratification process took much longer.

8. If you would find yourself all of a sudden on the Jordanian side of the negotiation table, what would you ask from the EU?

At that time (now probably outdated), I would ask to be more liberal on agriculture, to enhance business cooperation and joint tri/quadripartite economic projects to be funded to the benefit of civil society there and in neighboring countries, and to operationalize diagonal cumulation of rules of origin much faster so as to spur sub-regional integration.

9. Looking at these main motives in particular but also considering the Action Plans or other goals, to what extent would you say that the Association Agreement with Jordan was successful?

As I said, I am not in a position to assess having participated only to the start of the process and not throughout its progressive implementation. But I have the impression that the Agreement reached its minimal results.

Comments on the Association Agreement Negotiation with Jordan

Caveat: This comments are made from memory more than 15 years after the negotiation period, without any access to any of the negotiation documents.

1. In the frame of the Barcelona Process, the Association agreements (AA) were meant to be one of the key tools for giving the policy aims, in particular creating a free trade zone (FTZ) between all of the participants to the process. The AA with Jordan, was the 5th agreement to be negotiated, after those with Tunisia, Morocco, Israel and the Palestinian Authority. In that sense, beyond the proper value it had in relation between Jordan and the European Union it was meant to be pilot in view of the negotiations which were either already ongoing (Egypt, Lebanon) or due to start soon (Syria and Algeria). In that sense it was an essential building bloc of the rebalancing towards Mashrak countries of traditionally more developed relationship between several EU countries and the Maghreb countries. At the same time all negotiations of AA brought European countries with historically had less developed links with south and east Mediterranean countries closer to the process and thus becoming increasingly true partners in the overall Barcelona Process.
2. Of course the FTZ would only be completed once the “southern” countries participating in the process would have agreed corresponding agreements between themselves. The Barcelona Process was attaching the same priority to trade between the “southern” partners as between the “southern” partners and the EU. This is important to remember as it implied that the very technical part of the AA dealing with “Rules of Origin” (RO) needed to be coherent between all of the agreements. This had as a consequence that RO agreed in existing AA in some sense needed to be accepted for the following agreements. In case this would not be the case, RO would need to be renegotiated for the already existing AA. This easily explains why the negotiation on RO was always one of the very difficult part of the negotiations.
3. While fundamental human rights (Art. 2) and the “Readmission clause” for illegal immigrants were difficult issues for most of the partner countries, I have no specific recollection that this would have been the case for Jordan. Of course the Agricultural chapter will have had its own difficulties, but I could not from memory spell out which products would have been particularly sensitive in the case of Jordan.
4. Overall the negotiation process with Jordan was quite smooth compared with others which followed. Jordan was aware of being a front runner compared in particular to other Mashrak countries and was keen and interested in coming rapidly to a positive result. The question 8 on what – would I have been a Jordan negotiator – I would have asked from the EU is quite difficult, as in my view a good negotiator is as much aware of his own mandate as of the positions and constraints of the counterpart. I would possibly have asked for more flexibility on RO, which are crucial for developing trade and if they were to detailed they would be

difficult to manage and to respect by a country like Jordan, thus putting at risk the potential benefits.

5. Overall it shall not be forgotten, that beyond the value of the AA for the development of trade, the many dialogues (be it for example on Human rights, on scientific or cultural cooperation) and cooperation tools which are at the heart of the well-functioning of the AA are as important as the detailed provisions of the agreement. So the entry into force of an agreement after ratification is to be seen as a starting point for rapidly developing cooperation between the partners much beyond the provisions of the agreement itself. In the case of Jordan this started immediately after the signature of the agreement with the entry into force of the trade provisions which took place ahead of the overall ratification.
6. An AA is first of all a declaration of intent which worked well in the case of Jordan. More than anything else it is the development in the region which prevented Jordan and the EU to get most of the benefits which could have been expected out of this agreement



EUROPEAN COMMISSION
Directorate-General for Trade
The Director General

Ref. Ares(2018)2683248 - 04/06/2018

Brussels,
trade.dga2.e.3(2018)2663248

*By registered letter with
acknowledgment of receipt*

Madlen Rabadi
2e Schuytstraat 178
2517TP Den Haag
The Netherlands

Advance copy by email:
madlenrabadi@yahoo.com

Subject: Your application for access to documents – Ref GestDem No 2017/7397

Dear Ms Rabadi,

We refer to your e-mail dated 1 December 2017 in which you make a request for access to documents, registered on the same date under the above-mentioned reference number. We apologise for the long delay in getting back to you.

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Indeed, the delay in our reply reflects the fact that we have spent quite some time searching through our archives to try to find the information corresponding to your request, but to no avail.

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Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22991111

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European Commission
Secretary-General
Transparency unit SG-B-4
BERL 5/282
B-1049 Bruxelles

or by email to: sg-acc-doc@ec.europa.eu

Yours sincerely,

Jean-Luc DEMARTY

Appendix XII: List of Jordan's Treaties

List of treaties by country: Jordan		
Title	Type	Date of Signature
Protocol to the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, on a Framework Agreement between the European Union and the Hashemite Kingdom of Jordan on the general principles for the participation of the Hashemite Kingdom of Jordan in Union programmes	Bilateral	19/12/2012
Agreement between the European Community and the Hashemite Kingdom of Jordan on Scientific and Technological Cooperation	Bilateral	30/11/2011
Euro-Mediterranean Aviation Agreement between the European Union and its Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part (*)	Bilateral	15/12/2010
Protocol to the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, to take account of the accession of the Republic of Bulgaria and Romania to the European Union (*)	Bilateral	30/11/2009
Agreement between the European Community and the Hashemite Kingdom of Jordan on certain aspects of air services (*)	Bilateral	25/02/2008
Agreement in the form of an Exchange of Letters between the European Community and the Hashemite Kingdom of Jordan amending the EC-Jordan Association Agreement	Bilateral	26/09/2007
Agreement in the form of an Exchange of Letters between the European Community and the Hashemite Kingdom of Jordan concerning reciprocal liberalisation measures and amending the EC-Jordan Association Agreement as well as replacing Annexes I, II, III and IV and Protocols 1 and 2 to that Agreement	Bilateral	29/01/2006
Protocol to the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part, to take account of the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Hungary, the Republic of Latvia, the Republic of Lithuania, the Republic of Malta, the Republic of Poland,	Bilateral	31/05/2005

the Republic of Slovenia, and the Slovak Republic to the European Union		
Agreement in the form of an Exchange of Letters between the Community and Jordan concerning imports into the Community of fresh cut flowers and flower buds falling within subheading 060310 of the Common Customs Tariff	Bilateral	24/11/1997
Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part - Protocol 1 concerning the arrangements applicable to the importation into the Community of agricultural products originating in Jordan - Protocol 2 concerning the arrangements applicable to the importation into Jordan of agricultural products originating in the Community - Protocol 3 concerning the definition of the concept of 'originating products' and methods of administrative cooperation - Protocol 4 on mutual assistance between administrative authorities in customs matters - Joint Declarations - Final Act	Bilateral	24/11/1997
Regional Convention on pan-Euro-Mediterranean preferential rules of origin	Multilateral	15/06/2011
Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity	Multilateral	29/10/2010
Convention on the Rights of Persons with Disabilities	Multilateral	13/12/2006
International Agreement on Olive Oil and Table Olives, 2005	Multilateral	29/04/2005
Amendment to the Basel Convention on the control of transboundary movements of hazardous wastes and their disposal	Multilateral	25/10/2004
United Nations Convention against Corruption	Multilateral	31/10/2003
WHO Framework Convention on Tobacco Control	Multilateral	21/05/2003
International Treaty on Plant Genetic Resources for Food and Agriculture	Multilateral	6/6/2002
Stockholm Convention on Persistent Organic Pollutants	Multilateral	22/05/2001
United Nations Convention Against Transnational Organised Crime	Multilateral	15/11/2000
Cartagena protocol on biosafety to the convention on biological diversity	Multilateral	24/05/2000
Amendment to the Montreal Protocol on substances that deplete the ozone layer	Multilateral	3/12/1999
Protocol of amendment to the International Convention on the simplification and harmonisation of customs procedures (Revised Kyoto Convention)	Multilateral	26/06/1999

Convention for the Unification of Certain Rules for International Carriage by Air	Multilateral	28/05/1999
Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade	Multilateral	10/9/1998
Kyoto Protocol to the UN Framework Convention on Climate Change	Multilateral	11/12/1997
International Plant Protection Convention - New revised text approved by Resolution 12/97 of the 29th Session of the FAO Conference in November 1997 - Declaration	Multilateral	7/11/1997
Amendment to the Montreal Protocol on substances that deplete the ozone layer, adopted at the ninth meeting of the Parties	Multilateral	17/09/1997
WIPO Copyright Treaty	Multilateral	23/12/1996
WIPO Performances and Phonograms Treaty	Multilateral	20/12/1996
Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982 (UNCLOS)	Multilateral	28/07/1994
United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa	Multilateral	17/06/1994
Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer	Multilateral	25/11/1992
Convention on biological diversity	Multilateral	5/6/1992
United Nations Framework Convention on Climate Change	Multilateral	9/5/1992
Amendment to the Montreal protocol on substances that deplete the ozone layer (London Amendment)	Multilateral	29/06/1990
Convention relating to temporary admission (Istanbul Convention)	Multilateral	26/06/1990
Basel Convention on the control of transboundary movements of hazardous wastes and their disposal	Multilateral	22/03/1989
United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances	Multilateral	20/12/1988
Montreal Protocol on substances that deplete the ozone layer	Multilateral	16/09/1987
Convention on Assistance in the case of a Nuclear Accident or Radiological Emergency	Multilateral	26/09/1986
Convention on Early Notification of a Nuclear Accident	Multilateral	26/09/1986
Vienna Convention for the protection of the ozone layer	Multilateral	22/03/1985
International Convention on the Harmonised Commodity Description and Coding System	Multilateral	14/06/1983
United Nations Convention on the Law of the Sea (UNCLOS)	Multilateral	10/12/1982
Convention on the conservation of migratory species of wild animals (Bonn Convention)	Multilateral	23/06/1979

International Convention for the Protection of New Varieties of Plants, as revised at Geneva on 19 March 1991	Multilateral	2/12/1961
Customs Convention on the temporary importation of private road vehicles (1954)	Multilateral	4/6/1954
Constitution of the Food and Agriculture Organisation of the United Nations (FAO)	Multilateral	16/10/1945

Source: EEAS

<http://ec.europa.eu/world/agreements/searchByCountryAndContinent.do?countryId=2137&countryName=Jordan&countryFlag=treaties>.