

**AN ASSESSEMENT OF THE ECONOMIC AND POLITICAL IMPACTS OF THE  
AGADIR AGREEMENT: PROMOTING PEACE AND STABILITY IN THE MIDDLE  
EAST AND NORTH AFRICA.**

**TARIK OUMAZZANE**

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requirements of The Nottingham Trent University  
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## Abstract

The Middle East and North Africa (MENA) is currently experiencing unprecedented national, regional and transnational challenges. The emergence and intensification of wars and conflict, the rise in regional and Western military intervention, the increase in public discontent, and the mass displacement of refugees have become increasingly salient features of the political economy of the region. Nevertheless, efforts to achieve greater regional integration have continued since the Second World War. Bilateral, multilateral and region-wide projects have been established to facilitate intra-regional trade and promote political cooperation. The latest regional integration process is the free trade Agadir Agreement, signed in 2004 by Morocco, Tunisia, Egypt and Jordan. This thesis investigates the Agadir Agreement's impact on economic integration, its effect on political cooperation, and its role in promoting peace and stability between participating states. Using a critical commercial institutionalist peace theory framework and a mixed-method approach, this thesis argues that, despite the positive and significant correlation found between several variables, it is short-sighted to conclude that the Agadir Agreement has had a major impact on economic integration and political cooperation between member states. The thesis further argues that there is no single explanation of what promotes cooperation. Relations between the four Agadir signatories are the outcome of complex linkages between commercial institutional membership, trade liberalisation, economic integration, political cooperation and peace.

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## List of Abbreviations

ABC	The Agadir Business Council
ATU	The Agadir Technical Unit
ACM	The Arab Common Market
APC	Arab Potash Corporation
ASEAN	The Association of Southeast Asian Nations
BAPOA	The Buenos Aires Plan of Action
BRICS	Brazil Russia India China South Africa
CIP Theory	Commercial institutional peace theory
COMESA	The Common Market for Eastern and Southern Africa
CINC	Composite Index of National Capability
CWP	The Correlates of War Project
DRP	The Dispute Resolution Protocol
ECSC	The European Coal and Steel Community
ECOWAS	The Economic Community of West African States
FDI	Foreign direct investment
FTAs	Free trade agreements
GAFTA	The Greater Arab Free Trade Area
GDP	Gross domestic product
GATT	General Agreement on Tariffs and Trade
HCP	The Higher Committee for Privatisation
HDI	Human development index
IDA	The International Development Association
IMF	The International Monetary Fund
IPE	International Political Economy
IR	International Relations
JACC	Jordan Anti-Corruption Commission
JCFC	Jordan Cement Factories
JEUAA	The Jordan-EU Association Agreement
JPMC	Jordan Phosphate Mines Corporation
JTC	Jordan Telecommunications Company
JDP	The Justice and Development Party
MUECCIE	Memorandum of Understanding on Electronic Connectivity and Electronic Information Exchange
MENA	The Middle East and North Africa
MERCOSUR	Mercado Común del Sur [Southern Common Market]
MIDs	Militarised interstate disputes
MNCs	Multi-national corporations (MNC)
MRAAEO	Mutual Recognition Agreement for the Approved Economic Operator
NDP	The National Democratic Party
NPS	The National Privatisation Strategy
NAFTA	North American Free Trade Agreement
OCP	The Office Cherifien des Phosphates
OECD	The Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PbuH	Peace be upon him

PPF	The Privatisation Proceeds Fund
PSC	The Privatisation Steering Committees
PSC	Programme Steering Committee
QIZ	Qualified Industrial Zones
SIPRI	Stockholm International Peace Research Institute
SAP	Structural Adjustment Programmes
SUNFED	Special UN Fund for Economic Development
TOTRI	Tariff-only Overall Trade Restrictiveness Index
TNCs	Transnational corporations
UN	United Nations
UNCTAD	The United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNGA	The UN General Assembly
UNSC	The UN Security Council
WTO	The World Trade Organisation

# Introduction

Since the ‘Arab Spring’ of 2011, the geo-political situation in the Middle East and North Africa (MENA) has further drifted towards instability and uncertainty. Much of the experts’ analysis, reports and academic research on the MENA seems to lurch from one crisis to another depicting an interlocking pattern of crises. Nonetheless, the MENA’s governments have long regarded regional economic integration as a chief policy objective. Various forms of regional integration – in varying forms - have been implemented in the MENA, including free trade agreements (FTAs) such as the Greater Arab Free Trade Area (GAFTA) and economic and political unions such as the Gulf Cooperation Council (GCC) and the Maghreb Union. These bilateral, multilateral and region-wide projects have been established to facilitate intra-regional trade and promote political cooperation.

Realising the shortcomings of the various integrative processes, four Middle East and North African countries:<sup>1</sup> Morocco, Tunisia, Egypt and Jordan (hereafter referred to as the Agadir member states or Agadir Area), signed the Free Trade Agadir Agreement in 2004. This agreement came into force in 2007. To this date, it stands as one of the last multilateral FTA in the MENA. It aims to promote faster economic integration and coordination between its members and to consolidate economic liberalisation at a broader regional level (Péridy, 2005). This research project analyses and assesses the Agadir Agreement’s impact on economic integration, its effect on political cooperation, and its role in promoting peace between participating countries within the disciplinary frameworks of International Political Economy (IPE) and International Relations (IR). These analyses and assessments use a critical version of commercial institutional peace theory (hereafter referred to as CIP theory) as theoretical framework within the disciplinary frameworks of IPE and IR.

The objective of this thesis is to understand and offer explanations of the political economy of integration between Agadir member states. This is done by examining trade

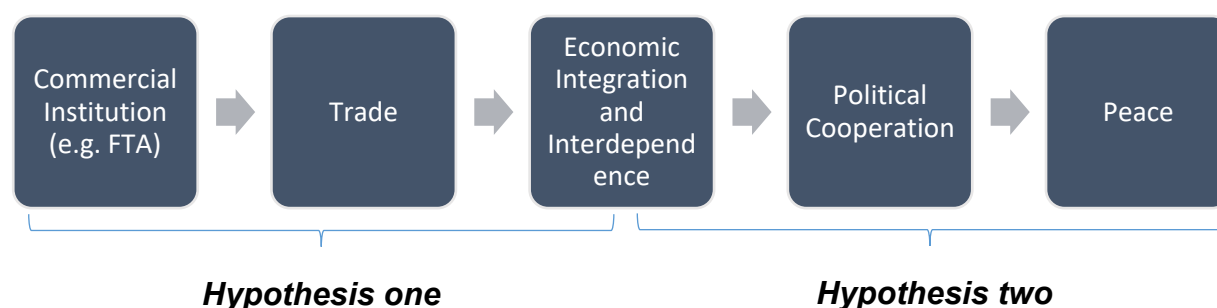
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<sup>1</sup> For map of the MENA, see appendix 1.

relations and if there is an impact on economic integration as well as political cooperation and peace between member states. In doing so, this research project critically analyses the political economy of the relationship between trade and peace among Agadir member states and examines the governmental interests driving the Agadir Agreement. This research project's argument considers the significance of unity and disunity in the MENA.

Two hypotheses are tested in this regard (figure 1). The first one is: signing the Agadir Agreement increases commercial exchange between member states which deepens their economic integration and interdependence. The second hypothesis is: in joining a commercial institution, participating member states deepen their economic integration process and interdependence which promotes their political cooperation and fosters peace between them. Both hypotheses are grounded in CIP theory. This theory advocates the establishment of institutions and free trade to promote greater economic growth and welfare as a result of economic integration between different markets. This process, according to CIP theory, inevitably leads to greater political cooperation and peace between member states (Smith, 1776; Röpke, 1959; Locke, 1964; Keohane, 1984; Friedman, 2005; Kant, 2010). Two research questions arise naturally from these hypotheses. These are: (1) how effective has the Agadir Agreement been in terms of achieving economic integration between member states? (2) Has the Agadir Agreement led to greater political cooperation and peace between its members?

**Figure 1: Research hypotheses**



This thesis is structured in two main sections, the first three chapters set out the background to the thesis. Chapter one sets out the disciplinary framework within which this

research project takes place. Chapter two establishes the theoretical framework and the methodology used to answer this research project's questions and test its hypotheses. Chapter three specifically focuses on understanding the Agadir Agreement as a treaty and on understanding the political economy transformation in each Agadir member state since their independence. Next two chapters employ the theoretical approach and research methods as well as the background outlined in the previous chapters to analyse and assess the impact of the Agadir Agreement on economic integration and political cooperation and peace between Agadir member states.

The first chapter 'Exploring Regional Integration in the Middle East and North Africa' critically debates IPE and IR as the disciplinary frameworks within which this research project is carried out, before examining regional integration in the MENA. This chapter is structured in four sections. Section one explores globalisation, its evolution and its impact on regional integration and regionalism. Attention is drawn to the way globalisation has impacted the Global South. Section two critically debates the concepts of regionalism, regional integration and South-South cooperation. Section three addresses specifically the integration process in the MENA since the Second World War (WWII) whilst section four critically analyses the relationship between integration and peace in the MENA context. An important argument that emerges from chapter one is that IPE and IR have focused on the political economy of integration in the Global North (e.g. the EU, and NAFTA) and in a few cases the implications of processes in the Global South for the North and have largely ignored the Global South. IPE and IR are being critiqued in their focus, their content and in their methods as state-centric, conflict-centric, Western-centric and ahistorical.

The second chapter 'Theory and Methods' establishes how this thesis is approached theoretically and methodologically. To achieve its aims, this chapter is organised in three sections. The first section addresses ontological and epistemological issues pertaining to this research project. Here, the dilemma of objectivity and subjectivity associated with conducting social science research is discussed. On one hand, the researcher is approaching this research project objectively in terms of perceiving the political economy relationship of the Agadir



Agreement to be observable and explicable through scientific and positivist analysis; and, on the other hand, subjectively in terms of acknowledging that the world is socially constructed and not separated from us. Hence, any findings are open to subjective interpretations. This section as a whole highlights how the ontological, epistemological, theoretical and methodological positions are aligned.

The second section identifies a critical version of CIP theory as the theoretical framework to be adopted in order to assess and evaluate the political economy of trade relations between Agadir member states. In doing so, this section broadly discusses major debates of integration within liberal thinking. It defines key concepts that guide this research project, such as: international trade, economic integration, political cooperation, negative peace and positive peace. The assumption highlighted here is that international political economy relationships between states are dynamic; adopting a critical version of traditional liberal theories will correspond to that dynamism.

The third section proceeds to explain the methodological approach employed in this thesis covering research strategy, design and data analysis. A mixed-method approach is chosen in order to collect, analyse and present information. The qualitative method is applied to analyse normative information, particularly with regard to the negotiation of the Agadir Agreement, subsequent policy-making and evidence of political cooperation. The quantitative method is utilised to analyse empirical data, particularly with regard to trade growth, economic integration and other variables used in this thesis. Here, variables are analysed using, at first stage, comparative analysis to conduct an item-by-item comparison of two or more comparable alternatives to detect any emerging trends and, at a second stage, using a bivariate Pearson multi-variable correlation analysis using SPSS<sup>2</sup> as a Generalised Linear Modelling (detailed in chapter two). The research project adopts a positivist method of analysing changes in variables between Agadir member states, and where fitting, compares

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<sup>2</sup> The Statistical Package for the Social Sciences.

their intra-regional changes with their world trade and with GAFTA. The unit of analysis is the dyad-year of a 27-year period from 1990 to 2016.

The third chapter, “The Political Economy of Agadir Member States: Towards Understanding the Agadir Agreement”, combines two sections. Section one focuses on the Agadir Agreement itself. It investigates the documentation of the Agadir Agreement, its content, its paradigm, its aims, what it covers and what it does not, and how the FTA is structured and institutionalised. This section aspires to answer why the Agadir Agreement was thought necessary? especially as it followed GAFTA which aims to establish free trade between most of the MENA states. Several arguments are presented here. First, is that the Agadir Agreement was established to mitigate the slow economic integration in the MENA compared with other regions (e.g. MERCOSUR, ASEAN, NAFTA). By concentrating on intra-regional trade between four MENA states, a faster and deeper economic integration was expected to be established and expanded to include other MENA states and, hence, an acceleration of the GAFTA process. The second argument is that by integrating a sector by sector economy within the Agadir free trade area, a dynamic ‘spill-over’ was anticipated that accelerates economic integration and promotes political cooperation between member states and within the MENA as a whole. A third argument is that by joining a commercial institution, Agadir member states could strengthen negotiating power especially vis-à-vis the EU.

Section two shifts the focus from understanding the Agadir Agreement as a document to examining the political economy development in each Agadir member state after their independence in order to understand the context which led the four member states to found the Agadir Agreement. In particular, this section analyses Morocco, Tunisia, Egypt and Jordan’s transformation from nationalisation and dirigisme to neo-liberal policies. In order to understand and contextualise this transformation, political economy policies under various regimes - in Morocco (King Hassan II and King Mohammed VI), Tunisia (President Bourguiba, President Ben Ali, President Marzouki), Egypt (President Nasser, President Sadat, President Mubarak, President Morsi, President Sisi) and Jordan (King Hussein and King Abdullah II) - are critically explored and analysed. In doing so, this section analyses the

causes and consequences, advantages and disadvantages, beneficiaries and victims, potential and limits of the transformation from nationalisation and dirigisme to neo-liberalism. This change is argued to explain why Morocco, Tunisia, Egypt and Jordan have come to sign the free trade Agadir Agreement in 2004. It is argued here that in signing the Agreement, each member state was simply pursuing its national interest and its national political economy policy. This section goes further to consider the geo-political context of the MENA taking into account major events that have marked its contemporary history.

The fourth chapter, “An Assessment of the Impact of the Agadir Agreement on Member States’ Economic Integration Processes”, specifically targets the first core question of this thesis and tests our first hypothesis. This chapter assesses changes in trade volume, growth rate in intra-regional trade and interdependence between the four member states, using the research methods detailed in chapter two. A number of assumptions are tested: the higher the trade volume, growth rate of trade volume and trade dependence between member states are, the more integrated become the markets of Agadir member states; and hence the more significant is the Agadir Agreement. To test our hypothesis and assumptions, first an item-by-item comparison of two or more comparable alternatives is conducted. Second a detailed analysis of the interactions between the independent variable: commercial institutional membership (the Agadir Agreement) and the dependent variables: trade volume, growth rate of trade volume and trade dependence plus nine control variables, is carried out. The purpose of this analysis is to determine whether establishing the Agadir Agreement has had an impact on economic integration and interdependence between members and explain the extent to which CIP theory is applicable to states from the MENA specifically and to the Global South generally. To achieve the aims of this chapter, it is divided into two main sections. The first section analyses the impact of the Agadir Agreement on economic integration using the methodology stated above and detailed in chapter two. The second section discusses the results and findings of the first section.

The fifth chapter “An Assessment of the Impact of the Agadir Agreement on Political Cooperation and Peace” goes beyond the economic impact to investigate the Agadir

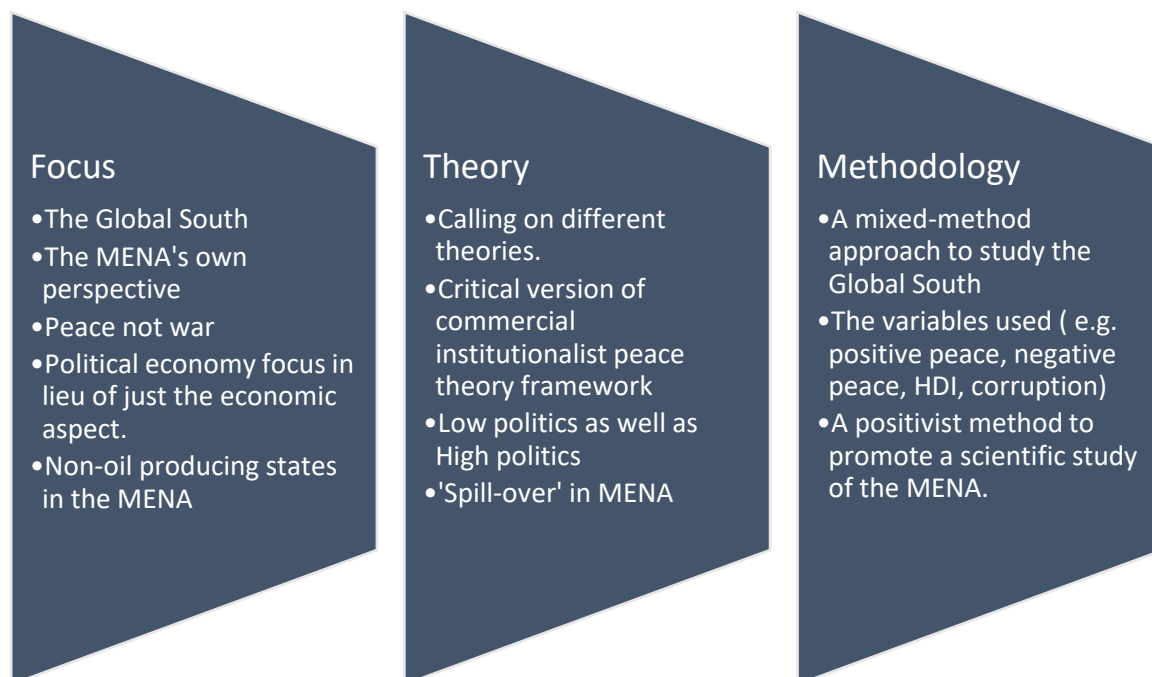
Agreement's impact on political behaviour and peace; hence, adopting a holistic political economy approach in the study of the Agadir Area. The chapter specifically targets the second core question and tests the second hypothesis of this thesis. This chapter analyses three types of peace: (1) negative peace defined as the absence of militarised interstate disputes (MIDs) (Galtung, 1996), (2) positive peace defined as the presence of conditions for political equality and social and economic justice (ibid), and (3) peace as an increase in political cooperation and policy coordination. Several assumptions are tested in this chapter. The first assumption is that increased trade between Agadir member states will diminish MIDs. The second assumption is that increased trade between Agadir member states will improve political, social and economic conditions, considered causes of peace and stability. The third assumption tested here is that joining together in a commercial institution would encourage participating states to cooperate militarily and to coordinate their international policies. The fourth assumption tested is that the higher intra-Agadir FDI flow, the more trustful have Agadir member states become to invest in each other's economies. The fifth assumption is that cooperation could emerge in a non-political context (Haas, 1958). In doing so, this chapter compares and tests - using the positivist method detailed in chapter two - a set of variables, associated with the afore-mentioned variables in order to assess whether there is a correlation and, hence, an impact between the Agadir Agreement and the change in political behaviour of Agadir member states.

The conclusion of the thesis brings together the findings of the analyses conducted in chapters four and five against the background of the political economy context of Agadir member states, the theoretical framework, the methodology and the research methods, critically analysed in chapters one, two and three. The conclusion engages in a discussion answering the core research questions whilst testing the hypotheses. Several conclusions are arrived at in relation to the political economy of commercial institutional membership and free trade between Morocco, Tunisia, Egypt and Jordan; the role of the Agadir Agreement, the importance of trade liberalisation and the impact on economic integration and political cooperation.

## Originality and Contribution to Knowledge

This research project is original in its focus, theory and methodology (figure 2) and, hence, makes an original contribution to knowledge.

**Figure 2: The Thesis Originality and Contributions to Knowledge**



Unlike many IPE and IR studies which have focused on the political economy relationships of states and FTAs of the North (e.g. EU, NAFTA) and in a few cases the implication of Southern actors to the North (Hobson, 2007, Anand, 2007), this research project is original in its focus on the political economy of the relationship between trade and peace among specific actors of the Global South: Morocco, Tunisia, Egypt and Jordan. These actors belong to the MENA, a geographical area substantially ignored and widely misunderstood by researchers in IR and IPE (Maliniak and Tierney, 2009; Snider, 2015; Baumann, 2015). This research project aspires to enrich research in the fields of IPE and IR by accentuating theoretical arguments and thinking from the MENA's own perspective thus contributing to the emergence of a new approach which does not reduce the region and its people to subjects of study by 'others' (Said, 2003). Further claims for originality relate to a move away from the structural and systemic ways of studying the MENA. First, unlike most

literature on the MENA that, arguably, focuses on security, fundamentalism, wars, conflicts and a 'clash of civilisations' narratives, this research project, on one hand, focuses on political cooperation and peace that the population of the MENA strive for, and on the other hand, draws attention to economic, social and political factors that have, arguably, contributed to the political economy disintegration of the MENA. Second, unlike most studies that concentrated on the economic aspects vis-à-vis the MENA (Dennis, 2006; Péridy, 2005; Rouis and Tabor, 2013), this research project considers the political economy aspects adopting a holistic approach. Third, unlike most literature on the MENA that focuses on the political economy of integration of mainly the GCC (Kaitibie and Rakotoarisoa, 2017; Mishrif, 2015; Mishrif and Al Balushi, 2018), this research project sheds light on the integration processes experienced by non-oil producing states: Morocco, Tunisia, Egypt and Jordan and, hence, brings these states into the IPE and IR discussion.

Theoretically, this study is original in several ways. First, despite its focus on CIP theory to test the research project's hypothesis, this thesis is also inspired by assumptions from other theoretical traditions. For instance, it draws upon the constructivist approach, where intangible features such as identity and beliefs play an important role in shaping regional integration in the MENA. Hence variables such as language and religion are tested and analysed. From a postcolonial prospective, the argument how the Global North pushed and encouraged Agadir member states to move away from nationalisation and dirigisme to adopt neo-liberal policies in their economic policies is critically debated in chapter three. The idea of discourse from poststructuralist theory on regional integration in the MENA is explored, especially considering this research project's explicit intent to shift the discourse on the MENA from one about war to one about peace. From a Marxist point of view, the idea of disparities between the rich and the poor are explored; hence questions about poverty, illiteracy and youth unemployment in the MENA are highlighted. As far as realism is concerned, the position and impact of 'the state' as an entity and 'the survival of the regime' as a concept on the MENA integration is explored considering the regimes that have alternated in Agadir member states since their independence to the present. Second, the form of CIP theory used in this research

project is critical. This critical approach is to enable us to move away from relying totally on the traditional liberal theory and at the same time analyse it for being Western-centric, conflict-centric and ahistoric. Further, it is to enable us to critique the theory in terms of its lack of consideration of local and regional characteristics in the integration processes and in terms of its overemphasis on economic aspects whilst ignoring political ones. Third, this research project aims to fill a gap in IR and IPE literature by focusing on low politics in the study of South-South cooperation as a means of linking issues of trade, economics and poverty, to issues of peace and security. Fourth, this study aims to test whether the theoretical concept of ‘spill-over’<sup>3</sup> could be created in the MENA.

Methodologically, this thesis’s claim for originality is significant. First, this research project adopts a pluralist methodology. It uses a mixed-method approach, engaging quantitative and qualitative methods, to critically analyse the political economy of the relationship between commercial institutions, trade and peace among states from the Global South. Though this methodology is not novel, it is rather important in the context of South-South cooperation bearing in mind the debate presented in chapter one regarding how IR and IPE as disciplines have been Western-centric and how they attempt to apply social phenomena from one region to social phenomena in other regions. This is apparent when scholars attempt to analyse economic integration in the MENA with the same lenses used to view EU regional integration. Second, the variables used to test both hypotheses are novel (e.g. positive peace, negative peace, HDI, corruption). Another distinctive aspect of the study is the use of the human development index (HDI) to measure positive peace. The use of corruption to test intra-regional trade is also distinctive. Third, this research project backs a bivariate Pearson multi-variable correlation analysis with a comparative analysis to conduct an item-by-item comparison of two or more comparable alternatives to detect any emerging trends. Utilising and combining these positivist methods in the study of the political economy of states from the Global South is still a rarity. In doing so, this research project aspires to promote a

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<sup>3</sup> Spill-over mechanism postulates that there will be a demand for further integration in different sectors once integration began in one sector (Richardson, 1996).

scientific study of the MENA far from the stereotypical trends prevalent within IR and IPE in the study of the Global South and of the MENA in particular.



# **Exploring Regional Integration in the Middle East and North Africa**

## **Introduction**

This chapter explores regional integration in the MENA and sets the background and the disciplinary framework within which this study is carried out. It is structured into a number of sections: section one begins by exploring globalisation, its evolution, its dimensions and its impact on regional integration and regionalism. It highlights globalisation's economic,

political and social dimensions and the role trade plays in international relations as well as the impact of globalisation on the Global South. Two arguments are presented: the first one is that the Global South has been marginalised in the international system; the second argument is that the discipline of IPE has focused on the political economy of integration in the Global North (e.g. the EU, and NAFTA) and in a few cases the implications of processes in the Global South for the North but has ignored the Global South in many ways. In particular, this section includes a discussion of how the MENA has not been paid sufficient attention by IPE. Section two critically debates the concepts of regionalism and regional integration. It defines the concept of regional integration and highlights both its economic and political dimensions. It presents both arguments for and against the promotion of regional integration processes. This section concludes by comparing and contrasting globalisation with regionalism. The third section addresses the concept of regionalism and specifically the process of integration in the MENA. It highlights the historical integration processes that the MENA has experienced since WWII. It then critically analyses the MENA's economic and political (dis)integration. The fourth section critically analyses the relationship between integration and peace in the MENA context. One primary aim of this section is to bring back the debate about 'integration' in the MENA back into the discourse about peace in the region. Here, it is argued that most of the recent literature on the MENA concentrates excessively on security, fundamentalism and a 'clash of civilisations' narrative whilst dismissing regional integration discourse. The fifth section introduces the subject matter of this study: the Agadir Agreement. This chapter then concludes by presenting a summary of the main points and arguments highlighted in the sub-sections as well as outlining this research project's own approach to the study of integration in the MENA.

## Globalisation and the MENA

### Defining Globalisation

The term 'globalisation' is complex and controversial (Zajda, 2015; Baylis Et al., 2013). Steger (2003) in his book *Globalisation: A Very Short Introduction* defines globalisation as "a movement towards more intense forms of connectivity and integration" (p.11) and as "the

expansion and intensification of social relations and consciousness across world-time and world-space”(ibid, p. 14). Globalisation is described as a movement of countless forms of connectivity and flows, where accelerated worldwide social relations link the local and national to the global, the West to the East, and the North to the South, in such a way that local events are shaped by events happening many miles away and vice versa (Giddens, 2003; Steger, 2003). Steger considers globalisation a social condition that transcends current existing borders and boundaries because of tight global economic, political, cultural, and environmental interconnections and flows. He argues that globalisation is changing the character of our present social condition of conventional nationality into one of ‘globality’. Steger highlights the role of technology and argues that new innovations have played a vital role in the compression of world-time and world-space.

This emphasis on interconnectedness is found in much of the literature on globalisation. Baylis Et al. (2013) in their book *The Globalization of World Politics* define globalisation as “a process of increasing interconnectedness between societies such that events in one part of the world increasingly have effects on peoples and societies far away” (p.9). Marx links globalisation to the global expansion of capitalism (Shirong, 2016). Similarly Bello in his book *Deglobalisation* defines globalisation in terms of “the accelerated integration of capital, production and markets globally, a process driven by the logic of corporate profitability” (Bello, 2004, p. xii). For Kim (2013) globalisation is “the process of the intensification and expansion of global interconnections as a result of the free movement of capital and labour which crosses the borders of traditional nation states” (p.1). He defines the current trend of globalisation as characterised by the speed of changes, the volume of changes, and the diversity of changes. It is clear from these few –among many – definitions that globalisation conceals contested meanings and dominant ideologies. Hence, it is not a surprise that there exist two camps over the debate on globalisation: one of proponents, the other of opponents.

Proponents of globalisation argue that globalisation has brought prosperity to the world and has elevated millions out of extreme poverty (Sen, 2001). They claim that free trade and open markets have contributed enormously to raising living standards. They add that

globalisation results in better efficiency, productivity and economies of scale (Dreher, 2006; Preble, 2010; Rao and Vadlamannati, 2011). Sen (2001) states that globalisation “has enriched the world scientifically and culturally, and benefited many people economically as well” (p, 9). Other proponents have demonstrated that higher Openness Index to international trade equals higher GDP growth (Balassa, 2013). Other proponents have argued that globalisation and mainly trade liberalisation improve income distribution (Thiruvenkatachari, 1992) as well as allowing access to foreign direct investment (Singh, 1995).

Opponents of globalisation are characterised by scepticism. Elmandjra (2015) in his book *Globalising Globalisation* attacks globalisation in its present meanings and implications and calls for the necessity ‘to globalise globalisation’ (p, 38). For Elmandjra, globalisation is an operation by which the IMF and the World Bank take away power from people with the blessings of the elite class who get richer by the day. He claims that what has been globalised is poverty, social injustice, corruption and cultural dispossession in addition to confining freedoms and civil rights. Elmandjra explains that “the collapse of the Soviet bloc has left an empty space for the World Bank and the G7 to control the world and create a Neo-liberal era” (ibid.,p. 17). Bello (2004) attacks globalisation in its current shape and calls for ‘deglobelising globalisation’, a concept he explains as reorienting economies from the emphasis on production for exports to production for the local market. These thoughts are further analysed in a future section within the debate regarding the Global South in the international system, in IR and in IPE.

The dissimilarity in the way globalisation is viewed is further reflected in major IR theories. For realists, globalisation does not transcend the international states-system (Baylis et al., 2013). This means that despite the increased interconnectedness and dependency between economies and societies, the territorial division of the world into nation-states is still significant in the eyes of realists. In other words, for realists, globalisation neither reduces states’ thirst for power, nor diminishes the importance of the threat of the use of force or the importance of the balance of power (ibid., 2013 ; Sweeney, 2014).

Marxists consider globalisation a Global-North capitalist phenomenon. They regard it as the latest stage in the development of international capitalism (Neack, 2003; Baylis et al., 2013). They argue that as capitalism begins to retract in the Global North, capitalists will push for new markets and new profits elsewhere with their states protecting their own interests (Lenin, 1982). Marxists argue that globalisation increases disparities between the ones who have and the ones who have not (Sweeney, 2014). For Marxists, globalisation further deepens “the existing divides between the core, the semi-periphery, and the periphery”(Baylis et al., 2013, p. 8). In this context, Baylis et al. mean by ‘the core’ the industrial countries or the Global North; ‘the semi-periphery’ emerging countries and ‘the periphery’ the Global South.

Constructivist theorists highlight that globalisation tends to be inaccurately presented as an external force acting on states (Risse, 2007). This presents globalisation as ‘the way the world is’ and discourages attempts to challenge and shape globalisation. On the contrary, constructivist theorists argue that globalisation could be shaped in a variety of ways. It could be moulded as result of the creation of “cross-national social movements aided by modern technological forms of communication such as the Internet” (Baylis et al., 2013, p. 8). At the heart of the constructivist argument is the importance of subjectivity and inter-subjectivity where intangible features such as identity, beliefs, perception and understanding play an important role not only in shaping international relations but also our global world (Smith et al., 2017 ; Ashley, 1988).

For poststructuralists, ‘globalisation’ is a discourse (Martell, 2010) used to influence people’s behaviour as well as their thoughts. Poststructuralists have a different view from the grand claims about the nature of globalisation made by realists, liberals, and Marxists. Poststructuralists argue that “any claims about the meaning of so-called ‘globalisation’ make sense only in the context of a specific discourse that itself is a product of power” (Baylis et al., 2013, p. 8). Poststructuralists’ scepticism of ‘universal principles’ makes them warn against universal discourse arguing that it is always defined from a particular position of power (Hansen, 2014).

Postcolonial theorists consider globalisation as a reflection of “the important degree of continuity and persistence of colonial forms of power in the globalised world” (Baylis et al., 2013, p.8). They have gone further to suggest that a new form of ‘neo’-colonialism has occurred since the end of the colonial era arguing that the level of economic and military control in the Global South performed by the Global North is greater now than it was under direct control (ibid.; Hall, 1996). For some postcolonial critics, globalisation signifies a new phase in the pursuit of imperialism. John McLeod (2013) states: “we might like to think of globalisation as a form of imperialism by remote control, one which no longer requires colonial settlement but which can obtain power over other locations and peoples – their resources, cultural and social activities, and wealth” (p, 225). In their book *Empire*, Hardt and Negri (2000) have described globalisation as a new ‘Empire’. Hardt and Negri argue that world markets are far from being deregulated and that sovereignty is far from being eroded. On the contrary, regulations of the world markets proliferate and interlock whilst sovereignty is transformed into a system of disseminated national and global institutions to produce a new ‘empire’ where the great powers dictate the rules.

Unlike realists who emphasise the role of the state, for liberal theorists, globalisation transcends the international states-system. Liberals emphasise that states are no longer such central actors as they were before (Cohn, 2016a ; Smith et al., 2011 ; Baylis et al., 2013). For liberals, the intensification and widening of economic connections across the globe are a major source of peaceful relations among nations (Smith et al., 2011). Liberals believe that promoting free trade and laissez-faire relations between nations increases interdependence, cooperation and peace between nation states. In the words of Smith et al., “the greater the degree of economic interdependence that exists, the less likely states will be to enter into military conflict” (p.12). Liberalism attributes globalisation to technological advancement, market forces, and international institutions (Cohn, 2016). It is argued within liberalism that globalisation is irreversible because modern technology, transport and communications are rapidly shrinking time and space (ibid). The theory of liberalism and commercial institutional peace theory will be further explored in chapter two.

It is worth noting here that liberal thinking is the dominant theoretical approach in political economy. Though this thesis will engage chiefly with CIP theory to test the hypothesis that FTAs can promote regional integration and interdependence which could engender peace between Agadir member states, it will also build on some of the arguments made by other theories. For instance, it will engage with the constructivist approach where intangible features such as identity, beliefs, perception and understanding play an important role in shaping regional integration in the MENA. Hence, variables such as language and religion will be tested and analysed. From a postcolonial prospective, an argument how the Global North has contributed and is still contributing to the economic and political disintegration of the MENA will be presented. The postcolonial perspective is relevant given the recent development in the MENA following the so called 'Arab Spring' and the interference of global powers in what began as a grassroots peaceful revolutionary movements. The idea of discourse from poststructuralism theory will be explored and analysed. More practically, the discourse on regional integration in the MENA will be tested and compared. As far as some Marxists such as Immanuel Wallerstein are concerned, the idea of disparities between the core, the semi-periphery, and the periphery will be explored; hence questions about poverty, illiteracy and youth unemployment in the Agadir area need to be highlighted. From a realist point of view, the position and impact of 'the state' as an entity and 'the survival of the regime' as a concept on the Agadir Area integration will be explored vis-à-vis regional integration. Drawing upon assumptions from other theoretical traditions whilst engaging primarily with CIP theory is a strategic approach adopted in this research project not only to answer its questions and test its hypotheses, but also to apply a critical approach to the study of integration processes in the Global South, an approach that avoids viewing regional integrations processes in the Global South with the same lenses from viewing them in the Global North.

### Historical Background of Globalisation

There have been debates as to when globalisation began. Steger (2003) states that globalisation processes were evident from the 16th-century onward marking the collision of the 'old' and 'new' worlds (p. 28). Some scholars trace it back to the 19th century (Magee and

Thompson, 2010; O'Rourke and Williamson, 1999). Bello (2004) explains that globalisation has had two phases: the first phase began in the early nineteenth century and lasted until the outbreak of the First World War in 1914; the second from the early 1980s until today. Bello elaborates that both phases of globalisation were marked by the dominance of the ideology of neoliberalism, which in Bello's words "focused on 'liberating the market' via accelerated privatisation, deregulation and trade liberalisation." (ibid., p. xii). Steger (2003) argues that the new international order that emerged following the Bretton Woods conference played a major role in the emergence of economic globalisation. He suggests that at the Bretton Woods conference, some agreements were made which had a major impact on economic globalisation; among which were: a firm commitment to expand international trade, an agreement to establish binding rules on international economic activities and the creation of a money exchange system based on a fixed gold value of the US dollar (ibid., p. 39). In addition, Bretton Woods set the institutional foundations for the establishment of three international economic organisations: The International Monetary Fund (IMF), The World Bank (WB), and the World Trade Organisation (WTO) replacing the General Agreement on Tariffs and Trade (GATT). These institutions played an important role in regulating international trade and finance during the entire post-1945 period but from the 1980s it seemed evident that financiers and investors became more influential than state actors and international organisations in directing the global economy towards neo-liberalism. Critiques of the international system such as Steger, Stiglitz and Elmandjra's, have argued that the three international organisations have managed to enforce the rules of the global economy by sustaining a significant power imbalance between the global North and the Global South.

Pinning down the beginning of globalisation is almost impossible. Globalisation is argued to predate modernity. It has progressed through trade, travel, migration, religion and dissemination of knowledge (Sen, 2001). What is new is the speed and intensity of globalisation. Whilst globalisation has affected human life in all its dimensions: politics, economics, finance, social, cultural, environmental, educational, the focus in this research project will be on the economic and political dimensions.



## The Economic Dimension of Globalisation: International Trade and Peace

The economic dimension of globalisation has three characteristics: first is the immense flow of goods, services and capital aided by technology. Second are new linkages among national and regional economies, extending their market reach. Third is the emergence of regional trading systems such as the EU, NAFTA and the Agadir Agreement. These are “ the major building blocks of the 21st century’s global economic order” (Steger, 2003, p.37). It is clear from these characteristics that international trade is a major component of economic globalisation. International trade plays a major role in the intensification of integration processes around the world both at a regional level and a global level. It is arguably the most common type of international activity between states which are becoming more and more dependent on their trading partners. Robert Gilpin (2001) in his book *Global Political Economy: Understanding the International Economic Order* claims that international trade has transformed international economic affairs. As the title of his book *A Splendid Exchange: How Trade Shaped the World* indicates, Bernstein (2009) demonstrates that international trade is a driving force which has shaped and continues to shape our world.

“Trade is old as war and religion” with these words Bernstein describes the history of trade. And as there are copious examples of international trade between ancient nations and empires with the prominence of the Silk Road and its trade routes that connected Asia, the Middle East, Africa and Europe. In the period from the second half of the 19<sup>th</sup> century until the beginning of the First World War, international trade noticed a dramatic shift in volume. Both capital and goods flowed across borders relatively freely. Both World Wars had a major negative impact on international trade. It wasn’t until the 1970s when international trade as a percentage of gross national output went up to levels and beyond those recorded before the eve of WWI (Steger, 2003, p.32). After WWII, the value of international trade hit record levels reaching \$24 trillion in 2014 from \$57 billion in 1947 (UNDP, 2015).

The debate regarding the relationship between international trade and development is widely discussed in IR, IPE, economics and development literature. Steger in his book

*Globalisation* writes that international trade is “a complex phenomenon” (p, 14). Proponents of international free trade explain that international trade has contributed to our human development and has stimulated intellectual and industrial progress (Bernstein, 2009). Others have specifically regarded international trade as a matter of vital importance for the Global South, arguing that some countries have increased their productivity as a result of free international trade. As a result, millions of people have been lifted out of poverty in developing countries like Brazil, China, India and Indonesia. According to this point of view, free trade is a growth stimulator and a poverty reduction contributor. Here, one can argue a positive correlation exists between free trade and poverty reduction. In general, proponents of free market, which embraces international trade, claim that globalisation is inevitable and irreversible, that no one is in charge of it, but everyone benefits from it through the liberalisation of markets and the spread of democracy (Steger, 2013). However, two problematic questions pose themselves here: (1) are the profits resulting from international free trade distributed fairly within and among populations in the Global South? (2) Is the gap between the rich Global North and the poor Global South shrinking because of international trade? This thesis will engage to find answers to both these questions especially concerning the Agadir Area.

Opponents of free trade dispute the liberal argument that free trade benefits everyone. Indeed, John Madeley (2000), in his book *Hungry for Trade: How the Poor Pay for Free Trade*, explains that international trade has failed the most vulnerable members of the global society: the poor. Madeley argues that the cause of this situation is the importance given to international trade at the expense of food security. A World Bank (2012) study finds that the poorest 40 per cent of people in the Global South have seen their incomes fall since liberalisation began. This challenges the liberal claim that trade liberalisation lessens poverty. According to the World Bank 2012 report, 896 million people continue to live below the poverty line despite the increase in international trade. Criticism of the concept of international free trade comes also from those within the broad umbrella of liberalism. Nobel Prize winner Joseph Stiglitz and Andrew Charlton raise concerns that free trade can only work

for half of the world, while the other half will be excluded due to its inefficiency and therefore its inability to compete in the global market (Stiglitz and Charlton, 2005)

Other critics have highlighted that international free trade without regulations and parameters can lead to exploitation of weaker partners. There are several examples of deregulated international free trade that have damaged poor farmers or factory workers predominantly from the Global South. For example, the price of bananas has almost halved while production costs have doubled. Coffee farmers have been affected by an international coffee market characterised by wide fluctuations and volatility in price (Fairtrade Foundation, 2016). Opponents of international free trade claim that international free trade, instead of promoting stability and peace, creates huge imbalances between parties, increasing tensions and discontent that do not support global stability or peace. Dunkley (2004) in his book *Free Trade: Myth, Reality and Alternatives* argues that contemporary international free trade threatens local economies, social fabrics, cultures and the environment; as a result, it has become much more complex, deregulated and divorced from development. To explore and test some of the views summarised above especially vis-à-vis the political dimension of globalisation in the MENA, chapter four specifically investigates how international free trade has affected trade volume, economic growth and trade dependency between Agadir member states. By doing so, this research project intends to investigate how international political economy issues apply to the Agadir Area.

### The Political Dimension of Globalisation

The debate on the political dimension of globalisation circulates around the position of the nation-state in an increasingly globalised world. Some of these debates have been highlighted in this thesis previously when globalisation is discussed from different theoretical points of views (e.g. realism, liberalism). What is important here is that the nation-state is increasingly exposed and vulnerable to decisions which are beyond its control and dictated by the global markets. The power that global markets possess means that nation-states' governments are undermined when it comes to setting independent national policies. State capacity to influence both domestically and globally has been called into doubt. Its supremacy as the sole or even

predominant player on the world stage has been challenged. This explains why several IPE and IR authors have been talking about the decline of the nation-state as a sovereign entity whilst its state power has been devolved to global institutions (Smith et al., 2011; Steger, 2003). Indeed, political globalisation is most visible in the Washington Consensus<sup>4</sup> and the upsurge of global institutions and associations which share common norms and interests (ibid., 2013).

As the nation-state's power and status are seen to be shrinking, regional integration processes have been proliferating, another manifestation of political globalisation. Steger writes that "Hyper-globalisers insist that the minimalist political order of the future will be determined by regional economies linked together in an almost seamless web of production and exchange" (ibid., p. 65). Indeed, following WWII, the world has witnessed region-building in search of socio-economic development, political stability and peace. The topic of regional integration will be discussed later under regionalism. However, what is important to highlight here from a political globalisation point of view is whether globalisation and regional integration processes have affected political behaviour of the nation-state? And if so, in what way? Though answers to these questions have been attempted vis-à-vis regional integration processes in the Global North, they have been less carefully considered across the Global South in general and the MENA in particular.

### The Social Dimension of Globalisation

Globalisation has influenced most aspects of life including the social spectrum. Despite much talk about the advantages of globalisation in terms of poverty reduction, employment and cultural cohesion, two kinds of disparity have emerged. Internationally, the gap between the rich Global North and the poor Global South has widened. The income gap between the North and South since the 1980s has contributed to a growth divergence between Northern and Southern countries (Ocampo, 2010; UNCTAD, 2011). According to UN Human Development Report published in 2000, the income ratio between Global North and Global South countries

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<sup>4</sup> The Washington Consensus is a neoliberal manifesto that calls for the implementation of a different set of economic policies required in developing countries (Marangos, 2009).

climbed from 44 to 1 in 1973 to 74 to 1 in 1999. The bottom 25 per cent of the poor in 2012 lived on less than \$0.38 a day whilst “the assets of the world’s top three billionaires are more than the combined GNP of the least developed countries and their 600 million people” (Steger, p. 115).

Nationally, disparities between the rich elite class and the poor majority have broadened within countries. This applies to the Global North and the Global South alike. Within Global South societies, for example China and India, often thought of as ‘winners’ of globalisation, Steger argues that “their astonishing economic growth and the rise of per capita income comes disproportionately from the top 10 per cent of the population. Indeed, the incomes of the bottom 50 per cent in India and China have actually stagnated or even declined during the 2000s” (ibid., p. 112). According to the Economist, over the past 30 years, the world has noticed a dramatic concentration of incomes with the share of national income going to the richest 1 per cent of the world population. Using the Gini coefficient,<sup>5</sup> disparities worldwide are bigger than they were a generation ago (Beddoes, 2012). Considering these circumstances, Elmandjra has gone as far as to qualify globalisation as “inhuman” and “un-ethical”. As a consequence, several thinkers including Elmandjra, Chomsky and Ralph Nader have called for justice globalism, a movement which claims that globalisation has increased worldwide disparities and causes global crises (e.g. financial crisis of 2008). It calls for people power instead of corporate and elitist rich power. (Steger, p. 118).

The social dimension of globalisation is characterised by widening disparities within and between nations (Bello, 2004; Elmandjra, 2015; Naranpanawa and Arora, 2014; Rodríguez-Pose and Gill, 2006). It is important to note here that during the Arab Spring that swept the MENA countries, a populist slogan was chanted in the streets of Sousse, Cairo, Manama, Benghazi and beyond: “Bread, freedom and social justice” (Soueif, 2014). One argument of this thesis is that growing disparities cause social unrest. This argument will be

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<sup>5</sup> A method of measuring inequality named after the Italian statistician Corrado Gini. It considers people’s incomes. The way it works is that if everyone in a group has the same income, the Gini coefficient is 0; if all income goes to one person, it is 1. A modest-sounding difference in the Gini ratio implies a big difference in inequality.

explored further in chapter five where the HDI index of the four Agadir member states is tested to examine positive peace defined as the presence of conditions for political equality and social and economic justice. It is important here to define and consider how the Global South has been treated in the international system and the international political economy.

## The Global South in the International System and the International Political Economy

Smith et al. define The Global North and The Global South as geographical terms which distinguish the rich developed North from the poor underdeveloped South (Smith et al., 2011). The argument that the Global North is mostly favoured and the Global South is largely marginalised by the international system is well established in IR and IPE. The North-South division could arguably be linked to several causes, among which are the 18<sup>th</sup> and 19<sup>th</sup> centuries industrial revolution in Europe, the slavery trade, the decline of the Ottoman Empire, colonisation, and the struggle for independence. However, after WWII, this division could arguably be traced back to the Marshall Plan, a US mode of rebuilding the economies of Western Europe in exchange for their allegiance to Capitalism instead of Communism and the Soviet Union (Mee, 2015). According to Cohn (2012), the Global North has been exerting a dominant force in the post-war global economy and in nearly all international economic institutions. Bello (2004) argues that the Global South has been disadvantaged by the policies of the Bretton Woods institutions and the WTO and that developing countries do not have much say in the decision-making process of these institutions. To substantiate his argument, Bello explains that back in 1951, developing countries at the General Assembly tried to push through resolutions that would establish the Special UN Fund for Economic Development (SUNFED), a UN controlled institution that would provide loans based on developmental need rather than the IMF and the World Bank whose criteria are based on narrow banking rules (Bello, 2004); however, the North, led by the United States, vigorously resisted these efforts, and came out with the International Development Association (IDA), a sub-organisation of the World Bank. Bello explains that “The IDA was part of a compromise package that effectively killed the idea of a UN-controlled development fund”(ibid., p.36).

Other examples of how the international system marginalises the Global South are manifested in the Global North's dominance of the IMF. Bello explains that the five largest economies have 45.47 per cent of the total votes in the Board of Governors with the USA being pre-eminent with 19 per cent (ibid., 2004). Even the World Trade Organisation (WTO) which boasts a one-country-one-vote system, where, as an example, a USA vote would have the same status as a Rwandan's vote, in truth, the WTO is, claims Bello, not democratic. "While, according to its constitution, it is a one-country-one-vote system, 'consensus' is the process that reigns in the WTO, one that it took over from the old GATT, where the last time a vote was taken was in 1959" (ibid., p.63). Bello argues that the WTO, instead of bringing more equity to global trade, has meant more costs instead of benefits to developing countries. This resulted in widespread protest against the WTO and globalisation including the Battle for Seattle in 1999, not only led by protesters who have protested against globalisation and the exploitation of developing countries, but also by ministerial delegations from the Global South who have confronted their counterparts from the Global North and expressed their discontent with unfair international trade deals (Yuen et al., 2001). This ominously foreshadowed the impending conflict of the North-South divide which was to result in the collapse of the forthcoming WTO talks: Doha 2001, Cancún 2003, Geneva 2004 and 2008 (Hartman, 2013; Narlikar and Wilkinson, 2004). Ocampo (2010) explains that Southern countries find it extremely difficult to protect their interests in multilateral negotiations and in the reform of the international financial architecture. Noam Chomsky in a debate with Michel Foucault in 1971 refers to international institutions as instruments in the hands of the powerful to retain their power (Chomsky and Foucault, 2006).

The existing asymmetrical power relations between the North and the South is evident when considering transnational corporations (TNCs). In the new international economic order, TNCs from the Global North dominate international markets. TNCs' profits rival economies of nation-states controlling much of the world's capital, technology and access to international markets. According to the Global Policy Forum (2016), TNCs' revenues are larger than revenues of nation states such as Iraq, Egypt and Tunisia. To maintain their status, these

TNCs often merge with other corporations. What is striking is that none of the TNCs (e.g. General Motors, Wal-Mart, Exxon Mobile, Chevron, JP Morgan Chase, Citigroup, Mitsubishi, and Siemens) maintain headquarters in the Global South. They are all concentrated in few states of the Global North. Considering this, one can characterise globalisation as ‘Northern globalisation’ or ‘globalisation from the North’. The growing power of TNCs has profoundly influenced the international system not only determining trade flows, capital flows, the location of industries, and other economic activities around the world but also the political and social welfare of many nations (Suarez-Villa, 2016; Soederberg, 2009). In the words of Martin Khor, Director of Third World Network “Communities in the South are facing great difficulties in coping with global trends”. Steger argues that the Global South to the Global North became a place of cheap labour, resources and favourable production conditions; conditions upon which Global North enhances its profitability. For Stiglitz (2012), TNCs have contributed to create economic “winners” and “losers”.

The existing asymmetrical power relations between the North and the South go beyond the economic, political and social dimensions to what is cultural. Elmandjra (2015), former Head of the cultural activities at UNESCO expressed this in his book *Globalising Globalisation*: “Despite living and interacting with different cultures for 30 years and despite my long work at the UNESCO, Head of the cultural activities, I came to one conclusion: despite the efforts of the South to understand the culture and civilisation of the North, I did not observe a true desire of the North to get closer to the South. The North’s preoccupation is to spread its values. The North considers that the weak and poor South does not have the right to promote its values, culture and civilisation” (p.123-124). In his book *Première Guerre Civilisationnelle*, Elmandjra (1991) argues that the North has so far done little to understand, let alone speak, the language of the South; on this basis he predicts a North South crisis.

The cultural as well as the social, economic and political dimensions of globalisation are all worth investigating, especially when studying the MENA. However, the focus of this thesis is to investigate the economic and political impact of the free trade Agadir Agreement whilst the cultural and social dimensions will be touched up on to provide a comprehensive



analysis. Variables such as cultural affinity and HDI would be utilised. To achieve an understanding of a phenomenon, it is important to investigate it from different perspectives.

### International Political Economy and the Global South

As a discipline, IPE is not easy to define. Woods defines IPE as “the interplay of economics and politics in world affairs” (Woods, 2014, p.244). Similarly, Oatley describes IPE as the study of how politics shapes developments in the global economy and how the global economy shapes politics (Oatley, 2013). Roger Tooze identifies IPE as “denoting an area of investigation, a particular range of questions, and a series of assumptions about the nature of the international ‘system’ and how we understand this ‘system’” (Tooze, 1982, p.2). Although several scholars agree that the questions of IPE concern the relationship between the state (as actor) and the market (as system) as two ways of organising human activity, there exists a debate about what particular range of questions should be included within IPE. Whilst Susan Strange (1988) highlights the socio-political and economic arrangements that affect the global system of production and distribution, Robert Gilpin (1987) is more concerned with the political and economic causes and effects of the market system and the significance of these at the domestic level.

With the aim of understanding and explaining the international liberal economic order established in the post-WWII period, it is argued that IPE as a discipline has had a restricted sight of which important issues ought to be studied and what questions ought to be addressed. Taylor (2005) argues that IPE has a narrow and replicated agenda that continues to ask the same questions. El-Anis (2008) thinks that IPE is incomplete and explains that “there has been a lack of evaluation of the hierarchy of issues that IPE studies and a tendency to continuously attempt to produce ‘more accurate’ conclusions about a number of ‘old’ or over-studied issues” (El-Anis, 2008, p.30). Robert Gilpin in his book *The Political Economy of International Relations* critiques IPE as having a specific and narrow agenda evolving around understanding and explaining the US-dominated liberal economic order with a view to strengthening this order (Gilpin, 1987). Hence, one can argue that whilst international

relations and international political economy, involving states and non-state actors, have changed and evolved, IPE has failed to address changing international affairs.

The problems of IPE/IR scholarship can be illustrated when considering the majority of IPE/IR texts. Most IPE/IR literature highlights and defends one of the three main theoretical approaches: realism, liberalism or Marxism (Stubbs and Underhill, 2000). These pre-set theories tend to see the interaction between actors from certain lenses whilst restricting the ability to analyse the actual international circumstances and relations under-study. Here it is important to highlight the importance liberal economic thought has had on the formation of IPE (Gills, 2001). Murphy and Tooze explain that not only has liberalism influenced IPE, but it also has resulted in a “value-based political economy utilizing a closed set of economic techniques and analytical schemes” (Murphy and Tooze, 1991,p.25). Another example of IPE adopting a narrow view is its historical development. It is believed that its growth through the 1970s until the mid-1990s was not shaped by a political economy or economics agenda, but largely reflected an IR agenda which considers politics and economics related but separate spheres (El-Anis, 2008). Here, Gilpin calls for “the integration of the theoretical insights of the disciplines of economics and political science”(1987,p.3) in the study of IPE.

The restriction of IPE could be further found in its methodological approaches (Amoore et al., 2000). First is its positivist approach, which claims to produce ‘truthful’ scientific understanding and explanation, but falls short of (1) explaining what constitutes the ‘real’ world (Quine, 1961) and (2) accounting for “the non-material features of the international system such as values, ideals and beliefs” (El-Anis, 2008,p.39). The second approach is that IPE considers states rational, unitary actors (Amin and Palan, 2001). Not only does this approach under-rate broad historical and social institutions but it also underestimates the diversity of actors and the complexity of their behaviour and actions. This is particularly relevant to the study of the Global South where broader historical and contextual structures often determine actions and events.

The above problems with IPE have brought about not only restrictiveness in the study of international political economy but also have favoured certain issues over others (Rosamund, 2003). This hierarchy not only renders some issues to be privileged and important but also acts as the basis of assessment and evaluation for all the marginalised issues. Matthew Watson argues that IPE as a social science has developed largely in the Global North reflecting the policy concerns of the main Western powers and in particular, the United States (Watson, 2003). Ian Taylor argues that “the global division of wealth and power is taken, if not as natural, then certainly as something seemingly normal and not to be interrogated too deeply” (Taylor, 2005 ,p. 1031). As previously discussed, this situation came about following the end of WWII and the beginning of the era of US hegemony in which the United States began to control international trade and global economic activities.

It is argued that the discipline of IPE has focused on the study of the Global North and in a few cases the implications of processes in the Global South for the North and has ignored the Global South. The majority of IPE books talk exclusively about the Global North and in some cases give examples from the Global South. For example, Lovett et al. (2005) use the FTA between states in the Global North and states in the Global South, as case studies of the Global North international policy. In their text, very little is mentioned of the Global South. When considering the topic of this thesis (regional integration), the majority of IPE books and journal articles discuss integration processes in Europe and North America and there is less discussion of integration processes elsewhere. There is limited reference as to why governments of the Global South such as the governments of the MENA, pursue regional integration and its impact from a Global South perspective. This is a question which is at the core of the purpose of this thesis.

### International Political Economy and the MENA

While IPE has favoured and focused on the Global North and ignored the Global South, the agenda of studies involving the MENA are even more obscured. El-Anis (2008) explains “this region [the MENA] is largely ignored by IPE” (p.27). Hannes Baumann writes “One puzzling feature of IPE has been the discipline’s near-total neglect of the Middle East and North Africa”

(Baumann, 2015, p.1). He argues that IPE scholars have ignored the region considering it “so peripheral and ‘exceptional’ that little can be learned from it” (ibid., 2015a). The near-total neglect of the MENA in IPE matters is troublesome especially when considering that IPE as a discipline not only shapes how we think about the global economy and the global politics, but also trains future diplomats, trade negotiators and policy makers and influences policy debates. Baumann argues that “the absence of the MENA region from this discipline [IPE] is thus not merely an ‘academic’ matter but very much shapes the ‘real world’” (ibid., 2015, p.1). IPE textbooks are a good demonstration of this phenomenon. They rarely include – if at all – a single source concerned with the MENA (e.g. Robert Gilpin: *Global Political Economy*).

The comparatively small body of research on the MENA has traditionally been carried out by Western academics (Gause, 1999). El-Anis (2008) explains that “studies of the international political economy of the MENA region have been dominated by a hegemony of state- and conflict-centricism” (ibid., p.58). As a result, the majority of the MENA studied under the umbrella of IPE are examined from a non-MENA perspective. This tradition has prevented a broad approach to the study of the MENA and restricted its study to narrow approaches and limited issues. The study of the MENA in most social science disciplines has been dominated by Western conceptions of the region and Western interests. These Western conceptions and interests render the MENA studies state-centric and conflict-centric (Said, 2005). As a result, security issues, military conflict and the region’s natural resources have dominated Western IPE scholars when approaching the MENA. Edward Said has been a strong critique of this approach and, via his famous work *Orientalism*, he has contributed to the emergence of a new approach which celebrates the study of Middle Eastern societies from their own perspective and which does not reduce the region and its people to subjects of study by ‘others’ (ibid. , 2003). Unlike most Western and conflict centric literature on the MENA, this research project embraces the study of South-South cooperation in IPE from a southern perspective. It focuses on the political economy of the relationship between trade and peace among specific actors of the Global South. In doing so, it aspires to move away from the

mainstream structural and systemic ways of studying the MENA (how to achieve this aim is detailed earlier in this chapter under Originality and Contribution to Knowledge section).

### South-South Cooperation

Although in the past IPE/IR have focused on the Global North and marginalised the Global South, the emergence of new economic powers from the Global South such as India, China, Brazil, Indonesia, South Africa and Turkey has put the subject of South-South cooperation on the agenda of international relations. Ocampo (2010) defines South-South cooperation as “the processes, institutions and arrangements designed to promote political, economic and technical cooperation among developing countries in pursuit of common development goals” (ibid.). The UN defines South-South cooperation as “a broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains” (UN., 2017). According to Ugwuja and Ubaku (2014), South-South Cooperation refers to the sharing of knowledge, skills, resources and expertise between developing countries with the aim of finding solutions to their developmental challenges. This cooperation affects all levels of collaboration and different sectors. It takes place within formal, informal, bilateral and at inter/intra-regional levels. Recent developments in South-South cooperation have taken the form of increased volume of South-South trade, South-South flows of foreign direct investment, movements towards regional integration, technology transfers, sharing of solutions and experts, and other forms of exchanges (UN, 2014).

South-South cooperation does not mean that Southern states are alike. There are emerging developing countries (e.g. BRICS) who have managed to widen the development gap between them and other poor Southern states (e.g. Niger, Chad and Yemen); nor does it imply that Southern countries always agree with one another. Indeed, mutual antagonism is prevalent between several southern states (e.g. Nigeria and Cameroon; Sudan and Chad; India and Pakistan; Algeria and Morocco). Nevertheless, what is noticeable is a growing interest in South-South Cooperation among Southern actors in international relations. In the opening speech of the 3rd India-Africa Forum Summit held in New Delhi in October 2015, King Mohammed VI of Morocco stressed that the India-Africa Forum should serve as a “platform

to lay down the foundations for an efficient, solidarity-based, multidimensional South-South cooperation model, through which we can make optimal use of the resources and potential available in our countries.” The King called for the development of an Afro-Indian partnership with mutually beneficial South-South cooperation to serve Southern states’ strategic interests.

The concept of South-South cooperation is not a new concept in modern history. The concept emerged in the period after WWII whilst several African and Asian countries, most of them newly independent, sought to cooperate with each other. It was back in 1955 when the Bandung Conference, held in Indonesia, called participating countries for ‘positive neutralism’ (Dargin, 2013) and reduction in their dependence on industrialised countries by providing technical assistance to one another (Ocampo, 2010). The Bandung Conference was soon followed by various South-South alliances in the 1960s and 1970s. The Non-Aligned Movement (a non-aligned movement to either capitalism or socialism) was created in 1961 and the Group of 77 (G-77) was established in 1964 at the first United Nations Conference on Trade and Development (UNCTAD). The Tricontinental Conference was held in 1966 in Havana, Cuba and gathered delegations from Africa, Asia and Latin America. These alliances became the leading voice of the South in the international system, attempting to apply political pressure to effect changes in the global economic architecture. They have contributed to the Buenos Aires Plan of Action (BAPOA) which forms a conceptual framework and guiding principles for South-South cooperation (Ocampo, 2010). Historic figures such as Gamal Abdul Nasser, Jawaharwal Nehru and Ben Barka promoted South-South trade and cooperation with strident rhetoric. More recently, the 2009 Nairobi conference, organised by the UN, called for strengthening South-South cooperation as a mechanism for addressing development challenges facing the Global South. One observation in South-South cooperation after 2000 is greater focus on economic rather than political collaboration. Several forums have been established: the Turkey-Africa Summit (2008), the India-Africa Summit (2011), and the China-Africa Ministerial Summit (2000). As a result, trade between Southern states expanded from 8 per cent of global trade in 1980 to 27 per cent in 2010 (Chaturvedi, 2014).

As a new paradigm of development, scholars have debated South-South cooperation's nature and aims. Whilst some scholars highlight the benefits of pursuing South-South alliances for the Global South's rising powers such as India, Brazil and China in terms of securing market access, having access to resources and gaining support on global issues (Carmody, 2011), others underline the principles which are thought to guide South-South cooperation: mutual respect, reciprocal benefits, respect for sovereignty; and non-interference in internal affairs of partners (Alden et al. , 2010; Golub, 2013). Ocampo (2010) argues that South-South Cooperation provides an opportunity for Southern states not only to fight poverty, improve their infrastructure and deal with rising food and energy prices, but also to encourage technological change, reduce conflicts and lay the foundation for high and sustained growth. Southern states are increasingly seeking South-South cooperation to increase their voice and representation in the world economy and to increase their bargaining power in global affairs (Da Silva, Spohr, and Da Silveira, 2016). Drawing on this literature, this research project considers if the Agadir Agreement, a South-South cooperation institution, has provided the opportunities to the four member states to fight poverty, improve living conditions, increase economic growth and promote peace.

## Regionalism and the MENA

### Defining and Understanding Regional Integration

Regionalism has become a prevalent characteristic of international relations and international political economy. Many scholars think that regionalism is a response to globalisation. Best and Christiansen (2014) explain that regionalism constitutes one of the few tools that are available to states to try to manage the effects of globalisation. This is by means of regaining some control over global market forces and countering the more negative social consequences of globalisation. Conversely, Gamble and Payne (1996) consider the process of regionalisation consistent with the process of globalisation. They argue that following the decline of the USA, the world entered a "post-hegemonic phase," and that regionalism would aid the process of globalisation in a world characterised by the absence of a hegemon (p. 253). Before we get carried away with the position and role that regionalism plays in international relations, let us

define the concept of regionalism. It is derived from the word 'region'. Best and Christiansen distinguish between two types of regions. The first one refers to "territories within a state, occasionally crossing state borders" (p. 402). The second one refers to "particular areas of the world, covering a number of different sovereign states" (p.402). It is the intention of this research project to engage with regionalism in the international context.

Gamble and Payne (1996) define regionalism as re-organisation of a particular regional space along "defined economic and political lines" (p. 2). Best and Christiansen (2014) have gone further to argue that in recent decades, regionalism has posed a real challenge to the traditional centrality of states in international affairs. McCormick (2011) defines regionalism as "the promotion of cooperation and collective action among a group of states based on the identification of shared interests, common goals, the promotion of efficiency, the pooling of resources, and the creation of opportunity" (p.16). McCormick adds that regionalism focuses on economic cooperation including the promotion of trade and investment; nevertheless, broad philosophical goals such as peace and unity can motivate a regionalisation process. The outcome of regionalisation processes are arrangements that vary in shape and size and which include treaties outlining goals and terms, and the creation of new regional institutions charged with working towards those goals. This emphasis on the importance of institutions is reiterated by Cora and Castle (2016) in their book *Regional Economic Integration and Globalization* where they associate regionalisation with the development of the institutional conditions for the shift of goods and production between countries.

Söderbaum (2015) in his book *Rethinking Regionalism* defines regionalism as the body of ideas, values and policies that are aimed at creating a region. He further describes 'regionalisations' as the process of cooperation, integration and cohesion that creates a regional space. For Hurrell (1995) 'regionalisations' means "the growth of societal integration within a region and often undirected processes of social and economic interaction" (p.39). In IPE literature, regionalisation refers to "the growth of economic interdependence within a given geographical area" (Ravenhill, 2007,p.174). Best and Christiansen argue that processes of regionalisation deepen common interests, identity and self-awareness as a region. Kim



(2013) thinks that regionalism is one way to respond efficiently to the challenges of globalisation including increasing international instability. Kim suggests that states that share relative national identities and interests form a bloc to facilitate cooperation. In these blocs, states can integrate several dimensions including economic, social, and political relations.

Two observations can be deduced from the above definitions: firstly, that regionalism is dynamic and involves numerous dimensions. Indeed, it covers different kind of arrangements and agreements that are agreed between states. This includes but is not limited to functional cooperation, economic cooperation, cooperation in foreign and security policy. Second, what most IPE scholars seem to agree on is the concept of interdependence resulting from processes of regionalisation. Key questions pose themselves here: (1) is the cause and effect relationship between regionalism and interdependence taken for granted? and (2) is this relation applicable or not applicable to different regions of the world as the teachings of IPE suggest? meaning that different regions of the world have specific characteristics that ought to be considered when implanting or studying regional integration processes. These questions are core to this research project in its engagement with and exploration of regional integration among Agadir member states.

## Understanding Regional Integration

Best and Christiansen define regional integration as “processes by which states go beyond the removal of obstacles to interaction between their countries and create a regional space subject to some distinct common rules” (2014, p. 402). Regional integration has become a key feature and one of the major developments of international relations and international political economy since the end of WWII. World governments have sought alliances in different forms and shapes. Bilateral, multilateral and region-wide projects including economic unions and FTAs have been signed and established. Effectively, the majority of states are now members of at least one regional bloc if not more. The question that arises here is why do states decide to pursue regional integration? There are several answers in the literature on regionalism. El-Anis (2015) explains that in joining unions and FTAs, member states wish to facilitate intra--regional trade, support political cooperation, improve social welfare and promote peace and

stability in their regions. Best and Christiansen (2014) highlight several reasons why states would pursue regional groups. Among them is the ‘management of interdependence’. By this they mean states can adopt state-led integration schemes to increase economic and social interaction and/or adopt market-led integration to ensure peace and stability. Chauffour and Maur (2011) explain that by seeking regional integration, states do not only seek market access, but also pursue a host of objectives. These range from the promotion of competitiveness, improvement of governance, fostering transparency and the rule of law to ultimately building common regional values and norms for a more peaceful and prosperous world. Two types of integration concern this research project: (1) economic integration and (2) political cooperation.

### Defining Economic Integration

Economic integration does not have a clear cut meaning (Balassa, 2013; Jovanovic, 2015). Balassa defines economic integration as a “process and a state of affairs. Regarded as a process, it encompasses measures designed to abolish discrimination between economic units belonging to different national states; viewed as a state of affairs, it can be represented by the absence of various forms of discrimination between national economies” (2013, p. 1). Jovanovic (2015) defines economic integration as “a process and a means by which a group of countries strives to increase its level of welfare. It involves the recognition that a weak or strong partnership between countries can achieve this goal in a more efficient way than by unilateral and independent pursuance of policy in each country” (p. 6). According to the above definitions, economic integration can be understood as the organisation of economic activities in a way that national boundaries become redundant. It implies free trade in goods and services and the free movement of capital, labour and businesses. This is achieved via the removal of all trade impediments between participating states.

Economic integration manifests itself in different shapes: first, FTAs where tariffs are reduced to none among related parties. Second, preferential trade agreements (PTAs) in which member states grant certain products a preferential access. Third, is customs unions in which member states remove tariffs among themselves and impose common external tariffs vis-à-

vis non-member states. Fourth, is a common market or single market which guarantee the free movement of goods, services, capital, and people. Fifth, is economic unions in which member states adhere to legally binding economic policies. Finally, the sixth manifestation of economic integration is monetary unions where states share all the aforementioned conditions in addition to uniting under one currency (Kim, 2013 ; Best and Christiansen, 2014). These manifestations vary in scale and depth. “The more integrated the economies become, the fewer trade barriers exist and the more economic and political coordination there is between the member countries” (Bartsevich, 2015, p. 2) Simultaneously, the more integrated the economies become, the less national sovereignty is pronounced (Haas, 1958). Smith et al. refer to this as a phenomenon that is a key characteristic of life in the 21st century: “governments and citizens are increasingly affected by structures and processes beyond their immediate locality and control” (2013, p. 2).

### Defining Political Cooperation and Peace

A second preoccupation of this thesis is regional political cooperation and peace. This interest goes hand in hand with the research project’s aim to assess the impact of economic integration processes on the political cooperation and peace between member states. Functionalist theories were the first to point out the significance of integration to the political economy. They argue that cooperation in non-political spheres can have significant ‘spill-over’ effects in the political arena (Mitrany, 1946). The perspective of ‘spill-over’ effects was later adopted by Neofunctionalists (Haas, 1958; Lindberg and Scheingold, 1970) to explain growing political cooperation between member states of economic agreements. It is fair to acknowledge that both functionalist and neofunctionalist theories are based on the successful European example. One claim of originality of this thesis is to assess the success or failure of other regional cooperation schemes in the MENA and answer the research project’s question of whether ‘spill-over’ effect could be created in the MENA. This is explored in Chapter five.

Neoliberals stress the importance of fostering economic interdependence among states and highlight the positive effects of economic integration on development, peace and stability. On one hand, McDonald (2004) argues that higher levels of free trade, rather than trade alone,

reduce military conflict between states. David Miltrany (1943), a pioneer integration theorist, argued that international institutions are a requirement in order to resolve problems between states. He was the first to refer to the concept of 'spill-over' which he named 'ramification', meaning that international cooperation in one sector will urge states to extend their cooperation in other sectors. On the other hand, Bearce and Omori (2005) argue that economic integration is associated with more, not less, military conflict. To support their argument, they examine the Central American Common Market and how its deepest regional commercial arrangements led to the 'Football War' of 1969. Yet, Bearce and Omori's empirical evidence suggests that commercial institutions with more forums for state leaders can contribute significantly to regional peace. Using an augmented gravity model, Ekanayake and Ledgerwood (2009) have demonstrated the importance of language and culture as factors affecting trade and investment. In a similar context, Hoffmann's (2007) experimental economics work shows how cooperation increases between members of the same religion. In his article "Is God Good for Trade", Helble's (2007) experiments indicate that sharing a common religion is trade-promoting. Lewer and Van den Berg (2007) argue that the world's major religious cultures stimulate international trade either directly or indirectly.

Let us first define what we mean by the concepts of political cooperation and peace? Whittemore (2017) defines political cooperation as states working together to achieve a common goal. Keohane (1984) defines political cooperation as a process "when actors adjust their behaviour to the actual and anticipated preferences of others, through a policy coordination" (p. 51-52). Accordingly, it is the view of the author that the best embodiment of a state's behaviour is its foreign policy. Hence, for the purpose of clarity and precision, this thesis will focus on three variables. These are UN peacekeeping operations, joint military operations and intra-FDI inflow as a manifestation of regional political cooperation between Agadir member states.

Christopher Hill (2003) defines foreign policy as "the sum of official external relations conducted by an independent actor (usually a state) in international relations" (Hill, 2003, p.3). For Smith (2012), foreign policy represents state behaviour and its policy-making in

inter-state relations. Walter Carlsnaes (2002) considers foreign policy as “those actions which, expressed in the form of explicitly stated goals, commitments and/or directives, and pursued by governmental representatives acting on behalf of their sovereign communities, are directed towards objectives, conditions and actors– both governmental and non-governmental- which they want to affect and which lie beyond their territorial legitimacy” (p.335).

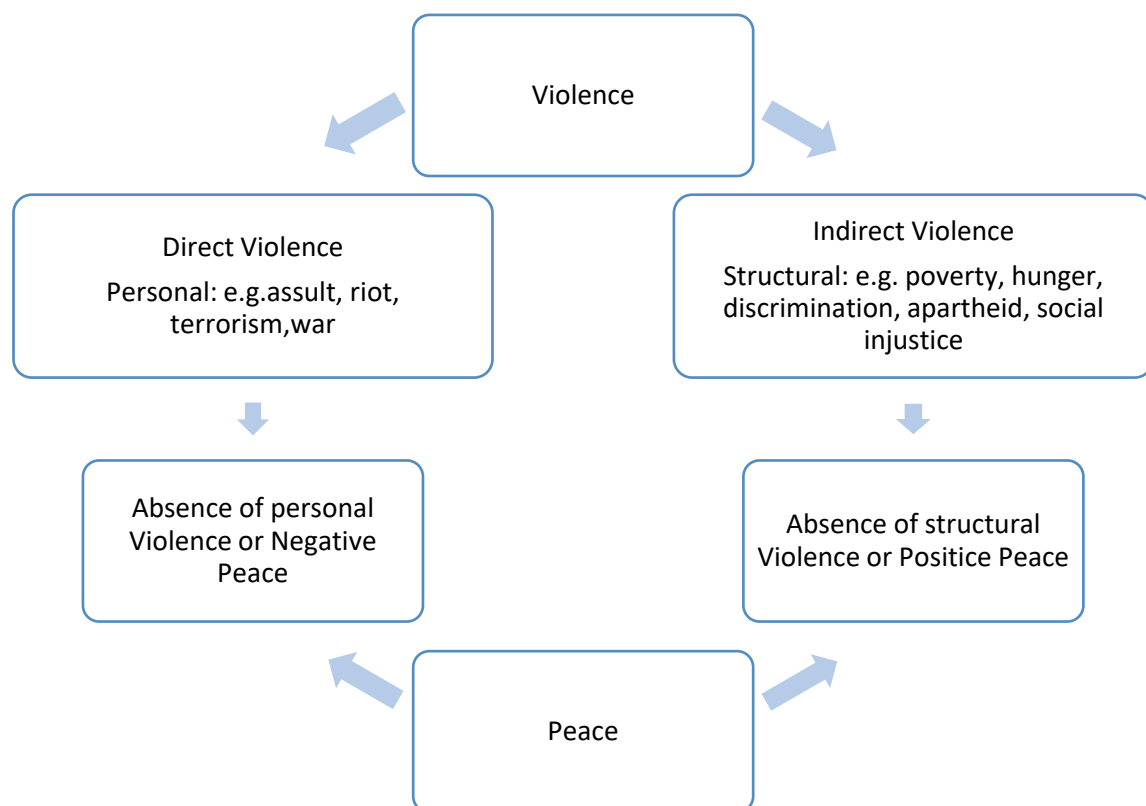
From the above definitions, it could be inferred that foreign policy stands for behaviour and actions which outline how a state interacts with other states in several fields including politics, economic, social and militarily. It is worth noting here that the political behaviour of Agadir member states is analysed to test if the Agadir Agreement has had an impact on the member countries’ foreign policies.

As this research project engages with peace research, it is important to define what is ‘peace’? In almost all social sciences (law, psychology, sociology, politics and international relations) the word peace invokes images of harmony and tranquillity. Generally, peace is regarded as a state toward which individuals, communities and nation states should strive (Murphy, 1985). In their book *The Puzzle of Peace: The Evolution of Peace in the International System*, Goertz et al. (2016) explain that peace is defined as “merely the absence of war” (p.1). In the same way, Schneider et al. (2003) in their book *Globalisation and Armed Conflict* define peace as “the absence of militarised dispute behaviour” (p.124). Nevertheless, some IR Scholars consider peace more than the absence of war.

Johan Galtung (1996) in his book *Peace by Peaceful Means* differentiates between positive peace and negative peace. Galtung explains that negative peace means simply an absence of war or direct physical violence whilst positive peace is associated with the presence of conditions for political equality and social and economic justice. To better explain positive peace, Galtung explains that violence is not only direct, physical and evident, but also structural and therefore hidden. This type of violence, argues Galtung, refers to the conditions that nourish inequality and injustice in a community, a society, or country and might lead to conflict. Galtung’s definition of peace (figure 3) goes beyond the concept of peace as ‘the

absence of war' to a more holistic analysis of peace that takes into account political, social and economic factors.

**Figure 3: Galtung's Expanded Concept of Peace and Violence**



Immanuel Kant (1795) in his essay *Perpetual Peace*, argued that three “definitive conditions” for peace could become a permanent feature between states. These are the “federation of free states” which emphasises the importance of international institutions in maintaining peace; “universal hospitality” which stresses the importance of economic interdependence and free trade in maintaining peace and last but not least the “republican

constitutions” which argues that democracies rarely, if ever, go to war with each other. Kant’s ideas on how to reach international peace have been echoed by liberals who have been promoting the establishment of international institutions, FTAs and democracy in order to achieve peace and stability in world order. The idea is that states, are less likely to go to war if their economies are connected (McDonald, 2004).

Linking regional integration to peace is an argument well established in IR and IPE especially within CIP theory. This theory claims that international trade promotes greater international stability (the Kantian logic and CIP theory used in this thesis are discussed further under the theory and methodology chapter two). The questions this thesis engages with are: is ‘integration peace’ applicable to specific states within the MENA? If so, why have previous MENA integration processes failed? And could new processes of integration (the Agadir Agreement) promote peace and stability in the MENA? Answering these questions is the subject matter of chapter five.

In this interdisciplinary context, the relationship between integration and peace in the specific MENA context is assessed in this thesis. The initial assumption underpinning this thesis is: joining a FTA will enhance economic integration and interdependence. The second assumption is that interdependence promotes political cooperation, peace and stability. To test the validity and significance of these hypotheses, the Agadir Agreement will be the subject matter of this thesis. It is hoped by focusing on the Agadir Agreement, several aims will be achieved: first, is the precision and clarity in analysis and second is an indication of the regional integration processes in the MENA.

## Exploring the MENA’s Regional Integration Process

If the world has experienced a rapid proliferation of regional integration schemes since the end of WWII, the MENA is no different in this respect. They have adopted policies aiming not only at integrating their national economies with each other, but also at integrating their domestic economies with the global economy. The MENA’s governments have sought alliances in different forms and shapes. Bilateral, multilateral and region-wide projects including economic unions and FTAs have been signed and established to facilitate intra-regional trade,

support political cooperation, improve social welfare and promote peace and stability in their region (El-Anis, 2015). Effectively, all the MENA states are now members of at least one regional bloc if not more. The process of economic integration in the MENA began towards the end of WWII with the establishment of the Arab League in 1945. This was soon followed by a series of economic and political, bilateral and multilateral agreements between the MENA states.

Scholars in the field of Middle East and North Africa studies have largely regarded the political and economic integration of the MENA at best as incomplete and at worst as a failure. Brock (2012) and Cammett et al. (2015) argue that whilst the MENA has preceded other regional blocs (including the EU, NAFTA, MERCOSUR), it has largely failed to integrate economically or politically. Abbas (2004) contends that “attempts [economic and political integration] have not been successful for the Arab states. Many other regions have enjoyed far more success despite their later integration attempts.” Despite many years in operation, the Arab League, argues Ehteshami (2007), has failed to coordinate foreign, political or economic policies. Divisions among member states have hindered its effectiveness. Rodriguez (2011) reasons that this failure to coordinate political economy policies between Arab states is due to the differing ideological orientations, rivalry over positions of leadership, and hostility between traditional monarchies and revisionist republics. These drives have impeded the work of the Arab League in particular and cooperation between the MENA states in general. Podeh (1999) argues that even at the peak of Pan-Arab nationalism in the 1950s and 1960s when the sentiments for an Arab union were high and a three-year political union between Egypt and Syria was created under the United Arab Republic, Nasser’s reluctance to share power and failure to find a suitable political system for new union led soon to its collapse, arguing that its disintegration shattered the pan-Arab dream beyond repair.

On the contrary, scholars such as Low and Salazar (2011) and Hossain and Naser (2008) have regarded the GCC<sup>6</sup> as a success story. Low and Salazar claim that “in addition to

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<sup>6</sup> A sub-regional integration project established in 1981 comprising the oil rich states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (Low and Salazar, 2011). According to its General



being an energy superpower, the GCC is also making headway towards greater economic integration. After starting with the limited goal of establishing a free trade area (FTA), the GCC moved towards a unified bloc. Including a customs union established in 2003, and a common market established in 2008” (p, vii). Hossain and Salazar argue that the GCC has succeeded in improving trends in exports and imports between member states, in increasing the number and volume of high-tech manufacturing units, joint venture projects, total capital investment and FDI. Nevertheless, the GCC announcement in 2009 to create a Monetary Council to introduce a single currency for the union was not realised after Oman and the UAE announced their withdrawal from the proposed currency (Puig and Al-Khodiry, 2012). Other scholars such as Akhtar and Rouis (2010) argue that the GCC remains much more integrated with the world’s economy than with the MENA because of the role of hydrocarbons in trade patterns. Scholars studying the Maghreb Union<sup>7</sup> have mainly argued that twenty-six years after its establishment, political obstacles (mainly between Algeria and Morocco) have almost brought the Maghreb Union to a stand-still, a condition that became known in international relations as the ‘Non-Maghreb’ (Ghiles, 2010; Hamaizia, 2015; Oueslati and Brini, 2013).

Scholars who have studied GAFTA<sup>8</sup> have argued that despite the progress made in terms of tariff exemptions’ implementation and a noticeable progress in customs clearance-related procedure, GAFTA is far from realising its goals (Hoekman and Zarrouk, 2009; El-Anis, 2016). Abdmoulah (2011) argues that ten years after its signature, inter-Arab trade remains modest. The percentage of inter-Arab trade had not exceeded 12 per cent in terms of imports and exports in 2008 (Abdmoulah, 2011). Abedini and Péridy (2008) concludes that

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Secretary Charter, it aims to coordinate integration between its member states in all fields, including: macro-economics, trade, finance, industry, agriculture, water, religion, research and development.

<sup>7</sup> Established in 1989, the Maghreb Union consist of Algeria, Morocco, Tunisia, Mauritania and Libya. It aims to establish a trading bloc and a common market by means of integrating the economies of the member states (Darrat and Pennathur, 2002).

<sup>8</sup> GAFTA was signed in 1997 by the Arab League (Zarrouk, 2000). Abedini and Péridy stated that its “main provisions concerned the progressive removal of tariff barriers on intra-GAFTA trade” (2008, p. 849). GAFTA aims to boost the economies of the member states by forming a bigger and more homogenous market, attracting Foreign Direct Investment (FDI), strengthening the member countries’ negotiating power when dealing with powerful economic blocs, increase economic interdependence between Arab countries and thus increase the region’s stability and security (Peridy and Ghoneim, 2009).

“the GAFTA agreement should go deeper and wider” (p.17). Despite the fact that the majority of scholars have been critical of the integration process in the MENA, some have retained a positive outlook. Bolbol (1999) argues in favour not only of an intra-regional trade among the MENA states, but also the latter's integration in the world economy: “The Arab world should take renewed advantage of its geographical position as an ‘open’ trading region between Europe and the rest of Asia—something that it did with remarkable success in pre-modern times.” (p.15). Nevertheless, Bolbol links the lack of economic integration in the MENA to the lack of a political will. Bolbol explains that: “there are only so many economic arguments to support liberal trade, and the politics of the situation will ultimately have to take over” (p.15). Momani (2007) explains that the US promotion of intraregional trade and investment in the MENA raises the economic costs of disloyalty. This creates in Momani's words: 'a hub and spoke relationship'; which requires a reluctant acceptance of US hegemony in the region. She further argues that “Middle East economies do not complement one another to build an effective economic bloc on their own” (p. 1698).

Despite the bilateral and multilateral agreements, economic and political unions, and FTAs mentioned above, and despite sharing a common language, religion, culture, and historical sense of identity, overall, the MENA is the least economically and politically integrated region in the world (Rouis and Tabor, 2013). Nsour argues that “the Arab states that were one country for more than 1000 years [...] were not able to achieve any noticeable form of economic integration” (2010, p. 218).

A report produced by the International Institutions and Global Governance Programme stated that intra-regional trade in the region is somewhere between 5 per cent and 10 per cent of total trade, and the region's global share of non-hydrocarbon exports is less than 1 per cent (Brock, 2012). Trade in goods is limited and trade in services is extremely limited. According to the Tariff-only Overall Trade Restrictiveness Index (TOTRI), the level of tariff protection in the MENA remains high compared to the rest of the world (Rouis and Tabor, 2013). The high level of tariff protection ranks the MENA unfavourably compared to Europe and Central Asia, Latin America and the Caribbean, and East Asia and the Pacific (ibid). In

addition, non-tariff measures have become the most important barriers to trade in goods in the MENA (Hoekman and Zarrouk, 2009). The introduction of risk management, the little effort to monitor customs performance, and the insufficiently improved facilities at border crossings have all contributed to slow logistics performance in the region (Rouis and Tabor, 2013). Capital flows between the MENA states remain low. In fact, oil rich states prefer to invest their revenues in European-US markets rather than the MENA markets. Considering these hurdles and obstacles, the MENA's aspiration to establish a common market by 2020 is highly dubious.

Samiha Fawzy (2003) in her book chapter *The Economics and Politics of Arab Economic Integration* demonstrates that there is a lack of complementarity in trade structures between most the MENA states compared to other regional blocs. This means that the structures of imports and exports in the MENA states do not match one another. The complementarity index<sup>9</sup> displays that the MENA states have similar exports and imports markets and hence compete with each other instead of complementing each other. Their complementarity indexes with the Global North are greater than those between the MENA countries. Bilateral complementarity indexes among the MENA states are almost always in single digits. This low complementarity is mainly due to the dominance of oil in more than two thirds of the countries in the region, and the similarity of industrial policies (World Bank, 2011). One of the variables this research project considers is trade complementarity to test whether or not Fawzy's conclusions apply to the Agadir Agreement specifically.

As for the size of the MENA market, it is sizable at \$3.114 trillion<sup>10</sup> GDP in 2015 down from \$3.584 trillion GDP in 2014 (ibid., 2017). Per-capita income varies hugely between the MENA states and compared to other regional blocs. To better understand the differences in

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<sup>9</sup>The complementarity index ranges from 0 to 100, with higher values indicating greater complementarity. In highly successful integrated regions, the complementarity indexes are above 50, while for moderately successful ones, they are between 25 and 30 (World Bank, 2011).

<sup>10</sup> These are official exchange rate estimations and not PPP estimations.

per-capita income,<sup>11</sup> a comparison between the MENA, NAFTA and the EU shows that the difference amounts, approximately, to ten-fold and five-fold respectively in 2015 (ibid., 2017). Qatar GDP per capita was \$67,540<sup>12</sup> whilst Yemen GDP per capita was \$1,330 in 2015 (IMF, 2017). This large disparity in the level of welfare in the MENA does not encourage economic integration since the rich MENA states are reluctant to share their wealth. According to the World Bank (2015), Economic growth in the MENA is stagnating due to low oil prices, conflicts, and the global economic slowdown.

It is worth noting that the phenomenon expressed above is particularly problematic considering that the MENA's population is approximately 351 million (ibid., 2015) doubling every twenty five years, and ranking first globally in terms of the proportion of the total population under the age of 30. This means that youth employment is one of the most critical issues facing the region (UN, 2011). In this context, assessing the economic and political impact of the Agadir Agreement is very important not only to determine its success or its failure so far, but also to determine if establishing FTAs in the MENA is the right course of action to solve some of the challenges the MENA faces. Rouis and Tabor (2013) argue that adopting policies that promote economic integration in the MENA could help address the critical development challenges that were brought to the forefront by the 'Arab Spring'.

Divisions among the MENA states have hindered the coordination of foreign, political and economic policies. Some divisions have arisen due to different states adopting contrasting ideologies since their independence in the mid-twentieth century. Whilst some states were revisionist, somewhat socialist and Soviet-leaning (such as Algeria, Iraq, Libya, Syria), others fell within the more conservative, status quo and Western-leaning camp (including Bahrain, Jordan, Morocco, Saudi Arabia, and the UAE). Regional conflicts and a lack of trust deepened the differences between the MENA states. Most states have had territorial or border disputes following independence. For example, the border between Algeria and Morocco remains

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<sup>11</sup> Current US\$.

<sup>12</sup> U.S. dollars per capita, current prices.

closed since 1994 as a result of concerns about cross-border clandestine activities as well as differing policies vis-à-vis the enduring Sahara Conflict.

For much of the Cold War era the region was starkly divided between those in the pro-West camp and those in the Soviet camp, as well as rivalry over regional leadership between Egypt, Iraq, Saudi Arabia and Iran. Historically, hostilities between traditional monarchies (Saudi Arabia, Jordan and Morocco) and new republics or "revolutionary" states (Egypt, Libya and Iraq) have been severe. Hassan II in his book *La Mémoire D'un Roi* narrated that several attempts to assassinate him were ordered by Colonel Gaddafi (Hassan, 1993). The political divisions between the MENA states became distinct during the first and second Iraq Wars with some supporting the war, some opposing it and others standing on the side-lines (Gause, 2013).

Since the uprisings of 2011, the MENA is experiencing unprecedented national, regional and transnational challenges commonly referred to in media as the 'Arab Spring'. The increase in extremism, the emergence and intensification of civil wars and conflict within states and between state and non-state actors and the mass displacement of refugees have become increasingly salient features of the political and economic landscape of the region. These events have garnered major attention in both media coverage and academic research. It is evident that most literature studying the MENA since the Arab Spring has focused excessively on wars, conflicts, security, fundamentalism and a 'clash of civilisations' narrative (Cockburn, 2015; Lynch, 2016; Underhill, 2014). Some questions raised in this literature try to explain the rise in extremism in the regions. Others attempt to explain the surge in ethnic and national identities (The Kurdish issue) and proposed to divide the region further (the case of Iraq and Libya). What is observable in the literature is the absence of regional integration discourse. This thesis, by exploring regional integration in the Agadir Area, not only strives to understand the political economy causes of the current situation in the MENA, but also (by analysing the failure of previous economic and political integration processes) to provide a road map to tackle issues of peace and stability that the population of the region strives for. Promoting peace and stability in the MENA is a major preoccupation of this thesis.

## Conclusion

This chapter has explored regional integration in the MENA while setting out the background and the disciplinary framework within which this study is carried out. The first section of this chapter has explored globalisation, its evolution and its impact on regional integration and regionalism. It has highlighted the economic, political and social dimensions of globalisation and the importance of trade in international relations. Here light has been shed on the impact of globalisation on the Global South. Two arguments have been presented. The first is that the Global South has been marginalised in the international system. The second argument is that the disciplines of IPE has focused on the political economy of integration in the Global North and in a few cases the implications of processes in the Global South for the North and has ignored the Global South. An important conclusion is derived from this analysis vis-à-vis the 'I' in both the 'international system' and 'IPE' questioning whether there are really 'international' or rather Western-centric and whether globalisation is an inevitable and irreversible movement that no one is in charge of, but everyone benefits from.

Section two has critically debated the concepts of regionalism and regional integration. Here, several definitions of regionalism have been presented. Some have emphasised its role as a response to globalisation and hence constituting one of the few tools available to states to try to manage the effects of globalisation and regain some control over global market forces. Conversely, others consider the process of regionalisation consistent with the process of globalisation. Two observations have been deduced in this section: first, that regionalism is dynamic and involves numerous dimensions; second, that processes of regionalisation could potentially lead to interdependence. These observations have raised a key question to be researched: is the relationship between regionalism and interdependence universal? On one hand, this question entails taking for granted the teachings of IPE about the direct relationship between regionalism and interdependence and applying them to different regions of the world. On the other hand, it suggests that different regions of the world have specific characteristics that ought to be considered when implanting or studying regional integration processes. This

debate is core to this research project in its engagement with and exploration of regional integration in the Agadir Area.

The third section has addressed specifically the integration process in the MENA. It has highlighted the historical integration process since WWII while critically analysing the MENA economic and political (dis)-integration. Here it has been concluded that whilst it is clear the MENA was a pioneer in initiating regional integration processes evidenced by the establishment of the Arab League which predated the EU, the UN and the high number of political and economic accords and agreements since, it is evident that the region has failed to integrate. This has been further evidenced by the fact that the states in the region keep signing similar agreements and more importantly evidenced by the low volume of trade and isolated political and economic policies.

One could argue here that the agreements signed including the Agadir Agreement are no more than declarations of intent on the part of the participating signatories. They lack the binding and comprehensive conditions that characterise agreements of other economic regional blocs. Another reason could be the instability in the region following the first and second Iraq wars and the Arab Spring. Nevertheless, while some explanations are given as to why the process of economic integration has been slow-moving and inactive, there are other variables that could be analysed to explain the low volume of trade such as: the scarcity of high-tech products from member states, the similarity of products, distance, transport links and logistics, customs procedures, the size of economies, political will, forms of governance, cultural affinity and alliances. These variables will be explored in chapter four and chapter five to better understand the political economy of integration of the Agadir Agreement specifically.

The fourth section critically analysed the relationship between integration and peace in the MENA context. Having highlighted the unprecedented national, regional and transnational challenges that have emerged in the MENA following the uprisings of 2011, it is observed that most literature on the MENA since the Arab Spring has focused excessively on wars, conflicts, security, fundamentalism and a 'clash of civilisations' narrative with the absence of regional integration discourse. The questions this section raise that are important

to this research project are: can ‘integration peace’ be applicable to the MENA? If so, why have previous MENA integration processes failed? And could new processes of integration such as the Agadir Agreement promote peace and stability in the MENA? This thesis, by exploring regional integration in the Agadir Area, not only strives to understand the political economy causes of the current situation in the MENA, but also (by analysing the failure of previous economic and political integration processes) to provide a road map to tackle issues of peace and stability that the population of the region strive for. Promoting peace and stability in the MENA is a major preoccupation of this thesis.

This chapter has concluded that IPE as a discipline has several limitations both in its content and in its methods. Within these limitations, the areas of the MENA studies have been further obscured. Research that has been conducted on the MENA can confidently be described as state centric and conflict centric. This study aspires to challenge some traditions that the discipline of IPE has developed, by pursuing four goals and strategies: (1) giving importance to the study of the Global South to gain its merited position in the IPE discipline in the 21st century, (2) engaging equally with both ‘high’ and ‘low’ politics’ with the aim of recapturing a variety of issues into the IPE issue agenda, (3) both positivist and interpretivist methods (chapter two) will be used to assess and analyse the subject matter: Agadir Agreement, and (4) not separating economics from politics but embracing a political economy paradigmatic approach. The following chapter thus addresses in detail the theoretical and methodological framework of this study.



## Chapter Two

# Theory and Methods

## Introduction

Chapter two has two aims: (1) to establish the theoretical approach that the study uses and (2) to develop the research methods used to collect, analyse and present information. Bryman (2012) argues that both theoretical approaches and research methods help to draw up a research design that matches the research questions. At this stage of study, it is important to illustrate how this research project is approached theoretically and methodologically.

To achieve its aims, this chapter is organised in three sections. The first section respectively addresses ontological and epistemological issues pertaining to this research project. It is important to acknowledge that the researcher approached this research both objectively in terms of perceiving the political economy relationship of the Agadir Agreement. Both objective and subjective methods were employed. Under the first heading it is assumed the subject is observable and can be understood and explained through scientific research; hence the use of quantitative methods, which provide a universally true and accurate description of such phenomena. The second approach is subjectively in terms of acknowledging that the world is socially constructed and not separated from us; hence the use of CIP theory, qualitative methods as well as acknowledging that the findings from conducting quantitative analysis are open to interpretations.

The second section develops the conception of theory adopted in this research project, which is directly linked to and founded upon one's ontological and epistemological positions (Marsh and Furlong, 2002). In doing so, this section broadly discusses some aspects of theoretical understandings of economic integration whilst channelling the focus towards major debates about integration within liberalism. This section thus establishes CIP theory as the adopted approach for this research project. As mentioned in chapter one, a critical approach to this theoretical framework is considered to examine the appropriateness of this theory to study the Agadir Agreement specifically and the regional integration in the Global South generally. The final section establishes the methodological approach used to collect,

analyse and present data in this study. The purpose of this section is to identify relevant and effective methods to conduct research, answer the research project's questions, achieve research project's objectives, collect, analyse and interpret data and inform policy-making. Traditionally in social science, either qualitative or quantitative methods have been used to conduct research. This thesis, however, supports a growing number of researches in social science using a mixed-method approach. Before making the case for a mixed-method approach, this section examines both qualitative and quantitative methods. This chapter as a whole highlights how the ontological, epistemological, theoretical and methodological positions are aligned. It concludes with a summary of the main points discussed in this chapter and an outline of the research undertaken and presented in the following three chapters.

## Ontological and Epistemological Foundations

Our ontological viewpoint - what there is to know - and our epistemological viewpoint - how we may best know it – influence directly the research questions and objectives of any research. Marsh and Stoker (2002) state that “ontological and epistemological positions are crucial because they shape what we think we are doing as scientists, how we do it and what we think we can claim about the results we find.” (p. 311). This recalls the critique of IPE and IR in the previous chapter in relation to the US-Euro-centric ontological and epistemological foundations they are largely based upon. Indeed, it is no surprise that IR has been described as an “American Social Science” (Hoffmann, 1977). This bias is more so when studying the MENA. It is recognisable in social science, and, one can argue, in other fields, that most of the researchers studying the MENA are either North Americans, Europeans or in best case scenarios have been trained outside the region itself. Their ontological and epistemological positions have been based on rather different understandings of the MENA's traditions and practices. This argument has been supported by scholars such as (Fawcett, 2016; Neumann, 1998; Tickner, 2003). Fawcett (2013) states that “international relations theory was made for the Middle East, but not by the Middle East.” (p.6). Whilst it is not the purpose to discourage the study of the MENA from any world view, the intention is to encourage and promote views from within the region itself. Admittedly this research project uses CIP theory, a theory

developed in the West; yet, a critical approach to this theory is adopted which draws on views from the Global South.

## Ontological Foundations

Ontology is a branch of metaphysics concerned with the nature of being (Blackburn, 1996). Grix (2010) explains that: “the first part of the word comes from the Greek verb equivalent to the English ‘to be’. It can be understood as the basic image of social reality upon which a theory is based. It can, however, be better understood as the way in which we view the world; it is our starting point in research, upon which the rest of the process is based” (p. 170). Hall (2003) defines ontology in terms relating to “the character of the world as it actually is” (p. 374). Blaikie (2000) expands and defines ontological claims as “claims and assumptions that are made about the nature of social reality, claims about what exists, what it looks like, what units make it up and how these units interact with each other. In short, ontological assumptions are concerned with what we believe constitutes social reality” (p.8).

"Ontology matters", as Hay (2006, p. 79) emphasises, because the role and purpose of ontology are becoming increasingly prominent within social science including Political Science and International Relations. Ontology can be said to precede epistemology and methodology mainly because it is unfounded to think about and study the social world without clarifying at least an implicit, if not an explicit, ontological position regarding what the subject of study is to be. Lewis (2002) argues that clarifying one's ontological issues can help clarify the precise character of theoretical positions and arguments. In the same way, Chatterjee (2013) adds that epistemological discussions in the social sciences cannot avoid the ontological presuppositions or implications of such a discussion. In other words, "Ontological assumptions have been shown to be important because they influence the explanations they underpin" (Stanley, 2012, p.93). The questions that arise here are: from where do such assumptions emerge? Why do we as social scientists assume the things we do about social and political reality?

According to Stanley, there are two main forms of political science study. The first being a study which seeks to understand and explain Politics, IR and IPE. This study, which constitutes the primary aim of most scholars in the discipline, deals primarily with the nature of social phenomena, relations, structures and/or processes. Its aim is to explain the causality of 'real life' political, international relations and international political economy events and phenomena by asking questions such as 'what caused  $x$ ?' or 'how did  $y$  happen?' In contrast, the second type of study in political science does not focus upon actual 'politics' in the conventional sense, but, aspires to provide interpretations of these phenomena (Hollis, 1994). In other words, its concern is to make sense of how we as social scientists understand and conceptualise politics, international relations and international political economy. For example, this could involve critiquing an existing explanation or interpretation or attempting to clarify, for instance, IPE concepts of power, state, trade and peace. As a result, this second study argues Stanley (2012) "cannot and should not tell us much about politics itself, but can and should tell us about (existing explanations and approaches within) political science" (p. 94).

Accordingly, defining whether a research project seeks either to offer an explanation or to offer an interpretation is where we as social scientists must begin in order to establish how the project will be carried out (Bechofer and Paterson, 2000). This is an important point in this research project especially as it has been, implicitly, argued in the previous chapter that IPE as a discipline is based upon a materialist ontology which hampers any enquiry of seeking to understand and explain the 'truth' of the phenomenon studied. Here it is important to distinguish between ontological materialism and ontological idealism. According to materialist ontology, only material substances exist and physical matter is the only reality (Thomson, 2012). Ontological materialism considers that there is a materialist and physical explanation to abstract phenomena such as feeling, mind, and will. In the words of Jackson (2009), it "makes material forces sovereign over institutions, ideas and values" (p, 121). Philosophers such as Friedrich Engels argue that a real world exists independently of human cognition (Engels, 1976). Ontological materialism research perceives this 'real' world to be

examined through scientific research. Popper (2002) argues that a concept has to be tested to be called scientific.

In contrast, ontological idealism, defined as “an inverse image of physicalism” (Jaworski, 2011. P, 369), implies that that our experience of the world is inescapably moulded by our concepts (Kant and Gregor, 1998). Hence, ontological idealism claims that everything can in principle be explained in non-materialist terms. In this case, research based on ontological idealism seeks to understand how reality is constituted based on ideas and values. Hence, ontological materialism and ontological idealism differ in that the former views reality having a physical and concrete existence whilst the latter views reality existing in thought or as an idea.

This study is based upon materialist and idealist ontologies. As for materialist ontology, this study assumes that the social world contains characteristics of a physical character, such as goods to be traded or soldiers to be deployed in armed conflict, which exist regardless of the cognitive awareness of the researcher. As for idealist ontology, this study assumes that ideas and values are major components of social reality. Abstract concepts such as international anarchy or international peace exist independently of specific material conditions and help to determine the operations of the international system. Attitudes towards these ideas will also to some degree, condition the approach taken by specific researchers at specific times. That ontological materialism and ontological idealism interact in this study is clear when considering that analysis of causal relationships in IPE remain to a certain extent dynamic. El-Anis (2008) best summarises this dynamic relationship within IPE:

“In the first instance there exists a global economy or international political economic system which has observable elements. However, this global economy is dynamic and in a constant state of change as opposed to being static and un-changing [ ] Instead there is constant ‘horizontal’ change in the structures, and processes, as well as the constituent social phenomena [ ] and the relations between them” (p,65).

From the above quote, it is clear that international political economy and within it South-South cooperation is dynamic. It influences and is influenced by decisions by individuals, organisations, states and NGOs. Hence, it is subject to amendment by the actions of its components whilst it influences and constrains agency and decision-making. The issue of agency and structure is therefore of particular importance in this research project. Hence, this study recognises that whilst features of the international political economy of regional integration such as state actors and trade statistics can be analysed highlighting common ground with ontological materialism, this study goes further to proclaim an ontological idealism approach by means of considering concepts such as institutionalism and positive peace. Nevertheless, it is worth noting that even when adopting this pluralist approach, there are limitations of any study within social science; these relate to the depth and scope of research, time available for the study, physical access to relevant data, material, or people and so on.

This research project studies the free trade Agadir Agreement between Morocco, Tunisia, Egypt and Jordan. These are ‘real’ existing and observable state actors. It is possible to identify their patterns of behaviour, processes and relationships between them and to quantify these. However, these actors are subject to constant change and dynamic movement both domestically, regionally and internationally and many of these alterations reflect changes to the way in which actors and scholars conceptualise these problems. As a result, ontological materialism and ontological idealism approaches will guide this study.

## Epistemological Foundations

Before proceeding to discuss the epistemological foundations of this study whilst considering the claim made by some scholars that ontology precedes epistemology, arguably, this research project takes the position that both ontology and epistemology overlap and are intertwined. Ontology and epistemology may be said to be distinct but not separate (Fox, 1999). The word ‘epistemology’ is derived from the Greek word ‘episteme’ meaning knowledge; and hence epistemology is the study of knowledge (Adamson, 2014). Epistemology deals with the issues of how one understands and explains, or how one *knows*. Fox (1999) explains that the

questions that constitute the subject matter of epistemology are: What is the nature of the knower? What is the nature of the means of knowing? and What is the nature of the known? What matters primarily here is whether or not the researcher can understand and explain phenomena and the relations between them in a logical way. What about relationships amidst phenomena? Can they be observed? Or are there some which cannot be directly observed? Marsh and Furlong (2002) explain how a researcher answers these questions define one's epistemological position.

Cardinal et al. (2004) in their book *Epistemology: The Theory of Knowledge* identify two ways of classifying the answers to these questions. The first broad classification is based on the belief that there are relations between social phenomena which can be observed and understood. The second broad classification is based on the belief that there are no relations between social phenomena that can be observed, understood or explained; however, they can be interpreted. Being aware of one's own epistemological position, while accepting the same constantly shifts, is of great importance in this research considering the argument highlighted in the first chapter that IPE as a discipline is US-European centric that reinforces the status quo by maintaining a monopoly on knowledge production by not addressing epistemological questions.

Cardinal et al. (2004) argue that because there is a real world out there that we can observe, understand and explain through vigorous research; scientific epistemology is generally positivist in ontology. In this case, epistemology claims that the world exists independently of our perceptions of it. Benton and Craib (2001) in their book *Philosophy of Social Science: The Philosophical Foundations of Social Thought* go further to argue that there are in fact two types of scientific epistemology: realist and positivist. The first differs from the second in that it believes that there are some structural relations and processes, which cannot be observed but which are important parts of the social world. These structures and processes influence the social phenomena, which we can observe. The scientific realist epistemology approach correlates to an extent with the interpretivist conception of understanding since it allows for an acknowledgment of subjectivity to a certain extent and a



synthesis with the interpretivist ontological approach. Giddens (ed.) (1974) in his book *Positivism and Sociology* argues that scientific realist epistemology is more advantageous than scientific positivist epistemology in research. This is because as social science researchers, we may only be able to offer the best explanation, description and interpretation of social phenomena as opposed to the ‘scientifically proven’ explanations and descriptions of positivism. Arguably, scientific realist epistemology out of all of the post-positivist approaches<sup>13</sup> has had the greatest, albeit unacknowledged, influence on the discipline of IR (Joseph and Wight, 2010).

Sharing some similarities with scientific realist approaches, the interpretivist epistemological position is interpretivist in the sense that it sees the world as socially constructed and not separated from us - unlike the positivist approach. As a consequence, it advocates that social scientists, ought to aspire to identify and understand the meanings and interpretations attached to social phenomena (Marsh, Furlong, 2002; El-Anis, 2008). This is because, explains El-Anis, “social phenomena do not exist independently of our understanding of them, instead it is our awareness and understanding of them that directly affects outcomes and the way in which the world exists” (p.68). From this explanation, two observations can be made. First, the interpretivist epistemological position makes it clear that to claim ‘truth’ whilst studying and explaining social phenomena is difficult. Second, it must also be acknowledged that because social phenomena do not exist independently of our understanding and awareness of them, it is therefore challenging to carry out purely objective research. Schmidt (2006) refers to these two positions as ‘the double hermeneutic’.

To conclude, this researcher’s epistemological position hinges on the claim that on one hand social phenomena are observable, can be understood and explained, and on the other hand, there are other phenomena, which cannot be directly observed, understood and explained. Accordingly, this researcher’s task is not only to observe, understand and explain, but also to interpret phenomena. It is acknowledged that totally objective research is not

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<sup>13</sup> Constructivism, postmodernism, feminism, critical theory and historical sociology.

believed to be possible here as the researcher will always have individual interpretations, biases, values and so on which interfere with the understanding and explaining of social phenomena. Altogether, this research project is therefore approached by acknowledging to an extent materialist and idealist ontological elements in its ontological position and uses a synthesis of a scientific realist, positivist and interpretivist epistemological positions.

## Conception of Theory

Chapter one briefly introduced CIP theory as the theoretical approach to be used in this research project. This choice has been made to correspond to several demands and constraints highlighted in the previous chapter. Among which are: the critique of the discipline of IPE, the pursuit of a non-conformist critical approach to studying international political economy and the researcher's interest in regional integration in the Global South. Analysing the political economy of trade between Agadir Agreement member states at the local, state, regional and international levels whilst considering multiple types of actors, places yet more demands and constraints on the theoretical tools to be used.

The following section introduces some theories of economic integration; the main focus is to introduce and discuss CIP theory. This is done by considering its historical developments, its ontological and epistemological foundations and how it relates to those of this researcher. This process will enable the choice of the exact variant of the CIP theory approach to be used in this research project. A comparison between this approach and other approaches will be made. Towards the end of this section, a summary is introduced of how exactly CIP theory will be employed in this research project as a critical CIP theory approach.

## A Discussion of Theoretical Understandings of Economic Integration

To discuss all the theories of economic integration is neither within the scope of this research project nor does it constitute its purpose. Yet, it is important to step back and consider broadly some aspects of some theoretical understandings of economic integration in order to demonstrate the variety of theories that have tackled economic integration and to contextualise CIP theory.

After World War Two, many social science theorists (e.g. economists, federalists, functionalists, neo-functionalists, liberals and CIP theorists) became concerned with political and economic integration. Their main preoccupation was the peaceful resolution of international conflicts and the political and economic gains of integration (Balassa, 2013). They prescribed a variety of processes of political and economic integration and their impact on welfare and peace among nations, prompting various proposals concerning the means and objectives of integration. Despite the large amount of literature dealing with integration, its processes and its impact, it is argued that integration theory remains undeveloped today. Back in 1981, Dougherty and Pfaltzgraff (1981) wrote that there was no accepted definition of integration or consensus on the indicators of integration (p.453) and that still resonates today. Economic integration means something different to nearly everyone (Allen, 1963). The definition of integration and consensus on its indicators are both varied and diverse. Integration theories' record in describing, explaining and predicting regional integration across the globe has not been successful. An example is the Brexit process currently happening between the United Kingdom and the EU.

Advocates of economic liberalism regard regional integration as a stepping stone to harmonisation in various policy areas between nation states, to avoidance of economic depressions, to maintenance of full employment, to improvement of social welfare, to promotion of cooperation and to maintenance of peace. The way to achieve this is to liberalise trade by abolishing obstacles to goods and services movements (Balassa, 2013). Among the advocates of the liberal thoughts, one can cite Kant (1795); Friedman (2005); Röpke (1959); Smith (1776). They regard economic integration as indistinguishable from trade liberalisation. Allais (1960) emphasises that "the only mutually acceptable rule for close economic cooperation[...] is the rule of the free market", though he insists this is only possible between democratic societies. Röpke (1959) claims that post-WWII economic integration mainly in Europe is nothing more than an attempt to return to the pre-1914 period, where European nations enjoyed a higher degree of integration. Liberals argue that economic integration

reduces misunderstanding, enhances communication across cultures, and builds institutions capable of arbitrating potential conflicts and perpetuating peace.

Liberals aspire for a worldwide economic integration process that includes all states under liberal terms. These terms are the abolition of trade tariffs, the compatibility of customs laws, and the harmonisation of economic and political measures such as monetary and fiscal policy choices (Kachiga, 2008). Liberals seek to promote these preconditions among states and other international actors. It is then no surprise that liberal democratic nations behave confrontationally towards nations who resist the pressure of adopting the rules of the free market.

Critics, however, argue that the liberals' ideal of economic integration is a remnant from the past, and its application to present-day economic life is unrealistic. They argue that, even while considering the historic progress made worldwide in integrating nation states' markets since WWII, "the process of moving toward the final structure of truly global liberalism appears to have a long way yet to go. Along that way, dangers loom. Among them is the threat that global liberalism fails to deliver on its promise." (ibid., p.21)

Economists are mainly concerned with the management of scarcity, the distribution of resources and the increase of welfare. Thus, economists' consideration of regional integration is linked to its contribution to welfare. Economists associate the concept of welfare to the Pareto optimal.<sup>14</sup> Bela Balassa argues that economic integration affects welfare in four ways: (1) it affects the quantity of goods and services produced, (2) it alters the degree of discrimination between domestic and foreign goods, (3) it shapes the redistribution of income between the nationals of different states, and (4) it influences income redistribution within individual states. These effects influence both efficiency and equity.

For some economists such as Belassa (2013); Abdel Jaber (1971); Demas (1965) economic integration can lead to an increase in potential welfare. They justify this since

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<sup>14</sup> A situation in which no feasible change can raise anybody's welfare without lowering that of somebody else. This applies to reallocation of final goods between different users, reallocation of factors of production to different industries, and changes in the composition of final goods produced (Black, 2003).

economic integration might raise output. It has the potential of making everyone better off without making someone worse off. In contrast, other economists argue that economic integration might reduce world welfare by redistributing income from 'poor' to 'rich'. Viner (1950) argued that "customs unions are not important, and are unlikely to yield more economic benefit than harm, unless they are between sizeable countries which practise substantial protection of substantially similar industries" (p.135). Indeed, economists have disagreed on whether regional integration increases or reduces the welfare of participating states and the rest of the world justifying their arguments by that famous expression of economists 'it depends' on the circumstances under which economic integration takes place. Despite the different position the economists might hold regarding the impact of regional integration on welfare, the majority of economists have agreed on the dynamic effects<sup>15</sup> as a tool to evaluate the effects of economic integration (Hosny, 2013).

Among the many forms of economic integration is the sectoral approach. This approach entails integration which moves from sector to sector successively. Advocates of this approach cite the situation in post-WWII Europe where efforts were made to integrate the iron and steel sectors to be followed by industry, transportation, and agriculture in sequence (Stikker, 1951). Advocates of this approach contend that integration in one sector encourages integration on a larger scale. They argue that this approach is suitable for nation states which lean towards limited commitments rather than simultaneous integration of all sectors. Nevertheless, the sectoral approach has been criticised: (1) it does not allow for compensating changes because integration in one sector will lead to re-adjustment in this sector alone; (2) the continued existence of tariffs and other trade barriers in other sectors will hinder the development of the already integrated sector; (3) the sectoral approach can potentially lead to conflict. Where there is disparity in production price, high cost producers in one participating country will object to economic integration because of the competitiveness from a low producer in another participating state; (4) a new and temporary equilibrium of prices, costs,

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<sup>15</sup> anything that affects the country's rate of economic growth over the medium term (Schiff and Winters, 1998, p179)

and resource allocation in every step of sectorial integration is further disturbed at every further step of sectorial integration. The argument here is that if all sectors are integrated at once, an equilibrium of prices, costs and resource allocation will be arranged (Balassa, 2013).

Despite these drawbacks, a sector by sector integration might still be beneficial especially when political reasons hinder wider integration. The European Coal and Steel Community (ECSC) is a case in point. In her book *Theory of Economic Integration* (1961a), Bela Balassa rightly predicted that the ECSC would go on to become a common market, and that once this was achieved it would go further in the process of integration. After WWII, European countries were reluctant to integrate their economies fully, yet were prepared to accept a limited measure of integration. Beginning with coal and steel, soon after, integration ‘spill-over’ to other industries contributing to the establishment of the Common Market and eventually the European Union. It is important to note that Bela Balassa went further to argue that for the monetary union to function properly political unification was necessary. This became clear during the recent Greek sovereign debt crisis which has threatened a Grexit.<sup>16</sup>

### Institutionalism and its Development

Institutionalism stresses the need for institutional arrangements to initiate and sustain cooperation among states (Nuruzzaman, 2008; Axelrod and Keohane 1985; Haas et al. 1993; Keohane 1984, 1989; Keohane and Nye 2000; Lipson 1984; Milner 1992). These scholars argue that international institutions can help states mediate and cooperate since they can provide a common ground for interaction. North (1990) defines institutions as “the rules of the game in a society, or more formally, [the] humanly devised constraints that shape human interaction” (p, 3). The liberal institutionalist approach considers states rational actors which aim to maximise absolute gains through cooperation rather than relative gains.

Unlike realists, liberal institutionalists believe that anarchy does not make cooperation entirely impossible to achieve. Indeed, liberal institutionalists generally believe that institutions promote cooperation by sharing information and reducing the risk of cheating between states. In order for cooperation to take place, the liberal institutionalists emphasise

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<sup>16</sup> Greece exiting the Eurozone and returns to the drachma, its national currency.

conditions such as: “a long-term relationship among a relatively small number of states, reciprocity based on standards of appropriate behaviour and existence of mutual interests that make joint gains from cooperation possible” (Nuruzzaman, 2008, p 196).

It is worth noting that liberal institutionalism is a broad school of theory. Institutional research in IR and IPE has largely taken place within the context of the broader paradigmatic debates that have structured both fields (El-Anis, 2008). March and Olsen (1984) argue that no single institutionalist approach exists, however, several approaches, occasionally contradictory, exist. Since WWII, liberal institutionalism has undergone a wide-ranging development captured by the changing terms used to characterise it from the field of International Organisations to Regime Theory, Liberal Institutionalism and subsequently Neoliberal Institutionalism (Stein, 2008). In this research project, the variety that characterises the theory of institutionalism is considered a strength; and hence, a reason why it has been chosen for this study.

After WWII, liberal institutionalism gained prominence in social science. States, which had been shattered by the war, were no longer interested in zero-sum games which maximized relative gains, but sought cooperation with other states in the pursuit of common goals (Grevi, 2011). Soon after the war, the study of the role of the newly formed international institutions in international relations and international political economy emerged (Martin and Simmons, 1998). International institutions and regional integration became subfields of international politics (Stein, 2008). Initial institutionalist scholarship was shaped by the debate between realists and liberals on the importance of institutions such as the UN, the IMF, GATT and the World Bank - albeit a large proportion were critical.

Several scholars such as Elmandjra (1973), Martin and Simmons (1998) held the view that post war organisations would fall short of fulfilling the tasks they were assigned and consequently would not be able to significantly impact international relations. Johnson and Niemeyer (1954) in their journal article ‘Collective Security: The Validity of an Ideal’, for example, investigated the impacts and roles that international institutions had on state behaviour. They raised important questions about whether being part of an international

institution would encourage states to choose to use force in order to preserve a common good over relative gains compared to other states. They concluded by calling for a specific mechanism that could explain how international institutions affect state behaviour.

Throughout the 1950s, several studies focused on tackling the question of international institutions' impact on state behaviour. Scholars such as Cohen (1951) and Rudzinski (1951) focused on the impact of international institutions such as the UN on the two post-WWII major powers: the United States and the Soviet Union. In Cohen's view, international institutions had an impact on US behaviour via raising its consciousness about matters that affected American interests. As well as its own historical experience under the British rule and the War of Independence, international institutions did have some influence over US support for decolonisation worldwide. As far as the Soviet Union was concerned, Rudzinski wrote whilst "the creation of the United Nations, its actions as well as the Soviet's membership and participation in the work of the organisation did not affect materially Soviet long-range political objectives [...], both United Nations membership and United Nations specific actions backed by the United States affected definitely Soviet political methods" (p.297- 298).

In addition to the impact of international organisations, scholars writing in the 1950s and 1960s were concerned with the question of 'how' international institutions impact. Yet, this period was marked by a lack of a theoretical framework within which to understand and answer the question of 'how' institutions impact. As a result, methodological tools borrowed from the broader social sciences dominated the study of international organisations. El-Anis (2010) explains that "attention was subsequently paid to the internal politics of international institutions as opposed to their external characteristics and 'actions' in order to explain their impacts on international political economy" (p, 47). Keohane (2002) argues that institutions such as the UN Security Council (UNSC) and the UN General Assembly (UNGA) have become a workshop for East-West confrontation throughout the Cold War and North-South conflicts.

Development in liberal institutionalist theory in the 1950s went further to affect contemporary institutionalist scholarship. Lisa Martin and Beth Simmons (1998) argue that "though lacking the elaborate theoretical apparatus of current research, early studies of post-



war organisations had many of the same insights that have informed ‘modern’ institutionalism” (p.731). Abandoned for almost two decades, research carried out in the 1950s re-emerged in the late 1970s. Among the ideas that re-emerged are that international institutions can affect state behaviour. This is an important idea in this research project that will be tested in chapter five vis-à-vis the impact of the Agadir Agreement on the political cooperation between member states. Other key ideas shared between early and contemporary institutionalists include the notion that the nature of international political economy influences the effectiveness of international institutions and to study this effectiveness is a step forward to understand and predict actor behaviour (El-Anis, 2008).

In the heights of the Cold War during the 1960s, the realists’ theory overwhelmed the liberal theory. International institutions became rooted in the core elements of realist theory: states, power, and interests (Stein, 2008). Institutional theorists, instead of arguing that institutions are a new and different feature of international relations, held similar views as realists that states remain the core actors in international affairs and that state behaviour is rooted in power and interest (Rittberger and Mayer, 1993; Stein, 2008; Young, 1986).

Another challenge to liberal institutionalism in the 1960s came from behaviouralism. Behaviouralism claims that rather than studying the units and institutions, it is essential to study the political behaviour of individuals arguing that actors’ political behaviour constitutes the central aspects of politics giving prominence to agency over structure. Goodin and Klingemann (1996) explain that behaviourist scholars were determined to dismiss the formalisms of political science such as institutions, organisational charts and legal assumptions.

By the 1970s, liberal institutionalist research took a new path with emphasis on organisations’ structures and processes. Cox and Jacobson (1973) in *The Anatomy of Influence: Decision Making in International Organization* focused on how decisions were made in eight specialised UN agencies and their outcomes. They argued that international institutions could be analysed as single entities: systems with their own structures and processes of influence. In their views, decisions are made in international institutions within

the context of their functions, institutional framework, basic procedures and their history. Cox and Jacobson's study supported the inter-governmental model where relationships between different government bureaucracies exist.

Another development which marked liberal institutionalism during the 1970s is neo-functionalism and integration. Neo-functionalism focuses on the progressive development of regional integration arguing that integration develops its own internal dynamic referred to as the 'invisible hand' or 'spill-over' (Haas, 1976; 1958). It concentrates on low politics, such as economic and social issues considering them the very source of international conflict. A leading scholar of neo-functionalism is Ernst Haas. He argues that cooperation could emerge in a non-political context and that it is possible to go beyond the nation state to a peaceful, orderly and productive system (ibid.). He explains that "political integration is the process whereby actors shift their loyalties, expectations, and political activities toward a new centre, whose institutions possess or demand jurisdiction over pre-existing national states" (p.16). Haas's ideas on the degree of integration and the possible loss of sovereignty are still relevant today. The recent United Kingdom referendum (Brexit) to leave the EU could be considered a move to withdraw the UK's loyalties, expectations, and political activities from the new centre: Brussels. In this study, the concept of 'spill-over', that integration creates further integration, will be examined in chapter five to test if the free trade Agadir Agreement has caused a 'spill-over' on the political cooperation between Agadir member states.

A further development in the 1970s demonstrated both the weaknesses and strengths of international institutions. Demonstrating the weaknesses of international institutions, the US unilaterally decided to abandon dollar-gold convertibility and later to float the dollar, destabilising two decades of predictable and relatively stable monetary relations under the Bretton Woods institutions (Martin and Simmons, 1998). Demonstrating the strengths of international institutions, OPEC<sup>17</sup> played a powerful role vis-à-vis oil pricing and supply. OPEC's power and influence in international affairs and international political economy was

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<sup>17</sup> (OPEC) Organization of the Petroleum Exporting Countries

exemplified by the 1973 oil embargoes (Schlaim, 2000). As a result of these events, some scholars have called for strengthening international institutions in order to stabilise an increasingly interdependent world (Ruggie, 1972).

In the 1980s, the debate on liberal institutionalism seemed to progress from the initial one on whether institutions matter, to a focus on institutional stability, change and development. Scholars such as Stein (1982) Krasner (1983) and Keohane (1984) tried to explain how some international institutions have demonstrated persistence despite a change in the initial environment. They questioned how some institutions adapt to systemic changes by expanding their membership or undergoing slow and incremental changes over a long period while other institutions, show no change for decades then rapidly undergo significant change (Rixen, Viola and Zurn, 2016).

The study of international institutions expanded to include international regimes. Little (2014) defines international regimes as “rule-governed activity within the international system” (p.290). Keohane (2002) defines them as a set of rules, norms, principles and procedures, or in other words a set of non-tangible institutions. The addition of international regimes in institutionalist research made it possible to study how international rules and norms as well as international institutions affect the behaviour of states and the potential for cooperation (El-Anis, 2010). Krasner (1983) explains that the study of international regimes developed in three main directions. First is a research centred on how international regimes are created in the first instance and how they change over time and how norms and values affect the process. Second is a research which concentrates on the subjective meaning of the norms and values which influence the nature of international regimes. Third is a study that emerged in the mid-1980s connecting international regimes with broader international cooperation.

The development of liberal institutionalism in the 1980s noticed the adaptation of realist ideas such as states' relative power, national-interests and relative gains. Keohane (1984) in his book: *After Hegemony: Cooperation and Discord in the World Political Economy*, studied how states - via international institutions - overcome high transaction costs

and information deficits or asymmetries. Keohane (1984) explains that “information costs and asymmetries may prevent mutually beneficial agreement” (p. 96) and that “by reducing asymmetries of information through a process of upgrading the general level of available information, international regimes reduce uncertainty.” (p.94). Despite Keohane’s inclusion of realist ideas, his contribution to liberal institutionalism in the 1980s aimed to explain how institutions are created and maintained as opposed to how they affect state behaviour.

The 1980s saw the development of a new institutionalist movement: New Institutionalism. This renewed attention in institutionalism emphasised the theoretical importance of institutions. It stressed the centrality of institutional analysis in the study of politics and society and resurrected the study of institutions as key variables (Roозbeh, 2011). Pierson (1996) argues that new institutionalism has six core characteristics. El-Anis (2010) summarised these characteristics:

“First, there has been a shift from focusing on organisations, and other tangible institutions to include non-tangible institutions such as rules, norms, values, and procedures. Second, institutions are no longer held to be exclusively formal, but including informal conceptions too. Third, the view of IOs has therefore become increasingly dynamic as opposed to fixed. Fourth, the values embedded in institutionalism which have come under scrutiny, have explicitly been defended and included in institutionalist research. Furthermore, the conception of institutions has become disaggregated whereas traditionally it has been holistic. And finally there has been an over-bearing move from the view of institutions as independent actors to one where they are embedded in particular contexts.” (p.51)

Debate between neo-realists and neo-liberal institutionalists about whether institutions can initiate and sustain cooperation among states continued into the 1990s after the Cold War (Mearsheimer 1994; Keohane and Martin 1995; Martin and Simmons 1998). Despite the general faith in institutions following the end of the Cold War (Keohane 1993), realists downplayed the role of institutions in international affairs. While they recognise that

institutions exist, (neo-) realists argue that this does not alter the anarchy of the international system. They explain that powerful states create international institutions to serve their own interests or what Stein (1982) called “coordination for the powerful” (p. 311). Once achieved, institutions are dissolved.

John Mearsheimer’s (1994-95) article ‘The False Promise of International Institutions’, endeavoured to bring to the surface the inherent weaknesses of liberal institutionalism theories arguing that these theories are flawed. In his opinion, they neither promote cooperation nor influence state behaviour. Mearsheimer, influenced by the politics of the Cold War, comments that when situations between states involve intense security competition, liberal institutionalism might not be applicable. In his view, though recognising the vast array of institutions, Mearsheimer argues that institutions exist typically in “low politics” domains such as health, food and transportation; they offer “false promises” in “high politics” including the domains of national security and defence. Last but not least, Mearsheimer explains change and development in international institutions by changes in the distribution of power between states.

In response, Keohane and Martin (1994) affirmed that “institutions matter” (p. 40) and do affect state behaviour. They argued that what requires attention is to understand how, and under what conditions, institutions initiate and sustain cooperation. This shift from studying whether institutions matter to studying how institutions, as modes of governance, are formed and sustained, characterises contemporary institutionalist scholarship. In this context, international institutions, once paralysed by Cold War rivalries (USA vs USSR), began to adjust to a new environment, actively taking a new role in global governance, expanding their mandates, and welcoming new actors (Abbot et al., 2014; Tallberg et al., 2013).

Nevertheless, the new millennium brought challenges and a major setback to liberal institutionalism. The ‘war on terror’ waged against sovereign states such as Afghanistan and Iraq and the interference in Libya and Syria with a general disregard for international institutions and international law, the US refusal to sign or ratify international treaties such as the Kyoto Accord and its opposition to the creation of the International Court of Justice,

have all undermined the feasibility of international institutions and raised doubts about their role in international affairs. Observing the events of the post-9/11 era, Nuruzzaman (2008) argues that unilateralism has become a pronounced feature of international affairs.

Nonetheless, international institutions, it is argued, are an important component of international affairs today. They encompass every functional domain and can be found in every region in the world. Stein (2008) explains that “modern reality consists of an alphabet soup of institutions” (p.201). A recent major development in the study of institutions is the movement to study both domestic and international politics. It is increasingly recognised that international institutions have domestic roots and domestic consequences (Stein, 2008). On one hand, Dai (2005) explains that domestic political institutions must be supportive of an international institutional membership by encompassing domestic political and economic requisites and support for subsequent compliance. On the other hand, Pevehouse (2002) and Grigorescu (2003) explain that joining an international institution affects domestic politics. The relationship between domestic politics and international institutions is an important topic in this thesis and one that requires further exploration especially in the context of South-South cooperation.

Since the end of WWII, liberal institutionalism has undergone major development. Despite the disagreements, debates and different opinions about international institutions, about its definitions, about how old or new the concept is, and about its exact impact, this situation does not conceal the reality of a growing number and role of international institutions. Indeed, one can argue that in order to understand and explain international relations and international political economy, one must to incorporate the role of international institutions. The developments that institutionalism theory has undergone sine WWII prompt a number of important questions for this study such as what actually constitutes the Agadir Agreement as an institution? How does it operate? What is the capacity for domestic actors to influence the functions and nature of the Agadir Agreement? And in turn how does the Agadir Agreement shape and influence political cooperation between member states?

## Forms of Institutionalism

The development of institutionalism in social and political sciences since the end of WWII has contributed to the emergence of several approaches to institutions. Peters (2005) argues that there are at least seven versions of institutionalism, citing March and Olsen 'normative institutionalism', and including rational choice, historical and empirical institutionalist approaches. Peters explains that each version has a set of identical questions including: what are institutions? What constitutes a "good institution"? How are they formed? How do they evolve? How do individuals and institutions impact on each other?

The answers given to the above questions are based on slightly dissimilar epistemological positions. Despite the fact that varying institutionalist approaches are largely materialist in ontology as they seek to understand and explain social phenomena and relationships, they vary in the manner in which the world is understood and explained (El-Anis, 2008). Lowndes (1996) separates the normative institutionalist approaches (normative institutionalism; sociological institutionalism; network institutionalism) and the rational choice variants (rational choice institutionalism; historical institutionalism; empirical institutionalism and international institutionalism). Both the normative and the rational choice strands view institutions as organisations, sets of rules and values. Whilst the former aims to determine appropriate behaviour, the latter seeks to determine interactions between utility maximising actors (Knight, 1992; Weingast, 1996).

Considering the aims of this research project and the epistemological foundations, it is argued that the institutionalist approach could be a valuable theory to conduct this study. The institutionalist approach provides the tools and mechanisms to study the nature and characteristics of trade relations between Agadir Agreement member states on a multilateral basis. The aim is to understand the political economy of integration between Agadir member states in the context of international institutions and offer some insight into the future prospects of political cooperation and economic integration between these states and others mainly in the MENA and the Global South. The institutionalist approach is well suited to achieve these aims since it can assess how the Agadir Agreement as an institution could affect

the behaviour of Agadir member states and at the same time could explain how domestic actors within states and international affairs can affect the Agadir Agreement.

### Commercial Institutional Peace Theory

Among the variant theories of liberalism is CIP theory. CIP theory holds a special position within the disciplines of IPE and IR mainly because it promotes the establishment of international institutions and a laissez-faire international economic system to promote peace and prosperity among states through greater interdependence (Keohane, 1984). CIP theory argues that establishing international institutions can mitigate the lack of centralised authority. This would not only settle disputes and enforce rules between states, but also promote cooperation and peace (Locke, 1964; Keohane, 1984). CIP theorists believe that the way to foster interdependence is to promote international trade between states. The assumption is a higher volume of international trade could integrate the economies of member states and promote inter-state cooperation and economic integration. Indeed, as discussed in chapter one, international trade, a key feature of globalisation, has expanded so rapidly and so widely that virtually every market on the planet is linked to many others via the exchange of goods and services (Smith et al., 2011). Feenstra (2008) and Griswold (2004) argue that international trade not only affects relations between states at the international level, but also at the domestic level. In a United Nations Environment Programme (UNEP) report (2005) it is argued that trade liberalisation can affect directly and indirectly the quality of life of citizens. The report considers quality-of-life indicators such as employment, literacy, health, social cohesion and sustainable livelihoods.

The relationship between trade and peace is a core principle within the CIP theory. Immanuel Kant in his 'Perpetual Peace' essay published back in 1795, argues three 'definitive conditions' for peace to be a permanent feature between states. These are the 'federation of free states', 'universal hospitality' and 'republican constitutions'. The first condition emphasises the importance of international institutions in maintaining peace; the second condition stresses the importance of economic interdependence and free trade in maintaining peace and the last condition argues that democracies rarely, if ever, go to war with each other.



John Locke considered similar ideas and urged international cooperation in order to establish and promote a 'free', prosperous and peaceful world order which safeguards people's 'lives, liberties and estates'. (p: 368). Kant's and Locke's ideas on how to reach international peace have been echoed by CIP theorists who have been promoting the establishment of international institutions, FTAs and democracy in order to achieve peace and stability in world order.

Most other CIP theorists argue that trade has pacifying effects. Bearce (2003) analyses how commercial institutions mainly "preferential trade arrangements help reduce the incidence of militarized inter-state conflict" (p, 347). Oneal et al. (2003) questions whether Kant's 'definitive conditions': 'federation of free states', 'universal hospitality' and 'republican constitutions' affect the likelihood of militarized interstate disputes. Oneal et al. find that the Kantian tripod of economic interdependence contributes significantly in reducing the risk of fatal disputes and wars. Understanding the relationship between the Kantian influences and their effect vis-à-vis the MENA is important considering the Global North, and specifically US policies in the region since the Iraq invasion of 2003. These policies aim to promote democracy in the region, free market principles and the spread of international institutions. Despite their importance studying these policies is beyond the scope of this research project. This study will focus on examining the impact of one leg of the Kantian tripod the 'federation of free states' on the two other legs: 'universal hospitality' and 'republican constitutions'.

The relationship between trade and peace has been argued clearly by CIP theorists Bearce and Omori's (2005) investigation of *how* "regional commercial institutions produce their observed pacific effect" (p, 659) tested three assumptions: (1) that commercial institutions increase opportunity costs for war; (2) that commercial institutions provide information on trading partners' military capabilities, thus increasing their ability to bargain for peace; and (3) that commercial institutions regularly bring high-level state leaders and decision-makers together which can help build trust. Bearce and Omori conclude that the first assumption is inaccurate because states are not unitary actors who can raise the opportunity cost of war through loss of trade; however, "it is societal actors who conduct the bulk of

international commerce, and thus, directly earn the profits of this exchange” (p. 662). Nevertheless, other theorists such as Polachek (1992), Polachek and McDonald (1992), and Barbieri (1996) argue that states are discouraged from initiating conflict against important trading partners for fear of losing welfare gains associated with trade. This relationship between state actors and societal actors is important in this thesis and will be tested considering that in most MENA states the ruling families are the same economic elites preoccupied with regime survival. These considerations confirm one of the main arguments of this research project that local and regional characteristics ought to be considered whilst assessing regional integration.

Considering how trade affects state behaviour, Aydin (2010) finds that “when third parties have important trade interests in a conflict participant, they join with their partners to protect their economic stakes” (p.1098). Aydin’s work has broadened CIP theory in a way that examines trade’s broader effects beyond dyadic analysis and thus examines the relationship between trade and its “broader political implications on state behaviour” (p.1098). Aydin’s work demonstrates the positive impact of trading at the regional level in terms of promoting peace.

It is worth noting whilst examining CIP theory’s literature, that it is clear that most of its theorists (e.g. McDonald 2004; Bearce and Omori 2005; Saez 2008; Aydin 2010 and Goldsmith 2013) focus on how “higher levels of free trade [...] reduce military conflict between states” (McDonald, 2004, p.547). The focus for these theorists is the relationship between international trade and conflict – mainly military interstate conflict; yet, they have ignored the relationship between trade and political cooperation. This constitutes another claim for the originality of this thesis via analysing the relationship between trade, economic integration, political cooperation and peace between Agadir member states considered in both chapters four and five successively.

It is worth considering here the CIP theory view of power. For CIP theorists, power is primarily economic in nature (El-Anis, 2010), and therefore much conflict occurs between states because they compete with each other in the economic sphere. Hence, to reduce hostility

between states, CIP theorists argue the need to increase economic interdependence and thus economic cooperation. In this context, Keohane (1984) further argues that a laissez-faire international economic order generated and sustained by international institutions and regimes leads to greater economic interdependence between states. This economic interdependence helps to prevent conflict and maintain peace between states. CIP theory suggests that this situation is possible because increased economic interdependence on one hand lowers the cost of trade and increases the profits of peaceful coexistence while on the other hand it increases the costs of conflict (Oneal and Russett, 2001).

CIP theory links economics to politics. Abboud and Minow (2002) argue that “economic interaction often leads to political adhesion” (p, 14). They claim trade precedes politics because trade benefits all stakeholders within the society. Nevertheless, Abboud and Minow admit that it is easy to agree the potential of a commercial agreement and it is difficult to translate the potential of that agreement into actual progress on the ground. This point is very important vis-à-vis the MENA; especially considering the high number of bilateral and multi-lateral agreements signed in the region since the end of WWII. Investigating economic policies in each Agadir member state, how the Agadir Agreement was formed and the content and potential of the Agreement is an important step in this thesis (this will be the preoccupation of chapter three). Exploring how the Agadir Agreement as a commercial agreement translates into actual economic and political progress on the ground will be the preoccupation of chapters four and five.

CIP theorists go further to claim that a laissez faire economic order can promote individual political freedom, liberty and democracy within society. El-Anis (2010) explains that for liberals the extent of governmental power can limit individual political freedom. Hence, CIP theorist, via promoting international trade and international institutions, aspire to seize political economy decision-making from the hands of a small number of governmental actors and place it in the hands of a variety of stakeholders and actors. Held (1995) argues that the above process promotes democracy by allowing civil society, non-governmental actors and the private sector to influence political economy decision making. The presence of a variety of

actors in the political economy decision-making creates an alternative source of wealth, influence and leadership outside the control of government (El-Anis, 2010). The claim that CIP theory promotes democracy is based on the assumption that increased international trade will lead to faster growth and greater levels of wealth; this subsequently will promote democracy by creating an economically independent and politically aware middle class. In most liberal literature, a middle class is associated with a higher level of education and greater interest in political affairs (Boix, 2003). This point will be considered in this thesis in chapters four and five considering that the four actors studied belong to a region known for its centralised actors – mainly elites’ families - who often use the power gained by monopoly over decision-making to marginalise other actors. This is more relevant now considering the recent Arab Spring where the populist slogan “bread, freedom and social justice” was chanted in several MENA capitals (Oumazzane, 2016).

CIP theory argues that the type of governing regime has a significant impact on promoting peace. The main argument here is that democracies which trade significantly with each other are not likely to engage in militarised conflict. This argument holds high significance considering that Agadir member states belong to the MENA, a region with most states considered not democratic. This thesis applies regime type as one of the variables to be analysed in order to assess its impact on promoting trade, minimising conflict and supporting political cooperation.

This section on CIP theory highlights how broad, diverse and complex this theory is. As mentioned earlier, it encompasses a large number of key features and principles. To attempt to include all its principles and features here is neither within the scope of this research project nor does it serve to achieve its aims. Hence, this research project adopts CIP theory in its theoretical analysis. This approach is based on key principles and assumptions within the broader liberal approach. The first assumption is that the global system is anarchic and requires international institutions to ensure global governance. The second assumption is that institutions are considered here as being international organisations and regimes. These could be tangible and intangible institutions. The third assumption is that there is a plurality

of actors in the international system. These include states and non-state actors. This is important considering that international trade is run in most cases by non-state actors such as companies, private sector and businessmen and businesswomen as well as being influenced by market supply and demand. The fourth assumption is that actors are considered rational and aim to maximise their pay-offs in a plus-sum game. The fifth assumption is that increased international trade leads to interdependence which leads to peace. This assumption is central to this study considering the instability, civil wars and inter-state disputes in the MENA - a situation which has intensified since the Arab Spring. The sixth assumption is that international relations have domestic implications which have an impact on decision making. Thus, the Agadir member states' decision to facilitate trade between each other should be discussed not only by examining their foreign policy but domestic policy and interests as well.

The version of CIP theory used in this research project, whilst claiming the above assumptions from within liberalism as known to theorists such as Robert Keohane and Joseph Nye, remains critical. This is to allow a critical approach to CIP theory itself and to allow the researcher to critique this theory in terms of it falling short of explaining how its principles affect specific regions such as the Global South or the MENA. Here it is argued that CIP theory tends to apply generalizable principles and conclusions to all regions and states equally. Yet, an assessment of the impact of the Agadir Agreement on economic integration and political cooperation might come to different conclusions as to how commercial institutions influence economic interdependence, state behaviour and peace in the MENA. It is hoped this thesis will shed light on an important question within commercial institutional peace theory: "how do such institutions matter?" specifically in the Global South.

Further critique is directed to its marginalisation of the Global South and the MENA in particular, to the unfair distribution of wealth within the societies studied, and to its lack of consideration of local and regional characteristics which could influence regional trade, economic integration and political cooperation. It is these critical points of view which constitute a major claim for originality in this thesis. Considering this research project's two hypotheses, its aims and objectives, a critical version of CIP theory forms the theoretical

framework of this thesis since it contains diverse concepts which can cater for both rational choice and normative elements. Having now defined the theoretical framework for this study, the next step is to discuss and define the methods used to collect and analyse information.

## Methods

Research methodology refers to the rational and the philosophical assumptions that include a systematic approach to research. Methodology can be defined as “techniques that are an abstract of reality and which are used in an orderly manner to reveal the dimensions of reality. The term ‘methodology’ may be taken to be inclusive of research design, theoretical frameworks, the selection and analysis of literature relevant to the nominated topic and justified preferences for particular types of data-gathering activities” (Murray and Lawrence, 2000, p. 218). Based on this definition, it is argued that research methods are tools used to collect and analyse data, test theories and hypotheses and address the research questions and objectives.

Regarding this research project, no single traditional research methodology is determined as fully suitable to meet the aims and objectives as outlined in the definitions above. Either a purely literature-based approach, critical analysis of secondary data or a purely statistical analysis would be limiting. Instead, this study requires a mixed-method approach in order to analyse: empirical data, particularly with regard to trade growth and economic integration; normative information, particularly with regard to governmental policy-making; and evidence of political cooperation. A mixed-method combining qualitative and quantitative approaches has been selected for this research project.

Research in social science has historically applied quantitative or qualitative methods (Marsh et al., 2002). Both methods have their own characteristics. They are different and have traditionally been used to study different things. Yet, more recently, social scientists combine different methods (Seawright, 2016). It is important to note here that both ontological and epistemological foundations have direct impact on research methodology employed in any research. As mentioned in the beginning of this chapter, qualitative and quantitative methods

are based upon different ontological and epistemological positions. Therefore, it is important to clarify the ontological and epistemological foundations of qualitative and quantitative methods. It is also worth discussing the positive and negative aspects of quantitative and qualitative methods and the possibility of combining these two types of methods.

### The Use of Qualitative Research Methods

Gofas and Hay (2010) explain that qualitative methods are associated with idealist ontology and an interpretivist epistemology. This means that, by employing qualitative methods, the researcher does not aim to explain observable 'truths' as it is the case if quantitative methods are used; on the contrary, the qualitative researcher aspires to understand and interpret the changing, constructed and evolving nature of the social phenomena (Devine, Marsh, and Stoker, 2002).

Thorpe and Holt (2008) explain that the use of qualitative research methods is becoming an increasingly important method of research in social sciences. Unlike quantitative studies, qualitative research methods are argued to reveal non-numeric information about the available data which cannot be easily translated into numbers by means of quantitative studies. In order to help ensure that "the data are telling you what you think they are telling you" (p. 222), Cox (2008) suggests the use of the multiple qualitative study known as triangulation. Saunders et al. (2007) defines a multiple qualitative study as the combination of more than one qualitative technique and analysis procedure. The use of two or more independent sources of data or data collection methods within one study encourages more confidence (Saunders et.al, 2007).

Qualitative research is not without its criticisms. First, it is argued that qualitative research findings lack legitimacy when making generalisations (Rose, 1982). Marsh (1977) states that to make broad conclusions about social phenomena from studying small samples is problematic. This links to another problem, that of representation. Choosing to collect data from a small number of individuals and sources and not others can cause partiality by discriminating against some sources whilst favouring others. Second, it is highly unlikely that qualitative research's findings are certain because one can always argue that the findings are

simply the interpretations of the researcher and therefore not necessarily of great use (Silverman, 1997). A third criticism concerns objectivity. Critics argue that qualitative research is characterised by subjectivity. For example, qualitative researchers are claimed to have a relatively close relationship with the interviewees or a bias towards elements of their research (Newell, 1993). Finch (1984) explains that bias is not completely avoidable when conducting research.

Nevertheless, Molloy et al. (2002) argue that “qualitative research can offer policy makers information about decision making, experiences and behaviour grounded in the experiences and world view of those likely to be affected by a policy decision” (p. 1). Despite their potential to evaluate government policies and provide evidence, qualitative research methods are still under-utilised (Rist, 1998). Hakim (2000) argues that a prejudice remains in favour of quantitative studies as opposed to qualitative studies since the later are not perceived to be scientific because they do not offer ‘hard numbers’. It is the intention of this research project to adapt a multi-method approach to contribute to what Patton (1990) argues: “qualitative data can put flesh on the bones of quantitative results, bringing results to life through in-depth case elaboration” (p.132).

## The Use of Quantitative Research Methods

Quantitative research, in the social sciences, refers to the systematic empirical investigation of social phenomena and quantitative properties as well as the relationships that link them via statistical, mathematical, or numerical data or computational techniques (Titsworth, 2014). The objective of quantitative research is to study the ‘real world’, closely associating itself with a materialist ontology and a positivist epistemology and distancing itself from an idealist ontology and an interpretivist epistemology. To study the ‘real world’, quantitative research develops and employs statistical formulae, figures, tables and graphs comparing, analysing and measuring a range of variables in a systematic and scientific nature (Morris, 2003; Titsworth, 2014).

Grainger (1999) argues that the process of measurement is crucial in carrying out successful quantitative research. Titsworth (2014) and Neil (2007) explain that measurement



connects empirical observations and mathematical expressions that exist within quantitative relationships. As a consequence, there exist several forms of measurement in all quantitative studies. One of these forms is statistics. "Statistics is concerned with scientific method for collecting, organising, summarising, presenting and analysing data, as well as drawing valid conclusions and making reasonable decisions on the basis of such analysis" (Spiegel, 1988, p. 1). Seligman (2010)<sup>18</sup> adds that the purpose of using statistics is to throw some light on any sphere of enquiry. In this research project, statistical formulae, figures, tables and graphs will be used to understand, explain, predict and prescribe a set of variables including, for example, the value of imports and exports between Agadir member states.

Despite the primacy that quantitative methods have largely held in social sciences research, including in IPE (Finch, 1984), quantitative methods have several limitations. As they deal with numeral data, an important problematic question that poses itself is: are the data collected valid? or in other words where does the data originate from? It is likely that data collected from secondary sources could be biased, exclusionary and potentially false (El-Anis, 2008). A second critique relates to quantitative research's claim of objectivity. Whilst advocates of quantitative methods argue that they objectively study the 'real world' and display 'facts', the claim for objectivity remains highly disputed by most qualitative and some quantitative researchers (Allan, 1991).

A third criticism concerns how quantitative researchers aspire to deduce a series of repeated and identical events from social phenomena (Ragin, 2000). Indeed, some critics, including this researcher, argue that any research that seeks to relate social phenomena together must provide a mass of evidence to support the claims it makes. This is rather important bearing in mind the debate presented in chapter one regarding how IPE as a discipline has been US/Euro-centric and how it attempts to apply social phenomena from one region into social phenomena in another region. For example, this could be understanding

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<sup>18</sup> Seligman's definition was found in *Statistics for Economics* by Jain and Ohri (2010).

economic integration in the MENA with the same lenses used to view EU regional integration. This methodological argument constitutes a strong claim of originality for this study.

From outlining the above methods, it is clear that the divide between quantitative and qualitative research remains highly significant. Both methods have their merits and their weaknesses. On one hand, many researchers would not attempt to combine these methods because they do not correspond with their epistemological position. On the other hand, more and more social scientists appreciate more and more the benefits of combining them. This thesis adopts this latter approach on the basis of ontological materialism and ontological idealism and a realist scientific and interpretivist epistemology.

### The Use of a Mixed-Method Approach

In social sciences, triangulation research describes a process by which a researcher seeks to verify a finding by demonstrating that independent measures of it agree with or do not contradict it (Miles and Huberman, 1994). In practice, studies in social sciences often involve choosing triangulation sources that have different strengths so that they can complement each other (e.g. Meijer et al.; Beijaard, 1990; Buitink, 1998). Cohen and Manion (1986) illustrate that “triangulation is [ ] attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint” (p. 254).

Miles and Huberman (1994) highlight five types of triangulation<sup>19</sup> and explain that each research project could choose the type of triangulation depending on its aims. More than one type of triangulation can be used in the same study. This thesis will use three of the five types of triangulation (by data source, by method and by data type). It is argued that combining qualitative and quantitative methods has its merit. This method can comprehensively cover the diverse research questions and objectives and at the same time increases validity (Read and Marsh, 2002). The use of a mixed methods approach can create

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<sup>19</sup> • Triangulation by data source (data collected from different persons, or at different times, or from different places);

• Triangulation by method (observation, interviews, documents);

• Triangulation by researcher (comparable to interrater reliability in quantitative methods);

• Triangulation by theory (using different theories, for example, to explain results);

• Triangulation by data type (e.g., combining quantitative and qualitative data)(Miles and Huberman, 1994).

a better understanding of the question posed by the research problem than using a single method (Tashakkori and Teddlie, 2003).

Combining qualitative and quantitative methods is a perplexing task. Yet, in a study such as this, it makes sense to employ qualitative and quantitative methods. This research's ontological position is materialist and idealist at different moments/stages whilst its epistemological position is realist; hence, this allows for mixed-method quantitative and qualitative methodology. On one hand, this research project seeks to study phenomena in the 'real' world and to display 'facts' regarding trade relations between Agadir member states; hence, quantitative techniques form a major part of the methods employed here. On the other hand, this research project seeks to understand regional integration policies between Agadir member states as well as their economic and political impact; hence the use of qualitative methods.

## Research Strategy, Methods and Data Analysis

Nachimias et al (1981) define research design as “the program that guides the investigator in the process of collecting, analysing, and interpreting observations” (p. 107). Silverman (2000) advocates that the selection of research methods reflects the overall research strategy. In this context, a method could be described as a specific research technique to define the way information is collected, gathered and analysed towards meeting the aims and objectives of the research. Below are the selected qualitative and quantitative methods that form the research strategy, design and data analysis of this research project:

### Method 1

Saunders, Lewis and Thornill (2007) suggest that “a critical view of the literature is necessary to help you to develop a thorough understanding of, and insight into, previous research that relates to your research question(s) and objectives” (p.98). Accordingly, the first qualitative method applied in this research project is a literature review to identify the most significant and relevant research done on the relationship between commercial institutions (including FTAs) on one hand, and economic integration and political cooperation on the other.

Conducting a literature review assists the development of an empirical context under which this research project is analysed. Thereby, an extensive investigation and analysis of academic materials has been conducted. First, this includes but is not limited to monographs such as Fawcett's *International Relations of the Middle East* (2005), Halliday's *The Middle East in International Relations: Power, Politics and Ideology* (2005), Hinnebusch and Ehteshami's *The Foreign Policies of Middle East States* (2002), Elmandjra's *عولمة العولمة [Globalising Globalisation]* (2015), Hoekman and Zarrouk's *Catching Up with the Competition: Trade Opportunities and Challenges for Arab Countries* (2000) and Owen's *State, Power and Politics in the Making of the Modern Middle East* (2004). Second, it includes journals such as 'British Journal of Middle East Studies', 'International Journal of Political Economy', 'International Journal of Middle East Studies' and 'Middle East Economic Digest'. This extensive reading has provided the literature background to understand and analyse the economic and political integrative impacts of the free trade Agadir Agreement. Equally, it has helped to examine the governmental interests driving the Agadir Agreement, its impact on economic integration and growth and on political cooperation and peace between member states.

Also, very importantly, is the collection of other qualitative data including newspapers, conference reports, government reports, magazines, and electronic materials. Data regarding Agadir member states' policies are gathered from the Agadir Technical Unit (ATU) in Amman, Jordan. ATU agreed to furnish the researcher with official reports. The AUT website is accessible via (<http://agadiragreement.org/>). Further data regarding press releases to do with the development of the Agadir Agreement are obtained from four widely published periodicals.<sup>20</sup> One from each Agadir member state (table 1):

**Table 1: Agadir Member States' Periodicals**

Periodical	Origin	Website link
L'Economiste	Morocco	<a href="http://www.leconomiste.com/">http://www.leconomiste.com/</a>

<sup>20</sup> Some of the resources are in Arabic, French or Spanish and the researcher has very good command of these languages.

L'Economiste Maghrébin	Tunisia	<a href="http://www.leconomistemaghrebin.com/">http://www.leconomistemaghrebin.com/</a>
Al-Ahram	Egypt	<a href="http://english.ahram.org.eg/">http://english.ahram.org.eg/</a>
The Jordan Times	Jordan.	<a href="http://www.jordantimes.com/">http://www.jordantimes.com/</a>

In addition, data regarding political and socio-economic conditions in Agadir member states are collected from reports conducted by (table 2):

**Table 2: Some World Institutions**

<b>Institution</b>	<b>Website link</b>
The League of Arab States	<a href="http://www.lasportal.org/ar/">http://www.lasportal.org/ar/</a>
The United Nations Human Development Reports	<a href="http://www.hdr.undp.org/en">http://www.hdr.undp.org/en</a>
The World Bank	<a href="http://www.worldbank.org/">http://www.worldbank.org/</a>

The purpose of gathering data from a range of sources is to gather an in-depth understanding of the political and economic integrative impacts of the Agadir Agreement. These normative materials have been extensively read and analysed. Several aims are to be achieved here: (1) to understand Agadir member states' economic and international trade policies;(2) to understand to what extent Agadir member states are committed to regional integration; and (3) to highlight any economic and political impact the Agadir Agreement has had since its initiation.

## Method 2

Here empirical data is collected and analysed using, first, comparative analysis to conduct an item-by-item comparison of two or more comparable alternatives to detect any emerging trends vis-à-vis the data collected and second using a bivariate Pearson multi-variable correlation analysis using SPSS<sup>21</sup> software as a Generalised Linear Modelling. The purpose of this analysis is to calculate the level of correlation between variables rating it positive/negative and significant/insignificant and, hence, interpret interactions between variables using post-

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<sup>21</sup> The Statistical Package for the Social Sciences

hoc tests. This approach allows us to test the relationship between dependent, independent and control variables and assert the probability of correlation between these variables. There are some collinearities such as GDP and population however this research project explores relationships between other variables which may not have previously been examined (e.g. trade, corruption, joint military operations). In terms of the categorisation, as much of the original data in the model is used as possible. There are exceptions such as membership status (Implemented/Accessed) where there is no scale or if not enough data is available. This analysis comprises two stages that address the research project's aims, objectives and its two hypotheses. Each stage has an independent variable, dependent variables and a set of control variables. Data from 1990 to 2016, is analysed and used as another predictor in the model.

### *Stage One*

The first stage explores the relationship between -on one hand- the Agadir Agreement as a commercial institution (independent variable) and -on the other hand- trade volume (first dependent variable), growth rate of trade volume (second dependent variable) and trade dependence (third dependent variable) plus nine control variables (equation 1):

#### ***Equation 1: Model One Variables***

$$\beta_1 \text{ Agadir Trade Volume (1st D.V)} + \beta_2 \text{ Growth Rate of Trade Volume (2nd D.V)} + \beta_3 \text{ Trade Dependence (3rd D.V)} = \beta_4 \text{ Commercial Institution (I.V)} + \{\beta_5 \text{ Trade Complementarity} + \beta_6 \text{ Contiguity} + \beta_7 \text{ GDP Size} + \beta_8 \text{ GDP Per Capita} + \beta_9 \text{ GDP Growth Rates} + \beta_{10} \text{ Population Size} + \beta_{11} \text{ Cultural Affinity} + \beta_{12} \text{ The Openness of the Market} + \beta_{13} \text{ Corruption (C.Vs)}\}$$

This stage examines trade volume and growth rate of trade volume, the first and second dependent variables, between Agadir member states to determine if there has been significant change in trade and its growth rate and to assess how effective the Agreement has been in fostering economic integration between its members. Trade volume is an important measure of economic integration. It indicates a degree of interdependence. It is used to measure the worth of trade between different countries (Chirico, 2013). It is defined as the amount of goods and services exchanged between two actors. It is referred to as the total sum of all imports and

exports traded between two agents (Oumazzane, 2016). The question addressed here is: has the Agadir Agreement affected member states' trade volume and the growth rate of trade between Agadir member states? The assumption tested is that the higher the trade volume between member states and the more sustainable its growth rate, the more significant is the Agadir Agreement. The decision to include growth rate of trade volume in the analysis is to offset any false correlation that results from the use of trade volume because of time. To clarify this point, trade volume is thought to be influenced by many econometric problems outside the correlation module (Van den Berg and Lewe, 2015). In this thesis, it is argued to be a time-series variable. This means it may grow over time even though there might not be a direct causal relationship between the Agadir Agreement (independent variable) and trade volume (the dependent variable)

The collection of datasets on trade volume has been completed using the IMF Database. Trade volume is calculated as state  $i$ 's sum of exports to and imports from other Agadir member states. Growth rate of trade volume is calculated as year two trade volume minus year one trade volume and divided by year one trade volume (equation 2). Trade values are in current U.S. dollar values.<sup>22</sup> Only merchandise goods from 1990 to 2016 are analysed. Services are not included since data is not available from reliable sources for all the period studied. The research project adopts a positivist method of analysing changes in trade patterns between Agadir member states, and comparing this with trade with the world trade as a whole, and with the broader GAFTA market.

### ***Equation 2: Growth Rate of Trade Volume***

$$\chi = \frac{\text{year two} - \text{year one}}{\text{year one}}$$

There is indeed a third dependent variable utilised here: trade dependence. The purpose of this variable is to test the level of interdependence between Agadir member states.

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<sup>22</sup> A: Trade values are sent by reporters mostly in national currency to the IMF. The IMF validates the data before applying an average annual exchange rate using the US dollar series of the Institute for Fiscal Studies (IMF, 2017)

The assumption tested here is that the higher level of trade dependence between state  $i$  and  $j$ , the more successful the Agadir Agreement is. This variable is calculated as the percentage of country  $i$ 's total trade volume with country  $j$  divided by country  $i$ 's total exports to and imports from the World. In terms of the categorisation, original data on dependence are used.

The independent variable commercial institution ( $\beta_1$ ) measures what stage of development the Agreement has reached: whether it is implemented or not implemented. The assumption this variable tests is that volume between member states will be higher after implementation. Data for this variable has been collected from the Agadir Technical Unit. Data is graded (0) to indicate a non-implemented Agreement and (1) to indicate an implemented agreement. There are eleven control variables used in stage one. These are:

The trade complementarity variable ( $\beta_2$ ) demonstrates how well the structures of imports and exports match between Agadir member states. Testing this variable provides useful indications on the current situation and prospect of intra-regional trade between Agadir member states. The assumption this variable tests is the more complementary trade is between states, the more opportunities there are to trade. Data for this variable is attained from United Nations Comtrade Database. Trade complementarity between countries  $x$  and  $y$  is defined as  $TC_{iy} = 100(1 - \sum (|mix - kiy| / 2))$  where  $k_{iy}$  is the share of good  $i$  in global exports of country  $y$  and  $mix$  is the share of good  $i$  in all imports of country  $x$ . This variable is graded zero when no goods are exported by one country or imported by the other and five when the exports and the imports shares exactly match.

Contiguity variable ( $\beta_3$ ) identifies proximity between Agadir member states. The assumption this variable tests is the closer the states are, the more they will engage in trade with one another. This is because proximity reduces transport cost and eases the movement of goods and labour. Data for this variable is sourced from the Correlates of War Project (CWP). This research project uses the CWP's classification system for contiguous dyads composed of five categories. Dyads are graded from further apart to closer proximity (table 3). Since no land contiguity exist between Agadir member states, contiguity between them is



calculated based on distance between their main ports: Morocco (Tangier Med), Tunisia (Rades Port), Egypt (Port Said, Alexandria) and Jordan (Alqaba).

**Table 3: Agadir Member States Contiguity**

Type of contiguity	Distance	Grade
land contiguity <sup>23</sup>	0 miles	4
Water contiguity	12 miles	3
Water contiguity	24 miles	2
Water contiguity	150 miles	1
Water contiguity	400 miles	0

Data for GDP size ( $\beta_4$ ), GDP Per Capita ( $\beta_5$ ), GDP growth ( $\beta_6$ ) and population size ( $\beta_7$ ) variables are sourced from The World Bank Development Indicators (accessible via: <http://data.worldbank.org/data-catalog/world-development-indicators>). Gross domestic product (GDP) measures economic activity located in each Agadir member state. GDP size, GDP growth and the population size variables are used to measure how large is the market of each Agadir member state. The assumption tested here is that the larger the market is in country  $x$ , the greater the demand will be for imported goods from country  $y$  and the more incentives country  $y$  will have to produce goods for exports. GDP per capita measures the purchasing power of individual consumers. The assumption tested here is that the more affluent the population of an Agadir member state is, the more that population consumes and; hence, the more demand is placed on imports (if not production). In terms of the categorisation, original data on GDP size, GDP Per Capita, GDP growth rates and population size are used.

Cultural affinity ( $\beta_8$ ) variable measures the extent to which Agadir member states share language and religious characteristics. The assumption this variable tests is that trade

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<sup>23</sup> Land contiguity is the intersection of the homeland territory of states in the dyad, either through a land boundary or a river (The Correlates of War Project, 2016).

flourishes between countries where language and cultural similarities are alike. Data on cultural affinity between Agadir member states is gathered from respective national ministries (table 4):

**Table 4: Agadir Member States Ministries of Culture of Religious Affairs**

Country	Name of the Ministry	Website link
Morocco	<ul style="list-style-type: none"> <li>Ministry of Culture</li> <li>Ministry of Endowments and Islamic Affairs</li> </ul>	<a href="http://www.minculture.gov.ma/">http://www.minculture.gov.ma/</a> <a href="http://www.habous.gov.ma/fr/">http://www.habous.gov.ma/fr/</a>
Tunisia	<ul style="list-style-type: none"> <li>Ministry of Cultural Affairs</li> <li>Ministry of Religious Affairs</li> </ul>	<a href="http://www.culture.tn/">http://www.culture.tn/</a> <a href="http://www.affaires-religieuses.tn/">http://www.affaires-religieuses.tn/</a>
Egypt	<ul style="list-style-type: none"> <li>Ministry of Culture</li> <li>Ministry of Awqaf</li> </ul>	<a href="http://www.moc.gov.eg/en/home/">http://www.moc.gov.eg/en/home/</a> <a href="http://www.awkaf.org/">http://www.awkaf.org/</a>
Jordan	<ul style="list-style-type: none"> <li>Ministry of Culture</li> <li>Ministry of Awqaf Islamic Affairs and Holy Places</li> </ul>	<a href="http://culture.gov.jo/new/">http://culture.gov.jo/new/</a> <a href="http://www.awqaf.gov.jo/">http://www.awqaf.gov.jo/</a>

Data collected is measured in terms of Agadir member states' population percentage that use the same language and or assign to the same religion. Data is graded as follows (table 5):

**Table 5: Agadir Member States' Cultural Affinity**

Cultural Affinity	Grade
80% language and religion + 40% second language	4
80+% language and religion	3
40-79% language and religion	2
10-39% language and religion	1
0-9% language and religion	0

The openness to trade variable ( $\beta_{10}$ ) quantifies the extent to which a state has managed to remove trade barriers such as transport cost, tariffs, subsidies taxes and non-tariffs barriers (Krueger, 1978). The assumption this variable tests is the less tariff and non-tariff barriers are, the easier to trade. Data for this variable is collected from The World Bank accessible online via (<http://wits.worldbank.org/>). Data on openness to trade is calculated as the value of merchandise trade<sup>24</sup> as a percentage of GDP. In terms of the categorisation, original data on merchandise trade is used.

The Corruption variable ( $\beta_{11}$ ) measures the perceived levels of public sector corruption in each Agadir member state. For precision, this research project uses the Corruption Perceptions Index which is calculated based on expert opinion and surveys. The assumption this variable tests is that trade flourishes between more transparent and less corrupt administrative systems. Data is obtained from Transparency International accessible via their website (<http://www.transparency.org/>). In terms of the categorisation, original data on corruption perceptions index is used.

### *Stage two*

The second stage has three phases. The first phase explores the relationship between Agadir member states' trade volume (independent variable) and negative peace represented by the absence of militarised interstate disputes (dependent variable). The second phase explores the relationship between Agadir member states' trade volume (independent variable) and positive peace represented by the Human Development Index (dependent variable). The third phase examines the relationship between signing the Agadir Agreement and political cooperation represented by UN peacekeeping operations, joint military operations and FDI inflow. Another set of control variables are included (equation 3):

### **Equation 3: Model Two Variables**

$$\beta_1 \text{ Militarised Interstate Disputes (1st D.V.)} + \beta_2 \text{ HDI (2nd D.V.)} + \beta_3 \text{ Joint Military Operations (3rd D.V.)} + \beta_4 \text{ UN Peacekeeping Operations (4th D.V.)} + \beta_5 \text{ FDI Inflows (5th D.V.)}$$

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<sup>24</sup> Merchandise trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP, all in current U.S. dollars.

$= \beta_6 \text{ Trade Volume (I.V)} + \beta_7 \text{ Growth Rate of Trade Volume (I.V)} + \beta_8 \text{ Trade Dependence (I.V)} + \beta_9 \text{ Commercial Institution (I.V)} + \{\beta_{10} \text{ Regime Type} + \beta_{11} \text{ Military Capabilities} + \beta_{12} \text{ Military Alliances} + \beta_{13} \text{ State fragility} + \beta_{14} \text{ Cultural Affinity} + \beta_{15} \text{ Contiguity}\}.$

Militarised Interstate Disputes (MID) ( $\beta_1$ ) variable is the first independent variable to be tested here. The purpose of this variable is to measure negative peace as defined by Galtung (1996): an absence of war or direct physical violence. MID measures any conflicts that might have occurred between Agadir member states between 1990 and 2016. MID are defined as “united historical cases of conflict in which the threat, display or use of military force short of war by one member state is explicitly directed towards the government, official representatives, official forces, property, or territory of another state. Disputes are composed of incidents that range in intensity from threats to use force to actual combat short of war” (Jones et al. 1996, p 163). Data on this variable is compiled from the Correlates of War Project accessible via (<http://www.systemicpeace.org/polityproject.html>). Data is graded as follows (table 6):

**Table 6: Grades for Agadir’ Militarised Interstate Disputes**

<b>MID</b>	<b>Incidents</b>	<b>Grade</b>
Use	$\geq 10$ Uses of force	8
	0 – 10 Uses of force	7
	0 – 5 Uses of force	6
Display	$\geq 10$ Displays	5
	5 – 10 Displays	4
	0 – 5 Displays	3
Threat	$\geq 10$ Threats	2
	5 – 10 Threats	1
	0 – 5 Threats	0

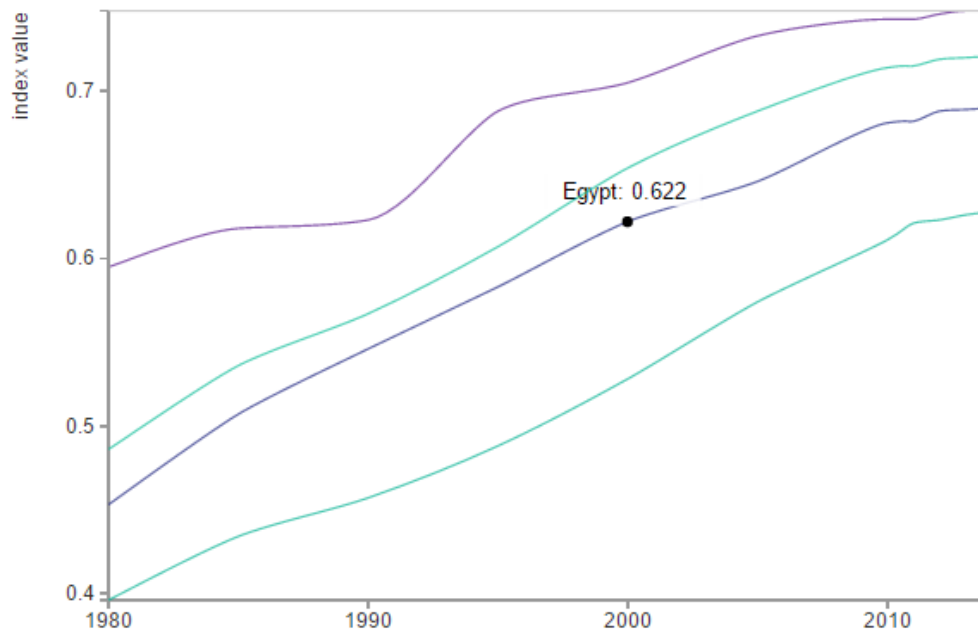
The HDI<sup>25</sup> ( $\beta_2$ ) variable is the second independent variable to be tested in this research project. The purpose of using this variable is to measure positive peace defined by Galtung's theory (1996) as the presence of conditions for political equality and social and economic justice. In this research project, HDI is used as an indicator to measure Agadir member states' levels of social and economic development based on four criteria: life expectancy at birth, mean years of schooling, expected years of schooling and standard of living based on gross national income per capita. Data on HDI are collected using the United Nations HDI reports. Below are a couple of samples (figure 4 and figure 5). In terms of the categorisation, original data on the HDI for Agadir member states is used.

**Figure 4: Human Development Index, The United Nations HDI Report**

1	Human Development Index (HDI)												
2	HDI Rank	Country	1980	1985	1990	1995	2000	2005	2010	2011	2012	2013	2014
3	171	Afghanistan	0.228	0.273	0.297	0.321	0.334	0.399	0.448	0.456	0.463	0.464	0.465
4	85	Albania	0.625	0.623	0.624	0.619	0.656	0.695	0.722	0.728	0.729	0.732	0.733
5	83	Algeria			0.574	0.596	0.64	0.687	0.725	0.73	0.732	0.734	0.736
6	34	Andorra							0.823	0.821	0.844	0.844	0.845
7	149	Angola					0.39	0.449	0.509	0.521	0.524	0.53	0.532
8	58	Antigua and Barbuda							0.782	0.778	0.781	0.781	0.783
9	40	Argentina	0.675	0.694	0.705	0.731	0.762	0.775	0.811	0.818	0.831	0.833	0.836
10	85	Armenia			0.632	0.605	0.648	0.695	0.721	0.723	0.728	0.731	0.733
11	2	Australia			0.865	0.882	0.898	0.912	0.927	0.93	0.932	0.933	0.935
12	23	Austria	0.747	0.764	0.794	0.815	0.836	0.853	0.879	0.881	0.884	0.884	0.885
13	78	Azerbaijan				0.609	0.64	0.688	0.741	0.742	0.745	0.749	0.751
14	55	Bahamas					0.778	0.78	0.774	0.778	0.783	0.786	0.79
15	45	Bahrain	0.679	0.727	0.746	0.775	0.794	0.816	0.819	0.817	0.819	0.821	0.824
16	142	Bangladesh	0.338	0.356	0.386	0.424	0.468	0.505	0.546	0.559	0.563	0.567	0.57
17	57	Barbados	0.67	0.7	0.716	0.731	0.753	0.765	0.78	0.786	0.793	0.785	0.785
18	50	Belarus					0.683	0.723	0.786	0.793	0.796	0.796	0.798
19	21	Belgium	0.755	0.774	0.806	0.851	0.874	0.866	0.883	0.886	0.889	0.888	0.89
20	101	Belize			0.644	0.664	0.683	0.701	0.71	0.711	0.716	0.715	0.715
21	166	Benin	0.286	0.327	0.344	0.368	0.392	0.433	0.468	0.473	0.475	0.477	0.48
22	132	Bhutan							0.573	0.582	0.589	0.595	0.605
23	119	Bolivia (Plurinational State of)			0.536	0.572	0.603	0.616	0.641	0.647	0.654	0.658	0.662
24	85	Bosnia and Herzegovina						0.697	0.71	0.724	0.726	0.729	0.733
25	106	Botswana	0.453	0.518	0.584	0.58	0.561	0.612	0.681	0.688	0.691	0.696	0.698

**Figure 5: Human development Index (1980 – 2015)**

<sup>25</sup> HDI was developed by Mahbub ul Haq, a Pakistani economist, who sought to highlight people-centered policies as the centre of development than GDP and GNP (The Economist, 1998).



Joint Military Operations ( $\beta_3$ ) is the third dependent variable to be tested. The purpose of using this variable is to measure if the Agadir Agreement and an increased trade between Agadir member states has had an impact on political behaviour between Agadir member states in the military sphere. The assumption tested here is that the higher trade interdependence between Agadir member states, the more inclination for these states to cooperate militarily. Data on Joint Military Operations is collected from Agadir member states Ministries of Defence and Ministries of Foreign Affairs and NATO.

The fourth dependent variable to be tested here is the UN peacekeeping operations ( $\beta_4$ ). This variable tests the extent to which Agadir member states have coordinated their international policies. The assumption tested is the greater and the more similar the number of UN peacekeeping operations Agadir member states have joined, the more successful the Agadir Agreement has been in changing their political behaviour. The data for this variable was obtained from two sources: (1) Stockholm International Peace Research Institute (SIPRI) and from (2) The UN Peace Keeping. Data about each Agadir member state's participation was grouped into four categories: first category is where one of the Agadir member state joined one operation. Second category is where two member states contributed in the same UN peacekeeping operation. Third category is where three member states contributed in the same UN peacekeeping operation and the fourth category is where all Agadir member states

contributed in the same UN peacekeeping operation. The timeframe covered in this analysis is 1990 – 2016.

The fifth variable to be tested is FDI inflows ( $\beta_5$ ) between Agadir member states. Similar to the previous two variables, FDI inflows tests the extent to which the Agadir Agreement has had an impact on political behaviour and policy coordination and cooperation between Agadir member states. It specifically aspires to find out whether Morocco, Tunisia, Egypt and Jordan have invested in each other's economies more as a result of them coming together under one commercial institution. The assumption tested is that the higher intra-Agadir FDI flow is, the more trustful are Agadir member states to invest in each other's economies. Data on FDI inflows was collected from UN Conference on Trade and Development. Flow of FDI between member states was added to create an intra-Agadir FDI inflow volume to be analysed.

In the three phases above, trade volume ( $\beta_6$ ), growth rate of trade volume ( $\beta_7$ ), trade dependence ( $\beta_8$ ) and commercial institution ( $\beta_9$ ) between Agadir member states are the independent variables. The assumption here is the higher trade volume, growth rate of trade volume and trade dependence are, the lesser MID, the greater HDI, joint military operations, UN peacekeeping operations and intra-Agadir FDI flow. Datasets on trade volume, growth rate of trade volume and trade dependence for each Agadir member state dyad-year are taken from stage one. There are nine control variables used in this stage two. They are discussed below:

Regime Type variable ( $\beta_{10}$ ) measures authority characteristics of Agadir member states. The assumption this variable tests is the claim within liberalism that two democracies do not go to war with each other. More specifically, in the Agadir Agreement context, the purpose is to study whether tendencies towards democracy or autocracy have an impact on MID, HDI, joint military operations, UN peacekeeping operations and intra-Agadir FDI flow. Data is collected from The Centre for Systemic Peace (The Polity Project). It is accessible via (<http://www.systemicpeace.org/polityproject.html>). To capture Agadir member states' regime authority spectrum, grades of polity indicator are used. This indicator is derived by

subtracting a value of autocracy from a value of democracy. The result is a single regime score. Each state is graded a score according to its regime type. The scale ranges from -10 to +10 where -10 is awarded to a full autocracy and +10 is awarded to a full democracy for each year from 1990 to 2016.

Military capabilities ( $\beta_{11}$ ) variable measures the military strength and power of each Agadir member state. The assumption this variable tests is the more balanced of power Agadir member states are, the less likely they will engage in war or conflict. Data on military capabilities is collected from The Correlates of War Project. Six indicators - military expenditure, military personnel, energy consumption, iron and steel production, urban population, and total population - are included in the data on Composite Index of National Capability (CINC). CINC is used in this research project to reflect military capabilities of Agadir member states. CINC scores for each Agadir member state for each year between (1990 -2016) are used. Below is an example for Morocco in the year 2007 (table 7):

**Table 7: Morocco's CINC, 2007**

<b>Iron and steel production (thousands of tons)</b>	<b>Military Expenditures (US Dollars.)</b>	<b>Military Personnel (thousands )</b>	<b>Primary Energy Consumption (thousands of coal-ton Equivalents)</b>	<b>Total Population</b>	<b>CINC scores</b>
512	2409000	201	31208.14	30841	0.0044709

Source: The Correlates of War Project

Military alliances variable ( $\beta_{12}$ ) measures formal alliances between Agadir member states under these categorisations: defence, pact, neutrality, non-aggression treaty and



entente agreements.<sup>26</sup> The assumptions this variable tests are (1) the highest level of alliances between member states, the less likely they will engage in military action against one another and (2) the multiple alliances a state has, the less likely it will be attacked by another state. Data regarding this variable is collected using The Correlates of War Project. Datasets obtained demonstrate four types of alliances: defence, neutrality, nonaggression, and entente pacts for the period from 1990 to 2016. All individual dyads are graded 0-4 according to the number and type of alliances. The grades vis-à-vis the number and type of alliances are combined to generate and score for the alliances variable. 0 is given to a dyad where no formal alliance exists and 4 is allocated to a dyad where the four types of alliances exist (tables 8; 9).

**Table 8: Agadir Member States' Type of Alliances**

Alliances	Grade
Defence	4
Neutrality	3
Nonaggression	2
Entente	1
No formal alliance	0

**Table 9: Agadir Member States' Number of Alliances**

Alliances	Grade
four elements	4
Three elements	3
Two elements	2
Only one element (e.g. nonaggression)	1
No formal alliance	0

<sup>26</sup> According to the Correlates of War, a defence alliance is the highest level of military commitment, requiring alliance members to come to each other's aid militarily if attacked by a third party (NATO as an example). Neutrality pledge signatories to remain neutral in case of conflict. Non-aggression assures its signatories to not use or otherwise support the use of force against the other alliance members. Finally, ententes provide for the least commitment and obligate members to consult in times of crisis or armed attack (Gibler, 2009).

State fragility variable ( $\beta_{13}$ ) measures the risks and instability faced by Agadir member states taking into account the state's security, economy, economic inequality, human flight and brain drain, legitimacy, public services, human rights, demographic pressures, refugees and IDPs and external intervention. The assumption held here being that the less fragile Agadir member states are, the more potentials for trade, socio-economic development and peace in the Agadir Area. Data is collected using The Fund for Peace accessible via (<http://global.fundforpeace.org/>). In terms of the categorisation, original data on the fragile states index is used.

These variables are analysed using a bivariate Pearson multi-variable correlation analysis using SPSS software as a Generalised Linear Modelling. SPSS as a software calculates the level of correlation between variables rating it positive/negative and significant/insignificant (Kulas, 2009) in order to interpret interactions between variables using post-hoc tests. This approach allows us to test the relationship between dependent, independent and control variables and assess the probability of correlation between these variables. The purpose of applying this method is (1) to test the significance of each variable on commercial institutional peace in the Agadir free trade area; (2) to assess the impact of each variable over a period of time in order to establish any evidence of a pattern. This helps to identify linear relationship between the variables and explain how they interact with each other to cause it (Ethridge, 2004). Data vis-à-vis the variables tested was obtained from reliable and trustworthy sources (detailed above). Each variable is constituted of a dataset. The dataset contains scores for each dyad on a scale depending on the variable as outlined above. In terms of the categorisation, as much of the original data in the model is used as possible. The results obtained from using SPSS are supported with a comparative analysis conducting an item-by-item comparison of two or more comparable alternatives. The findings are to prove and/or disapprove the research project's hypotheses.

## Conclusion

To conclude, this chapter has explored both the theoretical and methodological approaches to be employed in this thesis. It began by discussing and clarifying the ontological and epistemological positions of this research. Here distinctions have been made between ontological materialism and ontological idealism. The former perceives the 'real' world to be physical and can be examined through scientific research (Thomson, 2012). Hence, it claims to provide a universally true and accurate description of such phenomena. In contrast, the latter perceives that our experience of the world is inescapably moulded by our concepts, values and ideas (Jaworski, 2011). Hence, it claims that everything can in principle be explained in abstract terms. The second distinction is between a realist scientific and interpretivist epistemology. On one hand, the realist scientific epistemology claims that the world exists independently to our perceptions of it; hence it ought to be observed, understood and explained applying a positivist ontology (Cardinal et.al, 2004). On the other hand, the interpretivist epistemological position claims that the world is socially constructed and not separated from us; as a consequence, it advocates that social scientists, ought to aspire to identify and understand the meanings and interpretations attached to social phenomena applying an idealist ontology (Marsh and Furlong, 2002; Gofas and Hay, 2010). This research project is approached with a materialist and idealist ontology and a realist scientific and interpretivist epistemology positions.

To correspond with this researcher's ontological and epistemological position, CIP theory has been adopted as the theoretical approach to assess and evaluate the political economy of trade relations between Agadir member states. The choice of this theory will serve several purposes: (1) to evaluate the economic and political impact of the Agadir Agreement as an institution; (2) to test whether CIP theory's principles - such as increased trade promotes prosperity and peace - apply to the Agadir Area specifically and (3) to assess the current trends in the Agadir Area promoting liberalism's laissez-faire policies. It is worth highlighting one of the advantages of the adoption of CIP theory is that as a theory it allows the study of non-tangible institutions such as the free trade Agadir Agreement as well as tangible institutions.

This chapter explained the methodological approach employed in this research project covering research strategy, design and data analysis. Here both qualitative and quantitative methods were discussed and both merits and limits were highlighted. Indeed, a mixed-method approach is adopted entailing the use of both qualitative and quantitative methods to collect, analyse and present data. While it has been recognised that mixing qualitative and quantitative methods is not an easy task because of conflicting ontological and epistemological positions, this research project carefully adopts this approach to comprehensively cover its diverse questions and objectives and increases its validity and objectivity.

### Chapter three

# **The Political Economy of Agadir Member States: Towards Understanding the Agadir Agreement**

## Introduction

Realising the shortcomings of the various integrative processes, four MENA countries - Morocco, Tunisia, Egypt and Jordan- signed the Agadir Agreement in 2004. This agreement came into force in 2007. Not only does it aim to promote faster economic integration and coordination between its members, but also to consolidate economic liberalisation at a broader regional level and with the EU as part of the Barcelona Process.<sup>27</sup> The Agadir Agreement is open to further membership by members of The Arab League and the GAFTA,<sup>28</sup> and is linked to the EU through an Association Agreement (Péridy, 2005). The questions that arise here are: what is the Agadir Agreement? What are its aims and objectives? What does it include and exclude? What brought about its existence? And what policies have Agadir member states adopted to facilitate their trade and regional integration? To answer these questions, this chapter is divided into two sections. The first section focuses on understanding

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<sup>27</sup> The Barcelona Process represents an ongoing dialogue between the EU and twelve Mediterranean countries including Morocco, Tunisia, Egypt and Jordan. It tackles political, economic, social, and cultural issues between the signatories of the Barcelona Declaration that marked the beginning of the Euro-Mediterranean Partnership in 1995 (Vallelersundi, 2004).

<sup>28</sup> GAFTA was concluded in 1997 between fourteen MENA states. It is a multilateral FTA that aims to progressively remove tariff and non-tariff barriers on intra-MENA trade by 2007 (UN, 2007).

the Agadir Agreement: its treaty, its paradigm, its aims and its institutions. The second section endeavours to understand the political economy of Agadir member states since their independence and by extension the context in which the Agadir Agreement was created. This section specifically explores the political economy of Morocco, Tunisia, Egypt and Jordan before they signed the Agadir Agreement to help explain why the four states wanted this agreement, but also to analyse how the Agadir Agreement has affected the political economy of these states. Conversely, this third chapter attempts to determine each Agadir member state's national and international interests which have, arguably, driven Morocco, Tunisia, Egypt and Jordan to pursue South-South cooperation in the form of the Agadir Agreement and what policies they have adopted to facilitate trade and regional integration among themselves.

### What is the Agadir Agreement?

The Agadir Agreement<sup>29</sup> is a free trade agreement between Morocco, Tunisia, Egypt and Jordan. It dates back to the 8<sup>th</sup> of May 2001 when the four states signed the 'Agadir Declaration' (Appendix 7) in the city of Agadir, Morocco. On the 25<sup>th</sup> of February 2004, they signed the Agadir Agreement treaty in Rabat, Morocco. The Agreement was signed by Muhammad bin Eisa, Alhabib bin Eisa, Ahmed Maher and Marwan Muasher, Ministers of Foreign Affairs in their respective states: Morocco, Tunisia, Egypt and Jordan. The Agadir Agreement took effect on 27 March 2007 (WTO, 2015). The Agadir Agreement followed a process initiated in the 1990s which saw Morocco, Tunisia, Egypt and Jordan concluding bilateral trade agreements with each other (Zusammenarbeit, 2009). To this date, it stands as the last multinational FTA signed in the MENA after a long history of treaties aiming to foster intra-regional economic integration and political cooperation (discussed in Chapter one).

The aims and objectives of the Agadir Agreement, as understood from its treaty and declaration, can be categorised into the following categories: first are economic aims. These are: (1) to create a free trade zone where member states can liberalise commercial exchanges

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<sup>29</sup> Also known as the Arab-Mediterranean Free Trade Agreement.

and strengthen their economic integration; (2) to support joint economic co-operation with the aim to implement GAFTA and consequently to establish an Arab common market; (3) to attract intra- investment and FDI; and (4) to contribute to the fulfilment of the objectives of the Barcelona Declaration as regarding the establishment of a Euro-Mediterranean Free Trade Area. To reach its economic aims, Article Two of the Agreement urges Agadir member states to coordinate their policies vis-à-vis economic sectors: foreign trade, agriculture, industry, taxation, finance, services and customs and to harmonise their economic legislations to set the grounds for their economic integration.

Practically, the Agadir Agreement states that a process of dismantlement of customs duties and other duties and taxes of similar effect will be applied to industrial goods (commodities and products) traded between the Agadir member states. The aim was to achieve tariff reductions of 65 per cent in 2003, 20 per cent in 2004 and a further 10 per cent in 2005 and the removal of all tariffs by 2006 while eliminating non-tariff barriers completely (Zusammenarbeit, 2009). This also entails that no new customs duties shall be imposed on goods traded between member states once the Agreement becomes effective. Further to eliminating customs duties, the Agadir Agreement aims to remove all non-customs restrictions such as administrative and technical restrictions. In addition to industrial goods, the Agadir Agreement states that “Liberalisation shall take place for agricultural goods and processed agricultural goods...with the exception of agricultural and agro-industrial products that have not yet been liberalized between the EU and each of the parties to the Agreement”<sup>30</sup> (The Agadir Agreement, 2004). Nevertheless, while the treaty of the Agadir Agreement contains specific details regarding industrial and agricultural commodities, it is rather vague regarding trade in services. Only Article Five states that Agadir member states are committed to expand the scale of trade in services between them according to laws and structures existing in each Agadir member state, without going into much detail.

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<sup>30</sup> The list of exempted goods is based on lists of exempted goods in the Association Agreement between each Agadir member state and the EU.

One key concept that features in the Agadir Agreement is Rules of Origin (Article six). This means that commodities and products exchanged between member states are required to have their origin in Agadir member states. This rule is adopted from the Pan Euro-Med Protocol on Rules of Origin. This rule provides for diagonal cumulation of origin for products manufactured jointly in Agadir member states to be traded freely between themselves and with the EU,<sup>31</sup> the EFTA countries <sup>32</sup> and with Turkey (WTO, 2015).

In order to promote intra-regional trade, the Agadir Agreement urges member states to allow and support the organisation of temporary or permanent exhibitions by other member states in each other's national territory (Article 14). Further, it encourages Agadir member states to coordinate their technical legislation, norms and standards, in accordance with international practices (Article 23). As per financial transactions vis-à-vis commercial exchanges between Agadir member states, they are made in a freely traded currency understood here to be US dollars since none of the Agadir countries' currencies is freely traded.

Augmenting its commercial and economic nature as a FTA, the Agadir Agreement contains clauses that aim to promote further cooperation in political and social areas. Article 32 states clearly that the Agadir Agreement shall not prevent the extension or ratification of other agreements whilst Article 29 of the Agreement states that Agadir member states: "shall also undertake studies of the possibilities to develop, deepen and expand co-operation between them in areas not covered by the Agreement." Socially, the Agadir Agreement aims to support employment and improve living standards of its citizens via developing economic activity and increase productivity. The way to achieve this is to establish a strong economic alliance among its member states. Politically, though not explicitly stated in the treaty, the Agadir Agreement seeks to boost regional ties between member states as well as strengthen joint negotiating power mainly with the EU. It is clear that the Agadir Agreement seeks to

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<sup>31</sup> The Agadir Agreement would enable manufactured goods from Morocco, Tunisia, Egypt and Jordan to access the European market duty free whilst their agricultural, processed agricultural and fisheries products have to be given preferential treatment (Zusammenarbeit, 2009). In return, Morocco, Tunisia, Egypt and Jordan agreed to gradually dismantle their tariff for EU exports during transitional periods.

<sup>32</sup> Iceland, Liechtenstein, Norway, and Switzerland



expand geographically. It states that any “Arab state member of the Arab League and the Greater Arab Free Trade area, linked to the EU through an Association Agreement or a free trade agreement, may request to accede to this Agreement.”

Despite being a FTA, the Agadir Agreement contains within its treaty measures which might be argued to be protectionist. Under Article 15: Defensive Procedures, the Agadir Agreement states that:

“Each Member Country shall have the right to initiate defensive procedures...in relation to products which any party shall determine have been imported into its territory from another Member Country in increasing quantities, either in absolute terms, or proportionally in relation to local production, in such a manner as to cause, or to threaten to cause, substantial damage to local industry or agriculture producing similar products, or products directly competing with the products imported from the other Member Country.”

Though this clause is understood to protect local produce and manage competition within the Agadir free trade area, the question it raises is to what extent it is incompatible with the notion of ‘free trade’? This incompatibility is further reinforced by further measures stated under article 16 to allow each Agadir member state to impose or re-introduce custom duties and taxes on imports within the Agadir free trade area that might affect infant industries or sectors undergoing restructuring or facing serious difficulties. It is also worth mentioning that certain goods, for religious, health, security or environmental reasons, are not subject to the provisions of the Agreement. These goods are specified in the lists approved by the Economic and Social Council of the Arab League.<sup>33</sup> The Agadir Agreement adds that “all goods traded between the Member Countries shall be subject to security and health legislation, and laws related to the protection of morals and public order, and of national historical, archaeological

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<sup>33</sup> These include items offensive to Muslim culture such as gambling devices and pornography in addition to dangerous goods, furs, ivory.

and artistic heritage, and environmental protection in force in each Member Country.” (Article 20).

Article 17 and 22 of the Agadir Agreement treaty protects member states from dumping and protects intellectual property rights <sup>34</sup> respectively. They both stress anti-dumping measures and intellectual property rights annexed to the agreement setting up the WTO and in accordance with the agreements on subsidies and compensatory duties as well as applicable laws and rules in each individual member state. These measures allow member states to deal with any cases of subsidies, dumping and breaches of intellectual property rights about its imports from other member states.

To enable the functioning of the Agadir Agreement as an institution, its treaty stipulates the establishment of two ministerial committees plus a Technical Unit, which all form the institutional structure of the Agadir Agreement (Figure 6). The first committee is The Foreign Ministers’ Committee. Its role is (1) to define policies “to drive forward and expand the Agadir process amongst the Arab Mediterranean countries, and between them and the European Union.” (article 24); (2) to evaluate the performance of the Agreement; (3) to improve the relations between member states; (3) to seek resolutions to disputes through consultations;(4) to modify the Agreement and (5) to observe the legal requirements of each state.

The second committee is the Foreign Trade Ministers’ Committee. Its role is to supervise the implementation of the Agadir Agreement, and overcome any complications it might face, with a vision to deepen cooperation and integration between member states. This committee has executive power in the sense that its decisions are considered binding for all member states. Below the Foreign Trade Ministers’ Committee sits the Technical Unit of the Agadir Agreement. This unit – based in Amman, Jordan- is responsible for implementing the Agreement as well as providing recommendations and resolutions to problems that might

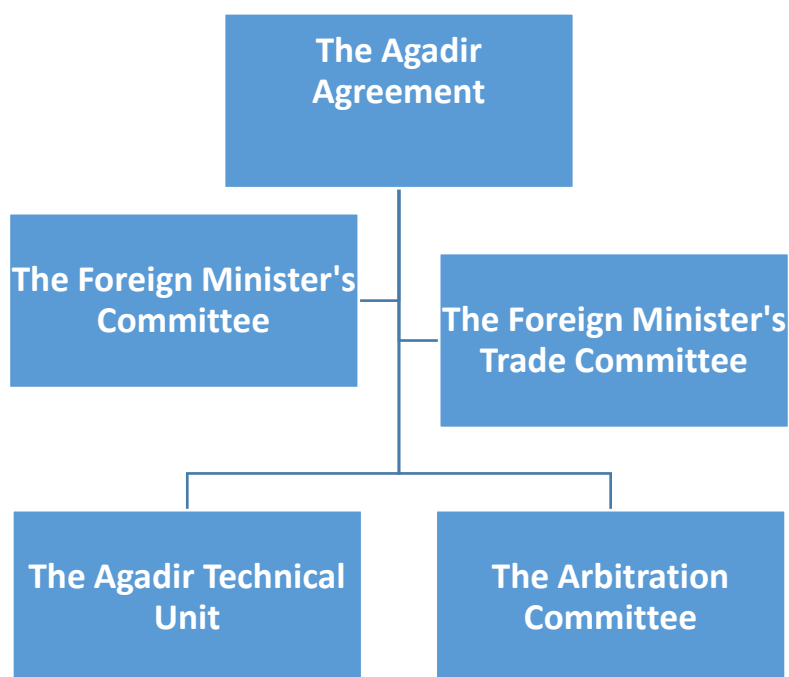
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<sup>34</sup> These include authors ‘rights, patents, trademarks, industrial logos, geographical product names, and names giving indication as to origin, literary and artistic works and computer programs.

arise. Both ministerial committees are expected to meet annually. Each member country assumes the presidency of the committees in rotation following an alphabetical order (The Agadir Agreement, 2004).

The Agadir Agreement emphasises the importance of consultation between member states to reach a resolution of any dispute between the signatories. In case the consultation process fails within 45 days, the dispute must be referred to the Foreign Trade Ministers' Committee which is responsible for judging any such matter. In the event that the Foreign Trade Ministers' Committee fails to resolve the dispute, the affected state can request the Foreign Trade Ministers' Committee to nominate a special arbitration committee within 30 days to issue a judgment. This duration may be reduced to 15 days in the case of goods having a short expiry period. The institutional mechanism which determines the management of such issues is the Dispute Resolution Protocol (DRP), agreed in principle by the Ministers of Foreign Trade on 3 April 2016 in Cairo. The DRP aims to provide greater guarantees to economic agents and investors and preserve their rights in any possible commercial dispute within the region by enhancing the capacities of the relevant dispute resolution agencies and strengthening the legal framework of the Agadir Agreement.

***Figure 6: The Institutional Structure of the Agadir Agreement***



Other institutional mechanisms have been established to strengthen the institutional framework of the Agadir Agreement in matters of trade liberalisation and dispute resolution. The National Focal Points (NFPs) were established in each member state from at the outset of the Agreement to harmonise requirements for the free trade agreement. With the aim of increasing efficiency, reducing transaction costs and increasing trade volumes between member states, Agadir ministers of foreign trade signed a memorandum of understanding in the field of mutual recognition of the Certificates of Conformity in December 2009. This mechanism stipulates that products that hold a Certificate of Conformity shall not be re-examined or verified again in the country of importation. Similarly, a Customs Committee, comprising the customs officials from the four Agadir member states, was established. This body was tasked with following up the implementation of the Agadir Convention at the customs level with respect to reducing customs duties, exchanging information and promoting mutual cooperation between customs departments. More practically, the Customs Committee aimed to form points of contact in customs administrations and provide training to customs officials to overcome any practical problems that might arise during the process of importation.

The Customs Committee was responsible for a Memorandum of Understanding on Electronic Connectivity and Electronic Information Exchange (MUECCIE) between customs authorities. The MUECCIE aims to reduce cost, time and effort when trading goods in the Agadir Area. Since its launch on 13 April 2016 in Cairo, the electronic connectivity and digital exchange of information has worked efficiently and effectively among Agadir member states (ATU, 2018). Another mechanism established by the Customs Committee is the Mutual Recognition Agreement for the Approved Economic Operator (MRAAEO). This aims at mutual recognition of the economic operators in the member countries who are granted advantageous benefits when operating in the Agadir area, such as priority in customs release, reduced procedures and minimum examination and inspection.

The Agadir Business Council (ABC) was initiated in Amman in November 2014. The ABC is available to small and medium enterprises from the Agadir area. Its principal aim is to establish partnerships between private sector operators in order to improve the intra-import and export performance of regional enterprises. A number of sectors for cooperation have been identified. These are textiles and clothing, automotive components, leather and footwear, food and pharmaceuticals. In order to ease the implementation of the above procedures, several draft manuals and simplified guides were published by the Technical Unit of the Agadir Agreement.

Although some success in terms of harmonisation has been attributed to these institutional mechanisms, they have fallen short in developing the necessary harmonization, standardisation, and conformity assessment processes and procedures for multiple product sectors (ATU, 2018). In response, Agadir member states developed, from 6 April 2015, a Programme Steering Committee (PSC) tasked with devising a single pilot product area which can subsequently be applied in other product areas. The idea behind this initiative is to establish trust between member states and “move towards the goals of free trade such as dispute resolution and mediation, competition, customs procedures, IPR, mobility of people, rules of origin etc.” (ATU, 2018).

A question that is worth tackling at this stage is why the Agadir Agreement? The question is pertinent because it followed GAFTA which aims to establish free trade between all the MENA states. At first sight, it is rather puzzling as to why a secondary FTA (The Agadir Agreement) would trail another broader FTA (GAFTA) only three years after the latter was signed and came into effect. One argument is that by concentrating intra-regional trade between four MENA states, a faster and deeper economic integration could be established and expanded to include other MENA states and, hence, accelerate the GAFTA process. This could mitigate the slow economic integration in the MENA compared with other regions (such as MERCOSUR, ASEAN, NAFTA) (Oumazzane, 2016), a situation referred to by Al-Atrash and Yousef (2000) as “the uneven development of GAFTA”. A second argument is that by integrating a sector by sector economy within Agadir member states, it is anticipated that a dynamic ‘spill-over’ process would emerge that might deepen the process of economic integration between member states and promote a political cooperation within the MENA as a whole (Oumazzane, 2016). A third argument could relate to the need to strengthen Agadir member states’ negotiating power especially vis-à-vis the EU.

### Historical Context of Trade in the MENA and the Agadir Member States

Before analysing the immediate context in which the Agadir Agreement was created, it is important to understand the historical context of trade in the MENA. Whilst it is argued that much existing literature tends to view the MENA’s international relations and international political economy in a relatively short time-frame, this research project tends to adopt a broader approach in considering the historical political economy of each Agadir member state. Whilst the intention is not to map out the history of trade of all the MENA because this is, first, not the purpose of this thesis and, second, it is impossible bearing in mind that the history of trade is wider than the recorded history of the MENA to which Agadir member states belong, it is important to highlight that trade has been central to the MENA throughout history. Civilisations born in the region have played a leading role in promoting trade, exploring other regions and establishing ports. Literature on antiquity and classical history are full of stories about Sumerians, Mesopotamian, Babylonians, Phoenicians, Carthaginians, Egyptians

pioneering and becoming masters of trade. By 3000 BC, the wheel was used for transport and by 2000 BC money was invented in Mesopotamia (Bernstein, 2009). Because of trade, successive great centres such as Ur, Akkad, Babylon, Petra, Palmyra, and Nineveh were established. The volume and sophistication of trade through these cities slowly expanded over time, first in the Middle East then spread eastward all the way to India and China and then westward to East and North Africa through the Mediterranean and out into Europe (Bernstein, 2009).

The importance the MENA played in international trade during antiquity was carried on during the Silk Road period for almost two millennia (Wood, 2004). Middle Eastern and North Africans<sup>35</sup> were the intermediaries in trade exchanges between the East and Europe (Liu, 2010). During the medieval ages, the MENA continued to dominate international trade. Bernstein writes “During the seven centuries between the death of the Prophet Muhammed and the Renaissance, the Muslim states of Europe, Asia, and Africa outshone and towered over western conduit of long-range world commerce”.

The prominent role the MENA played in international trade seems to diminish around the 15th century arguably because of the rising hegemony of the West following its success in reaching the ‘new world’ and of the rounding of the Cape of Good Hope which changed international trade routes dramatically (Ceasar, 2003). Soon after, the MENA fell under the impact and control of world powers mainly Great Britain and France. Thus, trade from the MENA was geared to serve its colonisers. El-Anis (2011) argues that intra-regional relations in the MENA in the 19th and 20th centuries disintegrated because of external intervention, the fall of the Ottoman Empire and the subsequent emergence of the modern state system characterised by the proliferation of state borders, the introduction of new currencies, an increased claim to sovereignty and the separation of peoples and markets (El-Anis, 2011), a process El-Anis referred to as “systemic transformation” (ibid., p.25).

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<sup>35</sup> In the 7th century in Arabia, it is argued that trade played a role in shaping Islam. Indeed, Prophet Mohammed (Pbuh) was himself a trader as was his first wife Khadija. The Ka’bah and the area surrounding it was declared haram (‘forbidden’ to warfare) to maintain the importance of Mecca as a centre of trade (Ceasar, 2003)

## The Political Economy of the Agadir Member States

The founding of the Agadir Agreement is argued to have been triggered by the evolving political economy of each Agadir member state largely influenced by domestic and international events. To understand the context that inspired four MENA states to found an FTA, it is important to travel back in history since independence to unravel the political economy transformations that have shaped the four Agadir member states. Domestically, each Agadir member state has experienced socio-economic challenges, popular uprising and movements for and against democratisation. Internationally, the Fall of the Berlin Wall, the liberalisation and democratisation wave in Central and Eastern Europe and the subsequent focus by the EU on the emerging markets in Eastern Europe rather than on the southern Mediterranean countries – have all shaped the political economy of each Agadir member state. Both domestic and international events played a role in inspiring Agadir member states to seek some sort of union to resolve and confront collectively their domestic and international challenges.

To understand the context in which the Agadir Agreement was created, one ought to address each Agadir member state's political economy. The assumption is that any transformation in any state's political economy affects that state's interest and policies. Explaining the political economy of each Agadir member state helps define their state's united interest. This process helps to explain why states choose some policies and not others and more particularly helps to explain why Agadir member states decided to sign the Agadir Agreement. In short, by examining the political economy of Morocco, Tunisia, Egypt and Jordan before they signed the Agadir Agreement, this section seeks to explain why they came to establish this agreement and also to explain how the Agreement has affected the political economy of member states.

## The Political Economy of Morocco

The monarchy in Morocco is different from those of the United Kingdom, Spain and other European countries. It enjoys executive powers in the political, social, religious, economic, administrative and judicial spheres (Boukhars, 2010). Hence it is a prominent actor in the



political economy of the Kingdom and understanding the relationship and influence between the monarchy and the kingdom's policies vis-à-vis regional integration is important for this thesis. The current ruling Alaouite dynasty of Morocco dates to the 17<sup>th</sup> century. Hence, it is one of the oldest ruling dynasties in the world and well rooted in the history of the country, embodying the state. The royal institution claims its legitimacy from the people themselves through their consensus, renewed and confirmed annually via *Al bida'* - allegiance (El Ghissassi, 2006). It traces its roots to the Prophet Muhammed (PbuH).

Morocco's economy is described nowadays as "well diversified, particularly relative to many countries in the MENA region" (Oxford Business Group, 2016). Tourism, the agricultural sector, manufacturing industries including textiles, automotive and aeronautics, the Information and Communication Technology sector are now major contributors to the Kingdom's GDP and increasingly becoming areas of competitive advantages.

### *The Political Economy of Morocco under King Hassan II*

From 1961 until 1999, Morocco was ruled by the late King Hassan II. Despite the two failed coups d'état to topple him in the early 1970s, Hassan II managed for the main part of his reign to rule a politically stable Morocco; though it is known now that the cost in terms of human rights was high especially in the 1970s and 1980s (Zoubir and Haizam, 2008), a period that became known in Morocco as *Sanawat Al-Rrasas*- The Age of Lead in which thousands of activists were arrested, detained without trial and tortured. During this period, freedom of expression was severely restricted whilst the fear of *Makhzen* (the regime) was widely spread (Smolin, 2013).

It was not until the end of the 1990s when Morocco began to experience a political opening. King Hassan II, for the first time in the history of MENA, allowed an opposition Party - the Socialist Union of the Popular Forces and its leader Youssofi - into government from 1998 to 2002 in a sort of consensual reconciliation (Catusse, 2009). It followed King Hassan II's revision of the 1996 Constitution which split the Parliament into the Chamber of Representatives directly elected by universal suffrage, and a Chamber of Advisers chosen by

an electoral college. Both houses hold Legislative power. They can approve or disapprove Parliamentary action (WTO, 2015).

While some critics have considered the political opening in the 1990s under King Hassan II as the beginning of a real democratisation process, others have criticised them as not deep enough to “threaten fundamental political and economic inequalities, but that renders the regime a bit less subject to outside criticism” (White, 2001). Zoubir and Haizam (2008) argue that Youssoufi’s power as well as that of the Parliament remained constrained. They went further to claim that the reason behind the gradual political liberalisation in the late 1990s was tactical on behalf of the monarch. To pave the way for his son’s succession, King Hassan II allowed this political reform to “satisfy external observers and to shift criticism of the government’s handling of economic and social affairs away from the Palace and towards the Parliament” (p.93). This calculated political move has, arguably, allowed King Mohammed VI to avoid criticism during his first years on the throne.

Economically, Morocco has undergone several developments and transformations since the kingdom’s independence in 1956. Morocco followed an economic policy characterised by the ‘Moroccanisation’ of the economy. This entailed a gradual transfer of land and industry to Moroccan ownership (Sayigh, 2014). The government embarked on the development of the agricultural sector. Twenty dams were constructed in the 1960s to irrigate 2.5 million acres<sup>36</sup> which made Morocco one of the World’s major agricultural producers, but also made Morocco susceptible to drought years (White, 2001). This state-led growth in the economy benefited from the kingdom’s major endowment: immense phosphate reserves which were, then, valuable on the international market. They shielded Morocco from external shocks (e.g. The Oil Crisis of 1973/1974) and lessened its dependence on the EU (ibid., 2001). A situation was soon to change as a consequence of the drop in world phosphate prices in the late 1970s (Nsouli, 1995) paving the way for economic hardship and its social implications. State borrowing soared from \$700 million in 1970 to \$10.5 billion in 1980 (Friedman, 2010).

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<sup>36</sup> This passed three million irrigated acres of farmland in 2007 (Layachi, 1998).

Food prices increased while government assistance to private industry decreased. This resulted in social unrest<sup>37</sup> and riots between 1981 and 1983 (ibid., 2010).

The economic and social crisis of the early 1980s has pushed Morocco to perform a U-turn on the 'Moroccanisation' economic policy or as some critics referred to the 'De-Moroccanisation' policy (Salah, 1993). Morocco slowly began to open its economy (White, 2001). By 1983, It adopted a structural adjustment programme (SAP) recommended by the World Bank and by the IMF (Catusse, 2009). This entailed devaluing the Moroccan Dirham (currency). This policy alone marked the kingdom's move towards an export economy by making Moroccan exports cheaper and consequently providing an opportunity for Moroccan companies to position their products for exports to foreign markets (Friedman, 2010). Further, the adjustment programme brought about fiscal reforms which cut down subsidies in order to reduce budget deficits. It restructured the instruments of state intervention, adjusted exchange rate regulations, reformed external trade arrangements and encouraged foreign investment (Catusse, 2009). It is fair to say, once the adjustment programme was implemented, it quickly improved the economic situation. From a 12 per cent budget deficit<sup>38</sup> in 1983, Morocco managed to bring it down to less than 2 per cent in 1993. GDP grew an average 5 per cent during the same period (Friedman, 2010). Morocco's exports became more diversified. In addition to agricultural products and phosphates which accounted for 70 per cent of export earning, textile, clothing and shoe industries increased their export earning share to 18 per cent in 1995 (White, 2001).

The SAP began the process of liberalising the economy through the progressive withdrawal of the state from economic activities and through privatisation. The SAP's aim was to facilitate the kingdom's integration into the world economy. To do so, the Moroccan authorities signed to international institutions, became party to several international trade

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<sup>37</sup> From 1981 to 1983, demonstrations erupted across the kingdom sporadically, with several violent protests resulting in hundreds of deaths. The Moroccan army was forced to fire into crowds while several hundred union and opposition leaders were arrested and tortured (Friedman, 2010).

<sup>38</sup> Most advanced countries consider a budget deficit of over 3 per cent unacceptable (Friedman, 2010).

and free-trade agreements<sup>39</sup> and put in place a legal and financial framework (table 10) (OECD, 2010). For example, the government installed a law 39-89 of 11 April 1990, which provided the institutional framework to *mettre à niveau* public companies in order to prepare them for sale (OECD, 2010). In the words of Catusse (2009), this privatisation programme “put up for sale some jewels of the Moroccan public sector”. This included companies from the cement, steel, petrol, phosphate and mining sectors in addition to companies from the service sector: banks, insurance and finance. The privatisation programme was extended to include telecommunications and transport sectors. This privatisation programme -initiated under King Hassan II and carried on by his successor King Mohammed VI- had enabled Morocco to generate substantial revenues, some of which have been invested to upgrade the kingdom’s infrastructure.

**Table 10: Neoliberal Policies in Morocco – the highlights**

Policy	Years	Notes
Structural adjustment programmes (SAP)	1983	The SAP was recommended by the World Bank and by the IMF
Devaluating the Moroccan Dirham (currency).	1983	This policy signalled the kingdom’s move from an import oriented towards an export oriented economy.
The General Agreement on Tariffs and Trade (GATT)	1987	Morocco’s accession to GATT
Laws 39-89	1989	The law adopted by the parliament designating 112 public companies for privatisation.

<sup>39</sup> It is important to highlight here that even though they are all called FTAs, they do however, demonstrate a certain degree of dissimilarity. Unlike the FTAs with the United States [and the EU] which cover goods, investment and services, FTAs with the MENA are limited to goods (OECD, 2010).

Trade policy review mechanism	1989	Morocco became the first Southern state to be subjected, voluntary, to trade policy review mechanism.
Law 1589	Sept. 1992	This law is to allow foreign investors to convert their investment, transfer their profits and liquidate their investments.
The <i>Dahir</i> (Royal Decree) 1-93-211/212/213	1993	This organised the banking sector and the Casablanca Stock Exchange.
The WTO	1994	Morocco housed the conference in Marrakech in which GATT became WTO.
Law 18-95	1995	This law adopted the Investment Charter which permitted foreign investors to invest in most sectors.
The Barcelona Process	1995	Morocco joined this process to establish a free-trade area between Mediterranean countries.
GAFTA	1997	Morocco signed GAFTA to establish a free-trade area with Arab countries.
Association Agreement with the EU	March 2000	Morocco created a free trade area with the EU.
FTA with the USA	2006	This agreement covers goods and services.
FTA with Turkey	2006	This agreement covers free trade of goods.
Floating the Moroccan currency	2018	Morocco began implementing flexible exchange rate system for its currency: the Dirham.

The Organisation for Economic Co-operation and Development (OECD) (2010) claims that “these privatisations have sparked liberalisation in several sectors, with significant benefits for employment, productivity, and service quality” (p, 17). This view was shared by

the World Bank (1999) who were of the opinion that Morocco experienced a dynamic economic growth as a result of the reforms adopted in the 1980s defined by “macroeconomic stabilisation, gradual liberalisation and deregulation of the economy” (p.2). Friedman (2010) argues that as a result of the economic reforms and advances throughout the 1980s and early 1990s, the Moroccan economy became more resilient to internal and external shocks. Confidence of foreign investors in the Moroccan economy increased. FDI increased from just \$70 million in 1983 to \$700 million in 1996 and to over \$4 billion dollars in 2003 (Layachi, 1998).

The economic reforms instigated by King Hassan II and his government in the 1980s have evidently improved the prospect of the Moroccan economy in the 1990s; yet, it is King Mohammed VI who has designed major economic plans that have stimulated the growth of Morocco’s economy and encouraged its diversification and modernisation whilst reducing the kingdom’s dependency on traditional sectors: phosphate and agriculture.

### *The Political Economy of Morocco under King Mohammed VI*

King Hassan II was succeeded by his son the current King Mohammed VI. Following his accession to the throne, King Mohammed VI’s actions signalled a wider political opening by founding the Equity and Reconciliation Commission in January 2004, a national commission responsible for investigating abuses and violations of human rights during the reign of his father King Hassan II and compensating victims (El Ghissassi, 2006). The King adopted the Family Code *Mudawana*, a progressive law concerning the status of women (Coleman, 2012). In May 2005, the King initiated the National Initiative for Human Development (NIHD), a social initiative to fight poverty and support the less well-off of the society. This has won him the nickname *malik alfuqara'* - The king of the Poor - and has won him considerable support among Moroccan citizens (Zoubir and Haizam, 2008). In 2008, the King set up the Central Body for the Prevention of Corruption (ICPC) with responsibility for coordinating, supervising and monitoring anti-corruption policies. The Oxford Business Group (2016) argues that “the reforms implemented by King Mohammed VI since coming to

the throne in 1999 have played a major role in ensuring Morocco has remained a stable and tolerant country, as well as an increasingly open society politically”.

Boukhars (2011) explains that most analysts of Moroccan politics would agree that King Mohammed VI has done a “fine job in advancing and persisting over economic, administrative and social reforms” (p. xii). Defining his role as a monarch in his speech of 20 August 2005, King Mohammed VI stated: “to breathe a new dynamic and to set down the basis for a qualitative transition...[We] have worked without relent on reaffirming a state of law and of institutions, promoting the values of responsible citizenship, the modernisation of the economy, and the concretisation of the spirit of solidarity, all for assuring the practice of a democracy with all of its social and human benefit” (Discours Royal , 2005). Nevertheless, Boukhars argues that despite the social and economic reforms advanced by the monarchy, institutional reforms have been ignored. Yet, the WTO (2015) considers the 2011 constitutional reform in the context of ‘the Arab Spring’ as an important step taken by the monarch to further the democratisation process in the Kingdom, strengthen human rights and individual freedoms, promote good governance and fight corruption. The Moroccan 2011 Constitution has been hailed as progressive vis-à-vis the region. While there is no doubt that the 2011 Constitution has helped Morocco to ride the winds of the ‘Arab Spring’ that have stormed the MENA; nevertheless, it is argued that it did not change much in terms of power sharing. Whilst it is true that the King has to appoint the Head of Government from the Party that won most seats in the General elections, the King still holds executive power. He is still empowered to terminate the functions of the Government and to dissolve the Parliament (Moroccan Constitution, 2011).

In reality, though, the monarchy works with an elected government <sup>40</sup> and a parliamentary institution. Whilst the government is involved in the day-to-day management of the country, the parliament superintends the proper functioning of the government and

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<sup>40</sup> Even with an elected government, the King retain control of key ministries (Interiors, Foreign Affairs, and Islamic Affairs). This preserves a large measure of power in the hands of the monarch (Zoubir and Haizam, 2008).

state institutions. The political system in Morocco is based on multi-party system. Indeed, there is no shortage of parties in the Kingdom. There are 36 parties in Morocco with different ideologies ranging from nationalism to Islamism and from liberalism to socialism (Morocco Government, 2017). Some of these parties are known as the *makhzen*<sup>41</sup> parties which serve the regime. Other parties have been known as opposition parties and hence have not had it easy. A relatively new party in Moroccan politics that has become a powerful force is the Justice and Development Party (JDP). The JDP success sky-rocketed since the 2002 elections when their share of the electorate's votes increased substantially.

Despite political opening and reforms, the Palace in both cases - King Hassan II and King Mohammed VI - continues to exercise supreme authority. While they have faced criticism from both conservative and liberal forces in Morocco, they have managed to balance their impact by, on one hand, pressing on with progressive reforms such as the *Mudawana* and allowing opposition parties to govern and, on the other hand, highlighting their status as a descendant of the Prophet Mohammed (Pbuh) and reinforcing the title of *Amir al-Mu'minin* -Commander of the Faithful- which reinforces their legitimacy over Islamic affairs in the Kingdom. Political opening in both reigns have witnessed periods of progress and recession and the sustenance of the fundamental components of the Moroccan political system (White, 2001).

Economically, King Mohammed VI's reign has been associated with economic reforms and intense adoption of neo-liberal policies. Several sectoral development plans have been designed and implemented to achieve specific aims and objectives (table 11):

**Table 11: Morocco's Sectoral Development Plans under King Mohammed VI**

Plan	Year of Initiation	Notes

<sup>41</sup> Makhzen is a system of governance controlled by the King and his regime. Daadaoui (2011) wrote that "evokes fear, awe, and respect in the Moroccan political culture and refers to a patrimonial institution that has managed to adapt to the realities of modern Moroccan politics" (p.41)



(1) Plan Emergence	2005	This pinpoints six industrial sectors with high growth potential, in which Morocco should position itself. These are offshoring, automotive, aeronautics, electronics, food and fisheries, and craft industry.
(2) National Pact for Industrial Emergence	2009	to promote high tech manufacturing. The sectors targeted are biotechnology, nano-technology and microelectronics.
(3) Contract Progress	2006	to invest in the establishment of new information and communication technology sector.
(4) Plan Azur	2001	to promote tourism.
(5) Plan Morocco Green	2008	to invest in Morocco sustainable agriculture and increase its contribution to the GDP.
(6) Plan Rawaj 2020	2008	to develop commercial networks, shopping centre, local businesses and wholesale markets.
(6) National Plan for Energy	2009	to invest \$10 billion in renewable energy sources.

(Source: OECD, 2010).

Similar trends following King Hassan II's reforms were evident during King Mohammed VI's economic reforms. The only difference is the substantial scale noted under King Mohammed VI. Foreign investors' confidence in the Moroccan economy increased dramatically after 2000. FDI reached a record level of \$ 3.5 billion in 2014, one of the highest rates in the region (appendix 2) (The World Bank, 2017). It is also worth noting here that FDI not only flew inwardly but also outwardly (appendix 3) evidencing the Kingdom's commitment to economic liberalisation and willingness to integrate in the world economy. Several Moroccan corporations have been investing abroad, primarily in Africa.<sup>42</sup>

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<sup>42</sup> Moroccan Corporations such as Maroc Telecom, BMCE Bank and Attijariwabank have acquired significant equity stakes in Mauritania, Burkina Faso, Gabon and Mali, Senegal and Tunisia (OECD, 2010).

The noticeable economic development is not limited to the FDI, but also encompasses macroeconomics, including a higher GDP growth. GDP rose on average by 5.1 per cent a year between 2003 and 2008 compared to an annual average of 3.3 per cent in 1999-2002. Following the financial crisis, while the GDP growth of most European states dipped into a recession, Moroccan GDP growth averaged almost 3.7 per cent per year in 2009-2014 (WTO, 2015). GDP per capita doubled between 2004 and 2014. It increased 3.7 per cent per year to reach a level of \$3,250 in 2014. Inflation remained under control at about less than 2 per cent a year. The state budget became more balanced. Current account recorded a surplus while external public debt declined (OECD, 2010).

Morocco's sectoral development plans have begun to yield some positive results. Morocco has become one of the world leaders in the production of automobiles, motor vehicles and aeronautical accessories (WTO, 2015). Automobiles have replaced phosphate products as the leading export product while Morocco retained its position as one of the world's main producers and exporters of phosphates.<sup>43</sup> Tourism, transport, energy and financial services have become dynamic sectors in the fabric of the Moroccan economy whilst agriculture remains the largest source of employment especially for the rural population (Oxford Business Group, 2016). These improved macroeconomic indicators have been accompanied by improved social indicators. Unemployment, one of the major challenges Morocco had faced for decades, dropped from 15.10 per cent to 10.5 per cent in 2018 having reached a record low of 7.8 per cent in 2006. Poverty declined from 15.3 per cent in 2001 to 4.2 per cent in 2014 (World Bank, 2016). Access to water and electricity especially in the rural areas improved substantially to 95 per cent and 99 per cent respectively in 2014. Life expectancy at birth rose from 67 years in 2004 to 72 in 2010 (OECD, 2010). Yet, quite ironically, these liberal policy reforms did not correspond – in a correlational way- with positive educational and health indicators (Catusse, 2009). Whilst it is true that unemployment has been brought down from the staggering figures of the 1980s and 1990s, it

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<sup>43</sup> The Office Cherifien des Phosphates (OCP) remains today the primary company in Morocco, with more than 23,000 direct employees, producing 4.3 per cent of the Kingdom's GDP (OCP, 2013)

is still high whilst it hides an increasingly worrying disparity between urban and rural areas, between young and adults, between men and women, between educated and illiterate.

It is true that the privatisation programme initiated under King Hassan II and King Mohammed VI has generated substantial revenues for the kingdom. This revenue has been invested to develop and diversify the Moroccan economy and improve economic indicators. However, the same privatisation programme could be criticised for being exclusive in a way that only a small fraction of the population has been able to benefit. These were the elites who already held large personal capital with significant social networks resources. This includes small Moroccan investors and foreign groups who were able to capture the opportunities privatisation had to offer (ibid., 2009). Arguably, privatisation has reinforced political and economic power accumulation. For example, Omnium Nord Africain (ONA) and SIGER (both belonging to the Royal Family) were the principal national winners from the privatisations of the National Investment Company, privatised in 1994 (Catusse, 2009). This acquisition of public companies by very few groups owned by families such as (e.g. the Royal family, Benjelloun, Kettani, Akhennouch) has allowed these groups to expand in multiple sectors including: energy, food processing, mining, automobiles, deep-sea fishing, the textile industry, tourism, real estate, communications and high technologies (Said Saadi, 2006). Despite the very advanced privatisation programme Morocco has implemented, it is fair to mention that the state still holds significant shares in the main telecommunications companies, airlines, banks, and insurance companies as well as railway. (WTO, 2015).

Despite the improved socio-economic indicators, the Moroccan economy has faced several challenges. Both Gulf Wars revealed Morocco's vulnerability to the external international economy and their reliance on the European Union (White, 2001). The 2008 financial crisis, though, did not hit Morocco as it did to states north of its Mediterranean shores, it has nevertheless been felt especially by sectors geared to exports (WTO, 2015). Meanwhile, remittances from Moroccans living in Europe, one of Morocco's main source of foreign exchange, dropped substantially. In the first four months of 2009, remittances from

Moroccans living abroad fell 14 per cent to 14.6 billion dirhams (Morocco Exchange Office, 2009).

As a non-oil and gas producer, Morocco has almost entirely been dependent on exterior resources for its energy imports. Morocco imports 91 per cent of its energy requirements (International Energy Agency, 2014). Its energy imports for 2014 stood at \$10 billion- up from \$6 billion in 2007 (Oxford Business Group, 2011). This represents a serious challenge because speedy economic development and the rapid rising energy demand may not be sustainable. This causes a challenge to public finances bearing in mind that energy bills remain considerably high and energy consumption is subsidised (WTO, 2015).

## The Political Economy of Tunisia

Tunisia has undergone a major change in its contemporary political history. In several books and academic articles, Tunisia is described as a model state among other MENA states on its way to establishing a genuine democratic regime that will foster the construction of a new, open and inclusive society where citizens' interests are at the centre of policy making (Ben Hammouda, 2012); and as "a progressive social democracy" that aims to diminish social inequalities (Zoubir and Haizam, 2008). Several variables have been highlighted to describe it as such; among which: an educated population, women rights, economic growth, first constitution in the MENA, progressive social policies and the relatively egalitarian social structure. To a certain extent, this might be true especially in the context of the MENA; however, a critical analysis of Tunisia's political system would enable us to understand the political economy system that emerged in Tunisia since its independence and in a way, might explain why it was indeed Tunisia that witnessed the birth and spread of the 2011 Arab revolutions.

Tamzini (2013) expresses that it is difficult to describe the political regime that has characterised Tunisia since its independence as a French protectorate in 1956. She argues that as far as power is considered, it has been concentrated in the hands of one man: The President of the Republic.<sup>44</sup> Whilst this does not mean that the separation of power does not exist, this

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<sup>44</sup> This also implies the President's close relatives and the elites.

separation is not effective (ibid., 2013). The government's role is to assist the President. This is clearly pronounced in the Tunisian Constitution: "The Executive Power shall be exercised by the President of the Republic assisted by a government headed by a Prime Minister" (Article 37). This explains the nature of the political Tunisian regime: a presidential republic where the executive power is clearly attributed to the President of the republic.

It is true that Tunisia was the first Middle East and North African country to adopt a Constitution back in 1861 (Tamzini, 2013; Abdel Razek, 2015), long before it became a French Protectorate and a second Constitution in 1959 following its independence (Tamzini, 2013). Nevertheless, Tunisia, like the rest of the MENA republics, shares the 'President for Life' syndrome. Whilst the 1959 Constitution is clear about the mandates allowed by the president: "the President of the Republic cannot be re-elected more than three consecutive times", the reality has been different. If the 1959 Constitution was followed, the reign of Bourguiba should have ended in the late 1970s. However, the 1976 constitutional revision meant that Habib Bourguiba was proclaimed president of the Republic of Tunisia for life as a reward for his efforts to free and unite Tunisia. This constitutional revision might facilitate infinite re-elections of the same president marking Bourguiba's and Ben Ali's reign.

### *The Political Economy of Tunisia under President Bourguiba*

Bourguiba became the first president of Tunisia after its independence. He also assumed the role of the Prime Minister running his own government from 1957 till 1969. Running the state as both president and a Prime Minister has reinforced the presidential character of Tunisia's political regime. The role of Prime Minister was re-instated on the 7<sup>th</sup> of November 1969.

Internationally, Bourguiba's foreign policy focused initially on supporting the non-aligned movement during the Cold War. He formed relations with both the USA and the USSR. Tunisia joined the Arab League in 1958 and indeed housed its headquarters from 1979 to 1990. Back in 1965, Bourguiba delivered a speech calling for recognition and the normalization of diplomatic relations with the State of Israel (Tamzini, 2013). Domestically, Bourguiba adopted

a secular system influenced by the West and Ataturk of Turkey. He insisted on separating religion from politics. He issued policies to prohibit the wearing of the Hijab, forbade polygamy and Sharia courts in addition to a set of practices that collide with Islamic infallibles (e.g. fasting in Ramadan) whilst at the same time, he adopted French Civil law (Abdel Razek, 2015). Whilst these policies have gained him popularity among westerners and liberal Tunisians, they have attracted criticism from Muslim scholars and from a vast Tunisian population seeking social justice.

To mitigate the impact of decolonisation and prevent market failure, Bourguiba adopted a *dirigiste* economic system, an interventionist policy (Costa-Font, 2012). It allowed the state to protect the domestic economy against foreign competition by means of controlling the economic activity. Therefore, Bourguiba launched a policy of nationalisation and planning. He decided to nationalise most key economic sectors: manufacturing industries, banks, the railway, water, electricity and gas. The French franc was replaced by the Tunisian dinar. French functionaries were replaced by Tunisian officials. Bourguiba's dirigisme policy initial success was attributed to Tunisia's possession of raw materials -petroleum, natural gas, and phosphates- throughout the 1970s. High export revenues (30 per cent of GDP) from these natural resources has allowed Bourguiba's *dirigisme* to finance significant public investment, achieve a 7.4 per cent GDP average throughout the 1970s and invest in human resource development (Hassan, 2005). However towards the late 1970s, oil and gas reserves were depleted while the quality of phosphate deposits was poor (F. M. A. Hassan, 2005), paving the way for economic challenges. These challenges worsened as Bourguiba's regime maintained high investment levels and public expenditures. Hassan (2005) states that "By 1984, inflation has risen to 10 percent; the current account deficit had grown to almost 11 percent of GDP, external debt to 46 percent of GDP, and the debt service ratio to 21 percent. By 1985, a balance payment crisis appeared imminent" (p.2). This development would force Tunisian decision-makers to move away from the dirigisme economic model to adopt neo-liberal economic policies. This change was first noticed when Bourguiba appointed Hedi Nouira, an advocate

of liberalism, first as Minister of Economy and then as Prime Minister. Bourguiba and Nouria began a process of opening the Tunisian economy to liberalism and the market economy.

It was in the 1980s when Tunisia experienced important political and economic transformation. On one hand Bourguiba's poor state of health prompted doubt about his ability to run the country. On the other hand, a social and financial crisis pushed Tunisians to demonstrate their discontent with political, economic and social affairs -for example, the 1983 bread riots (Alexander, 2016). As a response to the public discontent, political pluralism was re-established including the legalization of the Communist Party. To ease the economic crisis, Bourguiba embarked on implementing a Structural Adjustment Programme (SAP) negotiated with the IMF and the World Bank (table 12). It put in place a multifaceted programme that included (1) the privatisation of public enterprises, (2) the removal of disincentives for investment and (3) reduction of tariffs (Hassan, 2005). This was done whilst imposing drastic economic measures, which resulted in further discontent. This development paved the way for the then Minister of the Interior, Ben Ali, to assume the presidency.

### *The Political Economy of Tunisia under President Ben Ali*

Habib Bourguiba's thirty years' reign over Tunisia came to an end following a bloodless 'medical' coup d'état. The coup was carried out by his newly Prime Minister Ben Ali on 7 November 1987. Ben Ali's first years in power saw some signs of political openness. In 1988 Ben Ali released several detained Islamist activists (Abdel Razek, 2015). The Constitution was amended in 1988 reintroducing limitations on the number of mandates the President could serve: "The President of the Republic is re-elected twice consecutively". However, these signs soon evaporated as Ben Ali resumed the fight against his opponents. Ben Ali banned all Islamic parties including Ennahda party and imprisoned tens of thousands of Islamists (Abdel Razek, 2015). Following the constitutional reform, Ben Ali should have left office by late 1990s; however, Ben Ali revised the Constitution in 2002 to allow him to be re-elected by lengthening the number of possible mandates and the age of eligibility to suit him. This technical manoeuvre to hang on to power lasted until the Arab Spring (Tamzini, 2013).

When Ben Ali assumed 99.44 per cent of the vote in the presidential elections in October 1999, not only did it upset his opponents, it, indeed, disheartened some of his loyal friends. Moreover, it ruined the image of a pluralistic election Ben Ali himself pretended to uphold. Thus, several riots led by lycéens,<sup>45</sup> unemployed youth and small traders erupted throughout the country. In response, the *Dakhilia* - the Ministry of Interior- used the forces of order to repress these demonstrators (Ben Brik, 2000).

Tunisia's political system remained quite closed to competition. It is true that Tunisia is not a one-party state; however, opposition parties were largely banned and excluded. Political parties which agreed with the regime could stand for elections; among which was Ben Ali's Democratic Constitutional Rally (DCR), the dominant party in the Tunisian political scene. Zoubir and Haizam (2008) argue that during the reign of Ben Ali, stability has come at the expense of political pluralism, hence the inability to create a genuine democratic breakthrough. They went further to describe the Ben Ali regime as one of "the fiercest dictatorships in the Arab world", stifling political freedom and endorsing inequalities, corruption and nepotism which led to its end.

The speed of neo-liberal policies accelerated in the 1990s (table 12). A *mise a niveau* programme was put in place (1997-2001) to improve the competitiveness and performance of Tunisian enterprises in an increasingly integrated world market. These programmes invested in infrastructure, technologies and training. Internationally, Tunisia acceded to the World Trade Organization in 1995 and in the same year, Tunisia became the first country in the MENA to sign an Association Agreement<sup>46</sup> with the EU. As far as the MENA is concerned, Tunisia signed bilateral trade agreements with Morocco, Jordan, Libya, Iraq, and Syria (Hassan , 2005).

**Table 12: Neo-liberal Policies in Tunisia- the highlights**

Policy	Year	Notes
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<sup>45</sup> High school students.

<sup>46</sup> The aim of the Association Agreement with the EU is to foresee the disappearance of customs duties paving the way for the establishment of a free trade zone with the EU by 2008.



Agreement with the IMF, World Bank and major creditors	1986	Tunisia received conditioned loans.
Structural Adjustment Programme	1986	This implied the lifting of restrictions on imports, the removal of disincentives for investment and reduction of tariffs.
The privatisation of public enterprises	1987-onward	Several laws were passed to set the legal framework for the privatisation of public enterprises.
A World Bank-sponsored agricultural rehabilitation loans	1982 - onward	This programme redistributed state-owned land previously owned by small state-run cooperatives to major farmers.
GATT	1990	Tunisia accessed the GATT having been a provisional member since 1987.
Laws to protect foreign investment	1993	Several laws were passed to protect foreign investment.
World Trade Organization	1995	Tunisia was a founding member of the WTO.
The Barcelona Process	1995	Tunisia joined this process to establish a free-trade area between Mediterranean countries.
Association Agreement with the EU	17 July 1995	Tunisia created a free trade area with the EU.
Mise a niveau programmes	1997-2001	A programme to improve the competitiveness and performance of Tunisian enterprises.
the National Anti-Corruption Authority (NACA)	2011	NACA replaces The Commission of Inquiry into Corruption and Malversation. NACA proposes anti-corruption policies, collects data

		on corruption and advocates the fight against corruption.
Second aid from the IMF	May 2013	Tunisia received loans following the Arab Spring.

The structural adjustment plan has had undeniable socio-economic consequences. A balance of payments crisis in the late 1980s was averted. GDP growth rose from 3 per cent annually over 1985-1990 to more than 5 per cent annually over 1996-2002 whilst per capita income rose to \$ 2,000 (Hassan, 2005). Tunisia has successfully diversified its economy. It shifted from resource-based exports dominated by oil and gas to manufactures and services (ibid., 2015). Textile, electrical and mechanical machines, food processing exports, production of olives and cereals, and tourism became the drivers of the economy. This diversification of the economy has affected Tunisia's export base. The share of manufacturing exports increased to 80 per cent of Tunisia's total exports (Ayadi and Mattoussi, 2014). The service sector emerged as an important division in the Tunisian economy providing 60 per cent of GDP whilst agriculture remains an important sector employing one-fourth of the labour force (Hassan, 2005).

These improved economic indicators impacted positively on social indicators. Poverty rate declined from 40 per cent in 1970 to 4 per cent<sup>47</sup> in 2002 (ibid., 2005). Almost all Tunisian children were attending primary education by 1995 whilst adult illiteracy decreased from 64 per cent in 1970 to 28 per cent in 2000. Tunisia, more than other MENA countries, managed to lower if not diminish the gap between gender school enrolment rates. Between 1966 and 2004, life expectancy increased by 21.8 per cent years from 55 to 72 years and infant mortality dropped by nearly two-thirds (Gottretat al., 2008). Some of these achievements have put Tunisia ahead of similar middle-income countries in terms of meeting several Millennium

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<sup>47</sup> Whilst this drop-in poverty rate seems remarkable, it is to be considered with caution; it does not take into account the vulnerable population mainly in rural areas just above the poverty line. If considered, the real figure is 10 per cent. Most of the poor live in rural areas.

Development Goals (MDG). Nevertheless, it is important to mention here that these remarkable economic developments came with a price: (1) while implementing neo-liberal policies, Tunisia took several drastic measures to satisfy foreign investors' demands and international institutions; (2) unemployment did not go down; (3) Tunisian companies were not prepared fully for external competition. These effects contributed to the toppling of the Ben Ali regime in 2011.

Like Morocco, the neo-liberal policies had their limits too. The economic development in Tunisia did not benefit all Tunisians; nor did it benefit all regions. First the disparity between the rich and the poor became wider. Second, the north of Tunisia prospered more than the south and urban areas more than rural areas. In the words of Béji Caïd Essebsi,<sup>48</sup> "80% of development resources under [Ben Ali's] regime went to coastal and tourist areas as opposed to 20% of the development budget to inland regions". Hiboou (2011) argues that despite economic growth rate, job creation was insufficient. She explains that "each year, there are about 140,000 new entrants to the labour market, compared with only 60,000 to 65,000 job creations, mainly located in Tunis and the coastline" (p,10). 60 per cent of the unemployed are young people under 29 years old (Tamzini, 2013). Even education, where Tunisia has been praised in terms of lowering the gender gap vis-à-vis enrolment, has still experienced high levels of drop-out and repetition rates whilst public health continued not to meet the population's expectations (Hassan, 2005). These economic imbalances in addition to Tunisians' disillusionment with Ben Ali's regime, highly defined in terms of corruption and nepotism, pushed the Tunisians to stage their 2011 'revolt for dignity' aspiring to establish a more egalitarian and democratic society.

### *The 2011 Revolution in Tunisia*

Soon after the 2011 revolution, a provisional law was passed on the 10<sup>th</sup> of December 2011 to allow the election of the President by the National Assembly via a secret ballot to manage the transition period bearing in mind the political vacuum Ben Ali's departure had

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<sup>48</sup> Prime Minister of the first transition government post 2011 revolution.

caused after 23 years as President. This was whilst waiting for the draft of a new constitution. Thus, Moncef Marzouki was elected as president in 2011. The new Constitution specifies the presidential duties and is argued to have lessened the power exercised by both Bourgiba and Ben Ali. According to the new Constitution, the President must consult with Chief of the Government and jointly – via consensus- decide Tunisia's foreign policy. Unlike previous constitutions which allowed the President solely to appoint the Mufti,<sup>49</sup> now the President has to do so in agreement with the Chief of Government. It is the duty of the President to sign international treaties and laws passed by the National Assembly within 15 days. Failing this, this function is delegated to the President of the National Constituent Assembly (Tamzini, 2013). Furthermore, whilst the President can appoint the supreme chief of the army, he requires the approval of two thirds of the National Assembly to declare war and conclude peace. The President can still proclaim exceptional measures but only after consultation with the Chief of the Government and the president of the National Assembly and on condition that no one opposes this decision (ibid., 2013).

Other political reforms included the release of political prisoners, the banning of torture and allowing political parties such as Ennahda Party,<sup>50</sup> banned under Ben Ali, to stand for elections and civil society to increasingly participate in public debate. Tamzini (2013) argues that Tunisia has advanced the issue of human rights since the 2011 revolution. Tunisia has acceded to the International Convention against Torture, the International Convention on the Protection of Persons from Enforced Disappearances and other international protocols.

During this transitional period, Tunisia faced several challenges mainly of a security nature. Supporters of secular Tunisia clashed with Islamists. The fragile domestic security manifested itself in a series of assassinations and the resignation of Prime Minister Hamadi

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<sup>49</sup> Mufti is an important role allocated to a person responsible for religious affairs.

<sup>50</sup> It is interesting to note that despite the participation of the Islamist Ennahda party in re-writing the Tunisian Constitution after the 2011 revolution, they have protected the secular orientation of the constitution established by Bourguiba and later by Ben Ali (Abdel Razek, 2015)

Jebali. Regionwide, Tunisia has been facing regional security challenges manifested in the failed state next door: Libya.

It is important to note here that the 2011 revolution did not come up with quick fixes to the economic imbalances inherited from Ben Ali's era; on the contrary, the 2011 revolution has accentuated the gap between the promises of the revolution and the Tunisian reality. One can argue that the insecurity and instability caused by the revolution have contributed to worsening the economic situation: in 2011, tourism fell by 50 per cent and FDI by 20 per cent whilst 80 foreign companies left Tunisia (Achy, 2011). Unemployment soared to 17 per cent and the national currency depreciated. In 2013, poverty affected 25 per cent of the population (Ministry of Social Affairs, 2017). To mitigate the fragile economic situation, Tunisia was forced to seek further aid from the IMF in May 2013. Similar to the first loan, the worry is that it will implement a structural adjustment programme which benefits the few and not the many.

### The Political Economy of Egypt

To a certain extent, Egypt became the symbol of the Arab Spring of 2011 and Tahrir Square in the middle of Cairo became the centre of the world. What was taking place there during the first months of 2011 not only had implications for Egypt, but would influence other public revolts in the wider region (e.g. Libya, Syria, Yemen) and, arguably, international relations in the form of the new cold war in the Middle East between USA vs Russia and Saudi Arabia vs Iran in addition to other world players (e.g. Turkey, UK, France). Focusing on Egypt and to understand how the seeds were planted for the Arab Spring to flourish during the early months of 2011, one is required to understand the political economy of Egypt since at least it was declared a republic in 1953.

## *The Political Economy of Egypt under Nasser*

Nasser assumed power in April 1954 replacing Naguib<sup>51</sup> and giving precedence to the army in the political life in Egypt unlike Naguib who was in favour of civil parliamentary rule. Internationally, Nasser presented himself as leader of the Non-Aligned Movement (Touaibia, 2014). Domestically, democracy and political liberalisation came second to socio-economic development for Nasser (Nasser, 1953; Ismael et al, 2016). Nasser believed that the main task in hand was to improve the socio-economic conditions of fellow Egyptians, the main goal of the free officers' revolution, and to do that, he necessitated undisputed power and total control of political environment. The June 1956 national referendum did just that. With the support of 99.9 per cent, not only did it endorse Nasser's presidency and consequently the new republican system, but it laid the foundation of the *at-Tayyaar an-Naṣṣari* –Nasserism<sup>52</sup> (Haim, 1976). Ismael (2016) argued that:

“For Nasser and his close associates political instability was fermented by plurality. From their perspective, the different orientations of political parties and other civic organisations provoked chaos. The RCC's <sup>53</sup> remedy was to dissolve all such organisations. It followed that freedom of expression, free elections, majority rule, constitutional guarantees, and the rule of law were revoked. All social forces-large landowners, big merchants, the private industrial sector, top executives, unionised labour, religious organisations, the intelligentsia, students, unions, peasants 'societies, and even ethno-sectarian associations-were to be closely monitored and controlled. However, remote the threat, no opposition would be allowed” (p.448).

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<sup>51</sup> Naguib proclaimed The Republic on the 18<sup>th</sup> of June 1953 ousting the infant King Fuad II of Muhammad Ali Dynasty (Touaibia, 2014)

<sup>52</sup> A new political ideology that advocated Arab unity and the return to Arab greatness based on socialist and nationalist foundations.

<sup>53</sup> The Revolutionary Command Council.

Despite Nasser's great socio-economic achievements in terms of land redistribution, the expansion of the public sector and the welfare system and the nationalisation of the Suez Canal in 1956, his approach severely restricted political life in Egypt. Politically, this was manifested at several levels. Constitutionally, members of the National Assembly were not allowed to run freely. They had to be vetted to ensure that elected members were predominantly loyal to Nasser. Further, Nasser's regime dissolved political parties, such as the Wafd, that existed before the revolution. As for Human Rights, despite several reforms such as granting women the right to vote and allowing them to participate in professional life, it is difficult to argue that Nasser's human rights record is totally positive. This is most evident when considering his clampdown on *al-Ikhwan al-Muslimin* -the Muslim Brotherhood, an organisation that Nasser considered a threat.

Economically, convinced that economic autonomy would guarantee political independence and the assertion of the sovereignty of Egypt, Nasser followed a dirigisme policy characterised by nationalisation and industrialisation. This entailed (1) nationalisation of major economic sectors including land and capital, (2) the nationalization of the Suez Canal, (3) centralisation of power, administration and project management (Nasser, 1953; Ayubi, 1995). Consequently, the public sector in Egypt expanded. It became responsible for 91 per cent of investment between 1961 and 1966 and controlled 83 per cent of all Egyptian production encompassing diverse economic divisions such as processing industries, import and export activities, finance, insurance and extractive (Ismael et al, 2016).

Following the implementation of these policies, Egypt's revenues, GDP and income per capita increased substantially resulting in much improved economic environment in the 1960s (Cook, 2011). This improved economic situation helped Nasser to decrease poverty as the bottom 60 per cent of the population were able to increase their share of the national income by 12 per cent. Nasser expanded educational opportunities as 90 per cent of urban children and 1/3 rural children were enrolled in school (ibid., 2011). He also guaranteed free health services to Egyptians (Touaibia, 2014). Nevertheless, despite relative socio-economic success, Nasser's economic policies faced several challenges; among which are: an inflexible

bureaucratic system as a result of the expanding public sector as well as corruption which spread to all administrative ranks. Furthermore, a vast population of Egyptians continued to be deprived of necessities such as food, homes, adequate education and health services. Despite Nasser's political economy shortcomings, it is worth mentioning that in 1967, following the defeat in the Six-Day War inflicted by Israel and Nasser's resignation, hundreds of thousands marched in the Arab world calling for his return to power (Sharnoff, 2017).

### *The Political Economy of Egypt under Sadat*

Following the death of Nasser in September 1970, Sadat assumed the presidency of Egypt. Under his rule, Egypt witnessed what several scholars have nicknamed the de-Nasserisation of Egypt (Ansari, 1986; Hinnebusch, 1985). Ismael (2016) explained this as Egypt's "comprehensive reorientation process in both domestic and foreign affairs" (p. 453). Internationally, Sadat signed the Camp David Accords to establish peace with Israel in 1978. This event signalled the end of pan-Arabism previously promoted by Nasser. Moreover, it provoked the suspension of Egypt from the Arab League.<sup>54</sup>

Domestically, Sadat revised the Constitution to allow for an elected *Majlis Al-Shaa'b* - People's Assembly. He retained the single party system (The Arab Socialist Union) inherited from the Nasser era, but reorganised it first into three forums in 1977: (1) the liberal Socialist Forum, (2) the Arab Socialist Forum, (3) the Nationalist Progressive Unionist Forum which consecutively represent the Right, the Centre, and the Left spectrums (Ghafar, 2016). Other political parties emerged such as the Socialist Labour Party and the New Wafd Party which indicated some sort of competitive party politics in Egypt. However, despite these reforms, Sadat retained great presidential powers under the revised Constitution, including authority to make laws and dissolve the People's Assembly. Furthermore, Sadat banned other political forces such as the Wafd, the Nasserites, the Muslim Brothers, and the Communists from participating in the Egyptian political life (Selim, 2015). The ones that could operate faced

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<sup>54</sup> The Arab League's headquarters was moved to Tunis in 1979 following the Camp David Accords of 1979.



strict legal obstacles. Sadat went further to imprison hundreds of political figures<sup>55</sup> while he made sure to amend the 1971 Constitution to allow him to stand for the presidency for an indefinite number of times. This dichotomy between political liberalisation and restrictions is better described by Ismael et al (2016): “Sadat’s aim was to set up a limited -basically cosmetic- process of liberalisation under his full control. He wanted to project Egypt as a liberal, democratic country to the West but was not ready to surrender his grip on Egyptian politics” (p. 458).

Economically, Egypt experienced hardships under Sadat. The state budget experienced deficit. Inflation saw a sharp increase and basic amenities became difficult to supply. To mitigate this situation, Sadat, in 1974, launched *infitah*,<sup>56</sup> an economic open-door policy to liberalise the economy, attract FDI mainly from the Gulf states and the United States. Egypt was constrained to sign a conditional agreement with the IMF by which Egypt would receive necessary loans under a condition that Egypt has to apply an austerity programme that called for controls on wages and cuts to subsidies on basics (Selim, 2015). This exacerbated the socio-economic conditions of hundreds of thousands of Egyptians who took into the streets (food riots) to protest against the harsh austerity measures in November 1977 (Selim, 2015). Whilst poor Egyptians were negatively affected by the *infitah* policy, other groups have benefited. These include the pre-1952 bourgeoisie, civil service technocrats and military officers who began to control trade and financial sectors and drive further the Egyptian integration in the World capitalist economy (Imam, 1986). Overall the *Infitah* policy whilst benefitting the few, did not release the pressure on the Egyptian economy. In 1980, the external debt rose to \$19.1 billion whilst debt service was 13.4 per cent of GDP (Kienle, 1998). The disparity between the rich and poor got wider than it was in 1975.

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<sup>55</sup> In 1981, Sadat imprisoned 1519 leading political figures accused of being dissidents, who were released only after his assassination (Ismael et al., 2016).

<sup>56</sup> An Arabic word for opening.

## *The Political Economy Context of Egypt under Mubarak*

Following the assassination of Sadat on the 6<sup>th</sup> of October 1981, Mubarak rose to power. Initially, he embarked on a scheme of political liberalisation. Regionally, Mubarak successfully managed to return Egypt to the Arab fold. In so doing, he was also careful not to appear to be too close to Israel, whilst keeping formal relations. Domestically, Mubarak released political prisoners and rehabilitated opposition forces. He demonstrated willingness to discuss with opposition forces and the previously banned Wafd Part was allowed to return to participate in the political life whilst the Islamic-oriented Ummah Party emerged in 1983.

This initial political liberalisation would soon fade away when Mubarak decided to reinstate state control, restrict public activity and assembly, prevent opposition forces (e.g. Nasserites, leftists, and activist religious groups) from participating in the political life or organising independent trade unions. Parties which were allowed, were restricted from any political activity unless an approval had been made by the Parties Committee (Law 40/1977). Members running as independents but affiliated with the Muslim Brotherhood were detained and faced trial in military courts. The Parliament was dissolved in February 1987. To add insult to injury, Mubarak carried on the 'state of emergency'<sup>57</sup> enabling state authorities to interfere in Egyptian's cultural, religious, economic, social and religious domains (Ismael et al, 2016). In a way, excluding the initial actions which have been argued as a cosmetic political opening, Mubarak was very much reluctant to share power with other political forces.

Because of these political restrictions, major opposition parties decided to boycott the 1990 elections (Ismael et al, 2016). When Mubarak was elected for a third six-year term in 1993 and his supporters claimed 400 of 444 parliamentary seats, opposition went beyond peaceful protests to take the shape of violence. Mubarak responded by initiating a national dialogue involving the opposition parties. This dialogue was destined for failure as Mubarak's regime refused to bring to the table fundamental reforms (e.g. the Constitution, state of

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<sup>57</sup> Mubarak maintained 'the state of emergency' declared in 1981 following the assassination of President Sadat.

emergency) (Ismael et al, 2016). To fortify his power against growing opposition and terrorism, the Mubarak regime renewed the ban on the Muslim Brotherhood and bestowed immunity on police and *Mukhabarat* - intelligence services who were accused of violating human rights. Mubarak's regime's actions of denying a free legitimate political life, – argue several scholars (Selim, 2015 ; Tripp, 2013)- have been counter-productive. Instead of a clampdown on radicalisation, a range array of disillusioned Egyptians became radicalised.

With the turn of the millennium and considering the Americans and British increasing role in the MENA (evident from the Invasion of Iraq) and their rhetoric about 'democracy' and 'human rights' vis-à-vis the MENA, Mubarak strived to improve the image of his regime. He gave the go ahead for the establishment of the National Council for Human Rights, cancelled the system of State Security Courts and re-launched another national dialogue with opposition forces. Nevertheless, these reforms were more driven by Mubarak's son Gamal who climbed to the executive committee of the National Democratic Party (NDP) and was thought to become a successor to Mubarak. Hence, these reforms were mainly to improve Egypt's image internally and depict Mubarak's son as a reformer than being genuine changes designed to benefit Egyptians (Vanden et al. 2017). Aware of the regime's plan, opposition and civil society groups called for genuine democratic reforms. In August 2004, a new political force emerged in Egypt: Kefaya,<sup>58</sup> an Arabic word for 'enough'. Within a short period, it arose as the most vocal movement calling for: Mubarak to step down and to oppose the hereditary transfer of power, the end of the NDP's political monopoly, constitutional reform to allow for presidential competition and free elections and the restriction of the president to two five-year terms, freedom of the press, the discontinuation of the 'state of emergency' and greater freedom to assemble, establish political parties and trade unions (Khosrokhavar, 2016). These new opposing forces have adopted social media as a new way of organising themselves and protesting (Touaibia, 2014).

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<sup>58</sup> Unlike other political forces in Egypt, Kefaya was inclusive in the sense that it included intellectuals, activists, pan-Arabists, Nasserists, Islamists, Marxists and liberals (Ismael et al., 2016).

Faced with increased pressure to reform, Mubarak's regime changed article 76 and article 5 of the Constitution. Whilst article 76 allowed for 'competitive' 2005 elections, article 5 allowed for party pluralism. These changes might look substantial but Egyptian political reality proved them artificial. First, in the September 2005 elections, the second candidate of Al- Ghad Party Ayman Nour who received 8 per cent of the vote vs Mubarak winning 88 per cent of the vote, was arrested shortly after the election's results. Second, article 5 included the clause "any political activity or political parties shall not be based on religious authority or foundation, or any discrimination on the basis of race or gender." This has been widely understood as a constitutional right to be used by Mubarak to curb the growing influence of the Muslim Brotherhood. Ismael et al. (2016) argue: "The old pattern of cosmetic "democratisation" had remained fully intact" (p, 468). Kamel (2017) reasons that a sense of political inequality continued to grow due to Mubarak's clampdown of political opposition.

Economically, Mubarak inherited an acute economic situation from the Sadat era. Despite initial attempts to reform and improve the economic situation, it continued to deteriorate. Between 1984 and 1988, external debt soared from \$37.8 billion to \$ 45.7 billion. The value of exports (goods and services) dropped from \$3.4 billion to \$2.7 billion. Thus, export earnings were not enough to pay even the debt service charges. Inflation and poverty rates increased and Egypt faced one of its worst housing and transportation crisis. By the 1990s, Egypt was overwhelmed by unemployment and corruption

To improve the economic situation, Mubarak embarked on a policy to enhance economic relations with the MENA states. In February 1989, Egypt founded The Arab Cooperation Council together with Iraq, Jordan and North Yemen (Filiu, 2011). Egypt reinstated its position in the Organization of the Islamic Conference and the Arab League and welcomed back its headquarters in 1990 (Touaibia, 2014). During the 1990s, Egypt became Iraq's first trading partner in the MENA following the Iraqi Oil for Food scheme<sup>59</sup> (Ismael et al., 2016). In 1996, Egypt signed the "Qualified Industrial Zones" agreement (QIZs). The QIZ

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<sup>59</sup> This lasted until the USA and UK invasion of Iraq in 2003.

allowed Egyptians goods with 11.7 per cent Israeli content to access the US market (Rivlin, 2009).

In 1991, Egypt embarked on a structural adjustment programme recommended by the IMF and the World Bank. The aim was, on one hand, to lower inflation and decrease state budget deficit and, on the other hand, to improve performance of public sector enterprises to prepare them for privatisation (Dieter and Ulrich, 1998). The period between 1990 and 2005 witnessed an acceleration of privatisation (Farah, 2009). Egypt became part of the G20.<sup>60</sup> Nevertheless, the accelerated level of liberalisation did not translate into economic progress for all. Indeed, whilst a few gained tremendously from it, economic conditions deteriorated for the bulk of Egyptians which led to new waves of strikes in 2007 involving not only the poor and the unemployed but also professionals who demanded better working conditions (Ismael et al., 2016).

### *The 2011 Revolution in Egypt*

It is true that the Arab Spring took the world by surprise and come as a shock not only to international media, academics and scholars studying the region but also indeed to the people and regimes of the MENA. Despite the absence of any substantial prediction of the Arab Spring beforehand, it should not -now looking back- be seen as improbable. For Egypt, as indeed for Tunisia and other MENA states, the lid was almost off considering the political economy challenges they have faced since their independence (discussed before).

It took only 18 days for Mubarak to resign after the uprising began in Egypt in January 2011. A process of democratisation began immediately. Muhammed Morsi of the Muslim Brotherhood and the newly formed party the Freedom and Justice Party (FJP) won the January 2012 multi candidate elections with 25 per cent (Selim, 2015; Ismael et al., 2016). Despite the 2012 Morsi's attempt to downgrade the military from Egyptian political life, the military remained a powerful political actor in Egypt during and after the revolution.

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<sup>60</sup> a group of developing countries that aims at improving market access to EU and US markets via improving their negotiation position (Zusammenarbeit, 2009)

The process of democratisation was halted less than three years later when the military, the *ancien régime*, led by General Sisi assumed power following a coup d'état against Morsi on the 3<sup>rd</sup> of July 2013. Subsequently, Morsi and several others were arrested and imprisoned (at the time of writing this thesis Morsi is still undergoing a trial) whilst the Muslim Brotherhood has been declared a 'terrorist' organisation (Merchant, 2016). Sisi claimed the presidential office winning 96.9 per cent of the vote (Ball et al., 2016) in a new poll. The Morsi-Sisi case in Egypt highlights a relevant point that tends to be ignored in the study of the MENA but which is argued to be an essential ingredient to understand the dichotomy of democracy in the MENA. The point is whilst IR, IPE scholars and international forces tend to urge the regimes in the MENA to politically liberalise; those in power cannot tolerate a free election as it has been evidenced it might and could remove them from office (e.g. Algeria 1991; Palestine 2006, Egypt 2013).

Economically, like Tunisia, the 2011 revolution did not translate into immediate economic growth. On the contrary, Egypt experienced a turbulent period with economic consequences. A large contributing sector of the economy, tourism, was badly hit. Fearing the instability and growing security concern, millions of tourists decided to cancel their visits to Egypt. This particularly hit a large number of limited income Egyptians who live on tourism. Another loss in revenue has been the FDI from Western countries as well as from Gulf states<sup>61</sup> who were against the rise of the Muslim Brotherhood to power in Egypt. Consequently, both the Egyptian pound and foreign currency reserves plummeted. This has pushed Egypt further into the hands of the IMF for a loan for a \$4.8 billion loan (Ismael et al., 2016).

The Sisi system in a way symbolised the return to the old regime. Aware of the common interest he shares with the Gulf States in ousting the Muslim Brotherhood from Egypt, Sisi was pledged a total of \$ 37.8 billion aid from Gulf States. Whilst this aid has so far succeeded to keep the pressure cooker lid on, the outcome remains uncertain whilst much of the economic conditions that existed before the revolution, arguably, have prevailed.

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<sup>61</sup> This did not include Qatar.

The political economy of Egypt under Nasser, Sadat and Mubarak has been complex. Politically, the three presidents, in their individual way, have held to power and restricted political opposition. Moreover, they have limited channels for political expressions and at times used force to silence, imprison or even get rid of their opponents. Nevertheless, one should not ignore some political opening attempts: freeing political prisoners, allowing some political parties to take part in elections, a certain degree of free press, an increasingly independent judiciary system. The problem here is that they were short-lived and Egyptian leaders soon dismissed them. Economically, Egypt noticed a transformation of its economic policy from a nationalised dirigisme economy during Nasser to the hands of liberal free market under Sadat and Mubarak (table 13).

**Table 13: Neoliberal Policies in Egypt- the highlights**

Policy	Year	Notes
<i>infitah</i> , an Arabic word for opening.	1974	Sadat pursued an economic open-door policy to liberalise the economy, attract FDI mainly from the Gulf states and the United States.
Agreement with the IMF and the Paris Club	1987	Egypt received \$ 150 million.  The Paris Club made of Western donors agreed to restructure Egypt's debt in return for implementing a SAP.
Another Agreement with the IMF	1991	Egypt received new loans conditioned on cutting subsidies and setting up one exchange rate determined by market forces.
The WTO	1995	Egypt adhered to obligations and commitments under the rules of WTO.
The Egyptian-European Partnership Agreement	1998	This agreement was signed to liberalise trade between Egypt and the EU within 12 years.

The EU-Egypt Association Agreement	2004	This aimed to establish a free-trade area with the elimination of tariffs on goods and concessions on agricultural products.
Cairo Consensus	2003	600 conference delegates recommended increased integration in the global economy to avoid marginalisation and reduce inequality among countries.
The “Qualified Industrial Zones” agreement (QIZs)	December 2004	The QIZ allowed Egyptians goods with 11.7 per cent Israeli content to access the USA market (Ismael et al., 2016).
Reduction in fuel and food subsidies	2012	Egypt embarked on reducing energy and food subsidies to reduce budget deficit, but which have social implications.

## The Political Economy of Jordan

Located in what has been termed the rough neighbourhood of the Middle East, Jordan has had unstable neighbours since its independence, but more also since the first Gulf War (1990) and the Invasion of Iraq (2003), in addition to the long-lasting Israeli-Palestine conflict in its west borders, the Six Days War (1967), the first Intifada (1987) and the second Intifada (2000), and more recently the current Syrian Crisis since 2011. El-Anis (2010) has described Jordan as a state “sandwiched between conflict zones”. Considering Jordan’s geo-politics, its political economy has gone through transformations, first during the reign of King Hussein (1952 – 1999) and then King Abdullah II (1999- present).

The political economy transformation in Jordan has gone through several stages. The first stage is the era after the independence of Jordan, the second stage is between 1990 and 1999 and the third stage is under the current monarch King Abdullah II era since 1999. El-Anis (2010) argues that changes in Jordan under King Hussein in the 1990s have had an impact on King Abdullah’s political economy policies after 1999. In both periods, one can



highlight two types of factor which have shaped political economy decision-making in Jordan: (1) high politics factors in terms of regime survival and national security and (2) low politics factors in terms of socio-economic conditions in Jordan.

### *The Political Economy of Jordan under King Hussein*

King Hussein reigned for nearly half a century (1953 -1999); hence, his period was marked by several political economy transformations and witnessed dramatic geo-political development. Regionally, King Hussein has managed to steer his monarchy through some critical events in the history of the Middle East including the 1967 War,<sup>62</sup> Black September,<sup>63</sup> the 1973 Arab–Israeli War and the 1994 peace treaty with Israel. During his reign, King Hussein forged strong relations with Arab, Israeli, USA and European leaders (Ashton, 2008).

Like the monarchy in Morocco, the Hashemite's household in Jordan - as descendants from the Prophet Mohammed (Pbuh) plus their traditional status during the Ottoman Empire as guardians of the most holy Muslim sites: Mecca and Medina - has served as a symbol of unity and stability. King Hussein served as such for both the East Bankers and the Palestinian communities in Jordan. Like King Hassan II of Morocco, King Hussein was indeed omnipotent in the political economy decision-making of his country. The 1952 Jordanian Constitution has indeed guaranteed him this position: "the King is the head of the State and he enjoys absolute immunity. He is irreproachable and irresponsible" (Article 3). The monarch appointed a prime minister and government (Ashton, 2008)

Despite the existence of two chambers of parliament - The Senate, and the Chamber of Deputies - the King still exercises power over them. First, all their members swear fidelity to the King. Second, the king indeed appoints a high proportion of the two chambers himself (Renon, 1996). To further fortify his power, King Hussein drew the loyalty of his military, to which he has allocated 22 per cent of Jordanian budget (ibid., 1996).

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<sup>62</sup> Jordan became home to hundreds of thousands of Palestinian refugees who fled from what became the state of Israel (Ashton, 2008).

<sup>63</sup> A conflict fought between the Jordanian army and the Palestinian Militia stationed in Jordan.

Even though the 1952 Constitution having limited the powers of the monarch by requiring, for example, that the treaties signed by the king be ratified by both houses and that His Majesty's government is responsible before the Chamber of Deputies, the reality has been indeed different. King Hussein, using his privileges, governed most of his reign and certainly until 1989 by way of emergency laws, which froze the application of a fundamental Jordanian law (ibid., 1996). Some political parties, such as the Communist Party, were banned (Dann, 1989). The 1971 elections were cancelled and the Chamber of Deputies was dissolved in 1974 and only replaced by a consultative assembly in 1978 to be restored in 1984 whilst no general election was held (Renon, 1996). It was not until 1989 that King Hussein embarked on a democratisation process and a political opening. The 1989 elections were considered as free and fair. In 1991, King Hussein ended martial law and adopted a national charter to guide the democratisation process. In 1992, he legalised political parties and relaxed freedom of expression (Carkoglu et al., 2005).

Economically, King Hussein's Jordan did not possess the natural resources, notably oil and gas, which many of its Middle Eastern neighbours boasted. This together with a post-colonial period, the under-developed state of the economy and the costly military meant that the Jordanian budget experienced chronic budget deficit. As a consequence, King Hussein spent the bulk of his reign searching for foreign benefactors to support his country and his regime. Similar to Morocco, Tunisia and Egypt, the state in Jordan -between independence and the late 1980s- was the major stakeholder of major economic sectors including the kingdom's infrastructure, power generation, telecommunications services, transport services and water supply, mining, phosphate, cement<sup>64</sup> and manufacturing (El-Anis, 2010).

Jordan took a positive approach vis-à-vis regional integration. In 1958, Jordan and Iraq created the Hashemite kingdoms of Jordan and Iraq.<sup>65</sup> In 1964, Jordan participated in

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<sup>64</sup> The Jordanian government has major shares in Jordan Phosphate Mines Corporation (JPMC), Arab Potash Corporation (APC) and Jordan Cement Factories (JCFC).

<sup>65</sup> The experiment was shortly-lived and soon abandoned following the fall of King Faisal II in Baghdad on 14 July 1958.

the Arab Common Market (ACM) which envisaged the elimination of all tariffs between Arab states (El-Anis, 2010). Jordan signed an Agreement for Facilitation and Promotion of intra-Arab Trade in 1981 with all other Arab states (Dennis, 2006) to remove tariffs and non-tariff barriers as far as good are concerned. As discussed in the first chapter, the impact of these previous agreements on intra-regional trade has been minimal.

1989 marked a financial crisis in Jordan because of a slowdown in the economy, of itself resulting from a drop-in oil prices on the international market. Though Jordan is not an oil-producing country, it has felt the effect of that drop mainly because of lower remittances from Jordanian workers in the GCC. The drop-in oil prices led to a lower demand for Jordanian exports and services. As a result unemployment reached a level high of 40 per cent (World Bank, 1995) and poverty levels increased sharply in the late 1980s, worsening further after the 1989 economic crisis. Immediate reaction by the government was to borrow more money and increase public spending to stimulate the economy. The strategy proved a failure as external debt grew, inflation increased and budget deficit augmented (Kanovsky, 1990).

A more serious government response came after the financial crisis hit Jordan. This required a suspension of Jordan's external debt of \$7.2 billion as a measure to deal with what has been described as "the worst economic crisis in the short history of the country" (El-Anis, 2010, p. 64). Jordan accepted IMF, World Bank and various donors' structural adjustment programmes (table 14) in return for financial aid. Whilst these measures and reforms aimed to lessen the impact of the 1989 financial crisis by stabilising the budget and re-serving the external debt, the fact they were prescribed by Bretton Woods Institutions, one can argue, meant that they did not have the best interests of Jordanian citizens at heart, but that of gentlemanly capitalists (Cain and Hopkins, 2002). Loans received from the World Bank and the IMF were directed to cut public expenditures, including food subsidies and reform the tax system with a view to ease budgetary demands and re-service Jordanian debt (Maciejewski and Mansur, 1996).

With the aid of the World Bank and the IMF, Jordan embarked on restructuring its macro-economy. This marked a new direction in Jordanian economic policy defined by

adopting neo-liberal principles. This entailed the liberalisation of trade, the adoption of structural adjustment programmes, the initiations of legal reforms to prepare public companies for sale (privatisation) and attract FDI and the reduction of public sector involvement in the economy (El-Anis, 2010; Abu-Hammour, 2006; Robins, 2004). Jordan marked the neo-liberal approach by signing to several international organisations (table 14) and handful of other bilateral and multilateral FTAs.

These measures had some positive results. Government spending was reduced from 49 per cent of total GDP in 1988 to 39 per cent by 1992. Budget deficit also declined from 18 per cent to 6 per cent between 1989 and 1993 (Abu-Hammour, 2005). Tax revenues increased as a result of higher volume of trade (World Bank, 1996). The decline in the deficit resulted in a decline in inflation from a staggering high of 26 per cent in 1989 to just over 4 per cent in 1993 despite the Gulf War of the early 1990s. Nevertheless, despite the improvements in economic measures, these developments were still lagging behind. Cut-back of government subsidies and in particular the subsidy for bread, have affected a large proportion of poor Jordanians who have staged riots across Jordan (El-Anis, 2010).

Nearby in the region, the Iraqi Invasion of Kuwait in August 1991, pushed the Jordanian government, for security concerns, to change their policy and revert to a strict security state (Milton-Edwards and Hinchcliffe, 2001). National security and regime survival defined government policy away from the democratic gains made in the period 1989-1993 (El-Anis, 2010). The 1991 autumn parliament was postponed to prevent a vote of no-confidence in the government of Prime Minister Tahir Masri. Election laws were changed in November 1993 to enhance the electoral chances of pro-regime candidates (Brand, 1999). El-Anis (2010) summarises the Jordanian situation: “with the economic situation still in crisis and the likely prospect of the Iraq-Kuwait conflict evolving into a broader international conflict involving regional and extra-regional states the prospect for domestic political change seemed extinguished” (El-Anis, 2010, p 65).

The First Gulf War had a negative impact on King Hussein's economic reforms. King Hussein's neutrality during the war was interpreted as being pro-Iraq<sup>66</sup> (Swaidan and Nica, 2002). Though it won him popularity at home, it proved to be costly to Jordan. GCC states have expelled approximately 300,000 Jordanian workers<sup>67</sup> fearing an Iraqi invasion and a rebellion by the Arab workers residing within their borders. The returned workers have put pressure on the public sector in Jordan including housing, services, jobs and government. This worsening economic situation was exacerbated by the halt in discounted oil and drop in financial aid from the GCC and the USA (ibid., 2002). El-Anis (2010) argues that macro-economic adjustment in the 1990s did not benefit the Jordanian economy. Indeed, it paved the way to recover from the immediate effects of the 1989 financial crisis and resume servicing of its external financial obligations, which increased pressure on the government.

This difficult economic situation soon started to bite and affect the political situation in Jordan. Anti-government sentiment rose and support for the government declined (Singh, 2002). This sentiment reached a peak when "the opposition parties, professional associations and prominent independent figures boycotted the [1997] elections." (Anon, 2003, p 5). Without the opposition, parliament became an aide-de-camp to the regime.

### *The Political Economy of Jordan under King Abdullah II*

King Abdullah II has been described as a reformist (Dew et al., 2004) and "a champion of globalisation and free-market economic reform" (Lucas, 2012, p. 129). This has been manifested in a range of political and economic liberal reforms. Politically, these reforms have been portrayed as a political opening and a process towards democratisation. Economically, these reforms have been defined as economic liberalisation and a move towards the free market economy (El-Anis, 2010).

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<sup>66</sup> In Jordan as it is the case in several MENA states, the public sentiment strongly favoured Saddam Hussein.

Inexperienced and facing destabilising forces, bearing in mind the last-minute transfer of power,<sup>68</sup> King Abdullah tightened security controls and *Mukhabarat* –intelligence services- increased their importance (Saikal and Schnable, 2003). During his first years, King Abdullah postponed parliamentary elections and suspended parliament to enable him to pass laws<sup>69</sup> otherwise they could not have been passed. These laws restricted the freedom of expression. They contained severe penalties for those who opposed the regime and might publish news that could damage national security and unity (Ryan, 2005). Robins (2004) argued that these laws signalled no intentions on the government side to loosen its grip over the political sphere and the prospects for political opening remained small.

It is worth noting that during this period of consolidation of power by King Abdullah, the consensus within the government, the parliament and among Jordanians themselves was economic in nature rather than political. Most Jordanians were preoccupied with economic issues such as employment opportunities and better working conditions as opposed to political opening (Anon, 2003a). In other words, the economy was of greater immediate importance than the politics. There was not any significant resistance recalled towards the restricting laws and controls. Most Jordanians welcomed these laws as necessary to guarantee a smooth transition of leadership from King Hussein to King Abdullah whilst taking into account the geo-political situation in the region and prospect of the second Iraq invasion. The belief was that to achieve economic gains, stability of the leadership and the state were necessary whilst political opening would have to be slow and managed (El-Anis, 2010).

After his accession to the throne, King Abdullah II moved quickly to reaffirm the kingdom's peace treaty with Israel and its political economy relations with the US. His first preoccupations were to focus his government's agenda on economic reform, and poverty alleviation (Sorenson, 2014). Managing to weather the Second Gulf War without destabilising

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<sup>68</sup> King Hussein, just few months before he passed away, changed the designation of Crown Prince and heir to the throne from his brother Hassan Bin Talal in favour of his eldest son, Abdullah.

<sup>69</sup> This included: The Press and Publications Law, an amended article of the Penal Code, the Public Gatherings Law, the State Security Court Law 307 and the Municipalities Law.

his regime, King Abdullah II, nevertheless, became more and more the centre of public criticism (Anon, 2003b). First, Jordanians were becoming more discontented with Iraq being invaded and the political restrictions forced on them after 2001. Hence, they demanded democratisation and political liberalisation (El-Anis, 2010). Second, the Second Gulf War had an impact on the Jordanian economy, for example the loss of tourism revenues and remittance. This growing public discontent pushed the regime to adopt policies to defuse public criticism: Jordanians were allowed to express their discomfort with US and British invasion of Iraq as far as they did not threaten the stability of the regime and state (Ryan, 2005). The government called for parliamentary elections in June 2003 just before the official end of the Second Gulf War. Temporary amendments to Article 150 of the Penal Law implemented in 2001, doomed to be restrictive, were cancelled (Anon, 2003b). Further, the government initiated 'Jordan First' programme, a campaign aimed at strengthening national identity, civil society and democratisation (El-Anis, 2010). These policies were not seen as genuine democratisation policies, but rather as cosmetic policies aimed at pre-empting President Bush's calls for democratisation in the MENA<sup>70</sup> and maintaining a strategic partnership with the USA, from which Jordan receives substantial aid<sup>71</sup> (Appendix 4) (Muasher, 2003).

Whilst the outside pressure on Jordan to democratise was building up, the main reasons to politically liberalise came from Jordan itself. At home, there was a growing fear that with the absence of political democratisation, the presence of economic hardships, two conflicts on both sides of its borders, the possibility of Jordanians turning to undemocratic means of expression such as extremism was worrying not only to the regime, but also to a large proportion of the Jordanian population (George, 2005). Several calls from within Jordan called for greater political freedom and economic reforms.

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<sup>70</sup> These calls were received with a higher degree of distrust in the MENA.

<sup>71</sup> US aid to Jordan increased from \$ 259m in 2001 to a record high \$1.7b in 2003 (USA Aid, 2018). Please view appendix 4 for US aid to each Agadir member state. The effects of US aid on the political economy of Jordan, Egypt, Tunisia and Morocco merits further independent research.

Economically, King Abdullah's accession to the crown marked an intensification of neo-liberal reforms (table 14) inspired by the 1989-1993 King Hussein period and the re-emergence of low politics to jostle high politics. Despite the fact that the privatisation process began in the mid-1990s, it was not until King Abdullah came to power in 1999 that a technical, legal and institutional framework was implemented, the aim of which was to *mettre à niveau* public companies in order to prepare them for sale.<sup>72</sup> By the end of 2007, fifty-four public companies from telecommunications, water, transport and power sectors were sold generating \$1.3 billion. The number and speedy rate of privatisation of Jordanian enterprises made several observers hail it as a "model of successful... economic reforms" (Khalaf, 2003, p.4), "another success story in the making" (Heresh, 2003) and "one of, if not the most, successful in the Middle East region" (Anon, 2002)

The funds generated from privatisations were used to ease Jordan's debts, invest in financial assets, support the government budget and treasury and upgrade the skills of the workforce (The Privatisation Law, 2000). By 2006, the government, using proceeds from privatisation, paid \$111.827 million towards its external debt settlement (EPC, 2006); \$91.1 million was allocated to the general budget; \$64.134 million was allocated to the settlement of domestic banking loans; \$63.973 million was spent on construction; \$11.63 million on rural infrastructure; \$21.6 million on Water Projects and \$2 million on sewerage projects (Zu'bi, 2006). Per capita income grew at an average rate of 4.0 per cent in 2007 and 2008.

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<sup>72</sup> One example for illustration is the privatisation of the Jordan Telecommunications Company (JTC): 40 per cent of the government's shares in the JTC were sold to France Telecom and The Arab Bank for \$508 million in January 2000 (EPC, 2000). A further 8 per cent shares were sold to the Jordanian Social Security Corporation for \$102 million. In 2002, another 51 per cent of total shares were sold to JPMorgan and the Jordan Investment Bank. Only 1 per cent of shares were allocated to the JTC employees (El-Anis, 2010).



**Table 14: Neoliberal policies in Jordan- the highlights<sup>73</sup>**

<b>Policy</b>	<b>Years</b>	<b>Notes</b>
Structured Adjustment Programmes	1989	Negotiated with the IMF and the World Bank, The SAP restructured the kingdom's debt in return for adjusting the kingdom fiscal, reducing its spending and liberalising its trade.
The Jordan Investment Board	1995	This Board was created to attract FDI.
Bilateral and multilateral FTAs	1997-	Jordan embarked on signing several FTAs with different states and economic blocks including GAFTA.
GAFTA	February 1997	It was indeed in, Amman, Jordan where GAFTA was established.
World Trade Organization membership	2000	Jordan became a full member.
Privatisation Programme	2000 -	The establishment of the Higher Committee for Privatisation (HCP), the Privatisation Steering Committees (PSC), the National Privatisation Strategy (NPS) and the Privatisation Proceeds Fund (PPF). Their role is to promote and manage the privatisation programme: telecoms, transport, water, industry, agriculture, medical.

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<sup>73</sup> Information in this table are sought from a working paper by Dr El-Anis (2017) entitled "King Abdullah's Balancing Act: Neo-liberalism Versus 'The Politics of Tradition' in Post-Arab Spring Jordan". This paper was presented at Alternative Conference organised by the School of Social Science at Nottingham Trent University.

The Jordan-United States FTA	2001	The FTA's aim is to eliminate duties and commercial barriers to bilateral trade in goods and services between the two signatories.
The Jordan-EU Association Agreement (JEUAA),	2002	Its aim is to create a free trade area and a framework for further cooperation.
Jordan Anti-Corruption Commission (JACC)	2004	Survey, inform and implement policy to fight corruption.
The Jordan- Singapore FTA	16 May 2004	It facilitated the removal of tariffs on trade between the two states.
Integrity and Anti-Corruption Committee	2016	It replaces JACC. It ensures adherence to principles of national integrity, fights corruption, develops behavioural norms in the public administration.

## Comparing the Political Economy of the Four Agadir Member States

Politically, the process of democratisation in the four Agadir member states has been slow and bumpy. It is true that there have been some attempts in the four Agadir member states to adopt some political reforms geared to political liberalisation and democratisation. Yet, these have widely been criticised as cosmetic measures to calm social unrest or appeal to international donors mainly the USA and the EU. Unlike a popular view<sup>74</sup> which considers state leaders in the Agadir member states as absolute dictators where a democratic process is totally absent, this research project, on one hand, acknowledges their efforts and attempts to foster political opening and democratisation at different stages and by different leaders and, on the other hand, highlights their shortcomings vis-à-vis a democratisation process. Yet, what is observed in the four Agadir member states is that when a situation arises that implies a threat to national security, or the survival of the regime, state leaders have resorted to depriving democratic processes and restricting or banning political participation. Regime

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<sup>74</sup> a view quite popular in some Western literature and even in some MENA literature

survival seemed to negate all other interests. Stability and status quo have taken precedence not only political freedom, but indeed economic development. Therefore, one can argue that a democratisation process has moved at a much slower pace in the four Agadir member states.

Whilst it is important not to pigeonhole all Agadir member states when it comes to political freedom, it is also important to notice a pattern that the political system has remained quite closed to competition. There have been various degrees between Agadir member states. Historically, Morocco adopted a multi-party system and allowed the first opposition party into government in 1998 and an Islamist party in 2011; yet the Moroccan monarchy, as indeed the Jordanian one, have been the dominant forces in the political economy life of Morocco and Jordan. The regimes in Tunisia and Egypt have ruled for a long period based on a dominant party system. They have restricted political freedom to assure regime survival and prohibit Islamists from taking advantage of any political opening.

The Arab Spring has presented, so far, a genuine opportunity to advance the status of human rights, constitutional reforms and sharing of power. Hence, political reforms have been adopted to embrace a degree of democratisation. Its implications will take several years if not decades to understand. However, some observations to state here are: (1) for the first time in their history since their independence, the governments of Morocco, Tunisia, Egypt and Jordan (plus other MENA states) have seriously considered political reform (e.g. revision of the Constitutions in both Morocco and Jordan guaranteeing political rights and freedoms); (2) Unlike Tunisia and Egypt, Morocco and Jordan have weathered the Arab Spring quite successfully in terms of security and stability. The Arab Spring could signal what Farah (2009) has described as a 'symptom of exhaustion' or 'disequilibrium in the structure of dominant power relations' signalling the inability of the regimes to maintain sustained economic growth and reflecting struggle between the elites who have benefited from neo-liberal policies and the poor and the unemployed who have been impoverished because of the same policies. The Arab Spring in a way attempted and is attempting to shape a new socio-economic order and a degree of political opening in the MENA.

In reviewing the political economy development of Morocco, Tunisia, Egypt and Jordan, several interesting similarities and differences emerge. At the core, the four states shifted from dirigisme mainly focused on nationalising the economy and central planning to adopt an economic liberalisation policy heavily defined by the Bretton Woods Institutions in terms of Structural Adjustment Programmes (SAP). In adopting these neo-liberal policies, governments of the four Agadir member states embarked in pursuing free market rules: privatising public enterprises, deregulating their markets, withdrawing from the economy, curbing their expenditure, liberalising international trade and signing to international institutions with a view to attracting FDI and integrating into the world economy.

As far as trade is concerned, this entailed facilitating greater levels of trade regionally and internationally. This has been done by reforming customs tariffs, facilitating trade procedures, investing in transport infrastructure, engaging with international institutions in the form of the WTO, the World Bank, the IMF, GAFTA, Association agreements with the EU and FTAs with USA and Turkey and indeed the Agadir Agreement. Without a doubt, these procedures have had an impact on their trading volume and the diversification of their exports. Yet, their results have been far from satisfactory. They have not translated into fast economic growth, nor have they decreased unemployment or inflation. Indeed, the political, economic and social situation in the four Agadir member states remained difficult or even worse especially for a large size of the population. This is evidenced by the number of riots in the four member states since the SAPs have been implemented. The main benefactors of the privatisations programmes, in the four Agadir member states, have been the elites who – because of their wealth and *Wasta*<sup>75</sup> – have become owners of the means of production and by virtue of their economic power began to use the state as an instrument for domination. This means the social structures of the *ancien régime* have not been changed by the SAPs but one can argue that the SAPs have consolidated the already existing social structures in a way that has made the rich richer and the poor poorer with arguably still a fragile middle class.

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<sup>75</sup> Advantages gained by certain people because of personal connections rather than merit (Ramady, 2016).

Two points have been argued here. First one is that the SAPs have been imposed on Agadir member states not to lead to real economic growth that will benefit their citizens, but mainly to enable states to repay their external debts via selling their assets and adopting austerity measures. Second point argued is that the Arab Spring could be considered a manifestation of disillusioned generations who have been waiting -in vain- to gain from neo-liberal policies. Some critiques have gone further to accuse SAPs of destabilizing the economies of developing countries and undermining the living conditions of their citizens (Tamzini, 2013).

In their transition from dirigisme to neo-liberal policies, the four Agadir states have shifted from an internally oriented industrialisation (import-substitution strategy); to an internationalisation strategy, where their respective economies are integrated into the world economy, and where industrialisation is pursued to satisfy external demand (export-oriented strategy) and not necessarily internal demand (import-oriented strategy). This transition also marked a move from a welfare state orientation to a free-market economy, a process that gained more momentum in the 1990s with the collapse of the Soviet Union, the intensification of globalisation and the reinforcement of the Washington Consensus for the state to withdraw from the economy and for the state to be replaced by the market.<sup>76</sup> One important note to highlight vis-à-vis Agadir member states is to distinguish between the state and the regime. What this means is that while the state has withdrawn from economic activities, meaning it is no longer the main shareholder, the regime or the ruling families in the four Agadir member states have become more involved in economic activities. Mubarak, Ben Ali and both Royal families in Morocco and Jordan have become the main shareholders of large enterprises in their respective countries.

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<sup>76</sup> This transformation needs not to be compared to the radical transformation from socialism to neo-liberalism that took place in Central or Eastern Europe after the fall of Berlin Wall. On the contrary, a degree of free market economy has survived alongside public enterprises in Agadir member states. It is argued here that the shift from dirigisme to neo-liberalism ought to be seen as the abandonment of the idea of the state as an active economic developer and the main shareholder.

Agadir member states have hoped -out of the transformation to neo-liberalism- to attract FDI, promote exports and gradually liberalise their imports and in doing so, enhance their economic growth. Unilaterally, they have been active in bilateral and multilateral trade negotiations. They participated in the Uruguay Round and the 2001 Doha negotiations on trade liberalisation. They joined the WTO and GAFTA. They signed Association Agreements with the EU (table 15). Jordan and Morocco signed FTAs with the USA successively in 2000 and 2004 and Tunisia and Morocco signed an FTA with Turkey in 2004. In addition, Agadir member states have individually sought close ties with African economic blocs. Egypt is a member of the Common Market for Eastern and Southern Africa (COMESA). Morocco re-joined The African Union in 2017 and currently Morocco and Tunisia are in the process of applying to join the Economic Community of West African States (ECOWAS).

***Table 15: Agadir Member States Association Agreements with the EU.***

<b>Association Agreements</b>	<b>Year</b>
EU and Tunisia	1998
EU and Morocco	2000
EU and Jordan	2002
EU and Egypt	2004

Though one can distinguish the beginning of the adoption of neo-liberal policies in each Agadir member states, the point they have in common is that neo-liberal policies seem to intensify in the 1990s in the four member states. For the four Agadir member states, the shift in their political economy policies is due to a conviction that liberal economic thought can play an important role in achieving economic growth and political cooperation; hence peace and stability in the MENA. The questions that arise here are: firstly, will the Agadir Agreement resolve the limitations on previous economic integration attempts that have been unsuccessful? And, secondly, could it act as a transitory stage towards deeper economic integration and political cooperation within the MENA? Chapter four will discuss whether the Agadir Agreement has had an impact on economic growth and the process of economic

integration and chapter five will assess whether the Agadir Agreement has been successful in terms of promoting political cooperation between the four member states.

To prepare for the next chapter “An Assessment of the Impact of the Agadir Agreement on Economic Integration”, it is worth highlighting some indicators about the four Agadir member states at this stage. Table 16 summarises key macro-economic indicators for these states.

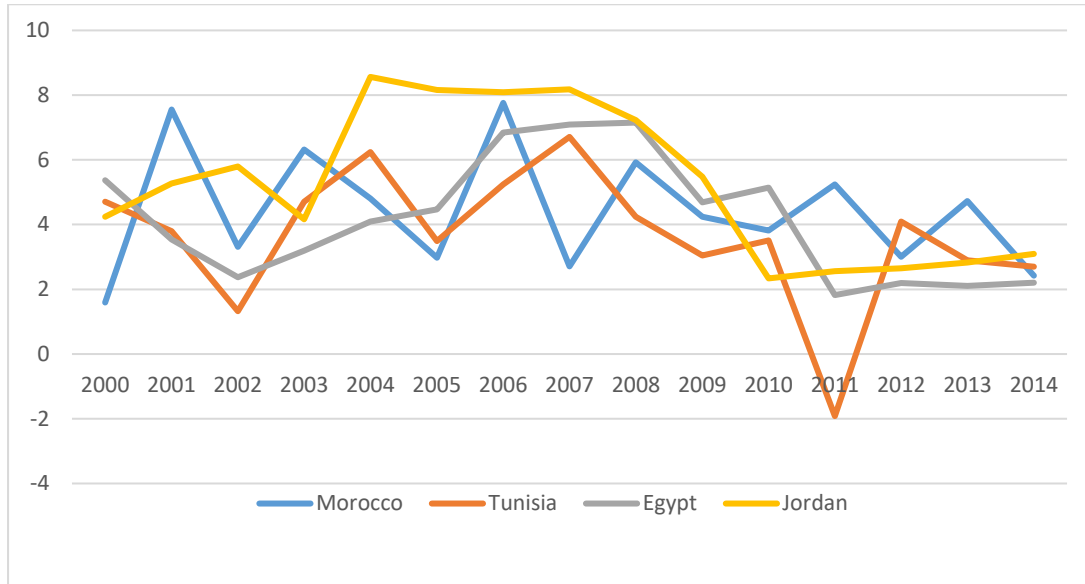
**Table 16: Agadir Member States Indicators (2016).**

	<b>Morocco</b>	<b>Tunisia</b>	<b>Egypt</b>	<b>Jordan</b>
<b>Population</b> (millions)	34.37	11.25	91.50	7.59
<b>GDP</b> (billions of \$)	100.59	43	330.77	37.51
<b>GDP Growth</b>	4.5%	1%	4.2%	2.4%
<b>Inflation</b>	1.6%	4.1 %	10.4%	-0.8%
<b>Total Exports</b> (billions of \$)	22.03	14.07	21.96	7.83
<b>Total Imports</b> (billions of \$)	37.54	20.22	74.36	20.47
<b>Unemployment</b>	10%	14.8%	12%	13.2%
<b>Life expectancy</b>	71	70	71	74

Source: World Bank.

In terms of GDP Growth (see figure 7) we notice an inconsistency over the last 15 years. Whilst it is evident that Agadir member states can reach staggering figures of 8 per cent (Jordan and Morocco), 7 per cent (Tunisia), and 6 per cent (Egypt) in certain years, the challenge lies in not being able to maintain these figures for a prolonged period of time. This could be explained by several factors: financial (international financial crises), environmental (periods of heavy droughts, and other effects of climate change), and domestic and regional security (internal conflicts and instability in the region).

**Figure 7: GDP Growth of Agadir Member States**

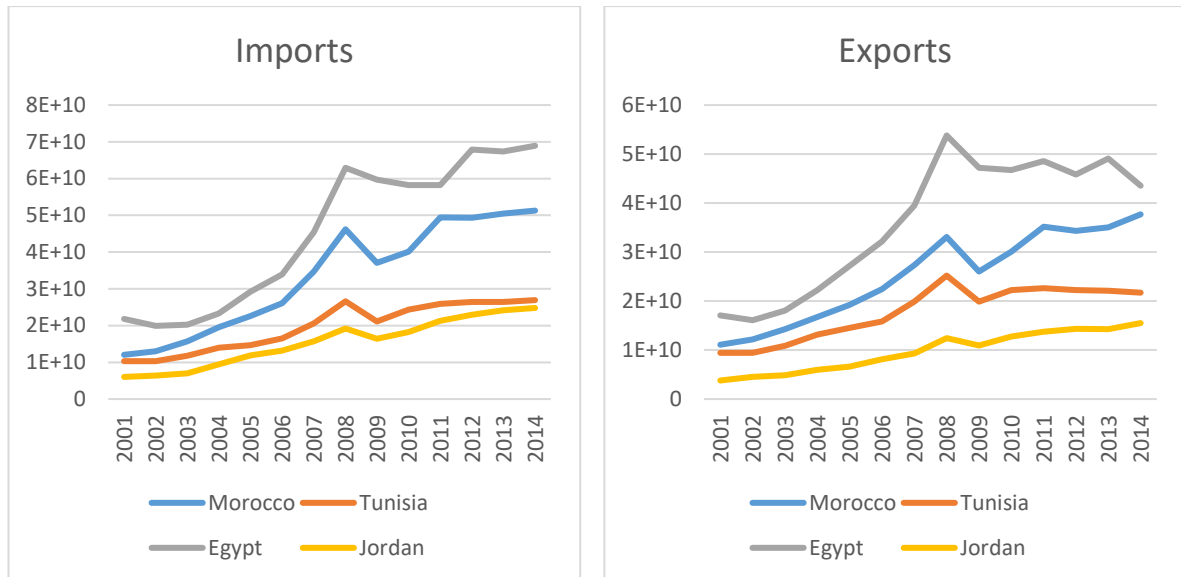


Source: World Bank.

Data from the World Bank (see Chart 4) shows that trade (both imports and exports) from Agadir member states to the world economy noticed a steady growth from 2000 until 2008 when they decreased before they began to pick up in 2010. It is interesting to note that an increase in both the imports and exports of Agadir member states during the two years after the Agadir Agreement came into force was witnessed. Whilst it could be argued that the sharp drop in the volume of imports and exports of 2008, could be explained by the global financial crisis, is it possible to argue that the increase in trade volume of Agadir member states is the consequence of the Agadir Agreement?



**Chart 4: Agadir Imports and Exports of Goods and Services (current US\$)**



Source: IMF Database.

It is fair to say that trading partners of each Agadir member state have evolved slightly differently but over all have been consistent (table 17). The EU remains the main trading partner for each Agadir member state both in the imports and exports sides. For example, the EU supplied about 52,5 per cent of Morocco's total imports and received 61.3 per cent of its total exports in 2015 (European Commission, 2017). Apart from the EU, the United States, China, India, Russia, Brazil and the GCC are Agadir member states' main suppliers.

**Table 17: Major Trade Partners of Agadir Member States in 2018 (share of total exports in %)**

Morocco		Tunisia		Egypt		Jordan	
Destinations	Origins	Destinations	Origins	Destinations	Origins	Destinations	Origins
Spain 22%	Spain 16%	France 30%	France 17%	UAE 8.2%	China 13%	USA 23%	China 14%
France 17%	France 13%	Italy 17%	Italy 15%	Saudi Arabia 7.3%	Germany 7%	Saudi Arabia 14%	Saudi Arabia 12%
Turkey 4 %	China 9.1%	Germany 12%	China 9.3%	Italy 6.5%	Russia 6.1%	India 9.8%	USA 5.8%
Germany 3.7%	USA 6.2%	Algeria 3.6%	Germany 7.9%	Turkey 5.8%	USA 5%	Iraq 5.8%	UAE 4.7%
USA 3.7%	Germany 5.8%	Spain 3.2%	Turkey 4.8%	USA 5.7%	Italy 4.9%	UAE 4.2%	Germany 4.4%

Source: The Observatory of Economic Complexity.

A SWOT analysis (table 18) of Agadir member states demonstrates that they have several advantages. A major one is their geographical position between the European, African and Asian markets. The cost of labour is relatively cheap compared to Europe, and their domestic markets have been growing overall for much of the past two decades, making them relatively attractive to FDI. The main threats are the growing instability in the region as well as the inability of governments in the region to act as a unified bloc.

**Table 18: SWOT Analysis of Agadir Member States.**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Geographic proximity</li> <li>• Bilateral agreements signed with other countries/regions</li> <li>• Quality and cost of labour</li> </ul>	<ul style="list-style-type: none"> <li>• Non-complementary products</li> <li>• Weakness of inter-state infrastructures</li> <li>• Low R&amp;D capacity and technological delay</li> <li>• Intra-regional investment is low</li> <li>• Isolated national actions (political and economic)</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Strategic position of the Agadir countries</li> <li>• Domestic markets</li> <li>• Growing interest of manufacturers in the Agadir area (especially those based in China, South Korea, and India).</li> </ul>	<ul style="list-style-type: none"> <li>• Instability in the MENA</li> <li>• A non-unified standards system</li> <li>• The competitiveness of China</li> </ul>

Source: Oumazzane, T. (2016).

## Conclusion

This chapter covered two parts. The first part investigated the document treaty of the Agadir Agreement, its content, what it covers and what it does not and how it is structured and institutionalised. The second part examined the political economy development in each Agadir member state since their independence and in particular their shift from nationalisation and dirigisme to the adoption of neo-liberal policies. This shift is argued to explain why Morocco, Tunisia, Egypt and Jordan have come to sign the free trade Agadir Agreement. In doing so, the chapter analysed the transformation to neo-liberalism, its causes and consequences, its advantages and disadvantages, its beneficiaries and its victims, its potential and its limits. This analysis has considered the geo-political context of the MENA taking into account major events that have marked the contemporary history of the MENA: the Suez Crisis of the 1950s, the Six Day War, the Oil Crisis of the 1970s, the First Gulf War in the 1990s, the Invasion of

Iraq in the 2000s, the Arab Spring and the continuous attempts to establish a democratic and pluralistic societies.

Following their independence, Morocco, Tunisia, Egypt and Jordan have indeed come a long way. They have undergone a political economy transformation from dirigisme to neo-liberalism. This transformation has presented the four states with new opportunities and the potential to increase their political and economic importance on the world political economy stage, but also has presented far more complex and intractable difficulties.

The question why four MENA states, who do not share a single border, sign the Agadir Agreement merits an explanation. Whilst one can argue several factors that have prevented other states from the MENA to form this FTA group, it is concluded here that Agadir member states' political economy and more specifically the adoption of neo-liberal policies have paved the way for the Agadir Agreement. The common economic path followed by Morocco, Tunisia, Egypt and Jordan provided a basis for the Agadir Agreement. In other words, the environment and the drive were there for the Agadir Agreement to be established. The interactions of political economy issues at the domestic and international levels have shaped each Agadir member state's interests. In signing the Agreement, each member state was simply pursuing its national interest.

## Chapter Four

# **An Assessment of the Impact of the Agadir Agreement on Member States' Economic Integration Processes**

## Introduction

As stated in chapter three, Morocco, Tunisia, Egypt and Jordan signed the Agadir Agreement with the aim of liberalising their trade and to integrate their national economies with each other in order to promote welfare gains. However, the impact that the Agadir Agreement as a commercial institution has had on their trade growth and on their economic integration process ten years on since the Agreement came into force is still not fully understood. Currently there are no studies that have examined the impact of the Agadir Agreement on the process of economic integration between Agadir member states. This chapter seeks to fill the gap in the literature regarding the relationship between commercial institutions and economic integration among specific states from the MENA. In so doing, this chapter assesses changes in trade volume, growth rate in intra-regional trade and interdependence between the four member states.<sup>77</sup>

The chapter specifically targets the first hypothesis of this thesis that founding the Agadir Agreement as a commercial institution will increase trade volume between member states which will deepen their economic integration and interdependence. Not only does it test this hypothesis, but it explains the extent to which commercial institutional peace is applicable to the Global South generally and in this case to specific states from the MENA. To do so, empirical data is collected and analysed using descriptive statistical analysis and a bivariate Pearson multi-variable correlation analysis, using SPSS to perform a series of hypothesis tests in order to measure the strength of the association between independent, dependent and control variables by dyad-year as a Generalised Linear Modelling (detailed in chapter two).

The aim here is to interpret interactions between variables using post-hoc tests. There will be some collinearities such as GDP and population, however, relationships between other

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<sup>77</sup> Part of this chapter was published as a book chapter whilst the author was conducting his PhD under: Oumazzane, T. (2016). Trade Liberalisation in the Middle East and North Africa: Promoting Peace and Stability. In I. El-Anis, and N. Underhill *Regional Integration and National Disintegration in the Post-Arab Spring Middle East*. Cambridge Scholars, pp 98-129. Please note that some figures are different, as trade data was sourced from the UN Comtrade Database in terms of the book chapter and is sourced from the IMF in terms of this PhD thesis. Please also note that the period of analysis (2001- 2014) in the book chapter is different from the one in the thesis (1990-2016).

variables which may not have previously been examined will be explored. In terms of the categorisation, raw data is used where possible. There will be exceptions such as membership status (Implemented/Accessed) where there is no scale, or if not enough data is available.

This chapter concerns itself with the first model (equation 4) of the second method detailed in chapter two. Here the relationship between the independent variable: commercial institution membership (the Agadir Agreement) and the dependent variables: trade volume, trade dependence and growth rate of trade volume plus nine control variables, is explored. The purpose of this analysis is to determine the level of correlation between different variables and to establish if there has been significant change in trade, trade's growth rate, interdependence between member states in order to assess how effective the Agreement has been in fostering economic integration between its members. A set of assumptions are tested here, detailed in chapter two and summarised in figure 8.

The research project adopts a positivist method of analysing changes in trade patterns between Agadir member states, and comparing their intra-regional trade with their world trade and with GAFTA.<sup>78</sup> The unit of analysis is the dyad-year of a 27-year period from 1990 to 2016. This analysis is performed against the background of CIP theory (explained in detail in chapter two).

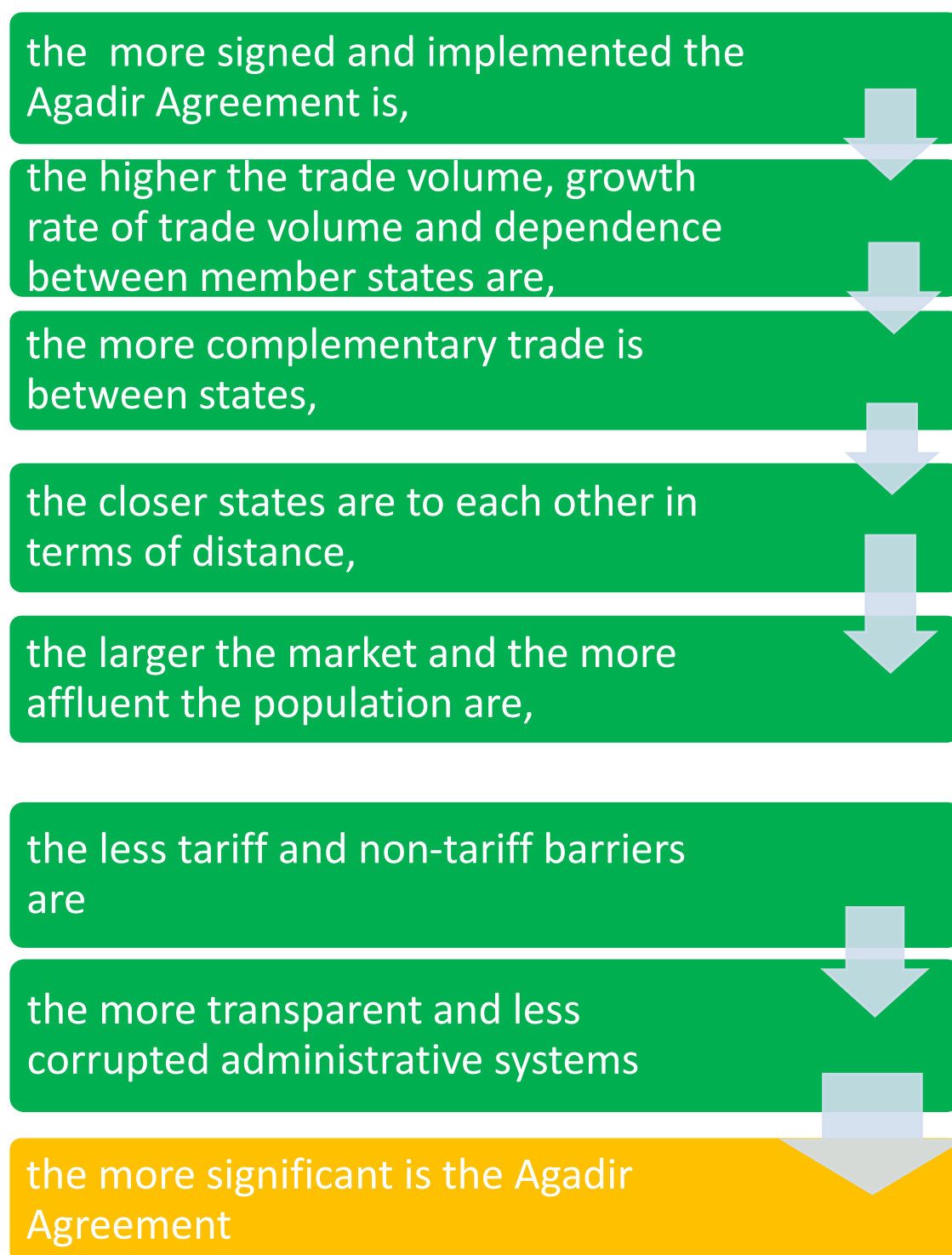
#### ***Equation 4: Model One Analysis***

$\beta_1$  Agadir Trade Volume (1<sup>st</sup> D.V) +  $\beta_2$  Growth Rate of Trade Volume (2<sup>nd</sup> D.V) +  $\beta_3$  Trade Dependence (3<sup>rd</sup> D.V) =  $\beta_4$  Commercial Institution (I.V) + { $\beta_5$  Trade Complementarity +  $\beta_6$  Contiguity +  $\beta_7$  GDP Size +  $\beta_8$  GDP Per Capita +  $\beta_9$  GDP Growth Rates +  $\beta_{10}$  Population Size +  $\beta_{11}$  Cultural Affinity +  $\beta_{12}$  The Openness of the Market +  $\beta_{13}$  Corruption (C.Vs)}.

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<sup>78</sup> GAFTA includes: Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen. For clarity, what is compared at this point is the volume of intra-Agadir trade with Agadir member states' volume of trade with other GAFTA states.

**Figure 8: First Hypothesis' Assumptions**



To achieve the aims of this chapter, it is divided into two main sections. The first section analyses the impact of the Agadir Agreement on economic integration using the



methodology stated above and detailed in chapter two. The second section discusses the results and findings of the first section.

## The Impact of the Agadir Agreement on Intra-Regional Trade and Economic Integration

Rania Nabil, the person in charge of the Agadir Agreement at the Egyptian Ministry of Trade and Industry, stated:

*the figures prove it [the success of the Agadir Agreement]. Each country's export and import volume has increased, which helped some of them reduce their negative balance of trade, while others managed to increase their positive balance of trade. Everyone is a winner, especially as South-South cooperation is considered the main growth factor in the 21st century. Not to mention that the EU offers large trade and investment opportunities, hence the importance of the Agadir Agreement* (Cited in Makableh, 2013, p. 148).

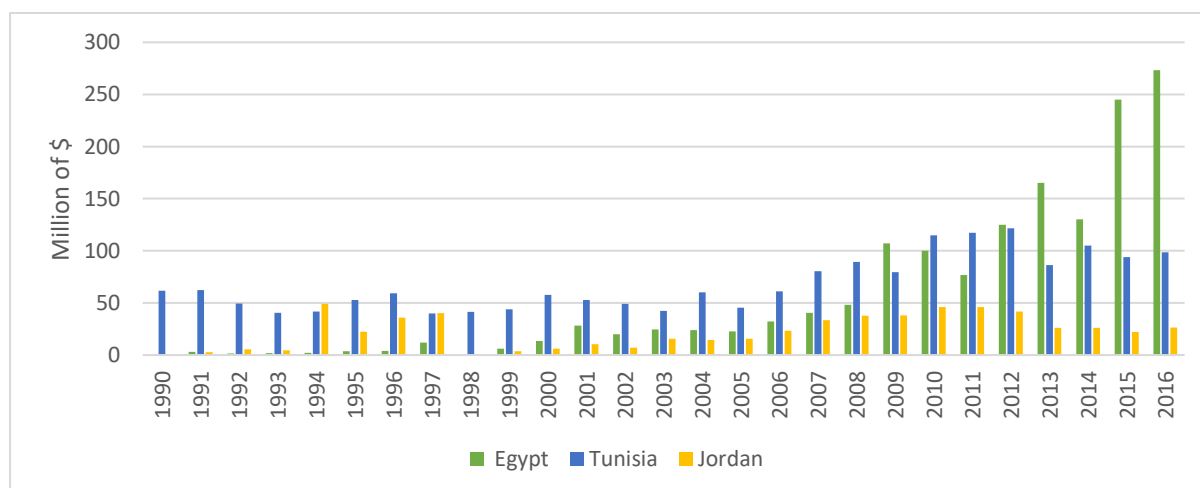
Makableh (2013) explains that the Agadir Agreement has been successful in a relatively short period of time. The Agadir Agreement has been described as a milestone in the progress of South-South integration: “[Il] marque une étape dans la progression de l'intégration Sud-Sud” [It marks a step in the progress of South-South integration]” (Ben Slama, 2007, p. 70). The UN stated that the “tariff dismantling due to [...] the Agadir Agreement has increased intra-regional trade.”

In order to evaluate the impact of the Agadir Agreement on economic integration between participating states, data on trade volume, growth rate of trade volume and trade dependence plus nine control variables have been analysed for each member state between 1990 and 2016. It was then compared to data collected about international trade and GAFTA before it was put into a Bivariate Pearson Correlation analysis. The timeframe was chosen in order to assess the situation before and after the Agadir Agreement came into force in 2007.

## Morocco's Exports to and Imports from Agadir Member States

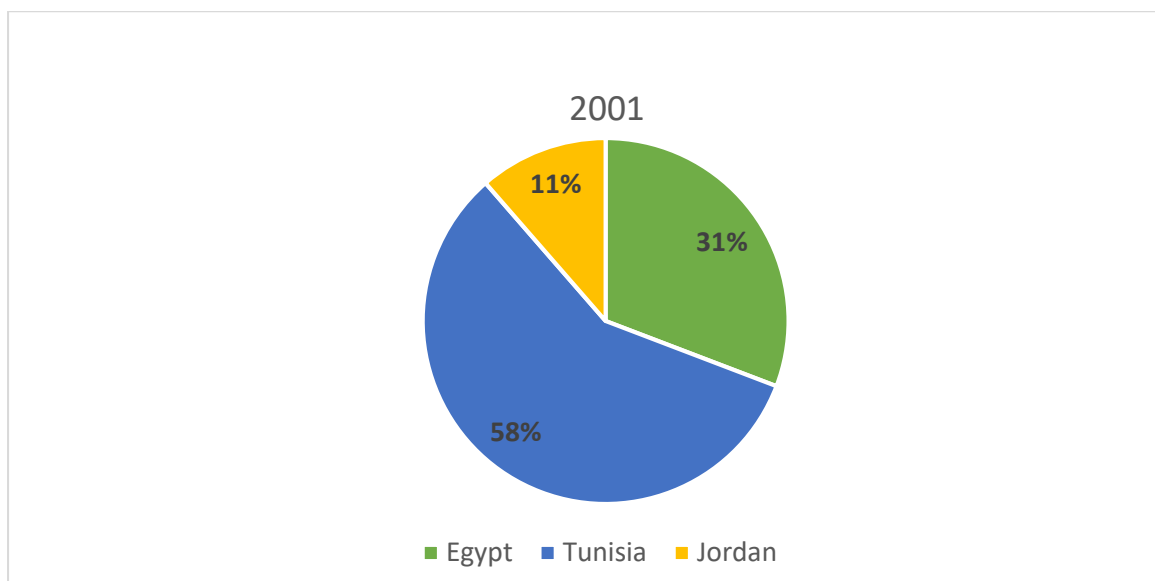
Figure 9 summarises Morocco's exports to Agadir member states between 1990 and 2016. It is noticeable that exports increased in 2007, the year the Agreement entered into force with the other three partners. Morocco's exports to Egypt increased 752 per cent from \$32 million in 2006 to \$ 273.3 million in 2016. With Tunisia, exports increased 99 per cent from \$61.07 million in 2006 to \$121.4 million in 2012. With Jordan, exports more than doubled from \$23.36 million in 2006 to \$ 46.17 million in 2011. The important observation is that exports to Jordan began to decrease from 2013 onwards whilst exports to Egypt carried on expanding. Comparing the percentage of Morocco's share of exports to other Agadir member states (Figures 10, 11 and 12), it is noticeable that Morocco's share of exports to Egypt increased from 31 per cent in 2001 to 69 per cent in 2016.

**Figure 9: Morocco's Exports to Agadir Member States**



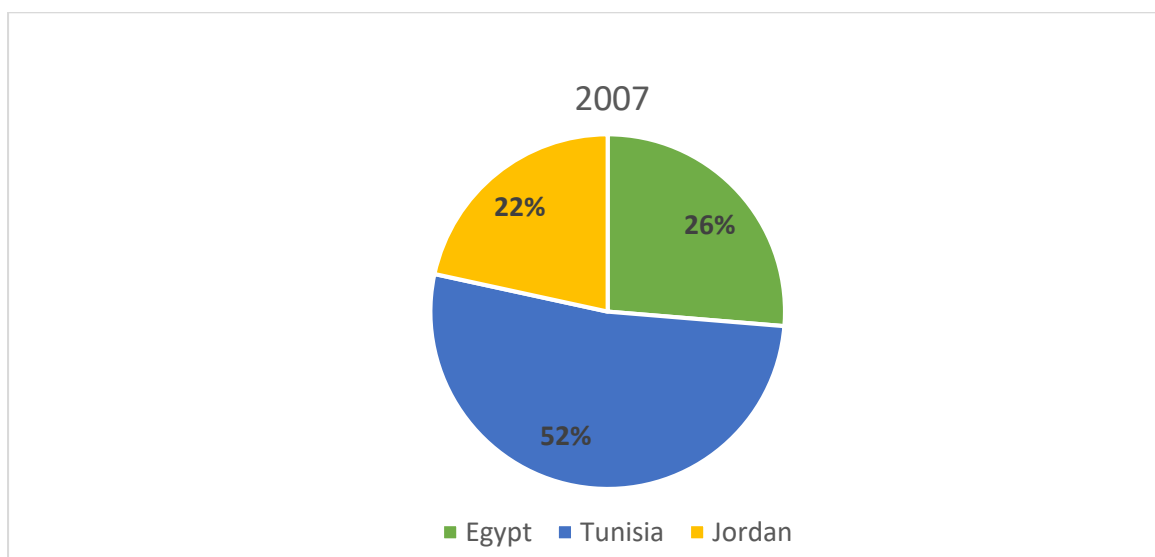
Source: IMF Database.

**Figure 10: Morocco's Share of Exports to Agadir Member States -2001**



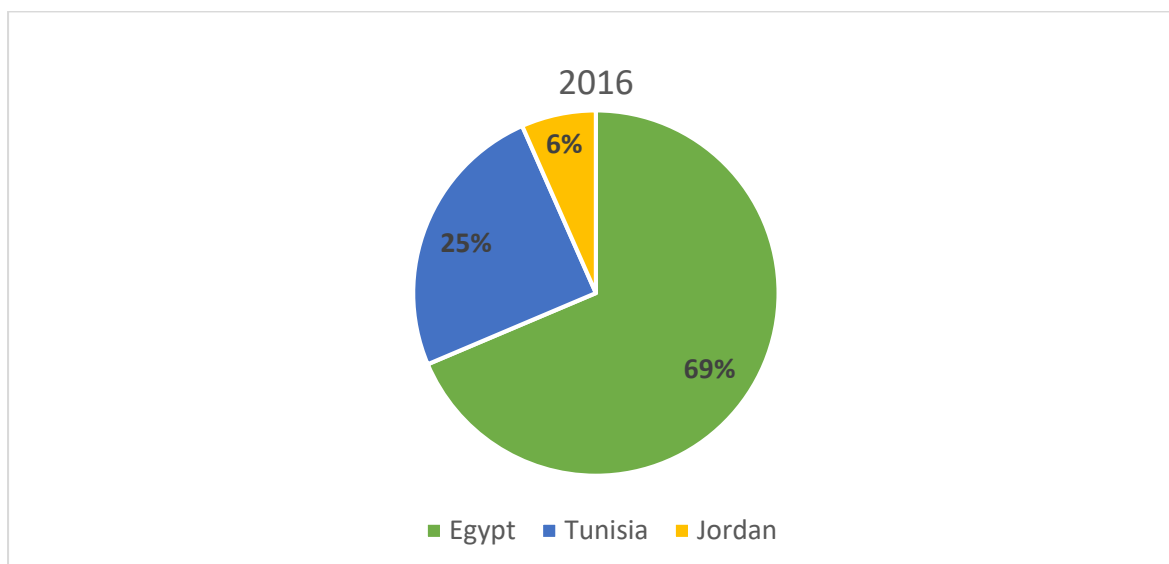
Source: IMF Database.

**Figure 11: Morocco's Share of Exports to Agadir Member States -2007**



Source: IMF Database.

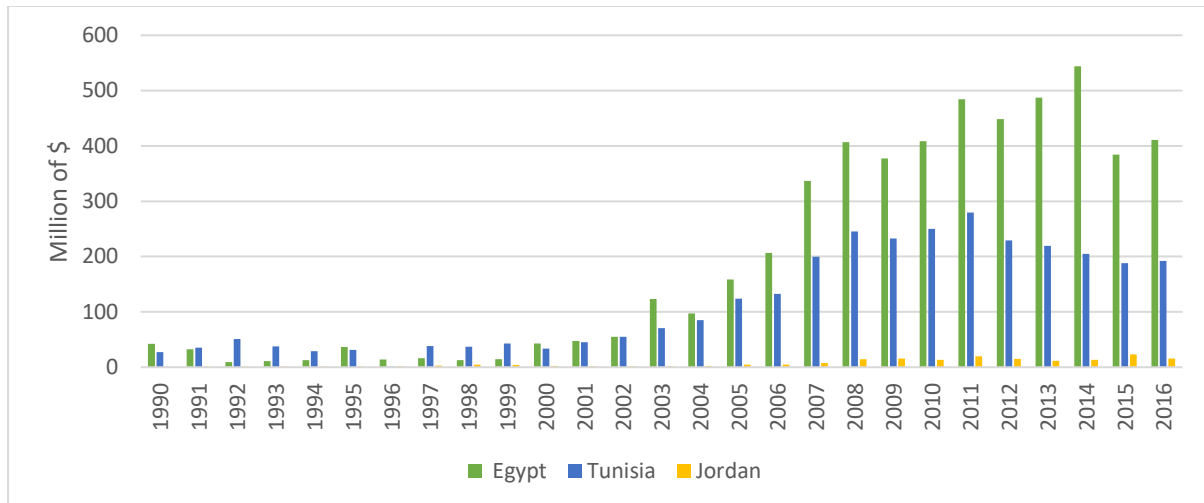
**Figure 12: Morocco's Share of Exports to Agadir Member States -2016**



Source: IMF Database.

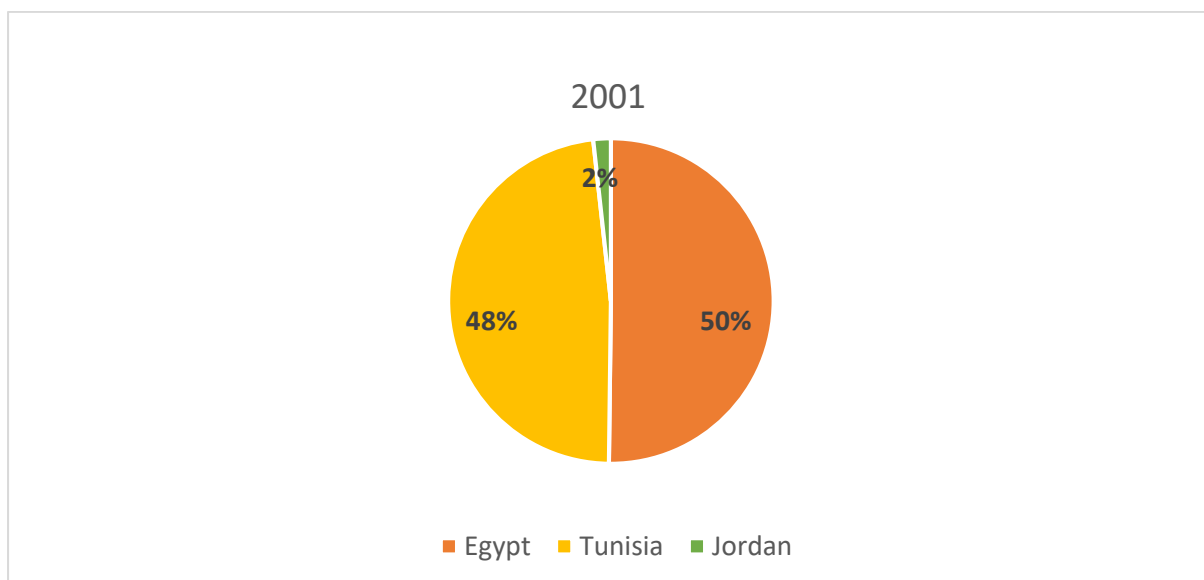
Figure 13 shows Morocco's imports from Agadir member states between 1990 and 2016. At first sight, it is noticeable that trade increased in 2007 (the year the Agreement entered into force) with the other three partners. The change is more noticeable with Egypt. Imports from the latter tripled from \$206.70 million in 2006 to \$544.11 million in 2014. With Tunisia, imports grew continuously the following four years after 2007 to reach \$279.33 million in 2011 from \$132.31 million in 2006; however, imports began to decrease after 2011 to reach \$191.95 million in 2016. Though imports from Jordan quadrupled from \$4.88 million in 2006 to reach a double figure digit of \$19.66 million in 2011, it remains insignificant and inconsistent. Comparing the percentage of Morocco's share of imports (Figures 14, 15 and 16) from the other Agadir member states, it is noticeable that Egypt's share of exports increased from 50 per cent in 2001 to 66 per cent in 2016.

**Figure 13: Morocco's Imports from Agadir Member States**



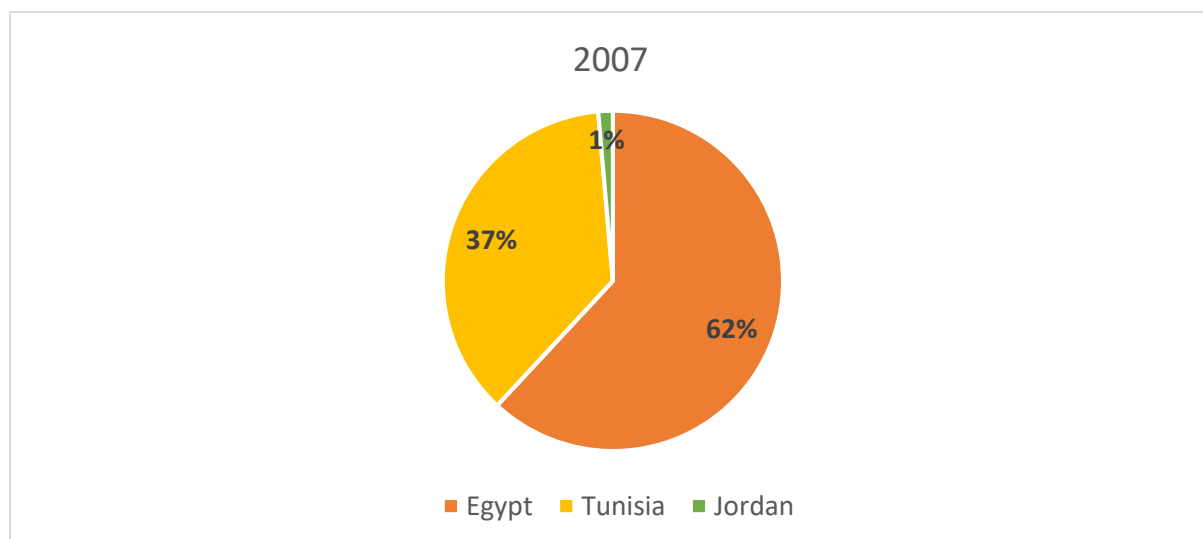
Source: IMF Database.

**Figure 14: Morocco's Share of Imports from Agadir Member States - 2001**



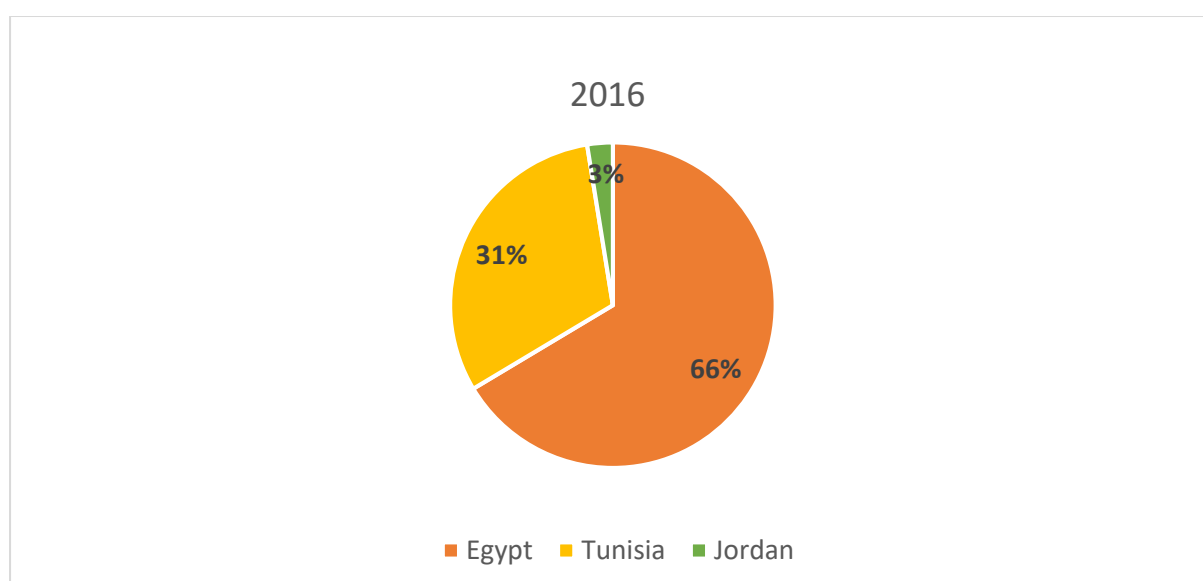
Source: IMF Database.

**Figure 15: Morocco's Share of Imports from Agadir Member States - 2007**



Source: IMF Database.

**Figure 16: Morocco's Share of Imports from Agadir Member States - 2016**

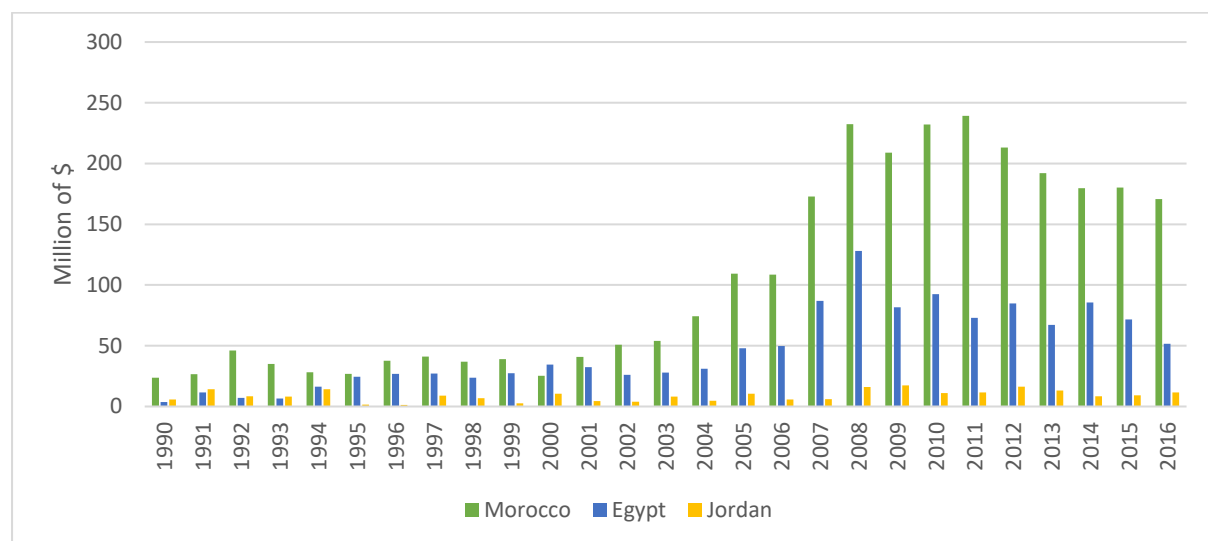


Source: IMF Database.

## Tunisia's Exports to and Imports from Agadir Member States

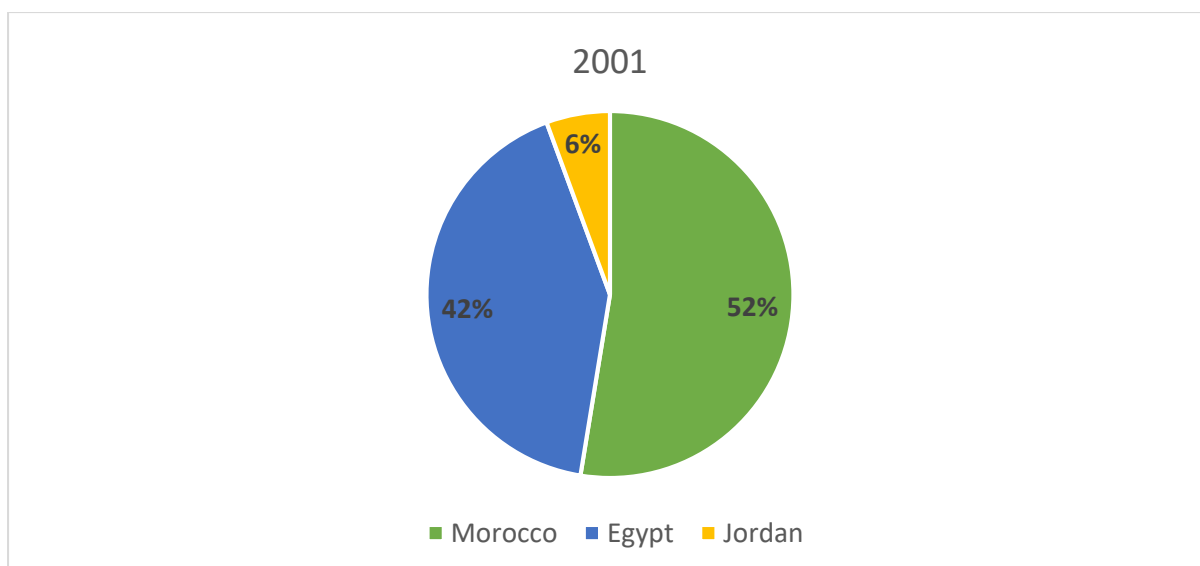
Figure 17 summarises Tunisia's exports to Agadir member states between 1990 and 2016. The most notable development is that with Morocco. Exports to the latter increased 120 per cent from \$108.6 million in 2006 to \$ 239.14 million in 2011. However, this development in exports began to fall from 2012 onward. Exports to Egypt increased 157 per cent one year after the Agadir Agreement entered to force from \$49.83 million in 2006 to \$ 127.95 million in 2008 before retracting to an average \$76 million for the next eight years. Tunisia's exports to Jordan tripled from \$5.74 million in 2006 to \$16.23 million in 2012 before withdrawing to an average of \$11 million the next four years. It remains insignificant compared to other partners. Comparing the percentage of Tunisia's share of exports (Figure 18,19 and 20) to the other Agadir member states, it is noticeable that Tunisia's share of exports to Morocco increased from 52 per cent in 2001 to 73 per cent in 2016.

**Figure 17: Tunisia's Exports to Agadir Member States**



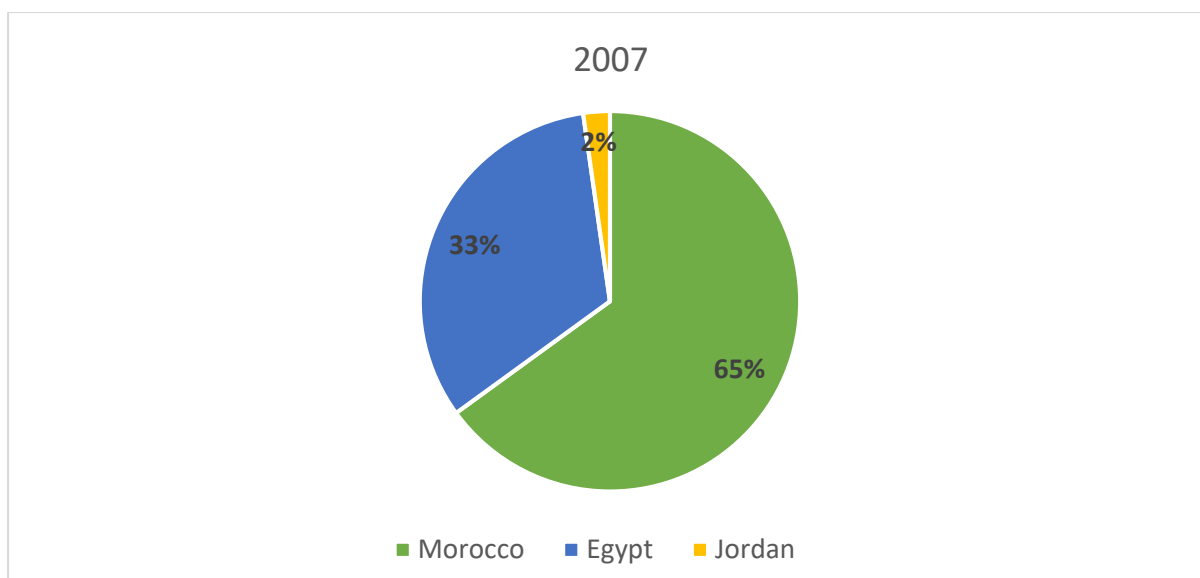
Source: IMF Database.

**Figure 18: Tunisia's Share of Exports to Agadir Member States- 2001**



Source: IMF Database.

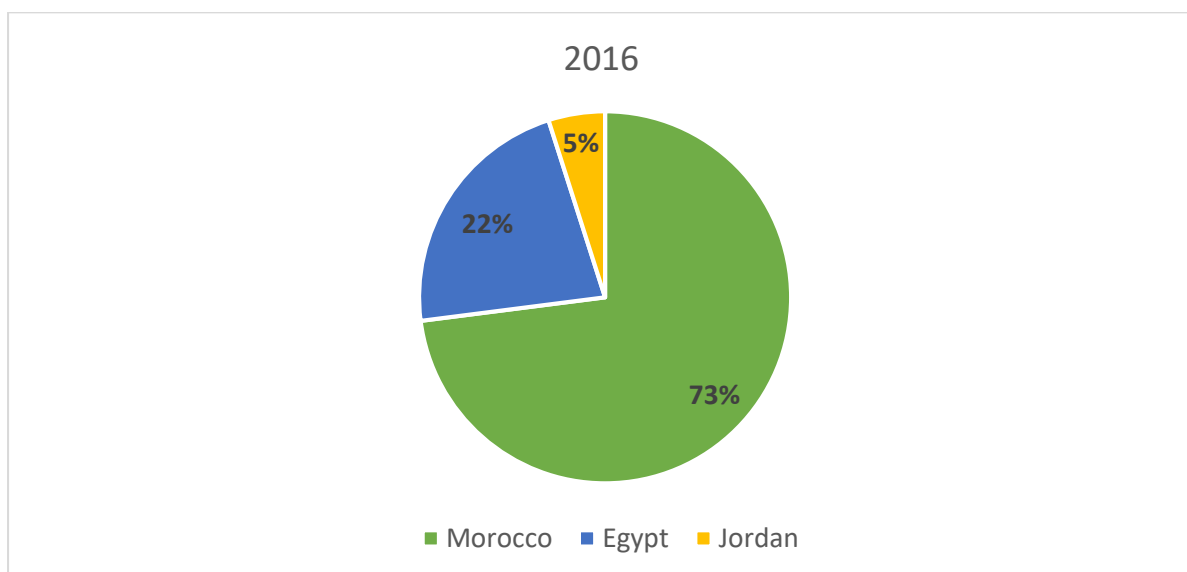
**Figure 19: Tunisia's Share of Exports to Agadir Member States- 2007**



Source: IMF Database.



**Figure 20: Tunisia's Share of Exports to Agadir Member States- 2016**

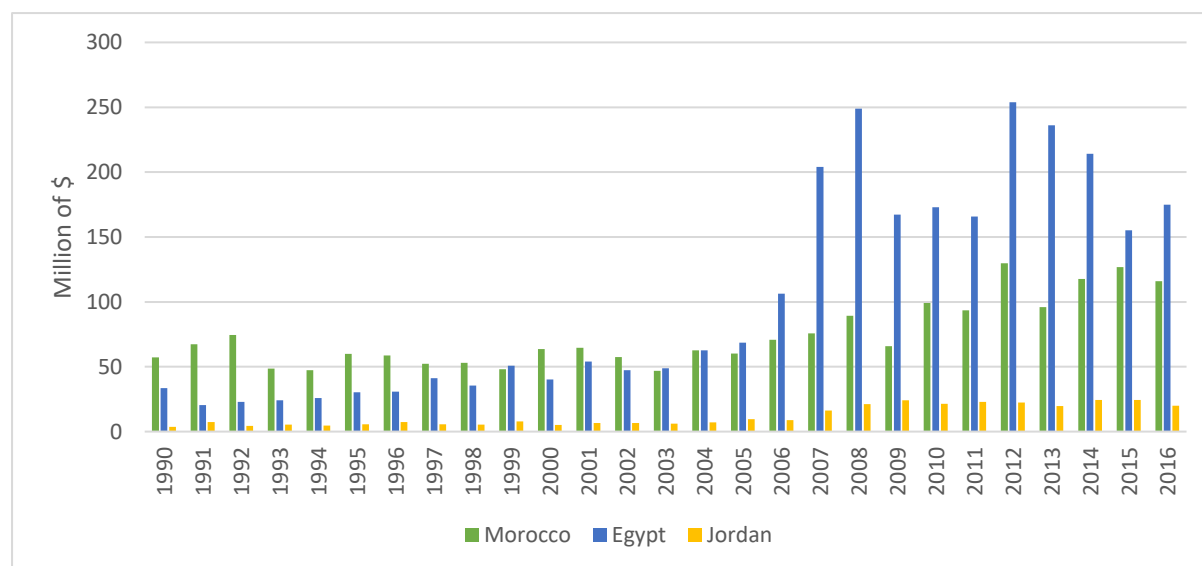


Source: IMF Database.

Figure 21 demonstrates Tunisia's imports from Agadir member states between 1990 and 2016. It is noticeable that trade with Egypt has substantially increased since the Agreement came into force in 2007 from double digits in the first 15 years of our analysis to triple digits since 2006. Imports from Egypt increased 263 per cent from \$ 68.57 million in 2005 to \$248.89 million in 2008. Imports decreased in the following three years but picked up in 2012 only to decrease again in 2015. With Morocco, imports grew slowly but steadily during the following five years after 2007 to reach \$ 129.68 million in 2012 from \$ 70.87 million in 2006. However, imports decreased to \$114 million average for the next four years. Though imports from Jordan almost tripled from \$ 8.73 million in 2006 to \$ 24.21 million in 2009, it remains minor compared to trade with other partners. Comparing the percentage of Tunisia's share of imports (Figure 22, 23 and 24) from Agadir member states, it is noticeable that its share of

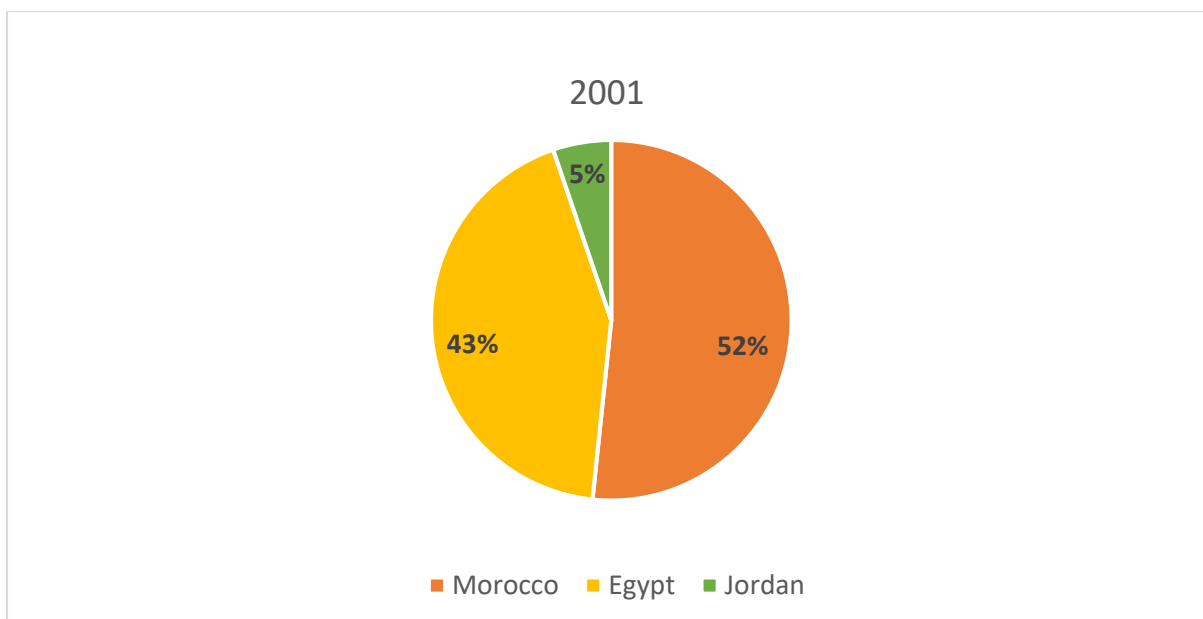
imports from Egypt has increased from 43 per cent in 2001 to 69 per cent in 2007 and retreated to 56 per cent in 2016.

**Figure 21: Tunisia's Imports from Agadir Member States**



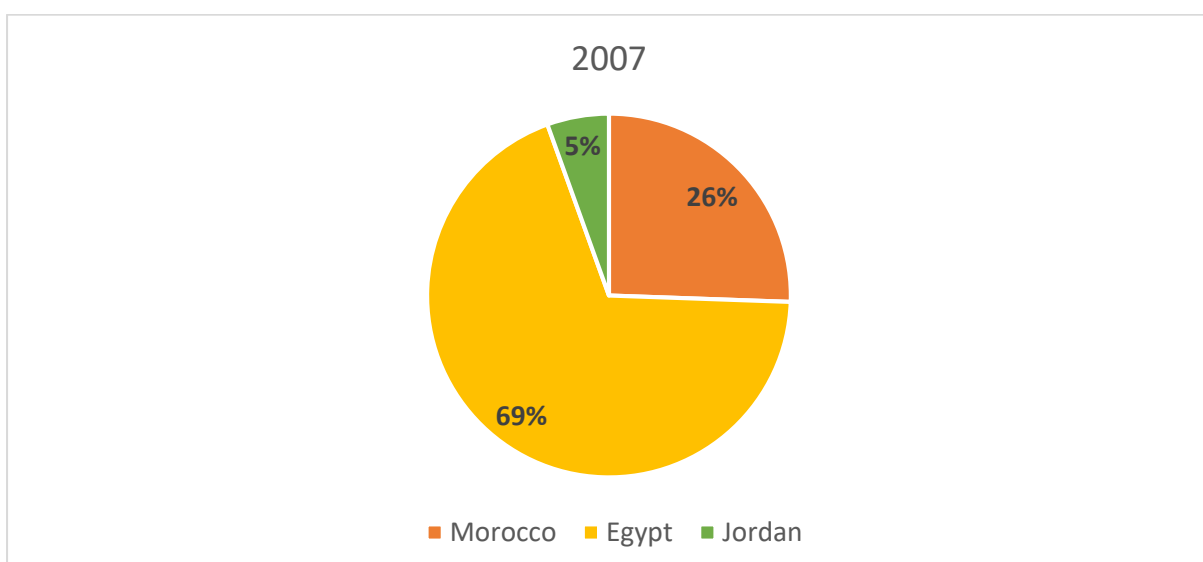
Source: IMF Database.

**Figure 22: Tunisia's Share of Imports from Agadir Member States - 2001**



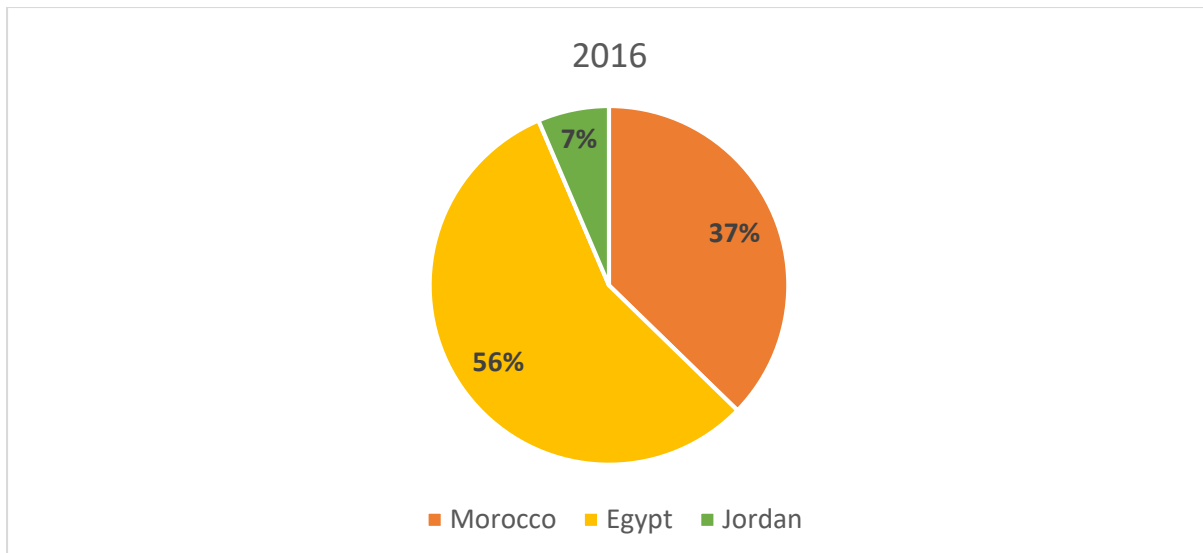
Source: IMF Database.

**Figure 23: Tunisia's Share of Imports from Agadir Member States - 2007**



Source: IMF Database.

**Figure 24: Tunisia's Share of Imports from Agadir Member States - 2016**

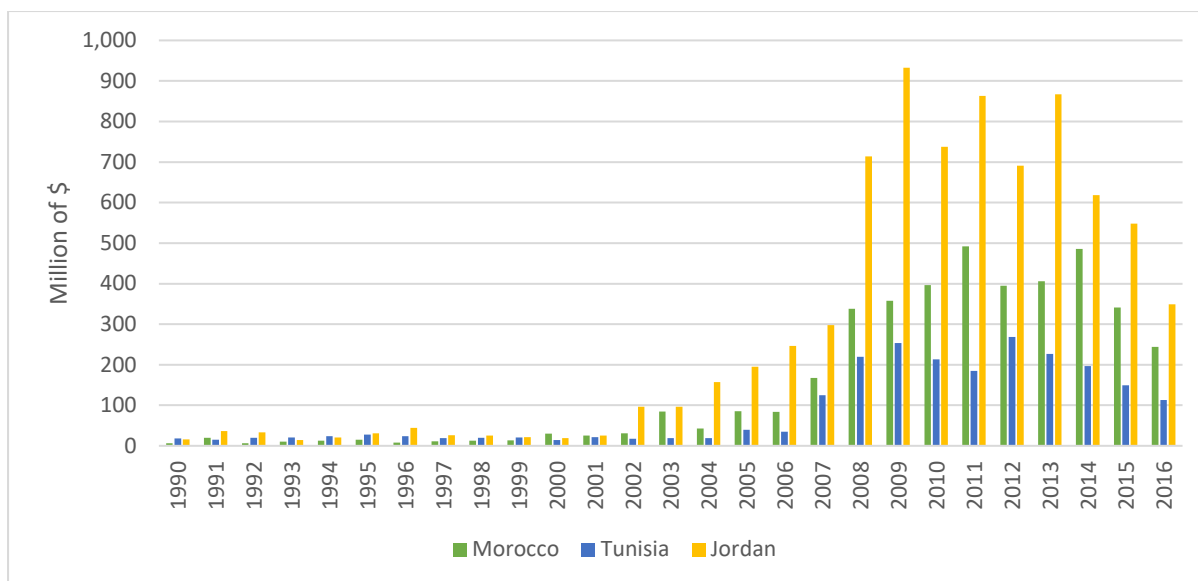


Source: IMF Database.

### Egypt's Exports to and Imports from Agadir Member States

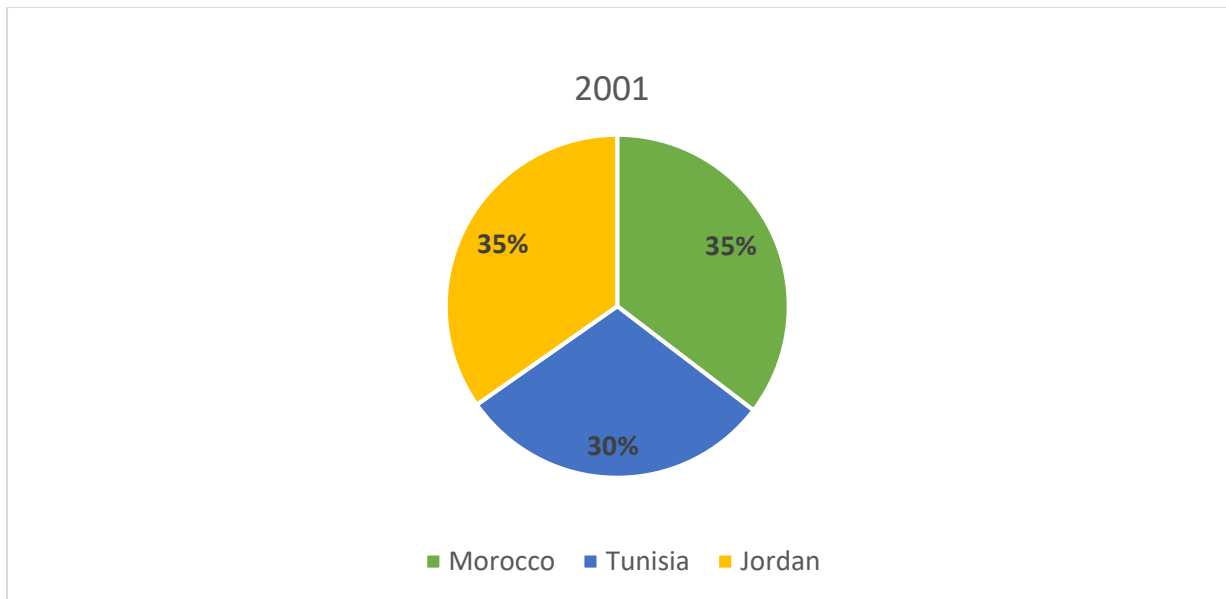
Figure 25 shows Egypt's exports to Agadir member states between 1990 and 2016. It is clear from the graph that Egypt's exports to its three partners have been augmented since the Agreement came into force in 2007. Egypt's exports to Jordan more than tripled, growing 279 per cent from \$ 246.15 million in 2006 to \$932.67 million in 2009. Exports to Morocco grew 487 per cent from \$ 83.7 million in 2006 to a record high of \$ 491.8 million in 2011. It is recognisable that exports to Morocco kept an average of \$429 for the next 3 years before beginning to descend to \$341.1 million in 2015 and \$ 244.4 million in 2016. Exports to Tunisia grew 665 per cent from \$35.1 million in 2006 to \$268.9 million in 2012 and descended steadily since. Comparing the percentage of Egypt's share of imports (Figures 29, 30 and 31) from the other Agadir member states, Egypt's imports share from Jordan has increased substantially from 37% in 2001 to 63% in 2007 and 65% in 2016. Though Egypt's imports share from Morocco declined substantially from 36% in 2001 to 9% in 2016, indeed import volume from Morocco increased slightly in the same period from \$20.8 million in 2001 to \$38.5 million in 2016. Nevertheless, the sharp decline in Egypt's import volume from Morocco from \$314.4 million in 2015 to \$38.5 million in 2016 is worthy of further investigation.

**Figure 25: Egypt's Exports to Agadir Member States**



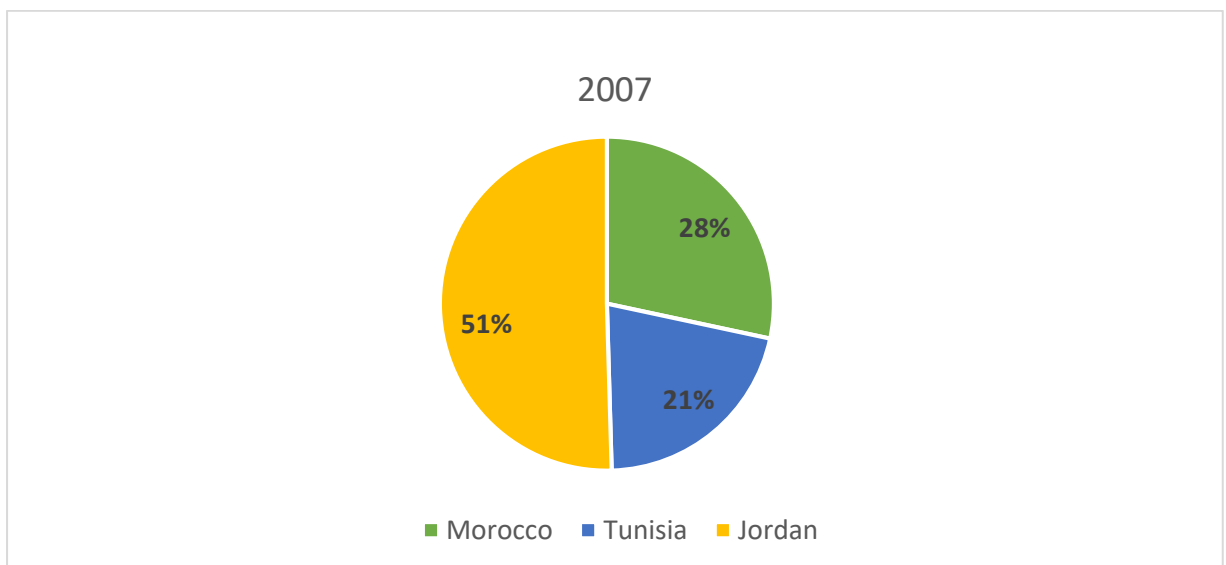
Source: IMF Database.

**Figure 26: Egypt's Share of Exports to Agadir Member States -2001**



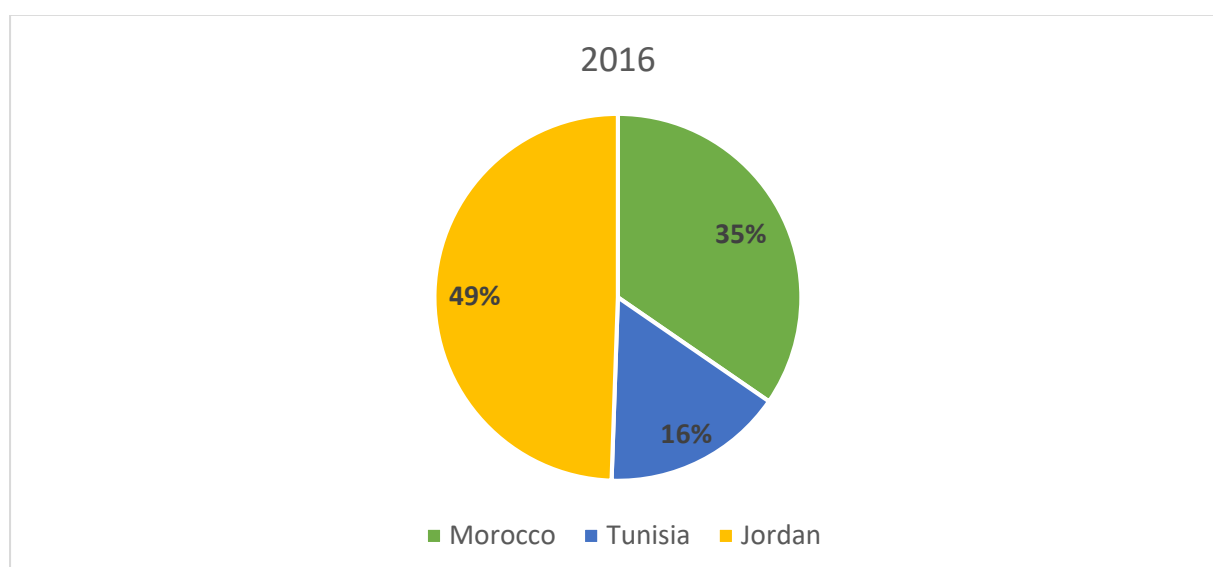
Source: IMF Database.

**Figure 27: Egypt's Share of Exports to Agadir Member States -2007**



Source: IMF Database.

**Figure 28: Egypt's Share of Exports to Agadir Member States -2016**

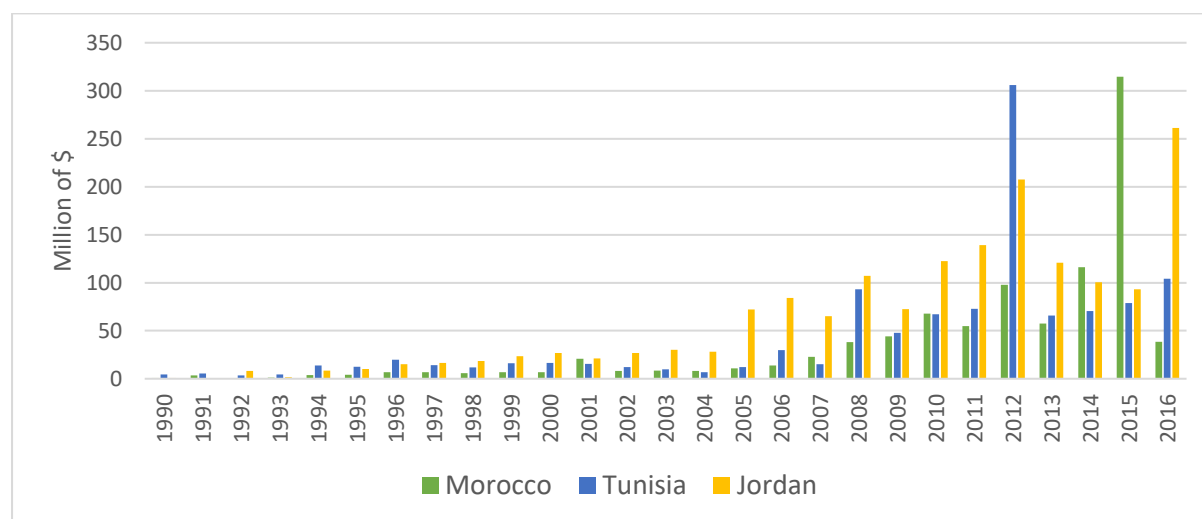


Source: IMF Database.

Figure 29 summarises Egypt's imports from Agadir member states between 1990 and 2016. It is noticeable that the effect of the Agreement began even before it came into force in 2007 and after it was signed in 2004. The graph shows that there was not an immediate effect in 2007 compared to the previous two years 2005 and 2006, however, comparing the periods pre and post-signing the Agadir Agreement, the disparity is clear. Imports from Tunisia increased 1270 per cent to reach \$93.2 million in 2008 from the modest figure of \$ 6.8 million in 2004. In 2012, it increased 4397 per cent to reach \$306 million before it fell back to the average figures after 2007 and before 2012. Imports from Morocco steadily and substantially increased after 2007. They increased 2175 per cent from \$13.8 million in 2006 to reach \$ 314.4 million in 2015 before experiencing a sudden decrease to \$38.4 in 2016. Egypt's imports from Jordan stayed similar the year before and after the Agreement entered into force. They increased 147 per cent from \$84 million in 2006 to \$207.6 million in 2012. They retreated through the next 3 years to reach \$93.3 million in 2015 before picking up in 2016 to \$261.3 million. Figure 29 further demonstrates that Egypt's imports from Agadir member states differed on a yearly basis between 2012 and 2016. This inconsistency could be explained in terms of the instability in the region (e.g. the Arab Spring) and the impact it has had on markets, transport and the process of goods. This observation merits further research.

Comparing the percentage of Egypt's share of imports (Figures 30, 31 and 32) from the other Agadir member states, Egypt's imports share from Jordan has increased substantially from 37 per cent in 2001 to 63 per cent in 2007 and 65 per cent in 2016. Though Egypt's imports share from Morocco declined substantially from 36 per cent in 2001 to 9 per cent in 2016, import volume from Morocco increased slightly in the same period from \$20.8 million in 2001 to \$38.5 million in 2016. Nevertheless, the sharp decline in Egypt's import volume from Morocco from \$314.4 million in 2015 to \$38.5 million in 2016 is worthy of further investigation.

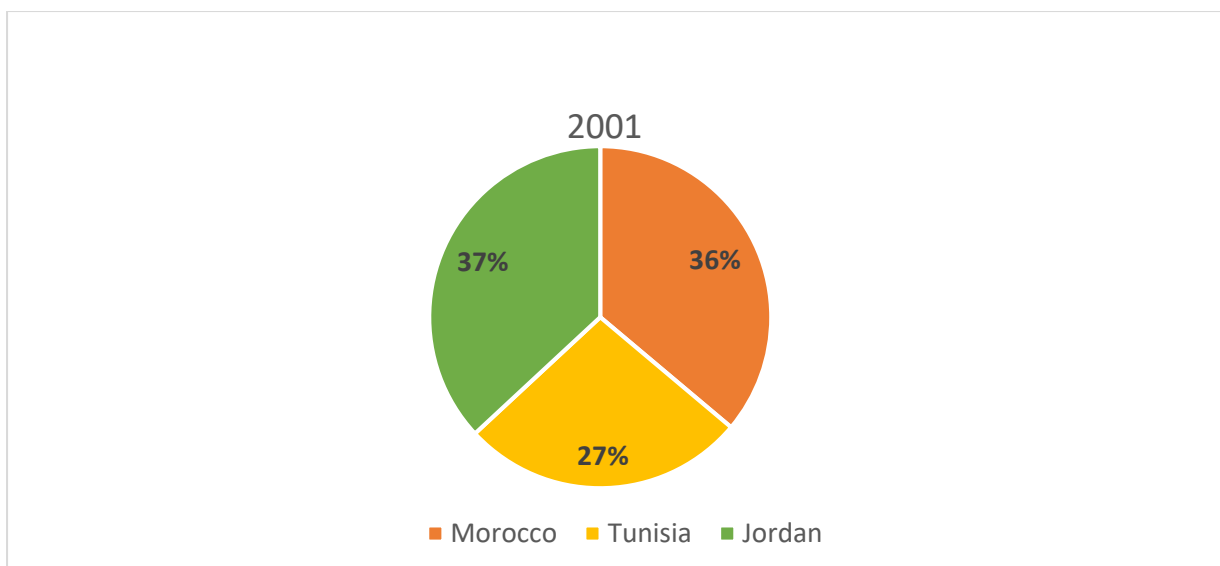
**Figure 29: Egypt's Imports from Agadir Member States**



Source: IMF Database.

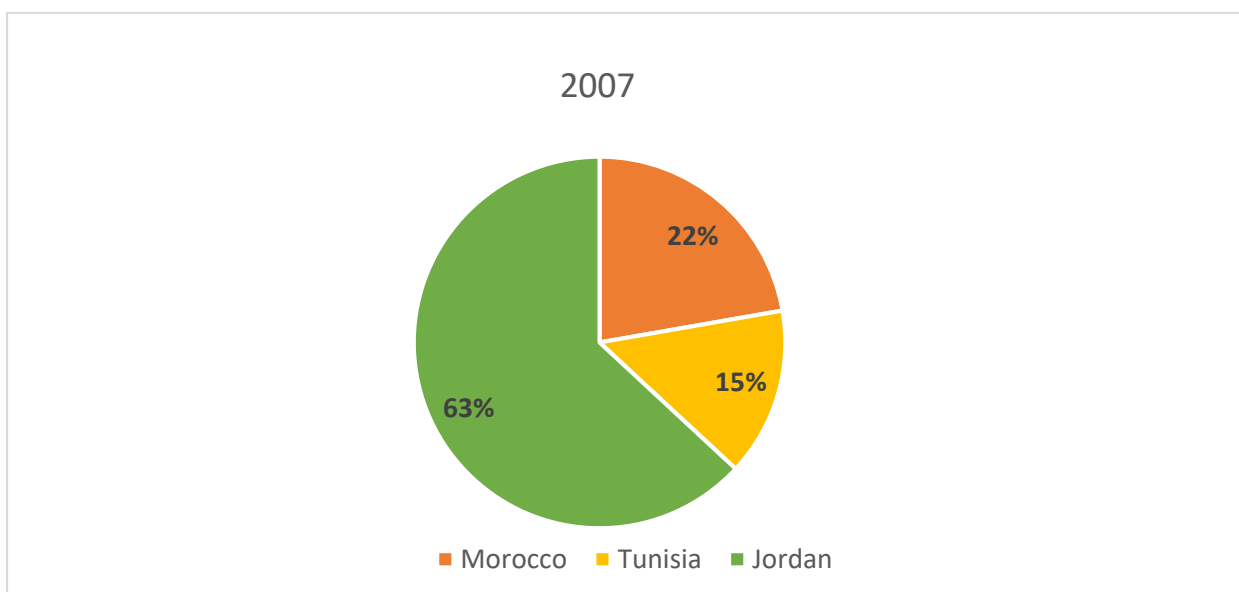
**Figure 30: Egypt's Share of Imports from Agadir Member States - 2001**





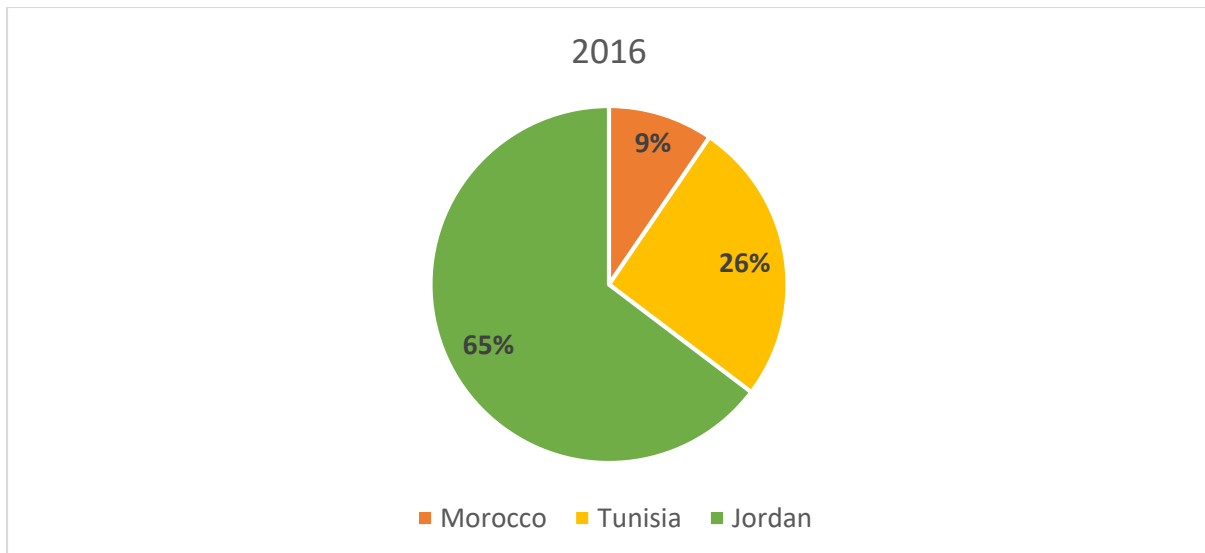
Source: IMF Database.

**Figure 31: Egypt's Share of Imports from Agadir Member States - 2007**



Source: IMF Database.

**Figure 32: Egypt's Share of Imports from Agadir Member States - 2016**



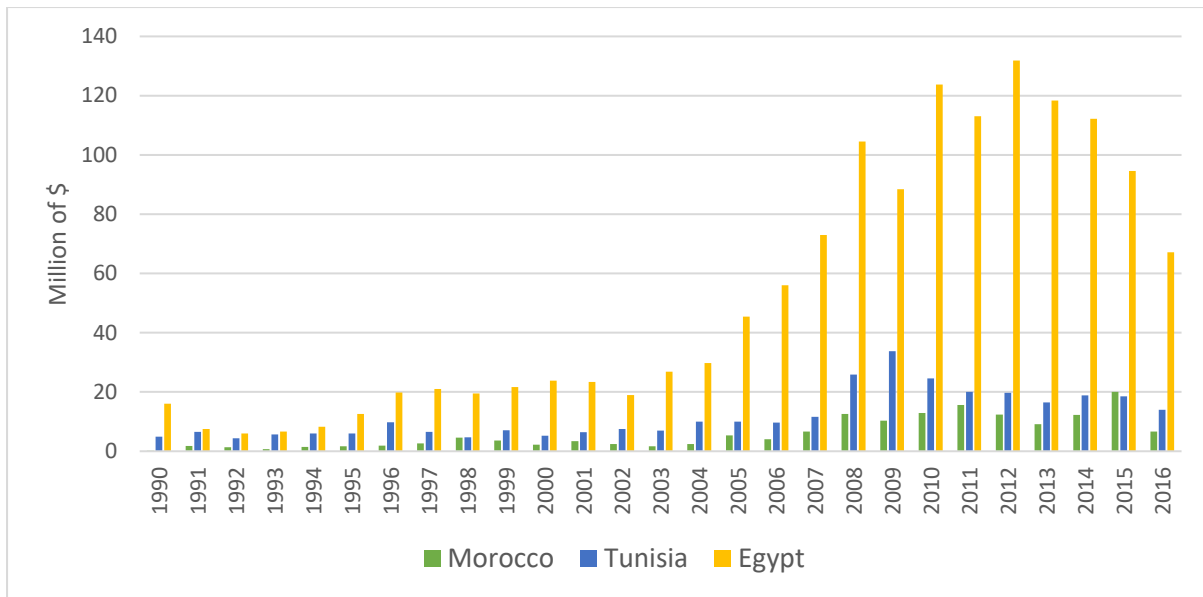
Source: IMF Database.

### Jordan's Exports to and Imports from Agadir Member States

Figure 33 shows Jordan's exports to Agadir member states between 1990 and 2016. It is clear from the graph that Egypt is the main destination for Jordanian exports within the Agadir Agreement. Jordan's exports to Egypt began to increase the year after the Agadir Agreement was signed. It increased 69 per cent from \$26.8 million in 2003 to \$45.4 million in 2005 and then to notice a major shift in 2008 reaching \$104.4 million: a 130 per cent increase from the 2005 figure. This trend carried on until 2012 when Jordan's exports to Egypt noticed a record high of \$131.8 million before starting to descend the following 4 years. Though Jordanian exports to Morocco quadrupled from \$4 million in 2006 to \$ 15.6 million in 2011 and even quintupled to \$20 million in 2015, and exports to Tunisia doubled from \$9.6 million in 2006 to \$ 18.8 million in 2014, they both fell to \$6.6 million and \$13.9 million respectively in 2016 along with the fact that they remain extremely low in terms of international trade.

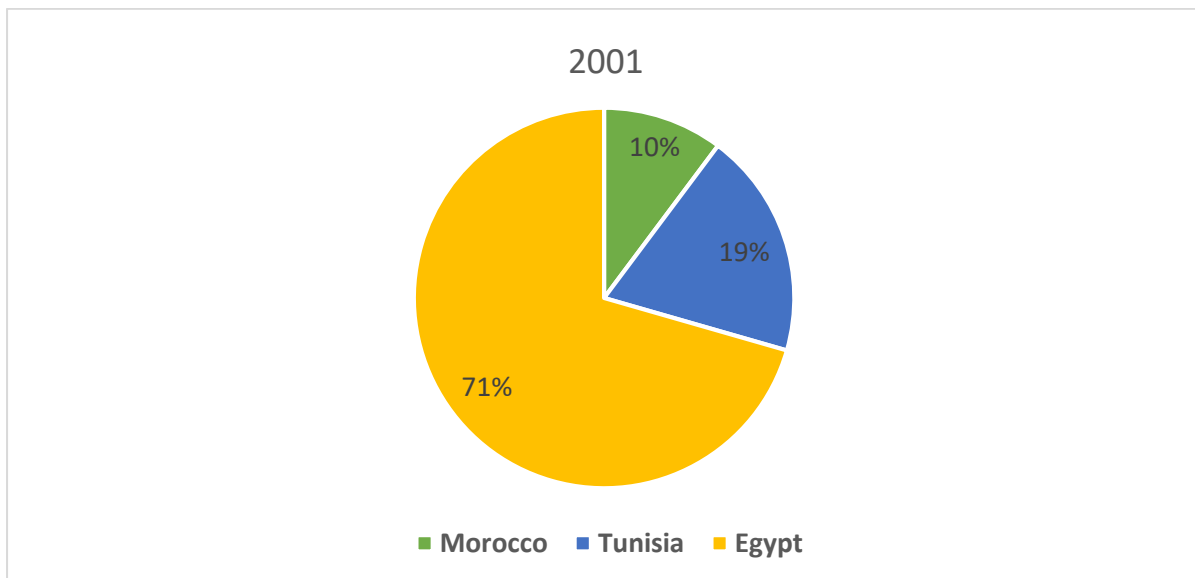
Comparing the percentage of Jordan's share of exports (figures 34, 35 and 36) to its partners within the Agadir Agreement clearly demonstrates that the main destination for Jordan's exports is Egypt. Jordan's share of export to Egypt was 71 per cent in 2001, 80 per cent in 2007 and 76 per cent in 2016.

### **Figure 33: Jordan's Exports to Agadir Member States**



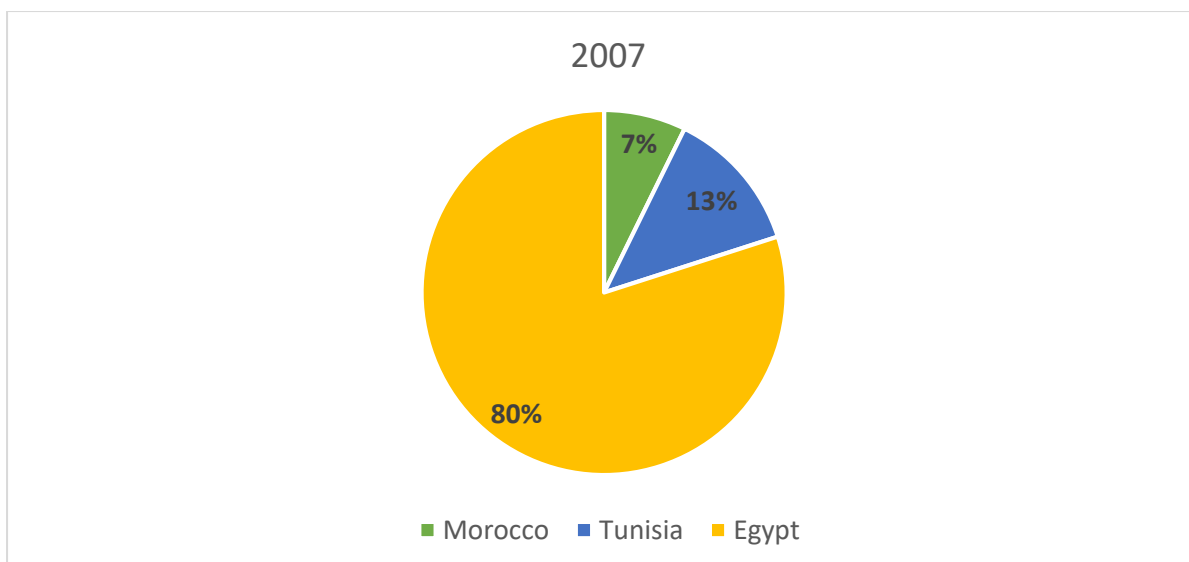
Source: IMF Database.

**Figure 34: Jordan's Share of Exports to Agadir Member States - 2001**



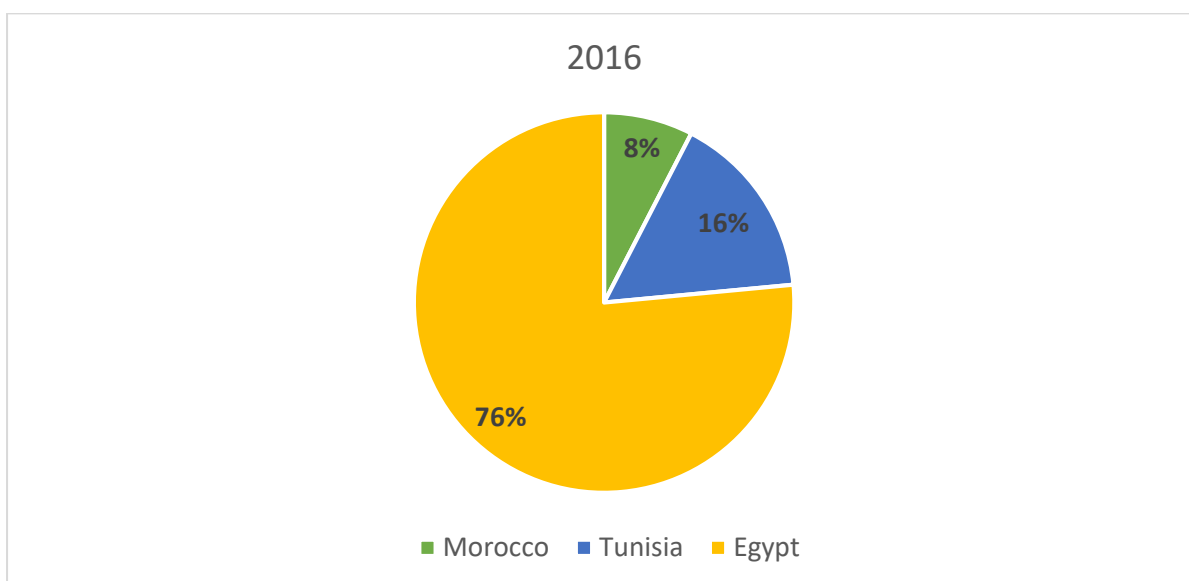
Source: IMF Database.

**Figure 35: Jordan's Share of Exports to Agadir Member States - 2007**



Source: IMF Database.

**Figure 36: Jordan's Share of Exports to Agadir Member States - 2016**

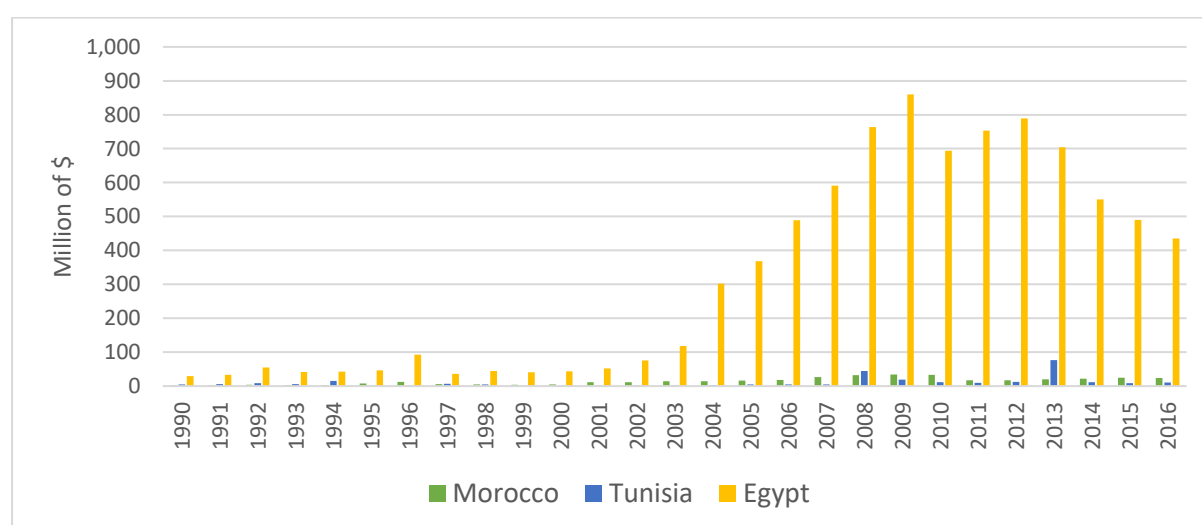


Source: IMF Database.

Figure 37 shows Jordan's imports from Agadir member states between 1990 and 2016. It is clear that Jordan's main supplier within the Agadir Agreement is Egypt. The shift in Jordan's volume of imports from Egypt happened in 2004. This is the year the Agadir Agreement was signed before it entered into force. Imports tripled from \$ 117.8 million in 2003 to \$ 302.3 million in 2004. It continued to grow afterwards for the next 6 years to reach a record high of \$ 859.6 million in 2009 before starting to withdraw, but still keeping higher figures. Though imports from Tunisia and Morocco grew, it is evident that this growth is limited in the context of international trade. Imports from the both partners have remained extremely low.

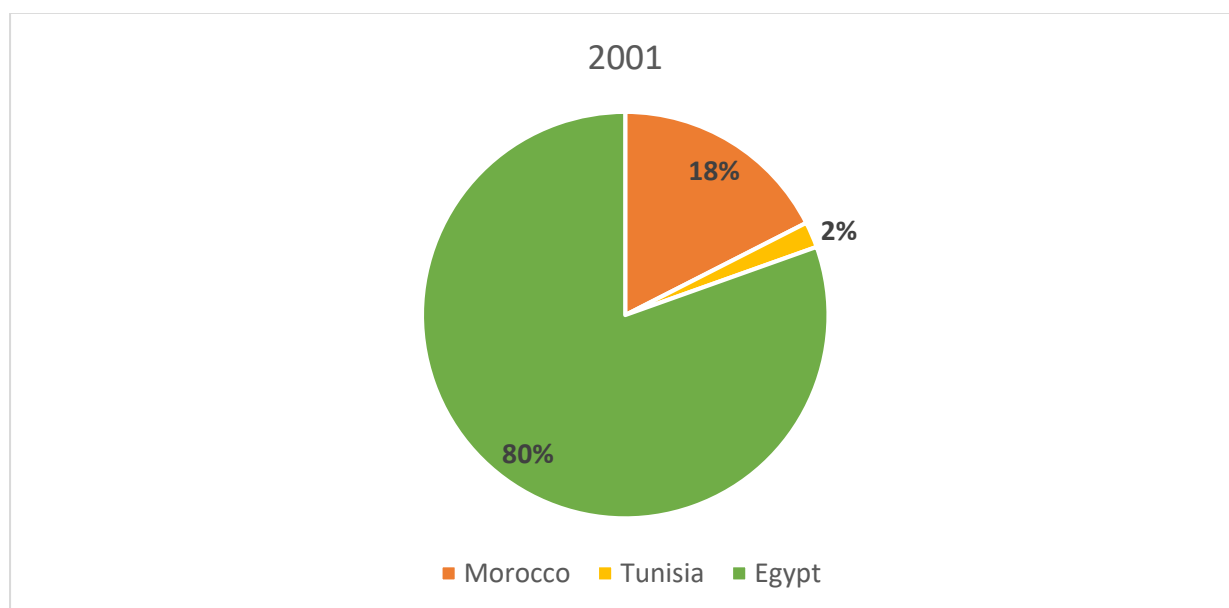
Comparing the percentage of Jordan's share of imports from its partners (Figures 38, 39 and 40) clearly demonstrates Egypt's dominance. Share of imports from Egypt grew from 80 per cent in 2001 to 95 per cent in 2007 and 93 per cent in 2016.

**Figure 37: Jordan's Imports from Agadir Member States**



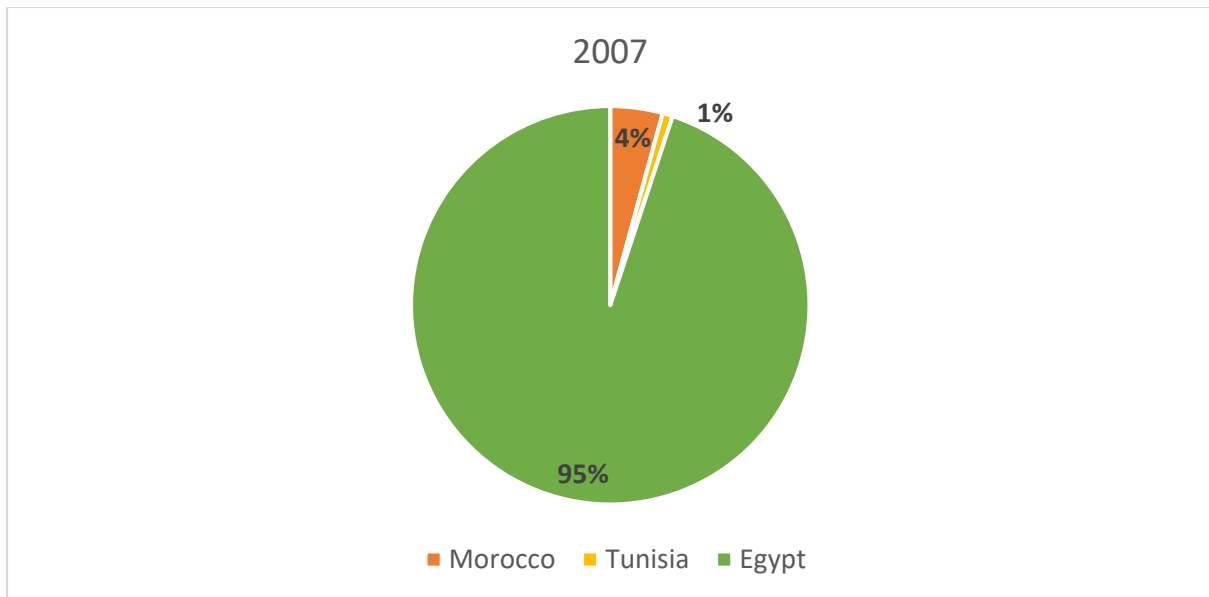
Source: IMF Database.

**Figure 38: Jordan's Share of Imports from Agadir Member States - 2001**



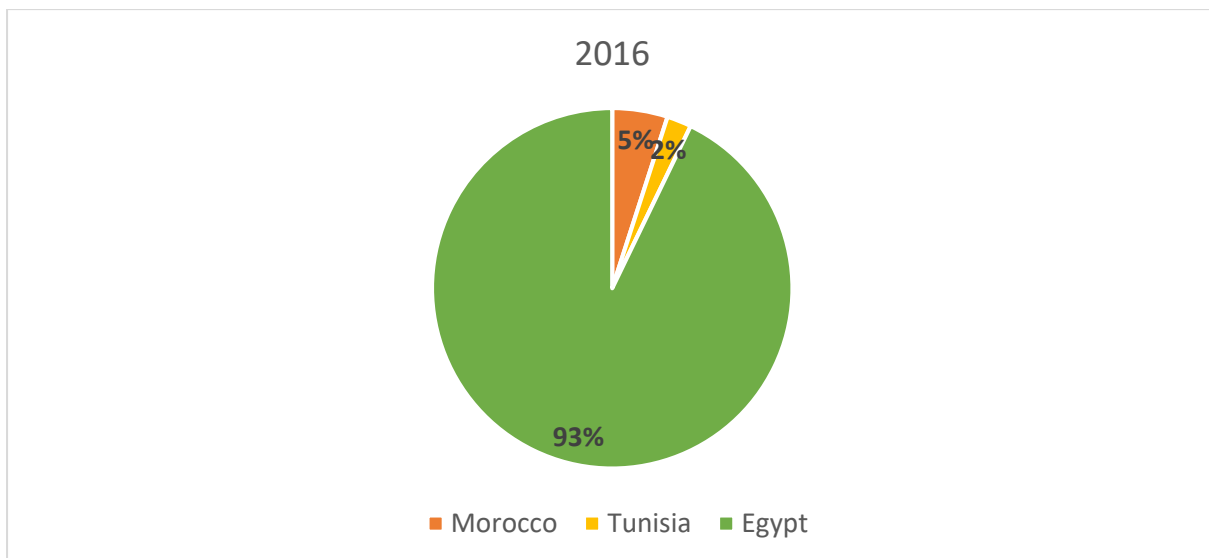
Source: IMF Database.

**Figure 39: Jordan's Share of Imports from Agadir Member States - 2007**



Source: IMF Database.

**Figure 40: Jordan's Share of Imports from Agadir Member States - 2016**



Source: IMF Database.

In addition to the graphs and charts analysis above and as detailed in chapter two, a second method is used in this chapter that also entails the collection of empirical data related to a set of variables (equation 5). These variables are analysed using a bivariate Pearson multi-variable correlation analysis using SPSS. The purpose of this analysis is to calculate the level of correlation between variables rating it positive/negative and significant/insignificant and, hence, interpret interactions between variables using post-hoc tests. This approach allows us to test the relationship between dependent, independent and control variables and assert the

probability of correlation between these variables. There are some collinearities such as GDP and population, however, this research project explores relationships between other variables which may not have previously been examined (e.g. commercial institution, growth rate of trade volume and corruption). Each variable is constituted of a dataset. This dataset contains scores for each dyad on a scale depending on the variable as outlined in chapter two, though, in terms of the categorisation, much of the original data is retained when possible. There are exceptions such as commercial institution membership (not signed/signed) where there is no scale, or if not enough data is available. The findings from using SPSS analysis (Table 19) are discussed under the Findings and Discussion later in this chapter. The ultimate purpose of this analysis is to test this research project's first hypothesis: 'signing the Agadir Agreement will increase trade volume between member states which will deepen their economic integration and interdependence'. To do that, three dependents variables are tested. These are trade volume, growth rate of trade volume and trade dependence. There is one independent variable plus nine control variables (equation 5).

**Equation 5: Model One Variables**

$$\beta_1 \text{ Agadir Trade Volume (1st D.V)} + \beta_2 \text{ Growth Rate of Trade Volume (2nd D.V)} + \beta_3 \text{ Trade Dependence (3rd D.V)} = \beta_4 \text{ Commercial Institution Membership (I.V)} + \{\beta_5 \text{ Trade Complementarity} + \beta_6 \text{ Contiguity} + \beta_7 \text{ GDP Size} + \beta_8 \text{ GDP Per Capita} + \beta_9 \text{ GDP Growth Rates} + \beta_{10} \text{ Population Size} + \beta_{11} \text{ Cultural Affinity} + \beta_{12} \text{ The Openness of the Market} + \beta_{13} \text{ Corruption (C.Vs)}\}$$



**Table 19: SPSS Correlations Economic Analysis Results Using a Bivariate Pearson Two-Tailed Analysis**

Variable s	Statistics	Variables												
		Trade_Volu me	Depen dence	Growth _Rate_ Trade_ Volume	Comme rcial_In stitutio n	Trade_ Comple metarit y	Conti guity	GDP_ Size	GDP_P er_Capi ta	GDP_G rowth_ Rate	Popul ation	Cultura l_Affini ty	Openn ess_of _the_M arket	Corru ption
Trade_V olume	Pearson Correlatio n	1	.699**	-.049	.599**	.560**	.410**	.490**	.425**	-.061	.354**	.350**	-.038	-.196**
	Sig. (2- tailed)		.000	.386	.000	.000	.000	.000	.000	.271	.000	.000	.496	.003
	N	324	324	312	324	320	324	324	324	324	324	324	324	234
Depende nce	Pearson Correlatio n	.699**	1	-.031	.247**	.463**	.601**	.580**	.009	.015	.546**	.547**	-.328**	-.346**
	Sig. (2- tailed)	.000		.583	.000	.000	.000	.000	.876	.787	.000	.000	.000	.000
	N	324	324	312	324	320	324	324	324	324	324	324	324	234
Growth_ Rate_Tra de_Volu me	Pearson Correlatio n	-.049	-.031	1	-.077	-.020	-.020	-.080	-.097	.008	-.068	-.064	.073	-.054
	Sig. (2- tailed)	.386	.583		.176	.724	.727	.157	.089	.892	.230	.259	.200	.412
	N	312	312	312	312	310	312	312	312	312	312	312	312	234

## Findings and Discussion

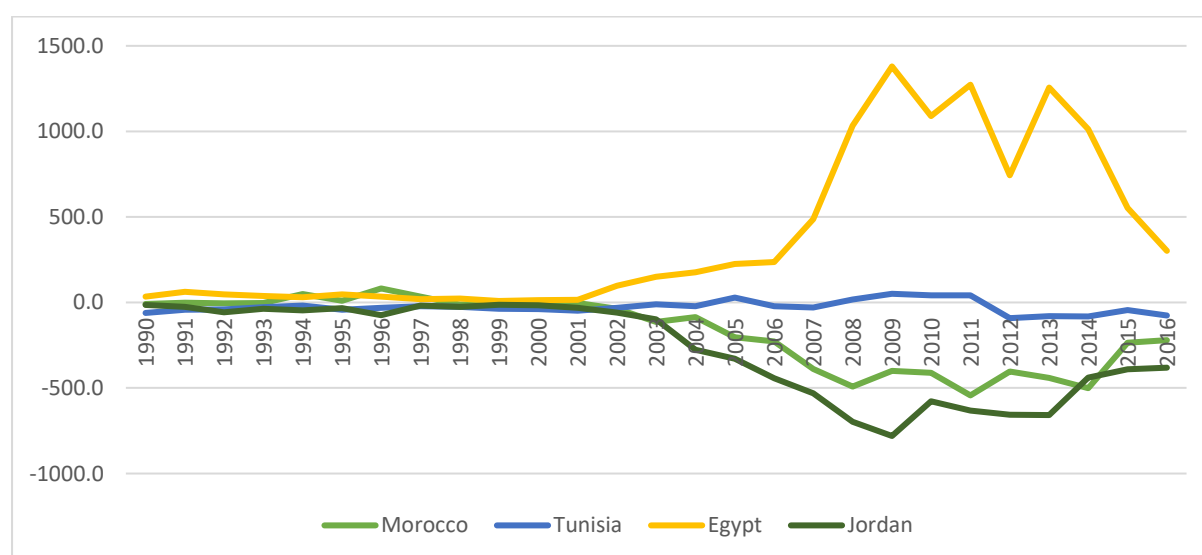
From the above analysis, it can be argued that there is a positive correlation between signing the Agadir Agreement and the increase in trade volume between member states. Trade has expanded between Agadir Agreement member states since the agreement came into force. Figures recorded after 2007 show imports and exports doubled, tripled or even quadrupled in some cases. This is relative to each state. Egypt appears to have reaped the benefits of the FTA more than the other member states. Within the Agadir Agreement, Egypt exports have expanded 256 per cent and imports 125 per cent in 2014 since 2006. Morocco's exports grew 124 per cent and imports 122 per cent in 2014 compared to 2006. Tunisia's exports grew 67 per cent and imports 91 per cent between 2006 and 2014. Jordan managed to expand its exports 106 per cent and imports 14 per cent in 2014 compared with 2006.

To conclude at this point that the Agadir Agreement has had a positive impact on intra-regional trade and the economic integration process of the four member states would be short-sighted. It is true that exports and imports have increased between Morocco, Tunisia, Egypt and Jordan since the agreement came into force. However, some questions present themselves at this point. For example, how relative is trade volume between Agadir member states? How did exports and imports between the member states develop compared to their exports and imports within GAFTA? Has the development in their trade volume been significant compared to their overall world trade? Has interdependence increased between member states? Does not trade volume produce a false correlation because of time, and a better way to assess if trade has gone up is to analyse the growth rate of trade volume? The section below attempts to answer the afore-mentioned questions whilst considering the control variables.

Given that the balance of trade is an indication of a state's balance of payments (Vera, 2006) and can be used to compare the flow of trade and the strength of economic performance between states, it is clear that Egypt did well within the Agadir Agreement considering this indicator (Figure 41). Egypt was able to keep a trade surplus in the whole period studied (1990 – 2016). Its positive balance of trade began to expand from 2001, the date of the declaration of the Agadir Agreement and even expanded by a larger margin since 2007, the date the Agadir

Agreement entered into force. On the contrary, Jordan and Morocco have experienced a trade deficit since 2002, and Tunisia since 2011. Morocco and Jordan's trade deficit began to dwindle the year the Agadir Agreement was signed. It kept on declining whilst the Agreement entered into force. It began to improve from 2013 for Jordan and 2014 for Morocco whilst still experiencing trade deficit. As for Tunisia, it kept its balance of trade close to naught until 2011 when it began experiencing a trade deficit, relatively lower than that of Morocco and Jordan. Another important observation to note here is that prior to 2001, the balance of trade between Agadir member states was more or less compatible. This could be explained by the low volume of trade between Agadir member states before the turn of the millennia. The balance of trade analysis clearly demonstrates that Egypt is the main beneficiary within the Agadir Agreement especially in the period between the signing of the Agreement until 2013. This could be the result of its large economy, the readiness of its industry to expand into new markets, its location between Agadir member states. This finding is worthy of further research considering the impact of the Agadir Agreement on individual members.

**Figure 41: Balance of Trade of Agadir Member States**

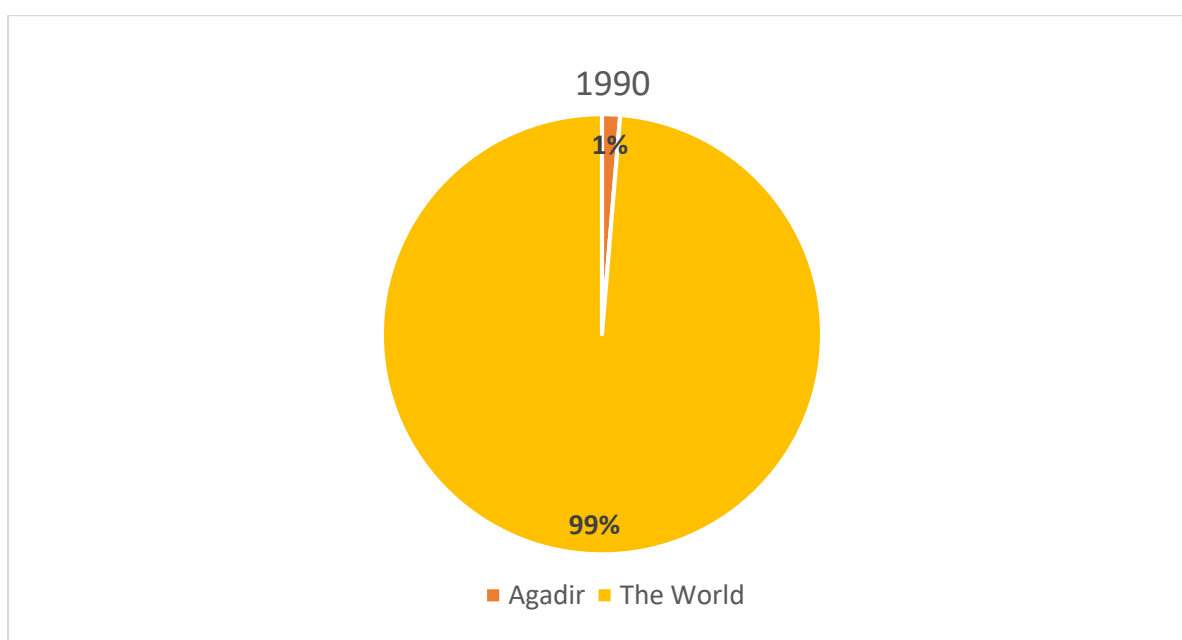


Source: IMF Database.

Comparing Agadir member states' trade volume with each other and their worldwide trade volume tells us unexpected results: intra-regional trade between Agadir member states remains extremely low compared to their worldwide trade. The proportion of their intra-

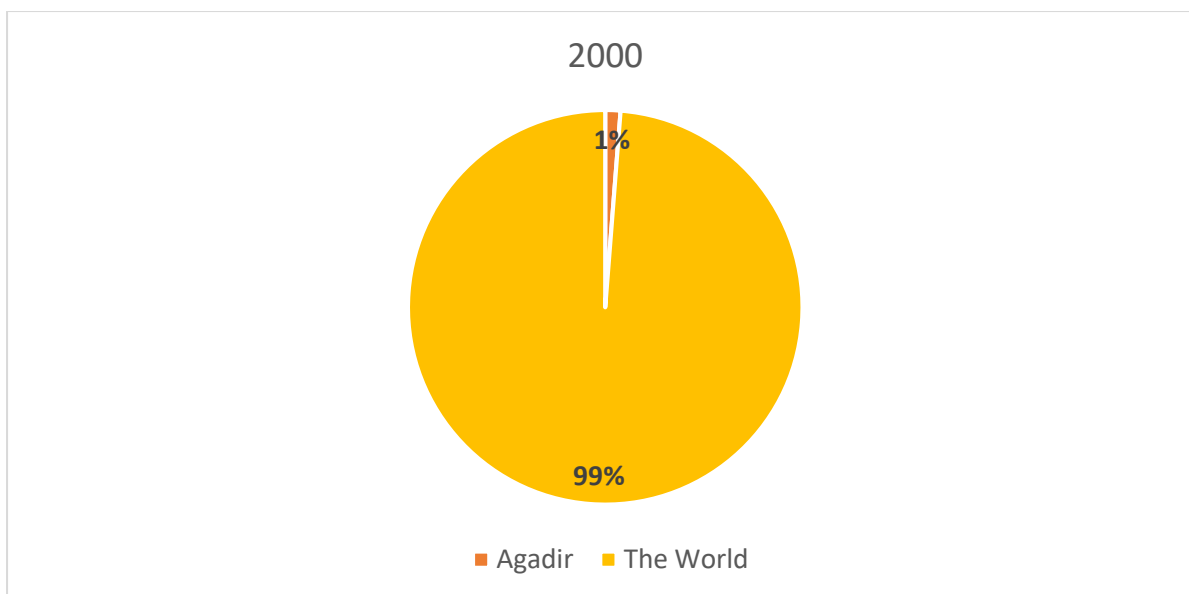
regional exports (Figures 42, 43, 44 and 45) was 1 per cent in 1990 and 1 per cent in 2000. It grew to a modest 2 per cent in 2007, the year the agreement came to force, and stayed at the same rate in 2016, 12 years into the Agreement, compared with their worldwide exports. Their intra-regional imports (Figures 46, 47, 48 and 49) was 1 per cent in 2016 as it was in 1990 and 2000, apart from 2007 when it increased to 2 per cent, compared with their worldwide imports. Thus, comparing intra-Agadir trade volume to their worldwide trade (Figure 50), it could be argued that the Agadir Agreement has not had a major impact on the proportion of intra-Agadir since the agreement came into force in 2007 and up until 2016.

***Figure 42: The proportion of Exports Within the Agadir Agreement vs. the World - 1990***



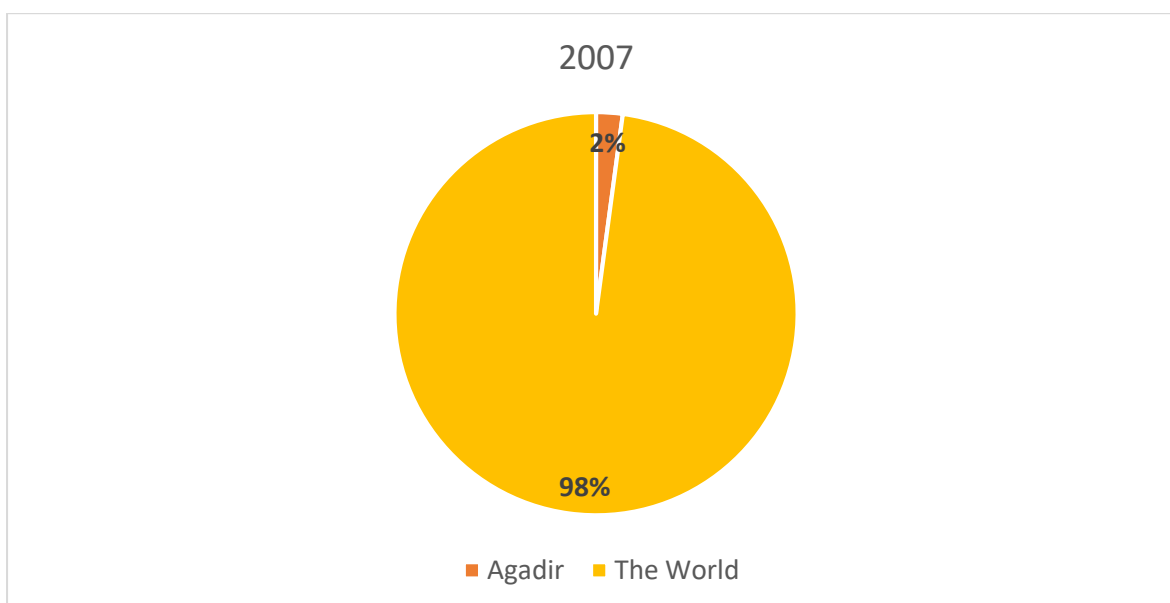
Source: IMF Database.

***Figure 43: The proportion of Exports Within the Agadir Agreement vs. the World - 2000***



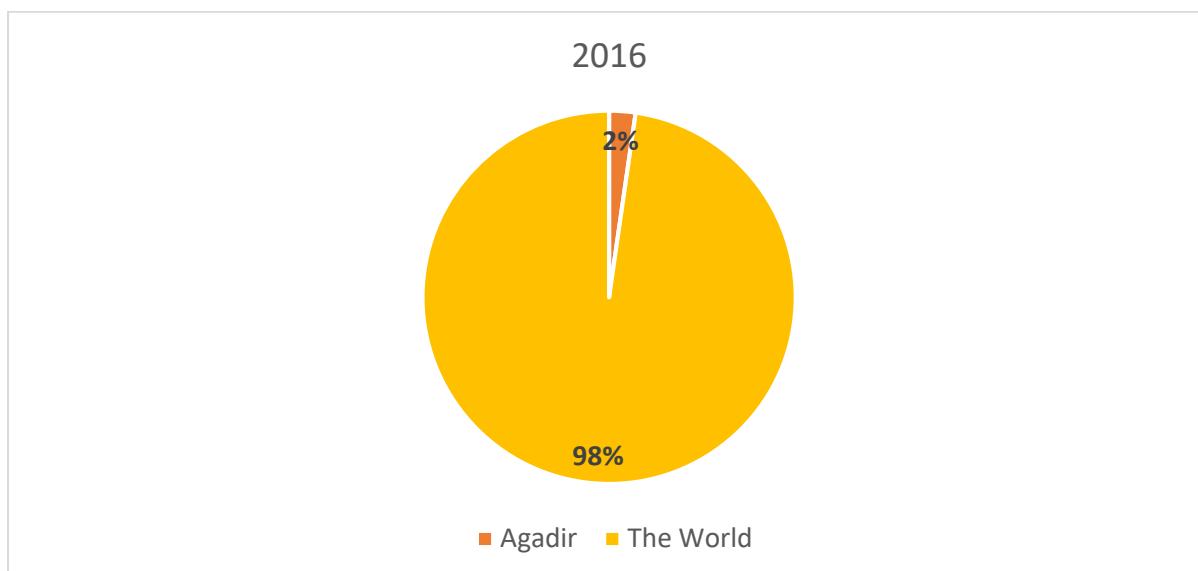
Source: IMF Database.

***Figure 44: The proportion of Exports Within the Agadir Agreement vs. the World – 2007***



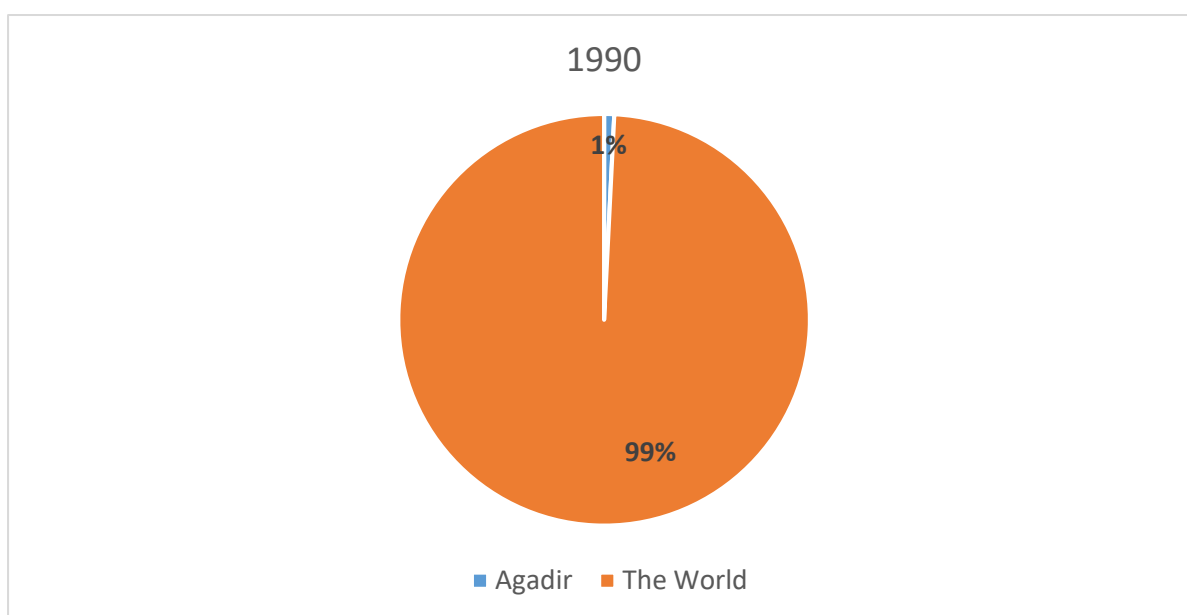
Source: IMF Database.

**Figure 45: The proportion of Exports Within the Agadir Agreement vs. the World – 2016**



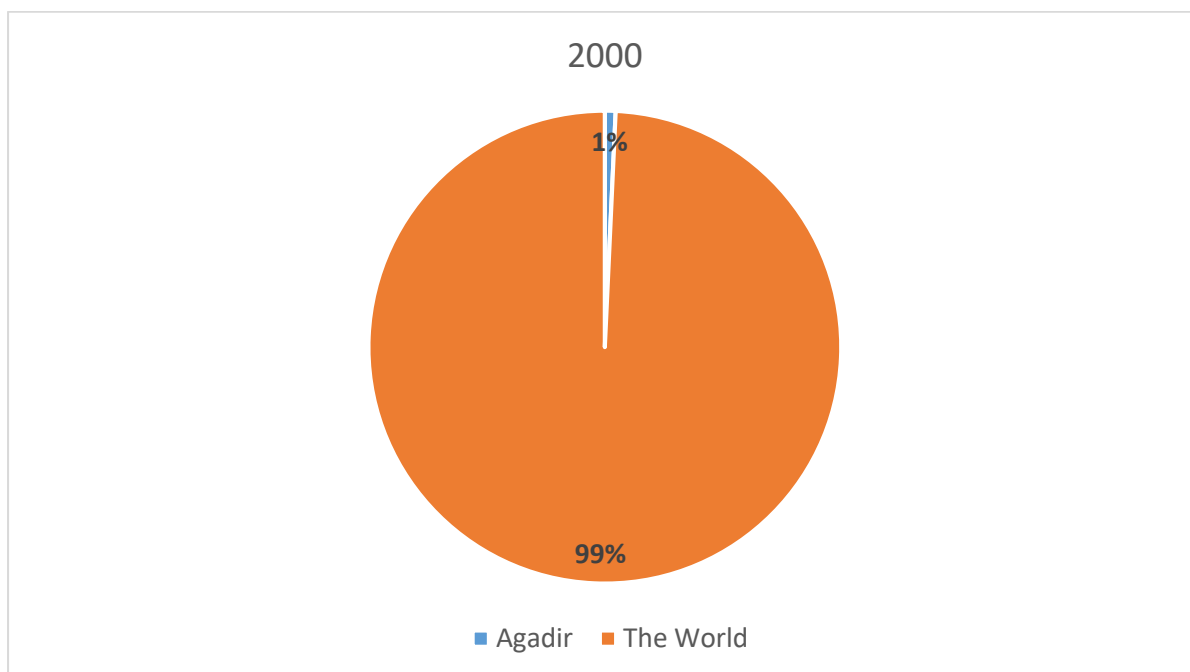
Source: IMF Database.

**Figure 46: The proportion of Imports Within the Agadir Agreement vs. the World - 1990**



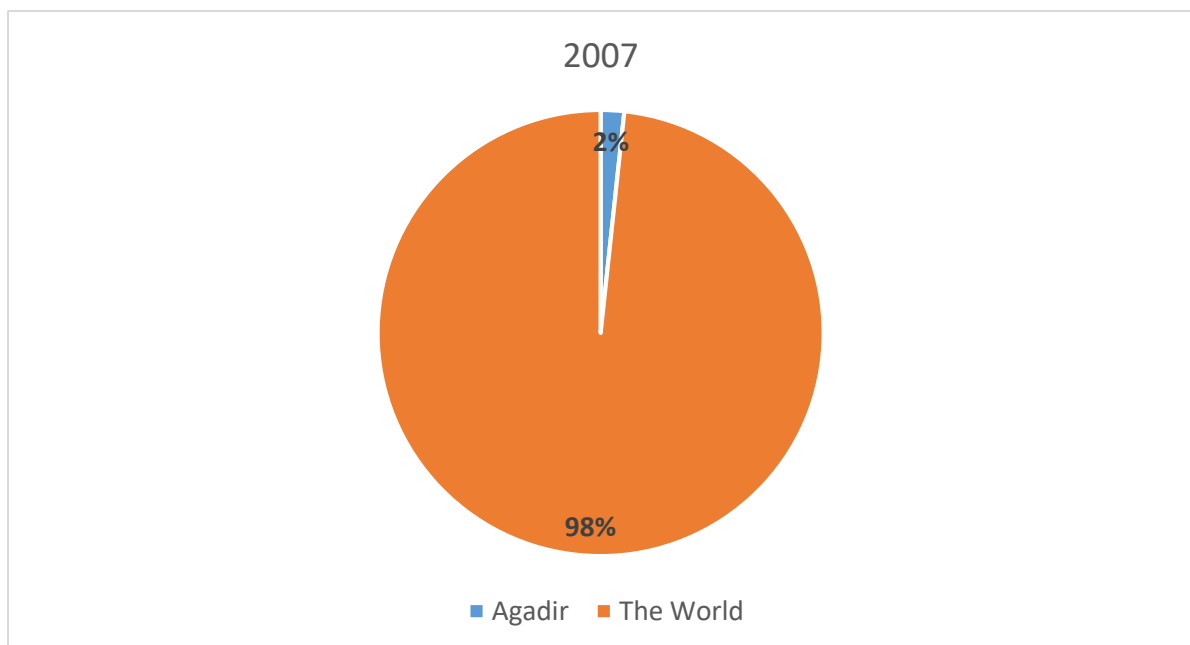
Source: IMF Database.

**Figure 47: The proportion of Imports Within the Agadir Agreement vs. the World - 2000**



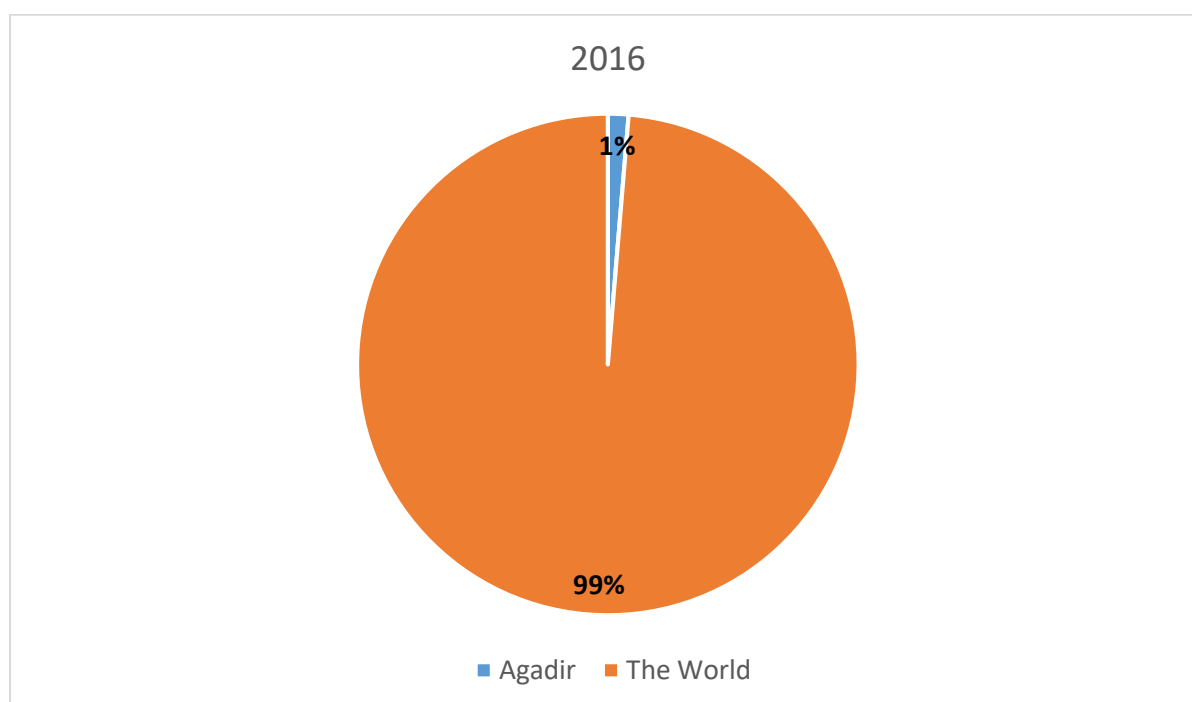
Source: IMF Database.

**Figure 48: The proportion of Imports Within the Agadir Agreement vs. the World – 2007**



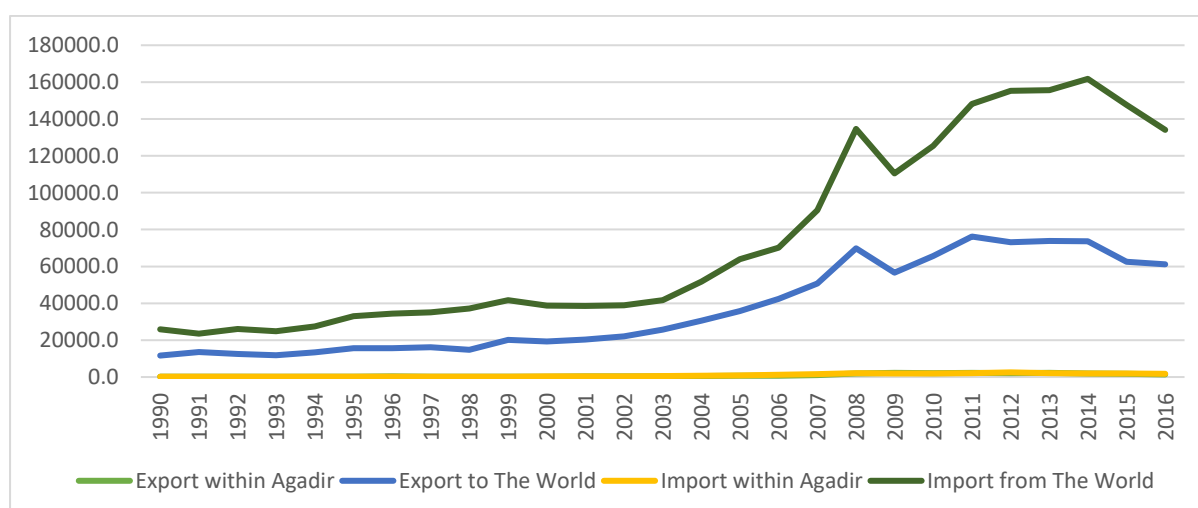
Source: IMF Database.

**Figure 49: The proportion of Imports Within the Agadir Agreement vs. the World – 2016**



Source: IMF Database.

**Figure 50: Imports and Exports Within the Agadir Agreement vs. the World**



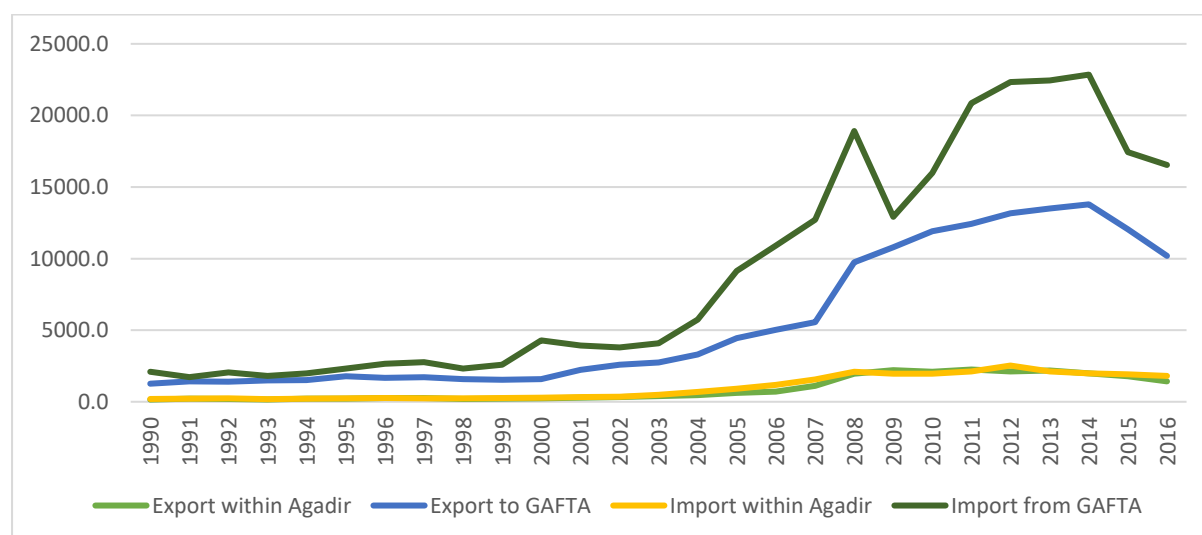
Source: IMF Database.

One reason the Agadir Agreement was created was that economic integration had been slow in the MENA despite the presence of several bilateral and multilateral trade and economic agreements (discussed in detail in chapter one) and compared with other regions (such as MERCOSUR, ASEAN, NAFTA). By focusing on four states, the aim is to speed up the



economic integration process between them and expand the agreement to include other MENA states. Comparing intra-Agadir trade with their intra-GAFTA<sup>79</sup> trade (Figures 51), it is difficult to argue that the Agadir Agreement has led to a major impact. Though, it is true that intra-Agadir exports grew 177 per cent compared with 174 per cent for their exports within GAFTA and their intra-Agadir imports grew 70 per cent compared to 109 per cent for their imports to GAFTA in the period 2006-2014. The difference between intra-Agadir trade and their intra-GAFTA trade remains low if not negative, however, at 3 per cent for exports and -39 per cent for imports. This is especially true when we consider that share of exports between Agadir member states compared to that with GAFTA grew from 13 per cent in 1997 and 13 per cent in 2000 to 17 per cent in 2007, only to regress to 12 per cent in 2016 (Figures 52, 53, 54, 55). Share of intra-Agadir imports grew from 8 per cent in 1997, 6 per cent in 2000 to 11 per cent in 2007 and regressed to 10 per cent in 2016 compared to share of intra-Agadir imports with GAFTA (Figures 56, 57, 58, 59). As a matter of fact, trade volume with some GAFTA states performed better in comparison to intra-Agadir trade (appendix 5).

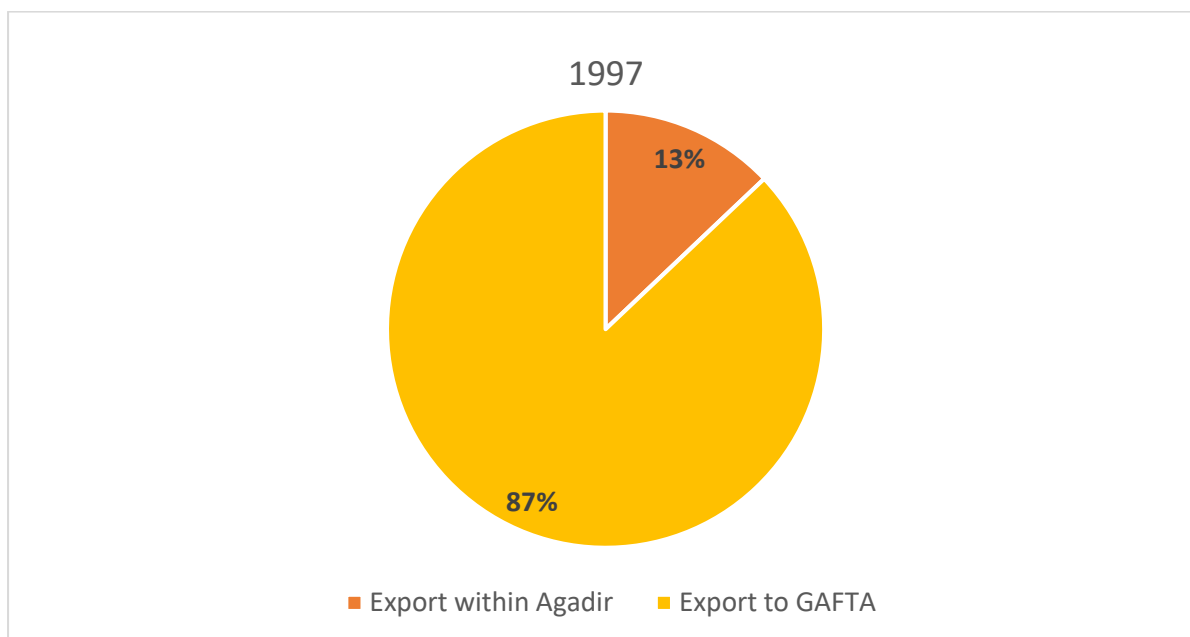
**Figure 51: Exports and Imports within the Agadir Agreement vs. GAFTA**



Source: IMF Database.

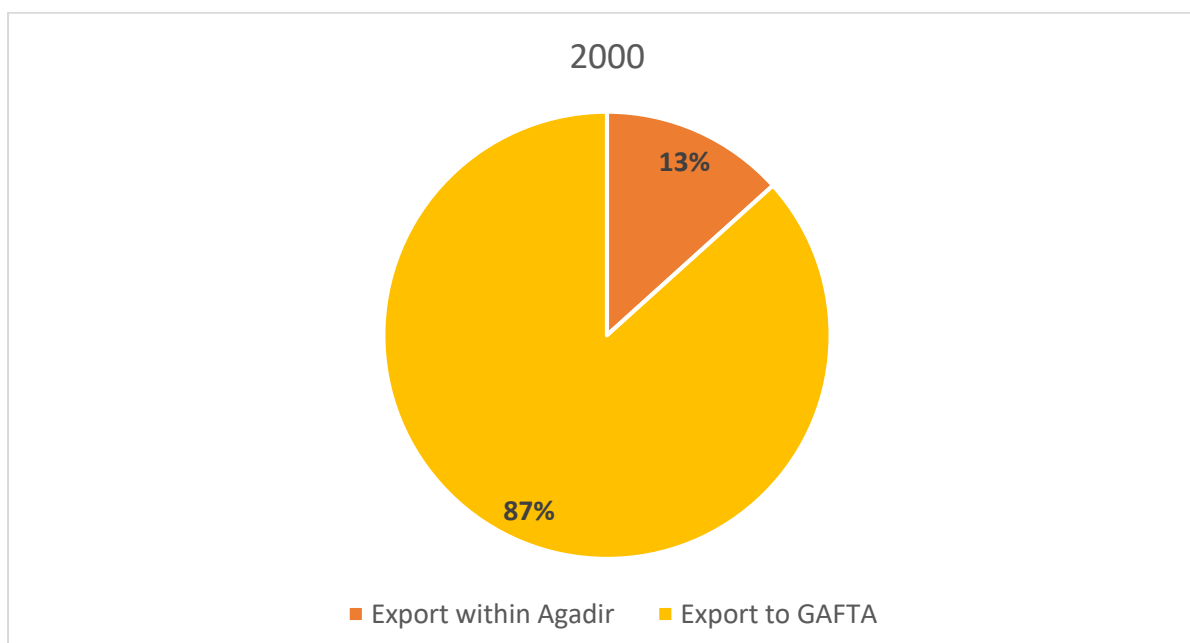
<sup>79</sup> For a reminder, what is compared at this point is the volume of intra-Agadir trade with Agadir member states' volume of trade with other GAFTA states.

**Figure 52: The Proportion of Exports Within the Agadir Agreement vs. GAFTA - 1997**



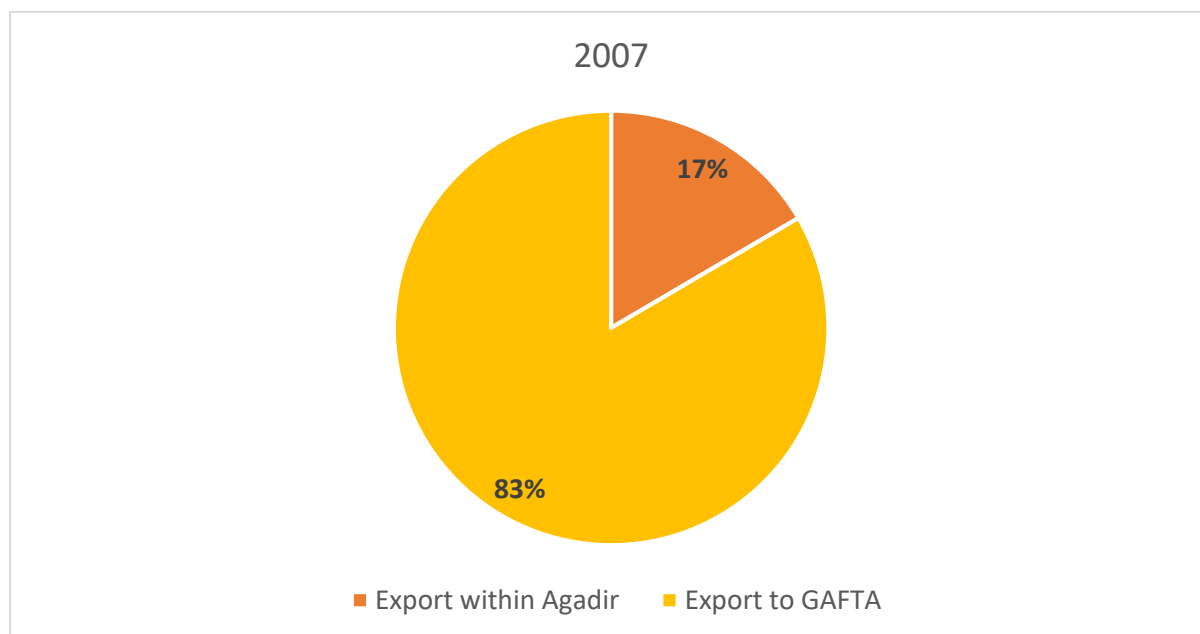
Source: IMF Database.

**Figure 53: The Proportion of Exports Within the Agadir Agreement vs. GAFTA - 2000**



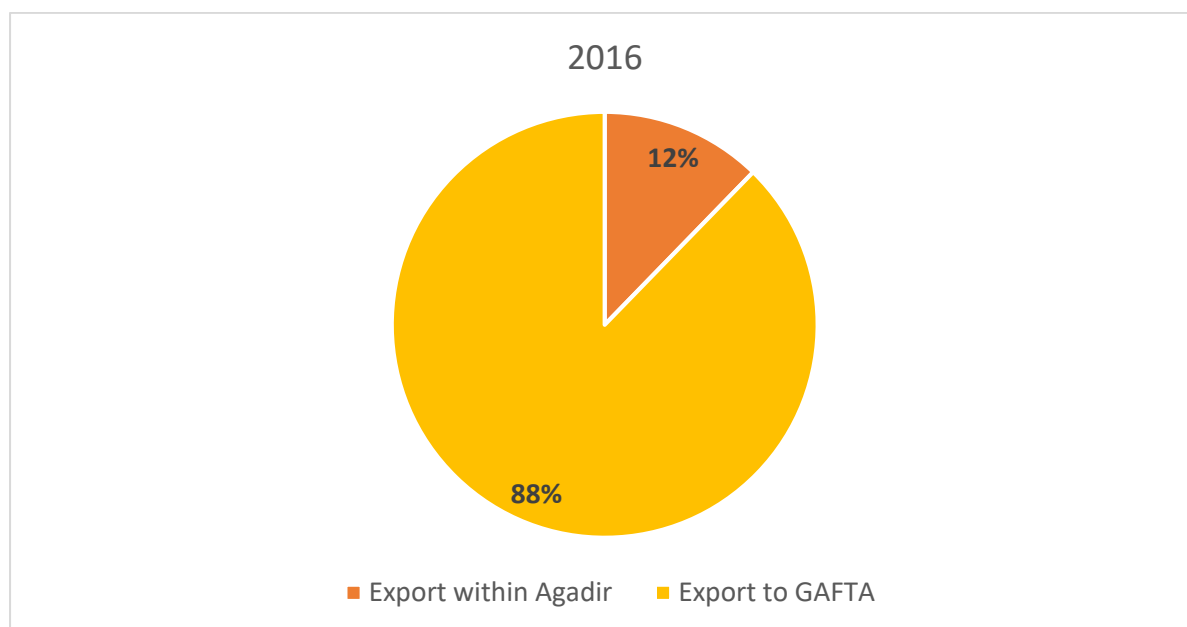
Source: IMF Database.

**Figure 54: The Proportion of Exports Within the Agadir Agreement vs. GAFTA - 2007**



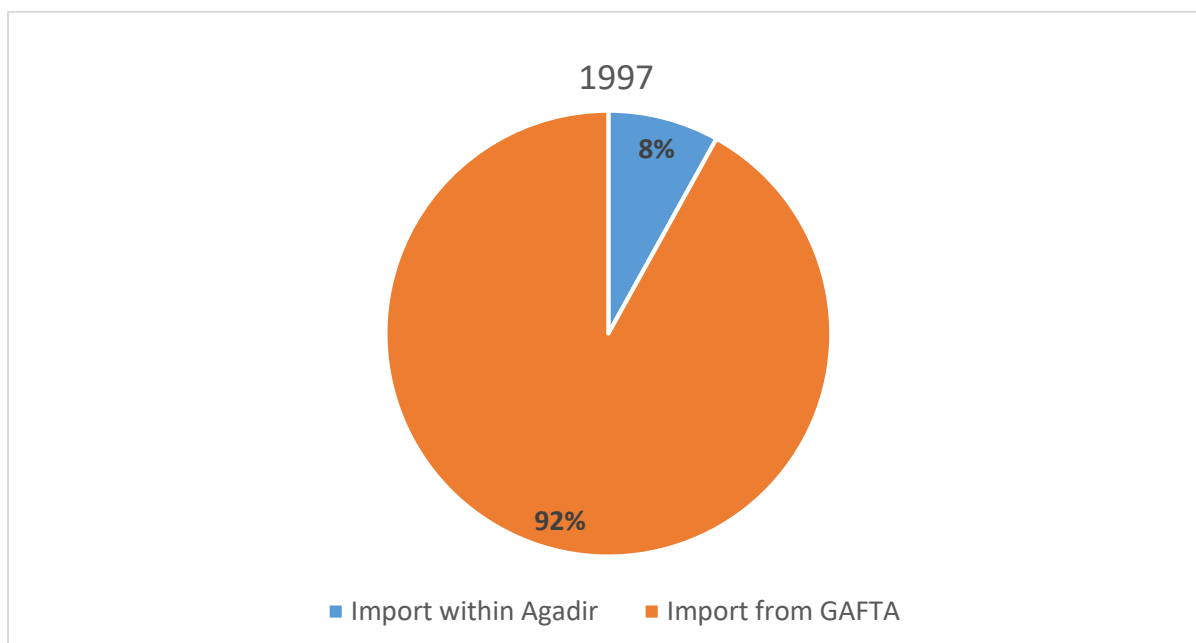
Source: IMF Database.

**Figure 55: The Proportion of Exports Within the Agadir Agreement vs. GAFTA – 2016**



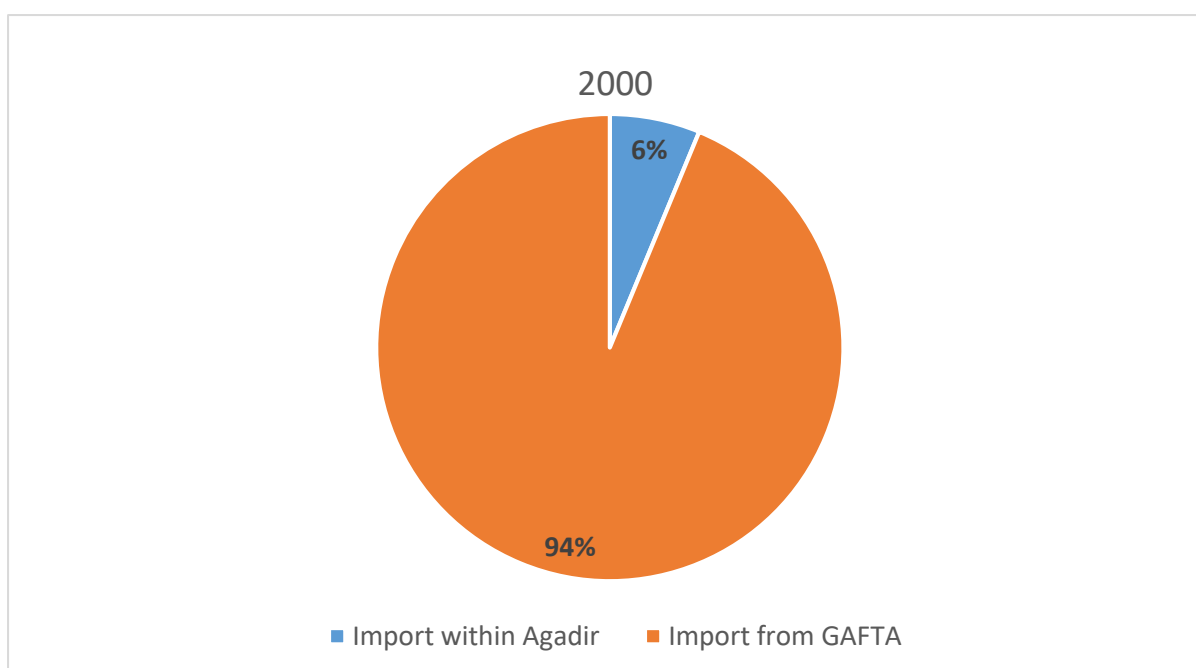
Source: IMF Database.

**Figure 56: The Proportion of Imports Within the Agadir Agreement vs. GAFTA - 1997**



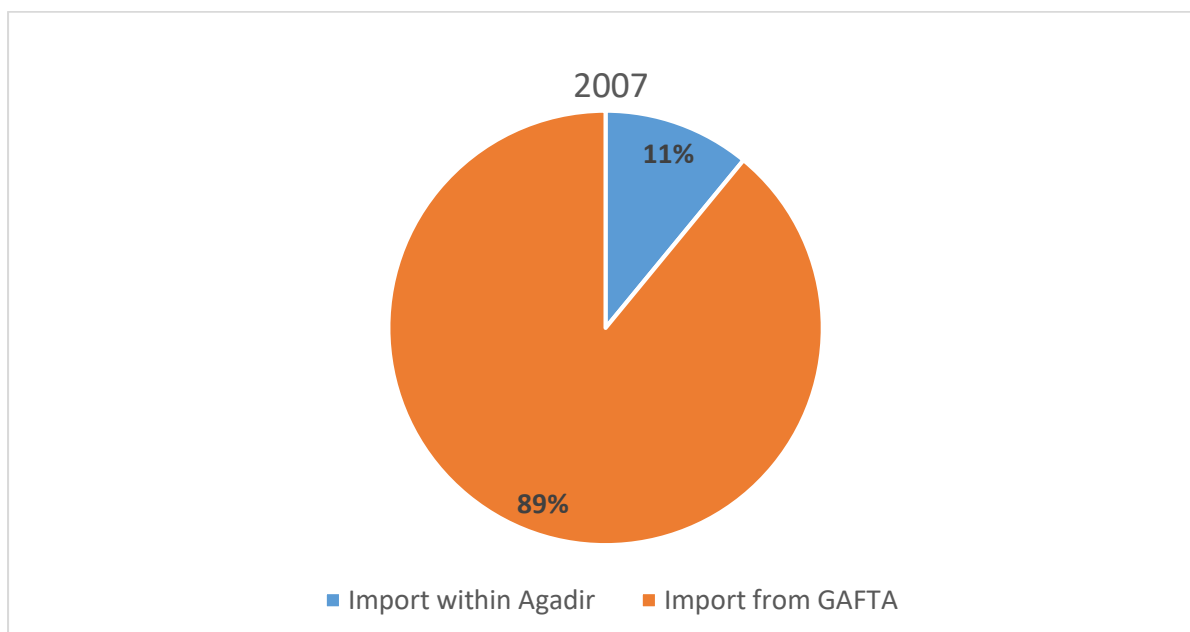
Source: IMF Database.

**Figure 57: The Proportion of Imports Within the Agadir Agreement vs. GAFTA – 2000**



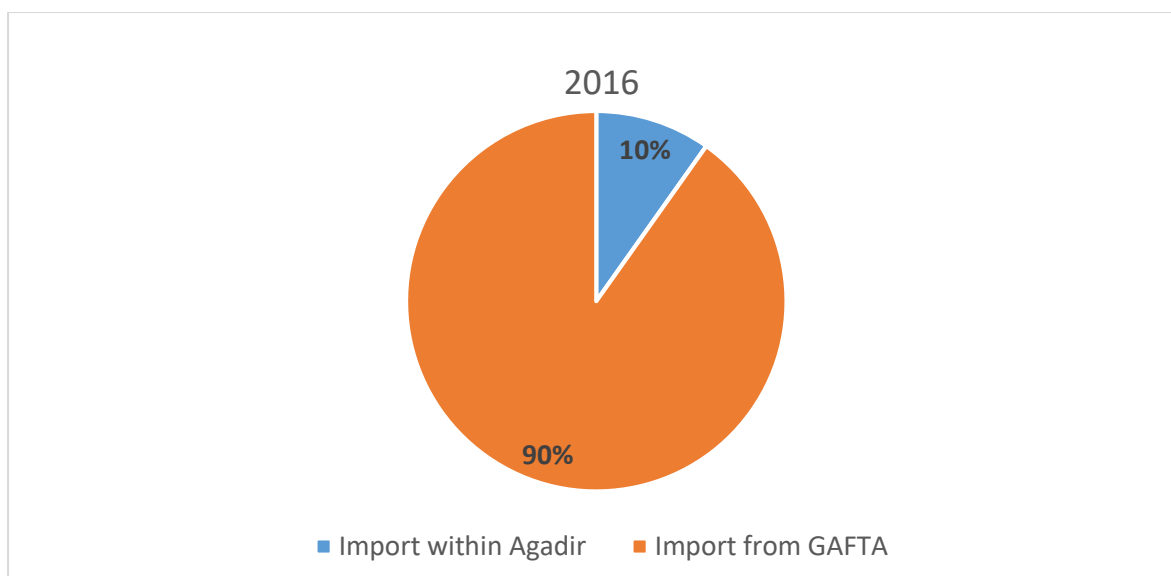
Source: IMF Database.

**Figure 58: The Proportion of Imports Within the Agadir Agreement vs. GAFTA – 2007**



Source: IMF Database.

**Figure 59: The Proportion of Imports Within the Agadir Agreement vs. GAFTA – 2016**



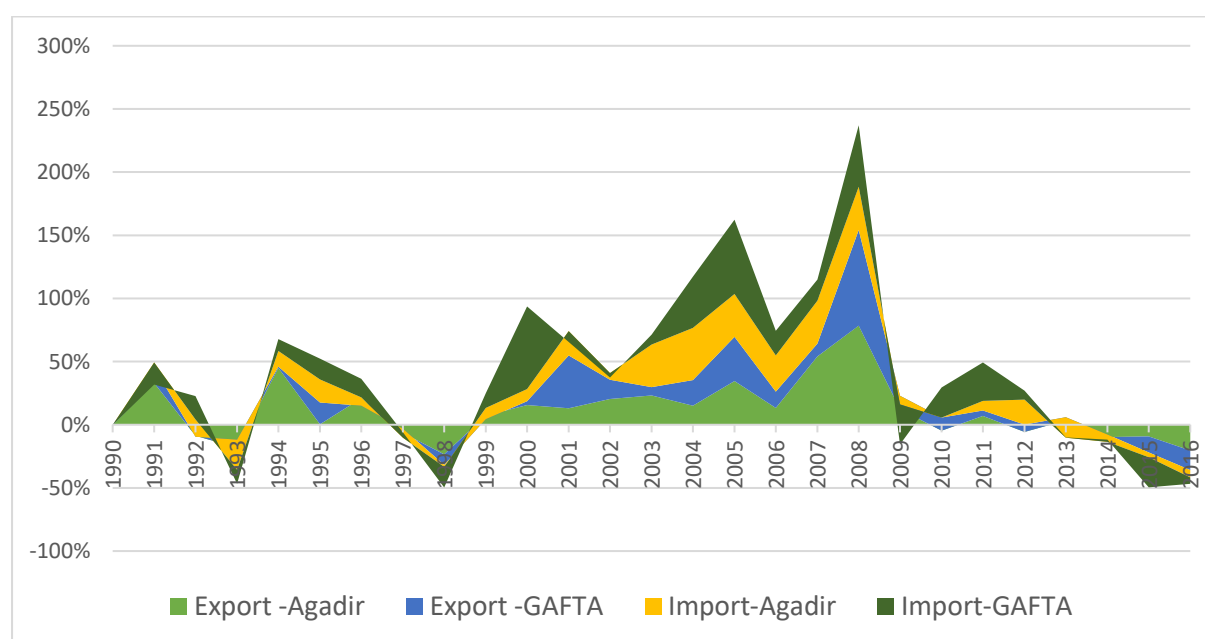
Source: IMF Database.

This is more apparent when comparing the growth rate of their trade volume<sup>80</sup> (Figure 60). Whilst both expanded in the period (1999-2008), it is clear that intra-Agadir growth rate of trade volume (including both exports and imports) remained below Agadir member states'

<sup>80</sup> What is not compared here is GAFTA as an independent unit. However, comparing Agadir vs. GAFTA as two independent institutions merits a research of its own in the future.

intra-GAFTA trade. Agadir states' growth rate of trade volume began to close the gap with their intra-GAFTA growth rate of trade volume only after 2009 and even more since 2013 whilst both indicators were experiencing negative growth. These results are important for this thesis. On one hand, they question the necessity and importance of the Agadir Agreement since its growth rate of trade volume has not surpassed that of their intra-GAFTA trade in the first ten years of it coming into force and Agadir member states' proportions of exports and imports remained lower if not stagnant compared with GAFTA. On the other hand, considering that Agadir member states' growth rate gap closed with that of GAFTA highlight the concept of time, meaning FTAs require time to yield positive outcome. In this case, the Agadir Area began to close the gap between its intra-Agadir and intra-GAFTA in 2013, almost 10 years since it entered into force though that gap remains low and negative in both Agadir and GAFTA.

**Figure 60: Growth Rate of Trade Volume of Agadir vs. GAFTA**



Source: IMF Database.

In addition to the descriptive comparative analysis above, a bivariate Pearson multi-variable correlation analysis using SPSS software was conducted. The SPSS results of the correlation test demonstrate a number of interactions between independent, dependent and control variables. These relationships can be rated positive/negative and significant/insignificant. These variations are what determine if a relationship exist between

variables and if so, whether it is significant. Based on Tables 19, 20 and 21 reveal some important results. First, considering the independent variable commercial institution membership (the Agadir Agreement) and the dependent variables trade volume and trade dependence, it is clear that there is a positive correlation at .599\*\*<sup>81</sup> and .247\*\* consecutively. The interaction between commercial institution membership on one hand and the trade volume and trade dependence on the other hand is significant as the *p-value*<sup>82</sup> equals to zero. It is also important to note here that trade volume and trade dependence have a positive and a significant correlation with several control variables. The *p-value* in all these correlations has been significant at .000. Ranking these variables in terms of Pearson Correlation and *p-value* shows commercial institution membership ranks first out of nine variables as far as trade volume is concerned (table 20) and ranks sixth out of nine variables as far as trade dependence is concerned.

**Table 20: Trade Volume vs. Commercial Institution Membership and Control Variables**

	<b>Trade Volume</b>	<b><i>p-value</i></b>
<b>Commercial Institution Membership</b>	.599**	.000
<b>Trade Complementarity</b>	.560**	.000
<b>GDP Size</b>	.490**	.000
<b>GDP per Capita</b>	.425**	.000
<b>Contiguity</b>	.410**	.000
<b>Population Size</b>	.354**	.000
<b>Cultural Affinity</b>	.350**	.000

<sup>81</sup> Correlation is significant at 0.01 level (2-tailed). In the two-tailed test, we considered the values distributed on both side of the Bell shaped. These values are both below and above the mean value.

<sup>82</sup> *P-value* helps to weigh and determine the significance of correlations. *p-value* is considered significant when  $p\text{-value} \leq 0.05$  with 0.00 considered to be very significant and 0.05 considered to be very weak (Rumsey, 2016). The closer the *p-value* is to zero, the less the correlation is by chance. The closer the *p-value* is to 0.05 the more unrealistic is the correlation.

**Table 21: Trade Volume vs. Trade Dependence and Control Variables**

	<b>Trade Dependence</b>	<b>p-value</b>
<b>Contiguity</b>	.601**	.000
<b>GDP Size</b>	.580**	.000
<b>Cultural Affinity</b>	.547**	.000
<b>Population Size</b>	.546**	.000
<b>Trade Complementarity</b>	.463**	.000
<b>Commercial Institution Membership</b>	.247**	.000

In addition, tables 20 and 21 demonstrate some interactions with control variables that are worth highlighting. Considering trade volume and trade dependence on one hand and trade complementarity on the other, it is noticeable that a positive and significant correlation exists between these two sets of variables. This is interpreted as the structures of exports and imports match between Agadir member states. This is comprehensible because unlike the majority of states in the MENA which display a very concentrated export structure because of their reliance on oil and oil products exports, export structure of the Agadir member states is slightly more diversified, composed of textiles, clothing, automobiles, agriculture and food products, fisheries, pharmaceuticals, machinery, phosphate as well as aeronautical accessories (detailed in chapter three). Nevertheless, this raises the question of how could Agadir member states complement each other even though none of them is an oil producing country; hence, future research examining how the Agadir Agreement complement each other investigating their trade structure is worthwhile conducting.

As far as GDP, GDP per capita, and population size are concerned, a positive and significant correlation exists with trade volume. As far as trade dependence is concerned, a positive and significant correlation only exist with GDP and population size. This interaction runs parallel to thoughts from CIP theory contending that the larger and more affluent the



markets are within a commercial institution, the more incentives participating countries have to produce goods for exports and the greater the demand is on imported goods. The interaction between cultural affinity and trade volume and trade dependence is notable in the sense that this study suggests a positive and significant correlation between these two sets of variables. This result endorses the claim that trade flourishes between countries where language and cultural similarities are alike (Ekanayake, E., and Ledgerwood, 2009; Hoffmann, 2013). This is another interaction that is worthy of further study in a separate project.

The commercial institution - trade volume relationship and to a less extent the commercial institution – trade dependence relationship prove the first hypothesis of this thesis: signing the Agadir Agreement has increased trade volume between member states which has deepened their economic dependence. This validates the CIP Theory's claim that establishing commercial institutions leads to more commerce and interdependence between participating states. However, some factors need to be considered here. First commercial institution came lower in the rank (sixth place) as far as trade dependence is concerned. Second, variables such as GDP per capita and GDP growth rate did not significantly correlate with trade dependence nor did GDP growth rate with trade volume as expected. This suggests that increased Agadir trade neither had a positive effect on the wealth of Agadir's citizens nor did it positively influence GDP growth rate of Agadir member states. This recalls a speech by the King of Morocco: "Having perused the figures and statistics...which highlight the development of wealth in Morocco, I wonder, as do all Moroccans: Where is this wealth? Has it benefited all Moroccans or only some segments of society?" (King Mohammed VI, 2014).

Third, the trade volume variable does not account for time as time, can produce false correlations. In other words, trade volume between Agadir member states might have augmented because of time rather than the act of signing a commercial institution. This is not to suggest a definite spurious correlation<sup>83</sup> between commercial institution membership and trade volume as it is believed that the two variables do indeed interact; but rather to highlight

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<sup>83</sup> Spurious correlations are only statistical in nature that occur by simple chance and without real, physically based correlation (Kalkomey, 1997; Altman, 2012)

that this relationship dismisses time. To pay off for the non-accounted for time, a third dependent variable growth rate of trade volume was analysed. It is argued that this variable takes into account time. The assumption tested is signing the Agadir Agreement will lead to a greater growth rate of trade volume. However, the results are not as expected. First there is a negative and weak correlation with commercial institution membership at  $-.077$  and the correlation is not significant with a *p-value* of  $.176$ . This trend of negative correlations which are not significant resembles the relationship growth rate of trade volume has with a large number of control variables. This means that there is no interaction between these sets of variables. This is interpreted as the act of signing the Agadir Agreement did not lead to greater growth rate of trade volume as implied in CIP theory. On the contrary, as presented earlier in this chapter signing the Agadir Agreement corresponded with a negative growth rate of trade volume. These results expose the risk of considering only trade volume in these types of analysis as this variable does not take into account the concept of time. Nevertheless, one should not dismiss other political economy factors that might explain why growth rate of trade volume has been negative since the Agadir Agreement was signed. These factors are discussed in the conclusion of this chapter.

Some other interactions between variables are worth highlighting here. One is the interaction between the dependent variables: trade volume, trade dependence and growth rate of trade volume and the control variable corruption. Clearly there is a negative correlation in the three sets of interactions at  $-.196^{**}$ ,  $-.346^{**}$  and  $-.054$  in succession. Whilst the first two correlations are significant with a *p-value* of  $.003$  and  $.000$ , the third interaction is insignificant with a *p-value* of  $.412$ . These results are thought-provoking. First, they demonstrate that corruption interacts with both trade volume and trade dependence. Second, those interactions are significantly negative, meaning low values in one variable are related to high values in another (Altman, 2012). One interpretation is that corruption has a negative impact on trade volume reinforcing this research project's assumption that trade flourishes between more transparent and less corrupted administrative systems. This observation, however, is worthy of future research.

The results that openness of the market has a negative and insignificant correlation with trade volume and a negative and significant correlation with trade dependence is unanticipated. The openness of the market variable embodies the extent to which Agadir States have managed to remove trade barriers such as transport cost, tariffs, subsidies taxes and non-tariffs barriers. Considering the relationship between the first set of variables (openness of the market – trade volume) shows that they are negatively correlated at the value of -.038 and more importantly that their negative correlation is insignificant with a *p-value* of .496. This means that the two variables do not interact with each other. The second set of variables (openness of the market – trade dependence) demonstrates that they are negatively correlated at the value of -.328\*\* and that this correlation is significant with a *p-value* of .000. This means that low values in one variable are related to high values in another. These results do not run parallel with the claim advocated by CIP theory that the fewer tariff and non-tariff barriers there are, the easier to trade. This calls into debate the whole liberal claim that economic integration is indistinguishable from trade liberalization (Balassa, 2013; Kant, 1795; Friedman 2005; Röpke, 1959; Smith 1776) and highlights that dependence between states can take place despite trade restrictions.

Considering the relationship between trade volume and trade dependence on one hand and contiguity on the other, the result initially looks puzzling. The data suggests a positive correlation at .410\*\* and .601\*\* respectively with a significant *p-value* of .000 indicating that both set of variables interacted in a positive and significant way which implies that distance positively impacted on trade volume and trade dependence between Agadir member states. This seems counterintuitive because the Agadir member states do not share borders and are not in close proximity with one another and distance ought to hinder the transportation of goods and increase costs (Farahani et al., 2009). The significant positive correlation between trade volume, trade dependence and contiguity suggests that in a globalizing world, characterised by intense forms of connectivity and flows across world-time and world-space (Steger, 2003), distance matters less and less. Another interpretation is that the four Agadir member states have access to open waters, which is advantageous to intra-regional trade. The

fact that Agadir member states have capitalized on their marine transportation access by building world class ports such as Tanger-Med in Morocco, could explain the positive correlation between distance on one hand and trade volume and trade dependence on the other. The third possible interpretation suggests that despite the absence of shared land borders, Morocco, Tunisia and Egypt share the Mediterranean Sea and those three countries have access to the Red Sea with Jordan via the Suez Canal. As a consequence of these factors the distance between the Agadir states remains relatively small in terms of international trade, if their distance is compared with China or North America. Nevertheless, this correlation remains somewhat puzzling and future research considering transportation infrastructure from factories to terminals to distribution centers to markets, is required to better understand the relationship between trade volume, trade dependence and contiguity.

## Conclusion

The Agadir Agreement is the last multinational FTA signed in the MENA after a long history of treaties aiming to foster intra-regional economic integration and political cooperation. Morocco, Tunisia, Egypt and Jordan have hoped – via the Agreement – to create a free trade zone where they can liberalise commercial exchanges and strengthen their economic integration. Concentrating intra-regional trade between four states, it was anticipated that a dynamic ‘spill-over’ process would emerge that not only would deepen their economic integration process but also promote political cooperation between them.

From the above analysis, it can be argued that there is a positive and significant correlation between signing the Agadir Agreement and the increase in trade volume and trade dependence between member states. Intra-Agadir trade flows have expanded since the agreement came into force. Figures recorded after 2007 show exports and imports doubled, tripled or even quadrupled in some cases. The bivariate Pearson multi-variable correlation test demonstrates a number of positive and significant correlations between independent, dependent and control variables suggesting that these interact with each other. The initial results do in a way approve the first hypothesis of this thesis that founding the commercial

institution, the Agadir Agreement, promotes trade between Agadir member states which deepens their economic integration and interdependence.

It was tempting to stop at this point and conclude that yes, commercial institutions have a positive and significant impact on the economic integration process of Agadir member states and, in a way, endorse the eminent arguments within liberalism that promote trade liberalisation and the establishment of commercial institutions such as the Agadir Agreement; however, it is argued, that this conclusion would have been short-sighted because of several factors. First, it is argued that trade volume, a variable widely used in the liberal literature as a measure of economic integration, does not account for time which can result in false correlations. This means that a percentage of trade volume could be attributed to time rather than to the Agadir Agreement. This is more evident when the trade volume of Agadir member states is compared with their overall world trade and GAFTA trade. It was made clear that intra-Agadir trade grew slower than Agadir member states' world and GAFTA trade. It is also more evident when considering growth rate of trade volume. This dependent variable, which takes into account time, demonstrated a negative and insignificant correlation with independent and control variables alike. This is interpreted as the fact that signing the Agadir Agreement did not lead to greater growth rate of trade volume as advocated by CIP theory.

Second, to conclude that the Agadir Agreement has reached its aims or has had a major impact on the economic integration process between Agadir member states is unrealistic. First, the result for each Agadir member state has been relative. There are several factors that could explain this relativity. For Egypt, the size of its GDP compared to the other states could explain how it has managed to expand its exports and imports further. Jordan's proximity to Egypt could explain why Egypt became its main partner within the Agadir Agreement. Tunisia and Morocco share languages (Arabic-French speaking), and belong to the Maghreb Union which could explain their higher trade with each other.

Third, despite the fact that trade volume has increased between Agadir member states, it continues to be extremely low overall in the context of international trade. Agadir's exports of 2 per cent and imports of 1 per cent remain low compared to their worldwide exports of 98

per cent and imports of 99 per cent in 2016. This answers one of the research questions that the Agadir Agreement does not differ much in terms of its outcome from previous economic integration attempts in the MENA. This reflects the characteristics of the MENA intra-regional trade compared to worldwide trade or other regions' trade patterns. It is important to notice here that though many political and economic agreements have been signed between the MENA states since WWII, little has been achieved in fostering regional integration. One could argue that the agreements signed including the Agadir Agreement are no more than declarations of intent on the part of the participating signatories. While there is a high degree of integration on paper, they lack the binding and comprehensive conditions and mechanisms that characterise agreements of other economic regional blocs. Other reasons could be because of the political economy situation in the MENA including the instability of the whole region (e.g. the Arab Spring), which could explain why, the structure of the international markets that link the economies of individual Agadir member states with other major economies (e.g. EU, USA) and with emerging economies (e.g. China, India, Turkey) than with each other. These points merit further study.

The methodology pursued in this chapter analysed one independent variable, commercial institution membership (the Agadir Agreement), and three dependent variables, trade volume, trade dependence and growth rate of trade volume. Considering the first two dependent variables, this methodology proves a positive and significant correlation between signing the Agadir Agreement and the increase in trade volume and interdependence. This, to a certain extent, supports the CIP theory's viewpoint that, in an increasingly interdependent world, institutions are relevant and that economic integration is indistinguishable from trade liberalisation. Nonetheless, the third dependent variable did not support this view. This positive and negative dichotomy leans further to the negative side when one considers the long history of economic attempts, predating the UN and the EU, to integrate the economies of the MENA states. It is clear that liberal theories have by far had limited results to achieve economic integration in the MENA. This is demonstrated by the insignificance of intra-Agadir trade when comparing their worldwide trade with other economic regions' trade and the

inability of Agadir to attract other members from the MENA to join in. These realities cause doubt concerning the validity of liberal theories as far as the political economy of integration in the MENA context. This calls for, one would argue, a new IPE/IR theory that embraces and emphasises distinctive regional characteristics to promote economic integration of the MENA.

# **An Assessment of the Impact of the Agadir Agreement on Political Cooperation and Peace**

## **Introduction**

As discussed in chapter one, divisions among the MENA states have hindered the coordination of foreign, political and economic policies. Some divisions have arisen due to different states adopting contrasting ideologies since their independence in the mid-twentieth century (Brock, 2012; Cammett et al., 2015; Ehtesham, 2007; Podeh, 1999; Rodriguez, 2011). Whilst some



states were revisionist, somewhat socialist and Soviet-leaning (such as Algeria, Iraq, Libya, Syria), others fell within the more conservative, status quo and Western-leaning camp (including Bahrain, Jordan, Kuwait, Morocco, Saudi Arabia, and the UAE). Regional conflicts and a lack of trust deepened the differences between the MENA states. Most states have had territorial or border disputes following independence. For example, the border between Algeria and Morocco remains closed since 1994 as a result of concerns about cross-border clandestine activities as well as differing policies vis-à-vis the enduring Sahara Conflict (Ghiles, 2010; Hamaizia, 2015; Oueslati and Brini, 2013).

For much of the Cold War era the region was starkly divided between those in the pro-West camp and those in the Soviet camp, as well as rivalry over regional leadership between Egypt, Iraq, Saudi Arabia and Iran in the Middle East and Algeria and Morocco in North Africa. Historically, hostilities between traditional monarchies (Saudi Arabia, Jordan and Morocco) and new republics or "revolutionary" states (Algeria, Egypt, Libya and Iraq) have been severe. Hassan II in his book *La Mémoire D'un Roi* narrated that several attempts to assassinate him were ordered by Colonel Gaddafi (Hassan, 1993). The political divisions between the MENA states became indistinct during the first and second Iraq Wars with some supporting the war, some opposing it and others standing on the side-lines (Gause, 2013). With this background in mind, one question to ask that is relevant to this research project is: has the Agadir Agreement as a commercial institution had any impact on political cooperation between its member states?

Whilst several studies have sought to analyse the effectiveness of commercial institutions in terms of their impact on economic development (Rouis and Tabor, 2013; Hakimian and Nugent, 2005), they have largely ignored analysing the impact commercial institutions have had on political cooperation and peace especially in the MENA. This chapter goes beyond the economic impact, investigated in chapter four, to investigate the Agadir Agreement's impact on political cooperation and peace; hence, adopting a holistic political economy approach in the study of the Agadir Area. By using a mixed-method approach and

CIP theory, this thesis explores the impact of the Agadir Agreement on political cooperation and peace between member states.

The chapter specifically targets the second hypothesis of this thesis that coming together in a commercial institution deepens the economic integration process and interdependence which promotes political cooperation and fosters peace between member states. To examine this hypothesis, model two (equation 6) was developed to tackle three stages of analysis (detailed in chapter two). The first stage explores the relationship between Agadir member states' trade volume, trade dependence and growth rate of trade volume (independent variable) and negative peace represented by the absence of militarised interstate disputes (MIDs) (dependent variable). The second stage explores the relationship between Agadir member states' trade volume, trade dependence and growth rate of trade volume and positive peace represented by the HDI (dependent variable). The third stage examines the relationship between the commercial institution, the Agadir Agreement, and political cooperation represented by Agadir member states joint military operations, UN peacekeeping operations and intra-FDI. Several assumptions are tested in this chapter: the higher the trade volume, the larger the growth rate of trade volume and the more trade dependent Agadir member states are, the lower their MIDs and the higher their HDI, joint military operations, UN peacekeeping missions and intra-FDI flow are. Another assumption is that cooperation could emerge in a non-political context (Haas, 1958)

### ***Equation 6: Model Two Variables***

$\beta_1$  Militarised Interstate Disputes (1<sup>st</sup> D.V) +  $\beta_2$  HDI (2<sup>nd</sup> D.V) +  $\beta_3$  Growth Rate of HDI (3<sup>rd</sup> D.V) +  $\beta_4$  Joint Military Operations (4<sup>th</sup> D.V) +  $\beta_5$  UN Peacekeeping Operations (5<sup>th</sup> D.V) +  $\beta_6$  FDI Inflows (6<sup>th</sup> D.V) =  $\beta_7$  Trade Volume (I.V) +  $\beta_8$  Growth Rate of Trade Volume (I.V) +  $\beta_9$  Trade Dependence (I.V) +  $\beta_{10}$  Commercial Institution (I.V) +  $\{\beta_{11}$  Regime Type +  $\beta_{12}$  Military Capabilities +  $\beta_{13}$  Military Alliances +  $\beta_{14}$  State fragility +  $\beta_{15}$  Cultural Affinity +  $\beta_{16}$  Contiguity $\}$ .

As with chapter four, chapter five not only attempts to prove or disapprove this research project's second hypothesis, but it also attempts to explain the extent to which

commercial institutional peace is applicable to the Global South generally and to specific states from the MENA. To do so, empirical data is collected and analysed, using, first, comparative analysis to conduct an item-by-item comparison of two or more comparable alternatives to detect any emerging trends vis-à-vis the data collected and second, using a bivariate Pearson multi-variable correlation analysis using SPSS software as a Generalised Linear Modelling (detailed in chapter two). The purpose of this analysis is to calculate the level of correlation between variables rating it positive/negative and significant/insignificant and, hence, interpret interactions between variables using post-hoc tests. This approach allows us to test the relationship between dependent, independent and control variables and assert the probability of correlation between these variables. Relationships between variables which may not have previously been examined are explored (e.g. commercial institution, HDI and UN peacekeeping operations). Each variable is constituted of a dataset. This dataset contains scores for each dyad on a scale depending on the variable as outlined in chapter two, though, in terms of the categorisation, much of the original data is retained when possible. There are exceptions such as commercial institution membership (not signed/signed/implemented) where there is no scale or if not enough data is available. The findings from using SPSS analysis are discussed under the Findings and Discussion section later in this chapter.

The research project adopts a positivist method of analysing changes in political behaviour between Agadir member states, and comparing their political behaviour. The unit of analysis is the dyad-year of a 27-year period from 1990 to 2016. This analysis is performed against the background of CIP theory (explained in detail in chapter two). The purpose of this analysis is to determine how variables compare and correlate with each other in order to assess whether there is an interaction and an impact between the Agadir Agreement and the political behaviour of Agadir member states.

### The Agadir Agreement's Impact on Political Cooperation and Peace

CIP theorists argue that international institutions, especially preferential trade arrangements, “help reduce the incidence of militarized inter-state conflict” (Bearce, 2003, p. 347) and that “higher levels of free trade [...] reduce military conflict between states” (McDonald, 2004, p.

547). Therefore, CIP theory argues that commercial institutions promote peace between states (Oneal, J.R. and Russett, 1999; Bearce, 2003) (discussed in detail in chapter two). To justify their argument, first, they reason that commercial institutions increase economic interdependence between trading partners. As a consequence, the benefits from future commerce exceeds those of a costly war and; hence, state leaders have an incentive to consider peaceful bargains, a win-win situation, as an alternative to costly war, a zero-sum game (Bearce and Omori, 2005). Second, coming together to cooperate under a commercial institution, states become aware of each other's military capabilities, and thus become more efficient in resolving disputes. Third, commercial institutions bring state leaders together on a regular basis and hence increase their trust level to overcome intra-state disputes and enhance their cooperation (Bearce, 2003). Therefore, political cooperation could emerge in a non-political context such as a commercial one (Haas, 1958). In this context, the signing of the Agadir Agreement would lead to increased political cooperation and greater potential for peace and stability between Agadir member states.

To evaluate the Agadir Agreement's impact on political cooperation and peace between participating states, data on militarised interstate disputes, military capabilities and joint military operations, military alliances, human development index, UN peacekeeping operations, and state fragility were analysed for each member state between 1990 and 2016. To reiterate from chapter two, peace is a difficult concept to define, and no less to quantify and measure. Hence, peace in this thesis is defined and analysed in three dimensions: first, peace as the absence of MIDs (negative peace), second, peace as the presence of conditions for political equality and social and economic justice (positive peace) and third peace as the result of increased political cooperation embodied, in this thesis, in Agadir member states' joint military operations, UN peacekeeping operations, and intra-FDI inflow (explained in detail in chapter two).

MIDs variable is the first dependent variable to be tested. The purpose of this variable is to measure negative peace as defined by Galtung (1996): an absence of war or direct physical violence. The question this variable tests is: does the Agadir Agreement promote peace

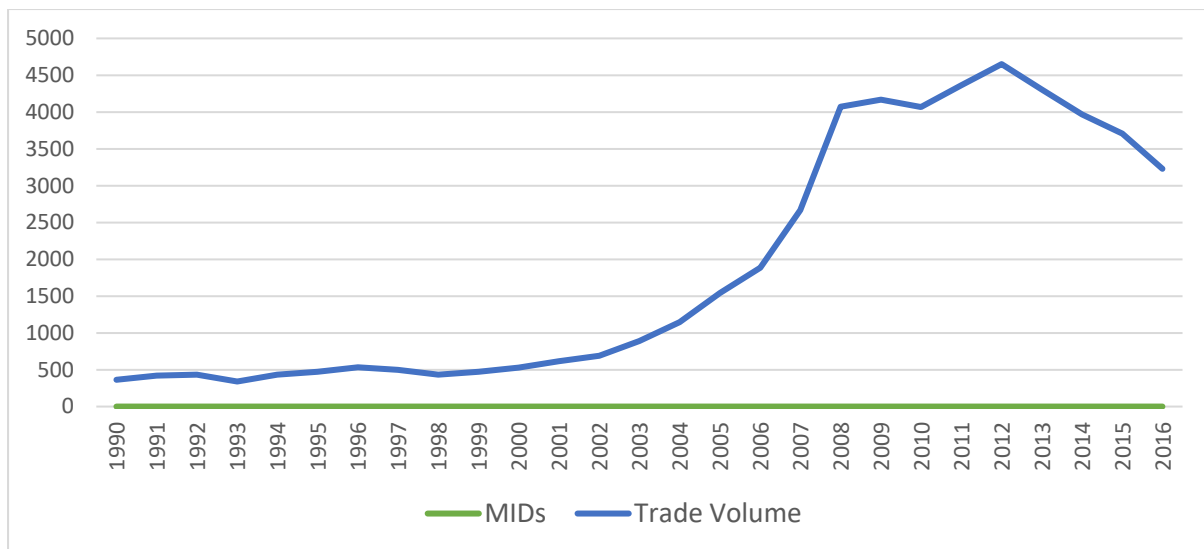
through reducing the probability of armed conflict? In most CIP theory literature, the MID variable has been used to measure the success of the relationship between commercial institutions and peace (Bearce, 2003; McDonald, 2004; Aydin, 2010; Goldsmit, 2013; El-Anis, 2016). Hence, MIDs are used in this research project to measure any conflicts that occurred between Agadir member states between 1990 and 2016. There are two purposes for doing so. First to examine if such a relationship exists in the context of Agadir member states. Second, to test whether the MID variable is the best way to measure the relationship between commercial institutions and peace as far as the Agadir Agreement is concerned.

Figure 61 clearly demonstrates the difficulty of analysing the relationship between the independent variable trade volume and the dependent variable MIDs in the Agadir Agreement context. The difficulty, which also applies to other independent variables, emerges simply because there are no recorded incidents of war or direct physical violence between Agadir member states in the 27 years analysed. Figure 61 shows that trade volume began to increase since the Agreement was signed in 2004 and gained more momentum since Agadir came into force in 2007<sup>84</sup> (explained in detail in chapter four), however, there was no change in MIDs. These remained naught. Even though one can utter that there has not been any incident of war or direct physical violence since the Agadir Agreement was signed and claim that the Agadir Agreement has reinforced this situation, this statement remained economically unsubstantiated as we are testing a variable (MIDs) which is naught in value.

***Figure 61: MIDs vs. Trade Volume between Agadir Member States***

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<sup>84</sup> Here attention needs to be paid to false correlation that could result by considering trade volume. The false correlation could be the result of time (explained in detail in chapter four).



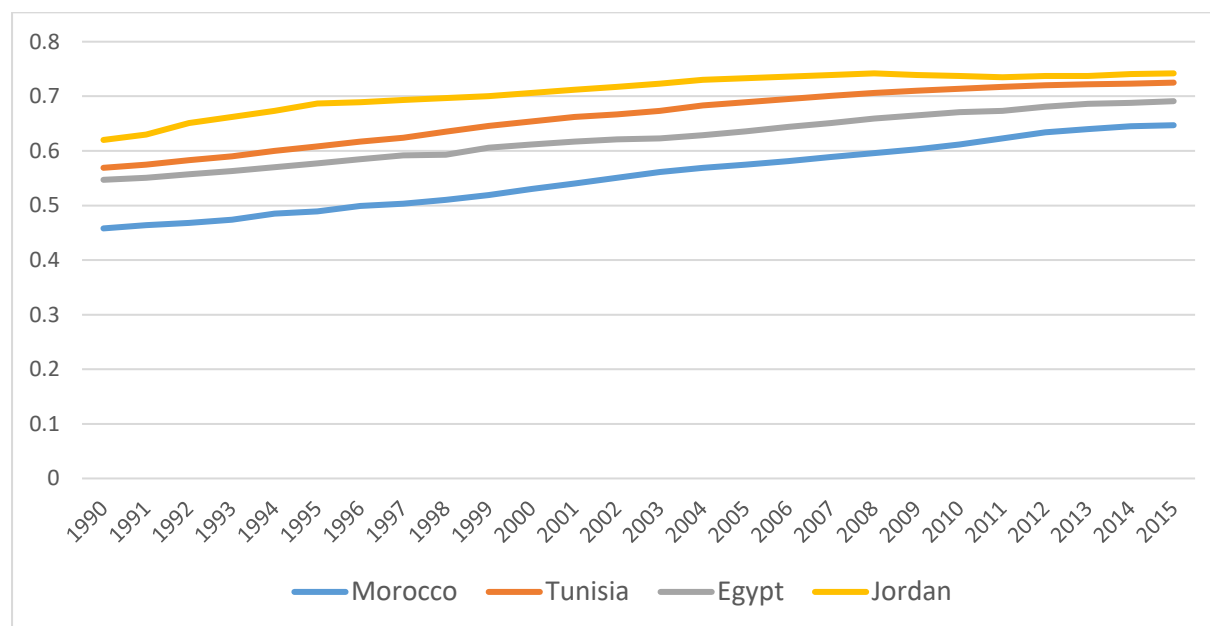
Source: Correlates of War Project and IMF Database.

The invalidity of MIDs in the Agadir Agreement context encourages us to consider other variables to test the interaction between commercial institutions and peace. The HDI variable is the second dependent variable to be tested in this stage. The purpose of using this variable is to measure positive peace defined by Galtung (1996) as the presence of conditions for political equality and social and economic justice. The assumption tested here is that increased trade between Agadir member states will improve their domestic socio-economic conditions, which will eventually diminish conditions for political inequalities and social and economic injustice, considered causes of instability and war (Nafziger and Auvinen, 2002). HDI “integrates three basic dimensions of human development. Life expectancy at birth reflects the ability to lead a long and healthy life. Mean years of schooling and expected years of schooling reflect the ability to acquire knowledge. And gross national income per capita reflects the ability to achieve a decent standard of living” (UN., 2016, p. 3). Accordingly, an HDI encompassing life expectancy, education, and per capita income in Agadir member states, is used to measure Agadir member states’ levels of social and economic development and in so doing analyse positive peace.

Figure 62 explains the development of HDI of Agadir member states. In 2016, two of the four Agadir member states (Jordan ranked at 86 and Tunisia at 97) were positioned in the high human development category and the other two others (Egypt ranked 111 and Morocco

ranked 123) were positioned in the medium human development category (UN., 2016).<sup>85</sup> Comparing growth rate of HDI in 1990 and 2016, Morocco tops the list with an increase of 41 per cent from 0.458 to 0.647, followed by Tunisia with an increase of 27 per cent from 0.569 to 0.725, followed by Egypt with an increase of 26 per cent from 0.547 to 0.691 and then Jordan with an increase of 20 per cent from 0.62 to 0.742.

**Figure 62: The HDI Index of Agadir Member States**



Source: The United Nations HDI Reports.

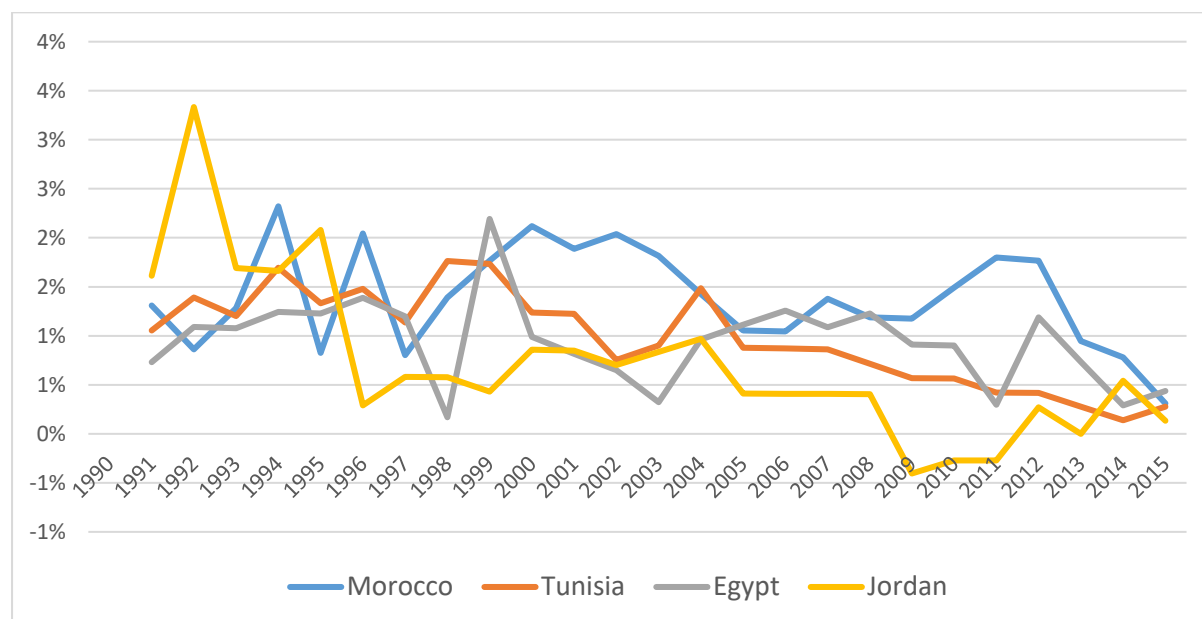
Considering figure 62, it is clear that the four Agadir member states' HDI continued to improve since the Agadir Agreement was signed in 2004. Whilst it is possible that the Agadir Agreement contributed to this progress, it is nonetheless, observed that development in HDI predated the Agadir Agreement. Therefore, solely to attribute the improvement in the HDI to the Agadir Agreement would be overstated. Hence, the necessity to consider another variable (growth rate of HDI) becomes pertinent.

Figure 63 unravels unexpected results. Overall growth rate of HDI has been decreasing since the Agadir Agreement was signed in 2004. On one hand, whilst both Morocco and Egypt's growth rate of HDI initially increased, it began to decrease since 2008 for Egypt and

<sup>85</sup> According to the UN, there are four HDI categories. These are (1) very high human development, (2) high human development, (3) medium human development and (4) low human development

since 2012 for Morocco. On the other hand, Jordan and Tunisia experienced a noticeable decrease in the growth rate of their HDI since 2004 until 2009 for Jordan and since 2004 until 2014 for Tunisia. The main observation from figure 63 is that none of the Agadir member states have reached growth rate of HDI values similar to those recorded prior to the Agadir Agreement.

**Figure 63: Growth Rate of HDI of Agadir Member States**



Source: The United Nations HDI Reports.

Political cooperation is the third variable to be analysed to test the interaction between the Agadir Agreement as a commercial institution and peace. First, it is important to acknowledge that political cooperation is not a term but rather a concept and hence, it is not easy to define. In this research project, political cooperation adopts two definitions. First, as states working together to achieve a common goal (Whittemore, 2017). Second, as a process “when actors adjust their behaviour to the actual and anticipated preferences of others, through a policy coordination” (Keohane, 1984, p. 51-52). Whilst political cooperation encompasses several areas such as military operations, military alliances, economic activities, treaties, foreign affairs, international humanitarian aid, migration and immigration, this thesis will consider joint military operations, UN peacekeeping operations and intra-Agadir FDI as three examples to represent political cooperation. The purpose of using these variables

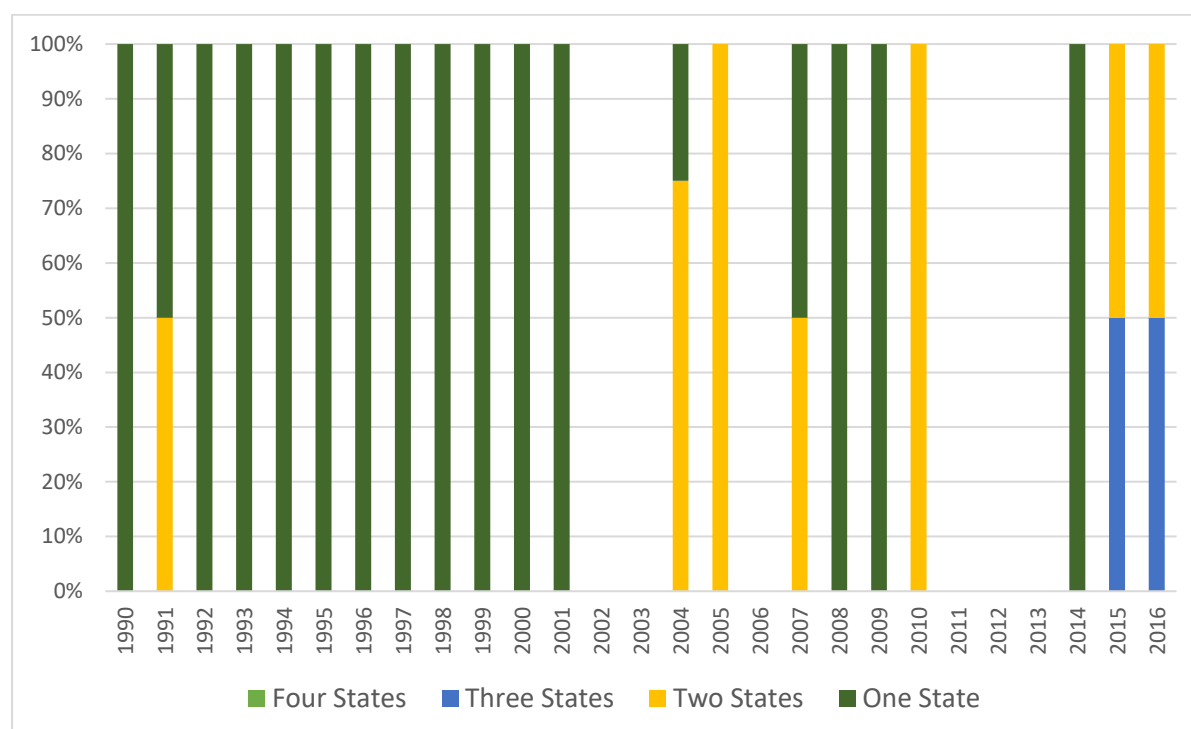


is to measure political cooperation and policy coordination defined as an increase in joint military operations, an increase in UN peacekeeping operations and an increase in intra-Agadir FDI. The assumption tested here is that joining together in a commercial institution would encourage participating states to cooperate militarily, to coordinate their international policies, and to trust to invest in each other's economy.

The third variable to be tested is joint military operations. As explained in chapter two under methodology, the purpose of using this variable is to measure if the Agadir Agreement has had an impact on political behaviour between Agadir member states in the military sphere. The assumption tested here is that joining together in a commercial institution increases trust levels which subsequently enhances states' military policy coordination. Data on joint military operations was collected from the Uppsala Conflict Data Program (UCDP) (Högbladh, Pettersson, and Themnér, 2011) and from Agadir member states' Ministries of Defence and Ministries of Foreign Affairs. Data about each Agadir member state's participation was grouped into four categories: the first category is where each Agadir member state joined a military operation without the participation of other Agadir member states. The second category is where two Agadir member states joined a military operation. The third category is where three member states joined the same military operation and the fourth category is where all Agadir member states joined the same military operation.

Figure 64 demonstrates that individual Agadir member states have a history of taking part in joint military operations in several regions in the world. One important observation is that with the exclusion of the Iraq War at the beginning of the 1990s, in which both Morocco and Egypt supported the government of Kuwait with troops as secondary warring parties against Iraq, all Agadir member states took part in different military operations not involving each other, but with other states. Figure 64 shows that this trend carried on until the early 2000s. In fact, the change is noticeable from 2004 onward. Since then, the number of joint military operations involving two or three states increased. Nevertheless, no military join operations involving all Agadir member states occurred during the period studied.

**Figure 64: Joint Military Operations Conducted by Agadir Member States**

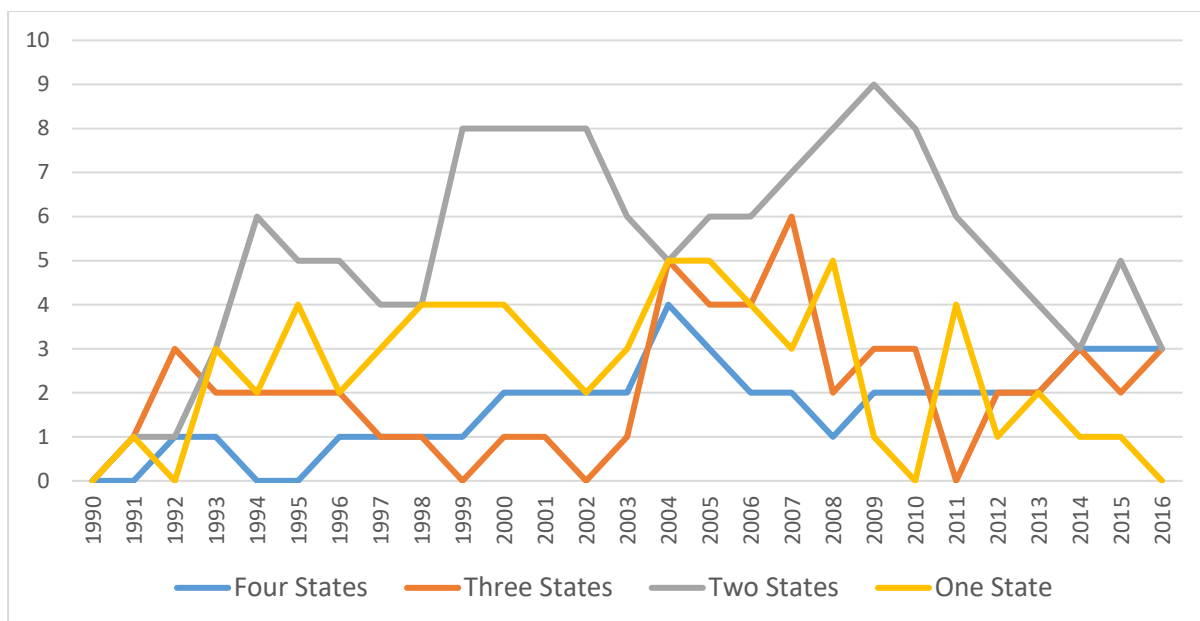


Source: Agadir's Ministries of Defence, Ministries of Foreign Affairs and NATO.

The fourth variable to be tested is the UN peacekeeping operations. As explained in chapter two under methodology, this variable tests the extent to which Agadir member states have coordinated their international policies. The assumption tested is that the greater the number of UN peacekeeping operations Agadir member states have taken together, the more successful the Agadir Agreement has been in changing their political behaviour and fostering their intra-military cooperation. The data for this variable was obtained from two sources: (1) Stockholm International Peace Research Institute (SIPRI) and from (2) the UN Peace Keeping section. Data about each Agadir member state's participation is grouped into four categories: the first category is where one of the Agadir member state made one contribution. The second category is where two member states contributed in the same UN peacekeeping operation. The third category is where three member states contributed in the same UN Peace Keeping Operation and the fourth category is where all Agadir member states contributed in the same UN peacekeeping operation.

Figure 65 demonstrates several points. Number one is that individual Agadir member states have been active participants in UN peacekeeping missions covering the whole period studied in this research project and that they have more or less participated in most of the ongoing UN peacekeeping operations at the time. This, first, provides insight to the political behaviour of these states as countries which are active in promoting peace worldwide by deploying their troops and police to address a range of mandates set by the UN Security Council and General Assembly. This finding, indeed, negates the predominant international relations literature that clearly does not refer to the positive actions involving these MENA states and tends to refer to these states and their region only in terms of war, conflict, instability and extremism. Number two, considering when the Agadir Agreement was signed, it is observable that the number of UN peacekeeping missions involving only one Agadir state decreased whilst UN peacekeeping missions involving three or four Agadir member states increased post-2004 compared to the pre-2004 period. Missions involving two states did not alter very much.

***Figure 65: Volume of Joint UN Peace Keeping Operations Conducted by Agadir Member States***



Source: Stockholm International Peace Research Institute (SIPRI) and the UN Peace Keeping.

The fifth variable to be tested is FDI inflows between Agadir member states. Similar to the previous two variables, FDI inflows tests the extent to which the Agadir Agreement has had an impact on political behaviour and policy coordination and cooperation between Agadir member states. It specifically aspires to find out whether Morocco, Tunisia, Egypt and Jordan have invested in each other's economies more as a result of them coming together under one commercial institution. The assumption tested is that the higher intra-Agadir FDI flow is, the more trustful are Agadir member states to invest in each other's economies. Data on FDI inflows was collected from the UN Conference on Trade and Development.<sup>86</sup> Flow of FDI between member states was added to create an intra-Agadir FDI inflow volume to be analysed.

Figures 66, 67 and 68 demonstrate two important points. The first one is that intra-Agadir FDI flow is very low overall compared to international FDI flows. The second point is the curve of the FDI inflow between Agadir member states aggregated at the beginning of 2004, the year the Agadir Agreement was signed, before it decreased at the beginning of 2005, to increase again in 2007, the year the Agadir Agreement was implemented, to reach a record high of more than \$250 million in 2009, but to decrease since then.

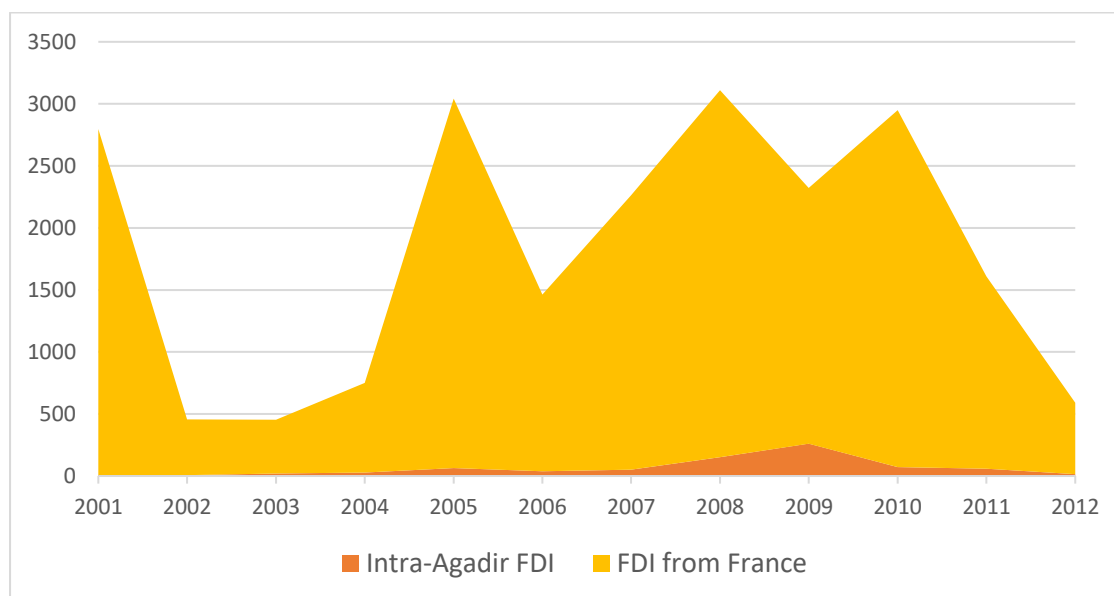
<sup>86</sup> Only data from 2001 to 2012 was available. Efforts were made to obtain more data covering the period under study (1990 -2016) from other sources such as the Arab Monetary Fund, The World Bank, IMF, Ministries of Finances in respected countries, but in vain. This data was not available.

**Figure 66: Volume of Intra-Agadir FDI Inflow in Millions of US dollars**



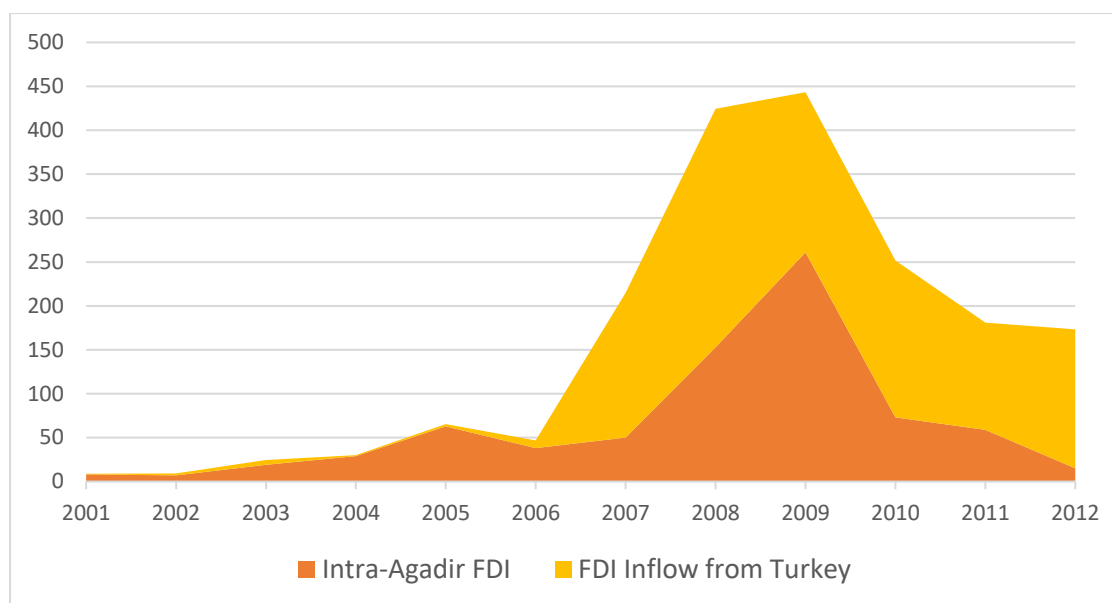
Source: IMF database.

**Figure 67: Intra-Agadir FDI inflow Compared to Agadir FDI Inflow from France**



Source: IMF database.

**Figure 68: Intra-Agadir FDI Inflow Compared to FDI Inflow from Turkey**



Source: IMF database.

In addition to the comparative analysis above and as detailed in chapter two, a second method is used in this chapter that also entails the collection of empirical data related to a set of variables (equation 7). These variables are analysed using a bivariate Pearson multi-variable correlation analysis using SPSS. The purpose of this analysis is to calculate the level of correlation between variables rating it positive/negative and significant/insignificant and hence, interpret interactions between variables using post-hoc tests. This approach allows us to test the relationship between dependent, independent and control variables and assert the probability of correlation between these variables. The findings from using SPSS analysis (Table 22) are discussed under the Findings and Discussion section later in this chapter. The ultimate purpose of this analysis is to prove or disprove the second hypothesis: ‘in joining a commercial institution, participating member states deepen their economic integration process and interdependence, which promotes their political cooperation and foster peace between them’. To do that, six dependent variables are tested. These are: militarised interstate disputes, HDI, growth rate of HDI, joint military operations, UN peacekeeping operations and FDI Inflows. There are four independent variables: trade volume, growth rate of trade volume, trade dependence and commercial institution plus six control variables.

### ***Equation 7: Model Two Variables***

$\beta_1$  Militarised Interstate Disputes (1<sup>st</sup> D.V) +  $\beta_2$  HDI (2<sup>nd</sup> D.V) +  $\beta_3$  Growth Rate of HDI (3<sup>rd</sup> D.V) +  $\beta_4$  Joint Military Operations (4<sup>th</sup> D.V) +  $\beta_5$  UN Peacekeeping Operations (5<sup>th</sup> D.V) +  $\beta_6$  FDI Inflows (6<sup>th</sup> D.V) =  $\beta_7$  Trade Volume (I.V) +  $\beta_8$  Growth Rate of Trade Volume (I.V) +  $\beta_9$  Trade Dependence (I.V) +  $\beta_{10}$  Commercial Institution (I.V) +  $\{\beta_{11}$  Regime Type +  $\beta_{12}$  Military Capabilities +  $\beta_{13}$  Military Alliances +  $\beta_{14}$  State fragility +  $\beta_{15}$  Cultural Affinity+  $\beta_{16}$  Contiguity $\}$ .

**Table 22: SPSS Correlations Political Analysis Results Using a Bivariate Pearson 2-Tailed Analysis**

Variables	Statistics	Trade_Volume	Dependence	Growth_Rate_Trade_Volume	Commercial_Institution	Regime_Type	Military_Capabilities	Military_Alliances	State_Fragility	Cultural_Affinity	Contiguity
MID	Pearson Correlation	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>	. <sup>a</sup>
	Sig. (2-tailed)	.	.	.	.	.	.	.	.	.	.
	N	324	324	312	324	324	276	324	132	324	324
HDI	Pearson Correlation	.302**	.289**	-.168**	.548**	.692**	-.293**	. <sup>a</sup>	-.191*	.000	.173**
	Sig. (2-tailed)	.000	.000	.003	.000	.000	.000	.	.037	1.000	.002
	N	312	312	300	312	312	276	312	120	312	312
Growth_Rate_HDI	Pearson Correlation	-.262**	-.233**	.079	-.468**	-.355**	.018	. <sup>a</sup>	.131	.000	-.127*
	Sig. (2-tailed)	.000	.000	.174	.000	.000	.769	.	.153	1.000	.028
	N	300	300	300	300	300	264	300	120	300	300
Military_Joint_Operations	Pearson Correlation	.127*	.186**	.126*	.170**	-.019	.065	. <sup>a</sup>	.068	.075	.209**
	Sig. (2-tailed)	.023	.001	.026	.002	.728	.280	.	.438	.181	.000
	N	324	324	312	324	324	276	324	132	324	324
UN_Peacekeeping_Operations	Pearson Correlation	.500**	.526**	-.070	.391**	.213**	.144*	. <sup>a</sup>	.271**	.316**	.656**
	Sig. (2-tailed)	.000	.000	.218	.000	.000	.017	.	.002	.000	.000
	N	324	324	312	324	324	276	324	132	324	324
FDI_Inflows	Pearson Correlation	.485**	.430**	.109	.198	.157	.196	. <sup>a</sup>	.238	.155	.320*
	Sig. (2-tailed)	.000	.001	.402	.127	.227	.129	.	.133	.234	.012
	N	61	61	61	61	61	61	61	41	61	61



## Results and Discussion

Linking peace to MIDs, defined as the absence of militarized interstate disputes or direct physical violence as advocated by CIP theory, is at best limiting and at worst economically invalidated. In the context of the Agadir Agreement, this relationship is not economically substantiated since the value of MIDs is naught between Agadir member states and hence, to prove the interaction of this variable with other variables is economically unfounded. First, this situation supports the arguments of this thesis that CPI theory's principles are not universal and in some cases the relationship between MIDs and trade is simply not applicable as is the case for the Agadir Agreement. Second, it proves that peace as a concept is indeed difficult to define. Whilst it is comprehensible to understand peace as the absence of militarized interstate disputes or direct physical violence, it is, nevertheless, a narrow definition since it negates other comprehensive meanings of peace: i.e. peace as the presence of conditions for political equality and social and economic justice as the result of an increased active cooperation.

Linking peace to HDI to test positive peace, defined as the presence of conditions for political equality and social and economic justice, unravelled unexpected results. Whilst it is true that all Agadir member states have succeeded in increasing the value of their HDI 41 per cent, 27 per cent, 26 per cent and 20 per cent for Morocco, Tunisia, Egypt and Jordan, respectively, between 1990 and 2015, considering the growth rate of their trade volume, it is rather surprising to notice that the trend of Agadir member states' growth rate of HDI decreased compared to the pre-2004 period. Whereas it is comprehensible and possible to argue that this observation could be related to other political economy factors, it demonstrates that the correlation between the Agadir Agreement and HDI is weak. This result contradicts CIP theory at least as far as the Agadir Agreement is concerned. Both argue that commercial institutions promote prosperity and mutual gains among nations through greater interdependence (Baylis et al., 2013; Keohane, 1984; Locke, 1964) and both argue that increased international trade improves the quality of life of citizens as a consequence of faster

growth and greater levels of wealth (Feenstra, 2008; Griswold, 2004). As a result, individual political freedom, liberty and democracy are promoted within society by creating an economically independent and politically aware middle class (Boix, 2003) who aspire to seize political economy decision-making from the hands of a small number of governmental actors and place it in the hands of a variety of stakeholders and actors (El-Anis, 2010). Analysing the growth rate of HDI of Agadir member states questions the before-mentioned liberal assumptions. A reduction in the growth rate of HDI within the Agadir Agreement contrasts the liberal view that free trade promotes the welfare of citizens.

Although it is comprehensible to think that other factors could be the cause behind Agadir member states participating in the same UN peacekeeping operations and joining joint military operations, it is nevertheless, argued that coming together in a commercial institution could provide an insight to explain the political behaviour of Agadir member states vis-à-vis their decisions to send their national troops and police to coordinate joint UN peacekeeping operations internationally and fight on behalf of other governments. Here it is argued that signing the Agadir Agreement has promoted trust between participating member states which has affected their political behaviour. On the one hand, sharing similar commercial goals is argued to explain why three or four Agadir member states are joining the same UN peacekeeping mission and why two or three Agadir member states are fighting side by side in international wars and conflicts. On the other hand, in coming to work together under one command whether to coordinate peace missions or fight wars, Agadir troops and police learn to trust each other. This is argued to foster further peace between participating states. This merits further research.

Alongside Agadir member states' UN peacekeeping operations and joint military operations, it is worth considering formal alliances between Agadir member states. Table 23 shows that all Agadir member states entered into two types of formal alliance before the Agadir Agreement was signed. These are non-aggression and entente pacts. Non-aggression assures its signatories to not use or otherwise support the use of force against the other alliance

members. Entente compels its members to consult in times of crisis or armed attack (Gibler, 2009). Whilst it can be affirmed that the Agadir Agreement has reinforced the status quo via increasing the trust between its member states, it has, nevertheless, fallen short of enhancing formal alliances between Agadir member states. None of the member states raised their formal alliances to the advanced stages of neutrality which pledges its member states to remain neutral in case of conflict or to the highest level of defence, which guarantees military commitment and obliges member states to come to each other's military aid in the event of an attack on a member state by a third party as is the case with Article 5 of the North Atlantic Treaty (NATO).

**Table 23: Current Formal Alliances between Agadir Member States**

	Defence	Neutrality	Non-aggression	Entente	Start Date
Morocco - Tunisia	0	0	1	1	22/1/1958
Morocco - Egypt	0	0	1	1	22/5/1989
Morocco-Jordan	0	0	1	1	22/1/1958
Tunisia-Egypt	0	0	1	1	22/5/1989
Tunisia-Jordan	0	0	1	1	22/1/1958
Egypt - Jordan	0	0	1	1	22/5/1989

Source: The Correlates of War Project.

Considering intra-Agadir FDI inflow to detect a change in political behaviour of Agadir member states, it is noticeable that the volume of intra-Agadir FDI grew following the signing and especially after the implementation of the Agadir Agreement. This result agrees with this

research project's hypothesis that joining a commercial institution deepens the economic integration process and interdependence which promotes trust between participating member states to invest in each other's economies. Despite this positive finding, one cannot ignore the fact that, following the increase of intra-Agadir FDI inflow that lasted between 2004 and 2009, its volume decreased to reach levels recorded before the signing of the Agadir Agreement (figure 66). It is likely that other geo-political factors have influenced this negative outcome especially since 2010 when the Arab Spring surfaced in Tunisia as the Jasmine Revolution sending revolutionary waves around the MENA and certainly did not exclude Morocco, Egypt and Jordan.

The results from the bivariate Pearson multi-variable correlation test demonstrates a number of interactions between independent, dependent and control variables. These relationships can be rated positive/negative and significant/insignificant. These variations are what determine if a relationship exists between variables and if so, whether it is significant. Based on Table 22 above, Tables 24 and 25 reveal some important results. First, it is important to highlight that SPSS did not process the first dependent variable MIDs. This is because, as stated previously in this chapter, there are no recorded incidents of war or direct physical violence between Agadir member states in the 27 years analysed. Hence MIDs is economically unsubstantiated as its value is naught. Similarly, SPSS did not process the control variable military alliance. This is because Morocco, Tunisia, Egypt and Jordan scored 5 and, hence, all the dyads scored 5 registering no difference between the dyads in the 27 years analysed. Therefore, military alliance is economically unsupported.

Second, considering the dependent variable HDI (table 24), it is clear that it has a positive correlation with the independent variables commercial institution at .548<sup>\*\*</sup>,<sup>87</sup> with trade volume at .302<sup>\*\*</sup> and with trade dependence at .289<sup>\*\*</sup>. HDI variable's interaction with

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<sup>87</sup> Correlation is significant at 0.01 level (2-tailed). In the two-tailed test, we considered the values distributed on both side of the Bell shaped. These values are both below and above the mean value.

these independent variables is significant with a *p-value*<sup>88</sup> equals to zero. It is also important to note here that HDI has a positive and a significant correlation with several control variables. The *p-value* in all these correlations has been significant at .000. Ranking these variables in terms of Pearson Correlation and *p-value* shows commercial institution membership ranks second out of all variables.

**Table 24: HDI's Interaction with Independent and Control Variables**

	<b>HDI</b>	<b><i>p-value</i></b>
<b>Regime Type</b>	.692**	.000
<b>Commercial Institution</b>	.548**	.000
<b>UN Peacekeeping Operations</b>	.471**	.000
<b>Trade Volume</b>	.302**	.000
<b>Trade Dependence</b>	.289**	.000
<b>Contiguity</b>	-.115*	.042
<b>Growth Trade of Trade Volume</b>	-.168**	.003

The positive and significant interaction between HDI and several independent variables is interpreted as the establishment of a commercial institution, the increased trade volume and the improved trade dependence have all had a positive impact on Agadir member states' HDI. An interaction that is worth highlighting is the one between the two dependent variables: HDI and UN peacekeeping operations. Their significant positive correlation is interpreted as an increase in HDI corresponds with an increase in the participation in

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<sup>88</sup> *P-value* helps to weigh and determine the significance of correlations. *p-value* is considered significant when  $p\text{-value} \leq 0.05$  with 0.00 considered to be very significant and 0.05 considered to be very weak (Rumsey, 2016). The closer the *p-value* is to zero, the less the correlation is by chance. The closer the *p-value* is to 0.05 the more unrealistic is the correlation.

peacekeeping missions. These results approve one of this research project's assumption that joining a commercial institution deepens the economic integration process and interdependence which promotes conditions for political equality and social and economic justice in Agadir member states. These conditions are believed to promote political cooperation and maintain peace. Nevertheless, considering other sets of variables (table 24), it is important to highlight that HDI had a negative correlation with growth rate of trade volume<sup>89</sup> at  $-.168^{**}$ . The interaction between these two variables is significant with a *p-value* equal to .003. This result is interpreted as, whilst the growth rate of trade volume decreased, HDI increased. This finding contradicts the liberal assumption that a decrease in growth rate of trade volume would correspond with deteriorating conditions for political equality and social and economic justice embodied here by the HDI.

Similarly, analysing the growth rate of HDI (table 25), it is clear that it has a negative correlation with the independent variables commercial institution at  $-.468^{**}$ , with trade volume at  $-.262^{**}$  and with trade dependence at  $-.232^{**}$ . The interaction of the growth rate of HDI variable with these independent variables is significant with a *p-value* equal to zero. It is also important to note here that the growth rate of HDI has a negative and a significant correlation with several control variables. Ranking these variables in terms of Pearson Correlation and *p-value* shows commercial institution membership ranks first out of all variables. This result is interpreted as: whilst commercial institution membership, trade volume and trade dependence increased on one hand, growth rate of HDI decreased on the other. This finding contradicts the liberal belief that an establishment of a commercial institution, an increase in trade volume and trade dependence would match an improvement in the growth rate of HDI. This questions the belief that free trade would create a more peaceful world if HDI's growth rate keeps diminishing under a commercial institution.

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<sup>89</sup> As a reminder, growth rate of trade volume takes into consideration time. It has been implemented to avoid false correlation that could be argued to result from the use of trade volume variable.

**Table 25: Growth Rate of HDI's Interaction with Independent and Control Variables**

	<b>Growth Rate of HDI</b>	<b><i>p-value</i></b>
<b>Commercial Institution</b>	-.468**	.000
<b>Regime Type</b>	-.355**	.000
<b>Trade Volume</b>	-.262**	.000
<b>Trade Dependence</b>	-.233**	.000
<b>Contiguity</b>	-.127**	.028

Regarding joint military operations, it is important to consider that this variable positively correlated with trade dependence at .186\*\*, commercial institution 170\*\*, trade volume at .127\* and growth rate of trade volume at .126\* (table 26). These correlations are significant with a *p-value* of .001, .002, .023 and .026 respectively. Though joint military operations' interaction with trade volume and growth rate of trade volume is  $\geq .000$  which implies a slightly weaker relationship, nevertheless, it remains within the realm of significance with a *p-value*  $\leq 0.05$ . Hence this finding approves a claim found within liberalism and mainly neo-functionalism that cooperation could emerge in a non-political context and that cooperation in one sector generates cooperation in another sector (Haas, 1958; Rosamond and Wincott, 2006). It is important to highlight here that joint military operations' correlation and significance is stronger with commercial institution membership (.170\*\*, *p-value* .002) compared to its correlation and significance with trade volume (.127\*, *p-value* .023) and growth rate of trade volume (.126\*, *p-value*.026). Hence, it is argued here that more than the exchange of goods, commercial institution membership has had more positive impact on military cooperation among Agadir member states. Another important result here is noticing that joint military operations negatively and significantly correlated with cultural affinity. This is interpreted as sharing religious and linguistic characteristics encouraged Agadir member states to participate side by side in joint military operations, but fewer. This is an important

finding in the sense that language and religion encourage states to be on the same side in case of conflicts, but more importantly, sharing these characteristics, states seek fewer wars and conflicts. This result is worth further study encompassing more actors and a larger period of study.

**Table 26: Joint Military Operations' Interaction with Independent and Control Variables**

	<b>Joint Military Operations</b>	<b><i>p-value</i></b>
<b>Trade Dependence</b>	.186**	.001
<b>Commercial Institution</b>	.170**	.002
<b>Trade Volume</b>	.127*	.023
<b>Growth Rate of Trade Volume</b>	.126*	.026
<b>Cultural Affinity</b>	-.133*	.017

Equally, UN peacekeeping operations significantly correlated with majority independent and control variables (table 27). These results are interpreted as in founding a commercial institution, participating states not only increase trade volume and trade dependence, but also increase their trust level, which has policy implications. This is evidenced by their increased participation in the same UN peacekeeping operations. This result corresponds to an important argument within CIP theory known as 'ramification' developed following WWII which believes that cooperation in one sector generates cooperation in another sector; hence, institutions are necessary to maintain peace (Mitrany, 1943). Another important result to highlight is the significant correlation between UN peacekeeping operations and the control variables state fragility at .271\*\* with a *p-value* of .002 and regime type at .213\*\* with a *p-value* of .000. The first relationship is interpreted as the less fragile Agadir member states are, the more they engage in international peacekeeping operations. The



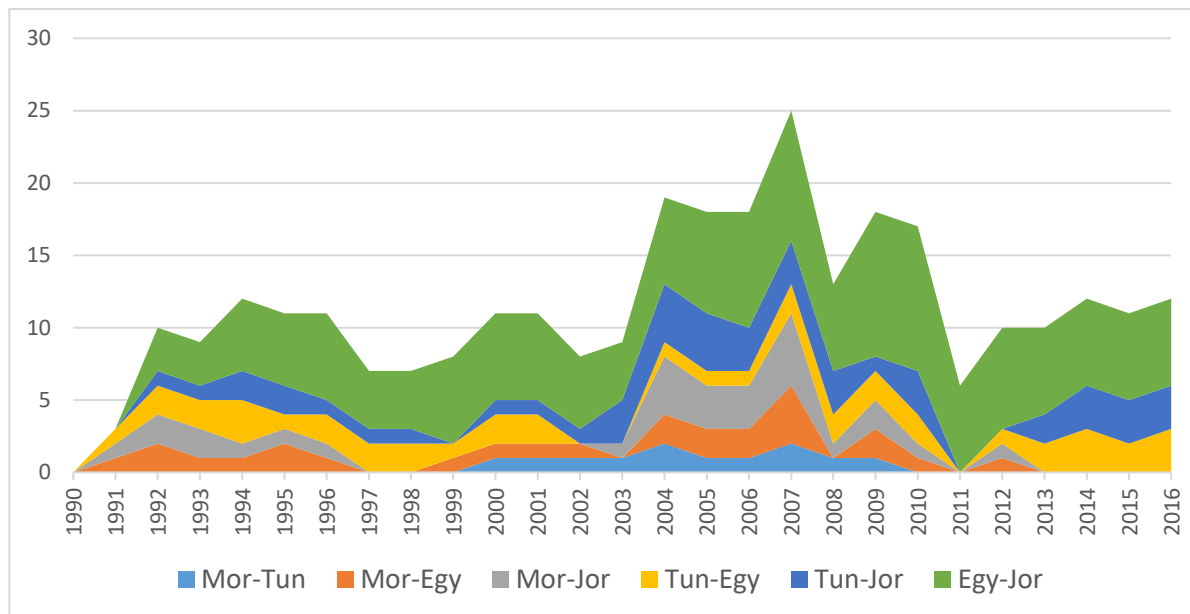
second relationship is interpreted as the more democratic and less autocratic Agadir member states, the more likely they engage their national troops and police in international peacekeeping missions.

**Table 27: UN Peacekeeping Operations' Interaction with Independent and Control Variables**

	<b>UN Peacekeeping Operations</b>	<b><i>p-value</i></b>
<b>Trade Dependence</b>	.526**	.000
<b>Trade Volume</b>	.500**	.000
<b>Commercial Institution</b>	.391**	.000
<b>State Fragility</b>	.271**	.002
<b>Regime Type</b>	.213**	.000
<b>Contiguity</b>	-.413**	.000
<b>Cultural Affinity</b>	-.506**	.000

Two control variables recorded a negative and significant correlations with UN peacekeeping operations. These are contiguity at -.413\*\* with a *p-value* of .000 and cultural affinity at -.506\*\* with a *p-value* of .000. The negative and significant interaction between UN Peacekeeping operations and contiguity is interpreted as the further apart are Agadir member states, the less they participated in UN peacekeeping missions. This is an important finding in the sense that distance between Agadir member states still plays an important role in their policy coordination. This is evident when we compare the frequency of participation of Agadir member states in UN peacekeeping operations. Figure 69 demonstrates that Jordan and Egypt, close to each other in distance, scored the highest by far in terms of their participation in the same UN peacekeeping operations.

**Figure 69: Frequency of Agadir Member States' Participation in UN peacekeeping Operations**



Source: Stockholm International Peace Research Institute (SIPRI) and the UN Peace Keeping.

The negative and significant interaction between UN peacekeeping operations and cultural affinity<sup>90</sup> is interpreted as the less in variation language and religion between Agadir member states is, the more likely they participate in UN peacekeeping missions. Hence sharing similar language and religion is peace-seeking. It encouraged Agadir member states to participate side by side in UN peacekeeping operations. This result is worth further study encompassing more actors and a larger period of study.

Comparing the dependent variables: joint military operations and UN peacekeeping operations provide us with intriguing results vis-à-vis the political behaviour of Agadir member states. It is argued that the trust level increased between member states to a higher level to participate in the same UN peacekeeping operations around the world, but to a comparatively lower level to conduct joint military operations. This result, arguably, reflects the military attitude of Agadir member states in the sense that they are willing to engage in peacekeeping missions worldwide rather than engage in wars and conflicts. This hypothesis is reflected when

<sup>90</sup> What was calculated is the total difference in cultural affinity combining both language and religion percentages.

UN peacekeeping operations' interaction with the difference in cultural affinity is considered. Here the correlation between the two variables at  $-.506^{**}$  is significant with a zero *p-value*. This significant correlation between these two variables is important in the sense that it reflects something widely ignored in the IPE and IR literature that Muslim majority countries such as Agadir member states, are peace-seeking states who are actively promoting peace worldwide by deploying their troops and police to address a range of mandates set by the UN Security Council and General Assembly. The fact of joining a commercial institution has enhanced their cooperation in this domain.

Considering the last dependent variable FDI Inflows (table 28), it correlates with trade volume and trade dependence at  $.485^{**}$  and  $.430^{**}$  with a significant *p-value* of .000 and .001 respectively. This result is interpreted as that the growth in trade and trade dependence between member states encouraged their intra-flow of FDI. This result agrees with CIP theory to the extent that trade promotes the flow of FDI with its associated welfare benefits; nevertheless, FDI inflow did not correlate with commercial institution at .198 with an insignificant *p-value* of .127. This suggests that rather than commercial institutions, trade can play a more direct and important role in promoting the flow of FDI.

**Table 28: FDI Inflow's Interaction with Independent and Control Variables**

	<b>FDI Inflow</b>	<b><i>p-value</i></b>
<b>Trade Volume</b>	$.485^{**}$	.000
<b>Trade Dependence</b>	$.430^{**}$	.001
<b>Commercial Institution</b>	.198	.127
<b>Contiguity</b>	$-.174^{**}$	.000
<b>Cultural Affinity</b>	$-.247^{**}$	.002

## Conclusion

Whilst the main goal of the Agadir Agreement is to promote commercial exchange and foster intra-regional economic integration process between Agadir member states, its treaty left the door open for and even encouraged political cooperation between participating states. Concurrently, several commercial agreements are known to ‘spill-over’ into political cooperation. A good example since WWII has been the EU. In this context, this thesis aimed to assess the impact of the Agadir Agreement on political cooperation and peace. To do that, empirical data on several variables covering the period between 1990 and 2016 was gathered and firstly analysed by using comparative analysis and secondly by using a bivariate Pearson multi-variable correlation analysis using SPSS software to test the relationship between dependent, independent and control variables and assert the probability of correlation between these variables.

Several conclusions were achieved from conducting such analysis. First, MDIs and military alliance, two widely used variables by CIP theory scholars to assess peace, could not be considered as far as the Agadir Agreement is concerned. This non-application emerged because there were no recorded incidents of war or direct physical violence between Agadir member states as far as MDIs and because all Agadir member states scored 5 as far as military alliance in the 27 years analysed. The no-change feature in MDIs and military alliance made the two variables economically unsubstantiated.

Second, significant positive and negative correlations were observed between independent, dependent and control variables. HDI scored a positive and significant correlation with commercial institution membership, trade volume, trade dependence, regime type. This result agrees with this research project’s hypothesis that joining a commercial institution has deepened their economic integration process and interdependence which has contributed to peace via the presence of conditions for political equality and social and economic justice. On the contrary, HDI had a negative significant correlation with growth rate of trade volume. This result was not expected as it contradicts the assumption within CIP

theory that a decrease in growth rate of trade volume would correlate with deteriorating conditions for political equality and social and economic justice, embodied here by the HDI. Therefore, using trade volume, a variable that does not count for time and growth rate of trade volume, a variable that counts for time, has led to two contrasting results vis-à-vis this research project's hypothesis. It is argued that a dilemma exists within the fields of IPE and IR that tends to be overlooked: using a particular dependent variable (e.g. trade volume) to test a hypothesis can produce an *x* result. Using a related dependent variable (e.g. growth rate of trade volume) to test the same hypothesis could produce a different result from the one achieved by the first variable. Hence, a broader method that encompasses a variety of related variables, as the one used in this thesis, is recommended to get a well-rounded analysis.

Third, it was important to find out that joint military operations and UN peacekeeping operations had a subtle and intriguing interaction with independent and control variables. This finding provides an indication about the political nature and behaviour of Agadir member states. Comparing these two variables, it is argued that coming together under one commercial institution has increased the trust level between member states to the level of participating in similar UN peacekeeping operations around the world, but evidently, not enough to conduct joint military operations. This result also reflects the peace-seeking characteristic widely ignored in the majority of IPE and IR literature when discussing states from the MENA. This thesis reveals that Agadir member states are more willing to engage in peacekeeping missions worldwide rather than engage in wars. This is evidenced by their act of deploying their troops and police to address a range of mandates set by the UN Security Council and General Assembly. Joining the Agadir Agreement has improved their trust level and enhanced their cooperation in this domain.

Based on this chapter's analysis, it can be argued that there is a positive and significant correlation between signing the Agadir Agreement and the political cooperation between member states. This is manifested in the absence of any militarised interstate conflict between Agadir member states, in the increase of their HDI, and the rise of member states' trust to

invest in each other's economies and join the same UN peacekeeping operations. These dependent variables had a significant correlation with a majority of independent variables which suggests that signing the Agadir Agreement had a positive impact on the political behaviour of Agadir member states. Data recorded after 2004 shows an absence of MID and improvement in HDI, intra-FDI, joint military operations and UN peacekeeping operations. Simultaneously, it can also be argued that there is a negative and significant correlation or no interaction between signing the Agadir Agreement and political cooperation between member states. This is manifested in the absence of any militarised interstate conflict prior to the Agadir Agreement, the negative and significant correlation between HDI and growth rate of trade volume as well as growth rate of HDI and trade volume. These unexpected results contradict the assumption within CIP theory that signing a commercial institution and an increased volume of trade would 'spill-over' into political cooperation. Therefore, based on this thesis, it is argued that similar variables can lead to different results.

Pursuing several variables and coming to different results, this thesis finds that there is no single explanation of what promotes cooperation and causes peace between states. Surely, CIP theory has managed to explain some of the economic and political developments happening within the Agadir Agreement, and hence, provide partial answers to the fundamental underlying question of this thesis: has the Agadir Agreement led to more political cooperation and peace between its member states? Yet, these approaches fall short of providing a complete picture and of explaining some simultaneous developments and interactions taking place within the Agadir Agreement. Simply, there were variables leading to more peace whilst others were leading to less peace. Nevertheless, weighing both arguments, we can conclude that the Agadir Agreement has had a positive impact on political cooperation and peace between Agadir member states considering the greater value of positive and significant interactions between the variables studied. Yet, to understand what promotes cooperation and peace, one needs to engage several theories and consider several variables especially because

of policy implications. A broader method like the one used in this thesis is recommended to get a well-rounded analysis.

## Conclusions

In opting for a FTA, Morocco, Tunisia, Egypt and Jordan have hoped to create a free trade zone where they can liberalise commercial exchanges and strengthen their economic integration. On concentrating intra-regional trade between the four states, it was anticipated that a dynamic ‘spill-over’ process would emerge that not only would deepen economic integration but also promote political cooperation between these southern states and within the MENA as a whole. In this context, this thesis assessed the political economy impact of the Agadir Agreement considering a timeframe of 27 years (1990 – 2016). Two hypotheses were tested in this regard. The first one is that signing the Agadir Agreement increased commercial exchange between member states which deepened their economic integration and interdependence. The second hypothesis is that in joining a commercial institution, participating member states deepened their economic integration process and interdependence which promoted their political cooperation and fostered peace between them. Both hypotheses are grounded in CIP theory. This theory encourages the establishment of institutions and free trade to promote greater economic growth and welfare as a result of economic integration between different markets (Kant, 1975; Locke, 1964; Keohane, 1984; Friedman, 2005; Röpke, 1959; Smith, 1776). This process, claims this theory, inevitably leads to greater political cooperation and peace between member states. Two research questions guided this thesis. These are: (1) how effective has the Agadir Agreement been in terms of achieving economic integration between member states? (2) Has the Agadir Agreement led to greater political cooperation and peace between its members?

Before analysing the data gathered to answer the thesis's hypotheses and its research questions, the context and background to this research project were laid out. Chapter one explored globalisation, its evolution and its impact on regional integration and regionalism. The term 'globalisation' was found to be complex and controversial. Several definitions of globalisation were highlighted, but each centred on the idea of a movement towards more intense forms of connectivity and integration. It was noted that globalisation conceals contested meanings and dominant ideologies. Hence it is not a surprise that there exist two camps over the debate on globalisation. One of proponents, the other of opponents. On one hand, proponents argue that globalisation has brought prosperity to the world and has elevated millions out of extreme poverty (Kim and Park, 1989). On the other hand, opponents attack globalisation in its present meanings and implications (Elmandjra, 2015; Bello, 2004).

Chapter one moved to highlight globalisation's economic and political dimensions and the importance of trade in international relations. It was observed here that international trade is a major component of economic globalisation. Robert Gilpin (2001) in his book *Global Political Economy* claims that international trade has transformed international economic affairs. From a political globalisation point of view, a key question to this thesis was highlighted: have globalisation and regional integration processes affected political behaviour of the nation-state? And if so, in what way? Though answers to these questions have been attempted vis-à-vis regional integration processes in the Global North, they have not been well engaged with in the Global South and no more so than the MENA, hence the choice of the Agadir Agreement for this research project.

Chapter one proceeded to shed light on the impact globalisation has had on the Global South and within it the MENA. Two arguments were presented here. The first is that the Global South has been marginalised in the international system. The second argument is that the discipline of IPE and IR have focused on the political economy of integration in the Global North and has ignored the Global South. Hence, both arguments advocated the idea that the marginalisation of the Global South/the MENA ought to make us sceptical of globalisation:



first, as an inevitable and irreversible movement that no one is in charge of, but everyone benefits from, and second, whether the discipline of IPE, which underpins ideas about globalisation, is really 'international' or should be thought of as US/Eurocentric.

Chapter one progressed to critically debate the concepts of regionalism and regional integration. While some scholars think that regionalism is a response to globalisation (Best and Christiansen, 2014), conversely, others consider the process of regionalisation consistent with the process of globalisation (Gamble and Payne, 1996). Here, economic integration and political cooperation were defined. The former is understood as the organisation of economic activities in a way that national boundaries become redundant (Jovanovic, 2015; Balassa, 2011). The latter adopts two definitions. First, as states working together to achieve a common goal (Whittemore, 2017). Second, as a process "when actors adjust their behaviour to the actual and anticipated preferences of others, through a process of policy coordination" (Keohane, 1984, p. 51-52). Two observations were induced in this section: first, that regionalism is dynamic; second, that processes of regionalisation could potentially lead to interdependence. These observations raised two key questions for this research project: (1) is the relationship between regionalism and interdependence universal and if so, can we apply them to different regions of the world? and (2) are different regions of the world have specific characteristics that ought to be considered when implanting or studying regional integration processes.

The third section of chapter one addressed specifically the integration processes in the MENA since WWII. Indeed, the prospects for economic and political integration between the MENA states were positive. Within a short period of time bilateral, multilateral and region-wide projects including economic unions and FTAs were established (appendix 6). Yet, whilst it is clear the MENA was a pioneer in initiating regional integration processes evidenced by the establishment of the Arab League which predated the EU and the UN, it is evident that the regional integration process has had complications and hindrances. Despite sharing a common language, religion, culture, and historical sense of identity, overall, the MENA is the least economically and politically integrated region in the world (Rouis and Tabor, 2013). In this

context, the political economy of integration of the Agadir Agreement was assessed to determine if it presents a fresh opportunity to integrate the economies of participating member states and positively affect their political behaviour to cooperate.

Chapter one concluded by critically analysing the relationship between integration and peace in the MENA context. One primary aim of this section was to bring the debate about ‘integration’ in the MENA back into the discourse on peace in the region. Here, three definitions of peace were highlighted. The first is negative peace defined as “the absence of militarised dispute behaviour” (Schneider et al., 2003, p.124). The second is positive peace defined as the presence of conditions for political equality and social and economic justice (Galtung, 1996) (appendix 2). Third is peace as the result of increased political cooperation embodied, in this thesis, by FDI inflow, joint military operations and UN peacekeeping operations. This section raised another set of important questions: can ‘integration peace’ be applicable to the MENA? If so, why have previous MENA integration processes failed? And could new processes of integration such as the Agadir Agreement promote peace and stability in the MENA?

Chapter two explored both the theoretical and methodological approaches employed in this thesis (both discussed below in these conclusions).

Chapter three covered two trends. The first one focused on the Agadir Agreement itself. It investigated the document treaty of the Agadir Agreement, its content, what it covers and what it does not and how it is structured and institutionalised. The second part examined the political economy development in each Agadir member state since their independence and in particular their shift from nationalisation and dirigisme to the adoption of neo-liberal policies. This shift is argued to explain why Morocco, Tunisia, Egypt and Jordan have come to sign the free trade Agadir Agreement in 2004. In doing so, the chapter analysed the transformation to neo-liberalism, its causes and consequences, its advantages and disadvantages, its beneficiaries and its victims, its potential and its limits. This analysis considered the geo-political context of the MENA taking into account major events that have marked the

contemporary history of the MENA. One major conclusion here addressed the question why did four MENA states, who do not share a single border, sign the Agadir Agreement? Whilst one can argue several factors that have prevented other states from the MENA to form this FTA group, it is concluded here that Agadir member states' political economy and more specifically the transformation from nationalisation and dirigisme to the adoption of neo-liberal policies paved the way for the Agadir Agreement. In other words, the environment and the drive were there for the Agadir Agreement to be established. The interactions of political economy issues at the domestic and international levels have shaped each Agadir member state's interests. In signing the Agreement, each member state was simply pursuing its national interest and its national political economy policy.

The first three chapters set the context and the background to this thesis, laying down the political economy and geo-political background to the Agadir Agreement. This background defined globalisation, introduced the main arguments by its proponents and opponents, examined its economic and political dimensions, juxtaposed globalisation and regionalism and defined key concepts to guide this thesis such as: international trade, the global south, regional integration, interdependence, economic integration, political cooperation, and peace. The background also focused on the attempted economic and political integration process in the MENA since WWII. In so doing, it highlighted the political economy transformation from dirigisme to neo-liberalism experienced by the four Agadir member states. Here it was argued that the adoption of neo-liberal policies constitutes the national interest and the driver behind the establishment of the Agadir Agreement. Finally, the background focused on the Agadir Agreement investigating the Agadir Agreement treaty to understand its parameters. This background proved important to progress to tackle the core questions of this thesis in chapters four and five.

Chapter four tackled the first core question of this thesis and the first hypothesis. It concluded that a positive and significant correlation between signing the Agadir Agreement and the increase in trade volume and trade dependence between member states took place.

Intra-Agadir trade flows expanded after the agreement came into force. Exports and imports doubled, tripled or even quadrupled in some cases. The bivariate Pearson multi-variable correlation test demonstrated a number of positive and significant correlations between independent, dependent and control variables suggesting that these interact with each other. One important result was the positive and significant correlation at .599\*\* and .247\*\* consecutively with a *p-value* equal to zero between the independent variable commercial institution membership (the Agadir Agreement) on one hand and the dependent variables, trade volume and trade dependence, on the other hand. The interaction between these variables demonstrated the first hypothesis of this thesis that, indeed, founding a commercial institution promotes trade between Agadir member states which deepens their economic integration and interdependence.

It was tempting to conclude, following the above results, that commercial institutions have had a major impact on the economic integration process of Agadir member states and, in a way, endorse the eminent arguments within liberalism that encourage trade liberalisation and the establishment of commercial institutions such as the Agadir Agreement; however, it was argued that this conclusion would have been short-sighted because of several factors. First, it was argued that trade volume, a variable widely used in the liberal literature as a measure of economic integration, does not account for time which can result in false correlations. Hence, it is credible to argue that a percentage of trade volume could be attributed to time rather than to the Agadir Agreement. This is more evident when the trade volume of Agadir member states was compared with their overall world trade and GAFTA trade. Intra-Agadir trade grew less rapidly than the Agadir members' world and GAFTA trade. It is also more evident when considering the growth rate of trade volume. This dependent variable, which takes into account time, demonstrated a negative and insignificant correlation with independent and control variables alike. This suggests that signing the Agadir Agreement did not lead to a greater growth rate of trade volume as predicted by CIP theory.

Second, to conclude that the Agadir Agreement reached its aims or had a major impact on the economic integration process between Agadir member states is farfetched. Firstly, the result for each Agadir member state was relative. Secondly, the Agadir Agreement has been unable to attract other members from the MENA to join in. Thirdly, despite the fact that trade volume had increased between Agadir member states, it continued to be extremely low overall in the context of international trade. Agadir's exports of 2 per cent and imports of 1 per cent remain low compared to their worldwide exports of 98 per cent and imports of 99 per cent in 2016. This answers one of the research questions that the Agadir Agreement does not differ much in terms of its outcome from previous economic integration attempts in the MENA. Several factors were argued here to explain this phenomenon. One is that the agreements signed including the Agadir Agreement are no more than declarations of intent on the part of the participating signatories. While there is a high degree of integration on paper, they lack the binding and comprehensive conditions and mechanisms that characterise agreements of other economic regional blocs. Other arguments relate to the political economy situation in the MENA including the instability of the whole region (e.g. The Arab Spring), the structure of the international markets that link the economies of individual Agadir member states with other major economies (e.g. EU, USA) and with emerging economies (e.g. China, India, Turkey) than with each other. All these points merit further investigation.

Chapter five advanced the investigations to the political sphere. It focused on assessing the impact of the Agadir Agreement on political cooperation and peace between Agadir member states. It tackled the second core question of this thesis as well as its second hypothesis. The analysis conducted in this chapter produced some interesting conclusions. First, MDIs and military alliances, two widely used variables by CIP theory scholars to assess peace, could not be considered as far as the Agadir Agreement is concerned. This non-application emerged because there were no recorded incidents of war or direct physical violence between Agadir member states as far as MIDIs and because all Agadir member states

scored 5 as far as military alliance in the 27 years analysed. The no-change feature in MIDAs and military alliance made the two variables economically unsubstantiated.

Second, significant positive correlations were observed between independent, dependent and control variables. On one hand, HDI scored a positive and significant correlation with commercial institution membership, trade volume, trade dependence, and regime type. These results correlated with the hypothesis that joining a commercial institution deepens their economic integration process and interdependence which contributes to peace via the presence of conditions for political equality and social and economic justice. On the other hand, HDI had a negative significant correlation with growth rate of trade volume. This result was not expected as it contradicts the assumption within CIP theory that a decrease in the growth rate of trade volume would correlate with deteriorating conditions for political equality and social and economic justice, embodied here by the HDI. Therefore, using two variables: one that does not count for time (trade volume) and another that counts for time (growth rate of trade volume) led to two contrasting results vis-à-vis the argument of this thesis. It is argued that a dilemma exists within the fields of IPE and IR that tends to be overlooked: using a particular dependent variable (e.g. trade volume) to test a hypothesis can produce an *x* result. Using a related dependent variable (e.g. growth rate of trade volume) to test the same hypothesis could produce a different result from the one achieved by the first variable. Hence, a broader method that encompasses a variety of related variables, as the one used in this thesis, is recommended to get a well-rounded analysis.

Third, it was important to find out that joint military operations and UN peacekeeping operations had a subtle and intriguing interaction with independent and control variables. These observations provided an indication about the political nature and behaviour of Agadir member states. Analysing these two variables, it is argued that coming together under one commercial institution, indeed, increased the trust level between Agadir member states to the level of willingness to participate in similar UN peacekeeping operations around the world, but evidently, not enough to engage in joint military operations. This result also reflects the peace-

seeking characteristic widely ignored in the majority of IPE and IR literature when discussing states from the MENA. This thesis reveals that Agadir member states were more willing to engage in peacekeeping missions worldwide rather than engage in wars. This is evidenced by their act of deploying their troops and police to address a range of mandates set by the UN Security Council and General Assembly. Joining the Agadir Agreement had improved Agadir member states' trust level and enhanced their cooperation in peacekeeping operations worldwide.

The theoretical and methodological approaches pursued in this thesis have served to answer this research project's core questions and test its hypotheses. Theoretically, CIP theory was adopted as the theoretical approach to assess and evaluate the political economy of trade relations between Agadir member states. This theory provided the structure and principles upon which the political economy relationship of the Agadir Agreement was assessed. Key principles found within this theory, such as free trade, integration, interdependence, 'spill-over', and cooperation were deployed to study the political economy impact of the Agadir Agreement. Yet, it was a critical version of this theory that was adopted to answer the thesis's questions and hypothesis. This critical approach enabled us to move away from relying totally on the traditional liberal theory and at the same time critique it for being state-centric, conflict-centric, Western-centric and ahistoric. The impact of adopting a critical approach proved to be important bearing in mind the debate presented in chapter one regarding how IPE as a discipline has been US/Euro-centric and how it attempts to apply social phenomena from one region into social phenomena in another region. The result of adopting a critical CIP theory approach is an in-depth understanding of institutions in the MENA. Some conclusions about the general fields of IPE and IR were drawn here, to name but a few: (1) the lack of consideration of local and regional characteristics in the Agadir regional integration processes, (2) an overemphasis on economic aspects whilst ignoring political ones, (3) the overemphasis of the political economy of the Global North and the reduction of the Global South and (4) the

underestimation of the low politics in the study of South-South cooperation by linking issues of trade, economics and poverty, to issues of peace and security.

Methodologically, a mixed-method was used to answer the thesis's questions and test its hypotheses. Quantitative methods were backed by qualitative methods to analyse the political economy of the relationship between trade and peace among Agadir member states. The first qualitative method applied was the collection of qualitative data including newspapers, conference reports, government reports, magazines, and electronic materials. The purpose of gathering this normative material from a range of sources was to gather an in-depth understanding of the political and economic integrative impacts of the Agadir Agreement. The second quantitative method applied was the collection of empirical data. This data was analysed using first comparative analysis to conduct an item-by-item comparison of two or more comparable alternatives to detect any emerging trends vis-à-vis the data collected and second using a bivariate Pearson multi-variable correlation analysis using SPSS software as a Generalised Linear Modelling (detailed in chapter two). The purpose of this analysis was to calculate the level of correlation between variables rating it positive/negative and significant/insignificant and, hence, interpret interactions between variables using post-hoc tests. Several novel variables such as: corruption, growth rate of trade volume, HDI, and UN peacekeeping operations were deployed to test trade volume, trade growth rate, trade dependence, positive peace, negative peace, political cooperation and policy coordination. The result of using comprehensive methodology is a deep, extensive overview of the political economy relation of the Agadir Agreement.

Based on this research project's analysis, the overall conclusions vis-à-vis this thesis's core questions and hypotheses are as follows: it can be argued that there is a positive and significant correlation between signing the Agadir Agreement, and the economic integration and the political cooperation between member states. This is illustrated in the rise of trade volume, the growth of dependence, the absence of any militarised interstate conflict between Agadir member states, the increase of their HDI, the rise of member states' trust to invest in



each other's economy and to a higher degree join the same UN peacekeeping operations and to a lower degree join the same military joint operations. These dependent variables had a significant correlation with the majority of independent variables, which suggests that signing the Agadir Agreement had a positive impact on the economic integration process and on the political behaviour of Agadir member states.

Simultaneously, it can also be argued, statistically, that there is a significant negative correlation or no interaction between signing the Agadir Agreement, and the economic integration and the political cooperation between Agadir member states. As far as the economic integration is concerned, one can argue that an increase in trade volume, a variable that does not account for time, could be attributed to time or even to globalisation rather than to the Agadir Agreement. This is especially so when one considers that intra-Agadir trade remains extremely low compared to the Agadir member states' world and GAFTA trade volumes specifically and to international trade more broadly. This counterpart argument is further substantiated considering the relativity of the results for each Agadir member state and considering the insignificant correlation between the growth rate of trade volume and other independent and control variables. As far as political cooperation and peace are concerned, the significant negative correlation or no interaction between signing the Agadir Agreement, economic integration and political cooperation is manifested in the absence of any militarised interstate conflict prior to the Agadir Agreement, in the significant negative correlation between HDI and growth rate of trade volume as well as in the significant negative correlation between growth rate of HDI and trade volume. These arguments contradict the claim within CIP theory that establishing a commercial institution can lead to greater trade volume which results in greater market integration and interdependence, which in turn 'spill-over' into political cooperation. Based on this research analysis, it is argued that similar variables can lead to different results. This highlights a dilemma within the fields of IPE and IR that tends to be overlooked.

In pursuing several variables and coming to different results, this thesis has argued that the relations between the four Agadir signatories are the outcome of complex linkages between commercial institutional membership, trade liberalisation, economic integration, political cooperation and peace. This thesis finds that there is no single explanation of what promotes cooperation and causes peace between the Agadir's four signatories: Morocco, Tunisia, Egypt and Jordan. Surely, CIP theory managed to explain some of the economic and political developments happening within the Agadir Agreement, and hence provides partial answers to the two fundamental underlying questions and the two hypotheses of this thesis. Yet, no definite answer can be given either way. This theory fell short of providing a complete picture and of explaining some simultaneous developments and interactions taking place within the Agadir Agreement. Simply, there were variables leading to more economic integration and political cooperation whilst others were leading to less economic integration and political cooperation. Both hypotheses tested in this thesis could be both proven and disproven.

Nevertheless, weighing both sets of arguments whilst considering the greater volume of positive and significant interactions between variables studied, two overall conclusions have been arrived at. First, it is argued that the Agadir Agreement increased trade volume and trade dependence supporting Agadir member states' economic integration process, however, this process remained slow and insignificant in the context of international trade and global integration processes. Hence, it is concluded that establishing commercial institution to pursue economic integration is not enough. Second, it is argued that the Agadir Agreement has had a positive impact on political cooperation and peace between Agadir member states considering the greater volume of positive and significant interactions between variables studied; yet this impact remains minimal considering world and regional geopolitics and compared to other international political economy groups. Yet, to understand what promotes cooperation and peace, it is argued, one requires to engage several theories, methods and variables that embrace distinctive regional characteristics to promote economic integration and support political

cooperation especially because of policy implications for states in the Global South. A broader method, as the one used in this thesis, is recommended to get a well-rounded analysis.

Despite the use of a mixed-method methodology and a critical theoretical framework that tried to encompass several actors, variables, structures and processes, this thesis has its limitations. These limitations, centring on its scope, are worthy of future research and could be possible extensions of this thesis. One limitation is the absence of the role of non-state actors in the political-economy relationship of the Agadir Agreement. This thesis focused on state actors as agents to determine the development of commercial exchanges and the evolution of the political cooperation between member states; yet, a many interactions, especially in the realm of commercial exchanges, take place between non-state actors such as multi-national corporations (MNC). Hence, MNCs and their relationship to the Agadir Agreement and their role in the economic integration process and political cooperation merits further investigation. Another limitation concerns the non-appearance of economic sectors in this thesis. The Agadir Agreement Technical Unit identified key sectors to speed up the integration process. These are textile and clothes, automotives, and leather and shoes. These sectors deserve to be studied to identify trends, similarities and differences which would provide further analysis at the microeconomic level. Similarly, the Agadir Agreement is distinctive from previous integrative economic processes in the MENA by means of accumulative rules of origin; subsequently, whether the rule of origin have had a significant impact on the Agadir economic integration is worth investigating in further research. A further limitation concerns the time scale of the Agadir Agreement. It is important to acknowledge that the Agadir Agreement is still relatively young and hence the findings correspond with the limited period of time studied. Future research which considers a longer period of time is worth engaging with.

These limitations extend to the theoretical and methodological spheres. Theoretically, whilst the use of a critical version of CIP theory makes sense to study the political economy impact of the Agadir Agreement, equally, other IPE and IR theories could provide diverse and rich theoretical frameworks for this research project. For instance, constructivism could be

engaged with to consider intangible features such as identity, beliefs, and perceptions in shaping regional integration in the MENA. A colonial and postcolonial perspective could be adopted to argue how the Global North contributed to ‘dis-integrate’ the MENA and to some extent hinder a South-South integration process via reinforcing the dependency of the Global South to the Global North. Poststructuralist theory could be deployed to explore how discourse about integration and dis-integration have impacted the (dis)-integration process in the MENA. Marxism could provide a theoretical framework to assess the impact of commercial institutions on disparities between the rich and the poor, on poverty, on illiteracy and on youth unemployment in the MENA. Realism could be engaged with to assess the impact of ‘the state’ as an entity and ‘the survival of the regime’ on the MENA integration especially considering the economic and political roles played simultaneously by regimes of the region.

Methodologically, this thesis was conducted using secondary data. Whilst this method has its advantages especially considering the empirical data that was sourced from reliable and trustworthy sources such as the IMF, the UN, and SIPRI, nevertheless, field work would have added an additional weight to the arguments of this thesis. Interviews, in particular, with policy makers in the four Agadir member states regarding their perceptions, policies and expectations would explain some development and retrogression in the Agadir Agreement. The same idea could be extended to another set of variables that could represent the subject matter of this thesis and were not included in the models developed for this research project. It is acknowledged that there exists room to include other variables in the models developed for this thesis such as economic growth, contact between state leaders, and treaties signed since the Agadir Agreement. These, plus others, could be added in future research. In addition, the researcher encountered practical limitations such as finance, time and access to information.

A further limitation of this thesis is the dilemma of objectivity and subjectivity associated with conducting social science research.<sup>91</sup> Here, it is important to acknowledge that

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<sup>91</sup> This is linked to the ontological (being) and epistemological (knowing) positions of this research and indeed of the researcher.

the researcher approached this research project both objectively in terms of perceiving the political economy relationship of the Agadir Agreement to be observable and able to be understood and explained through scientific research. Hence, results achieved from analysing variables were attained through a rigorous and logical approach that provide a universally true and accurate description of such phenomena. In contrast, it is also important to acknowledge that the understanding of these results was open to subjective interpretations. Hence, conclusions drawn from this analysis cannot be claimed and should not be viewed to be entirely objective and representing 'objective truth', but as interpretations arrived at after deploying a scientific method to explain a given phenomenon. Overall, it may therefore prove worthwhile to undertake similar studies considering the various limitations of this thesis, thereby providing further analysis and interpretations on the linkages between trade, economic integration and political cooperation and peace in the Global South.

Despite the above limitations, this thesis makes an original contribution to knowledge. Unlike many IR and IPE studies which have focused on the political economy relationship of states and FTAs of the North (e.g. EU, NAFTA) and in a few cases the implication of southern actors to the North, this research project is original in its focus on the political economy of the relationship between trade and peace among specific actors of the Global South. These actors belong to the MENA, a geographical area substantially ignored and widely misunderstood by researchers in IR and IPE. This thesis, via its theoretical framework and its mixed methods methodology, enriches the fields of IPE and IR by accentuating theoretical arguments from the MENA's own perspective. Further claims for originality relate to a movement away from the structural and systemic ways of studying the MENA. First, unlike most literature on the MENA that focuses on conflict, wars and terrorism, this thesis focuses on political cooperation and peace that the population of the MENA strive for; hence, it contributes to evolving the discourse on the MENA and, second, unlike most literature on the MENA that focuses on the political economy integration of mainly the GCC, this thesis sheds light on the integration processes

experienced by non-oil producing states: Morocco, Tunisia, Egypt and Jordan; and hence, brings these states into IPE and IR discussion.

Yet, to understand what promotes cooperation and peace, it is argued, one requires to engage several theories, methods and variables that embrace distinctive regional characteristics to promote economic integration and support political cooperation especially because of policy implications for states in the Global South. A broader method, such as the one used in this thesis, is recommended to get a well-rounded analysis.

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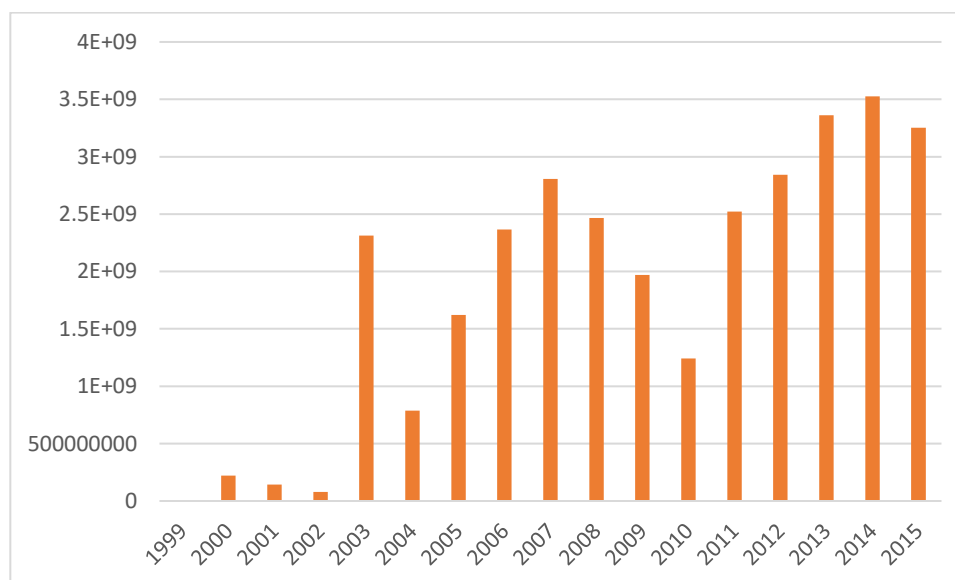
## Appendices

### Appendix 1: Map of the MENA



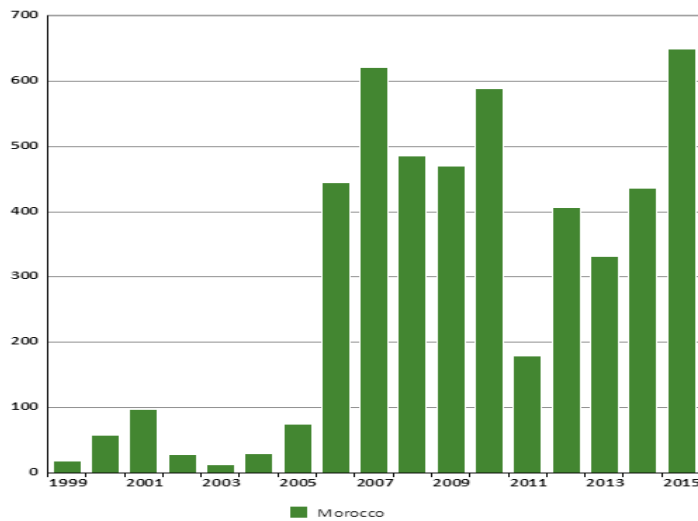
Source: Liberating Africa module at the University of Nottingham.

### Appendix 2: FDI to Morocco: 1999-2015



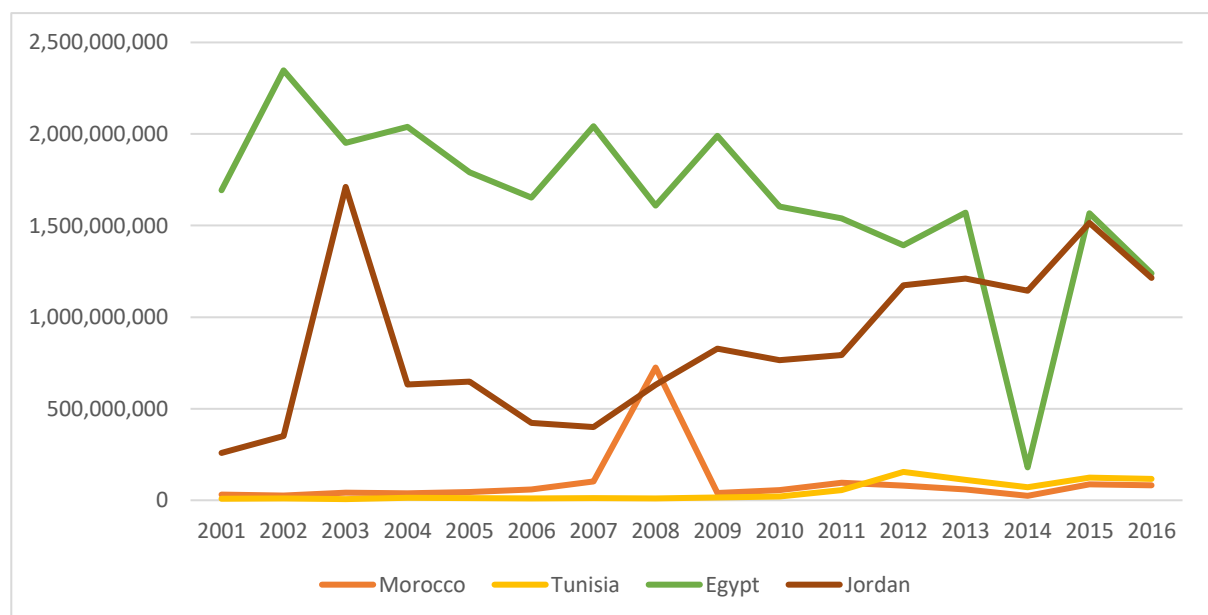
Source: The World Bank, 2017.

### Appendix 3: Stock of Moroccan Direct Investment Abroad



Source: The World Bank, 2017

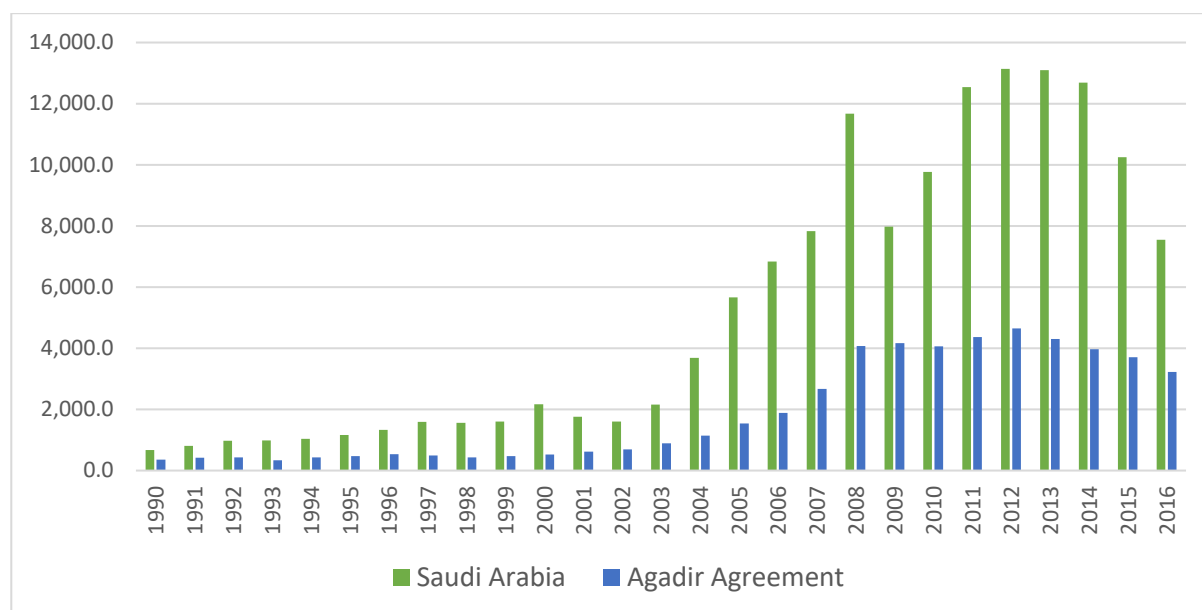
### Appendix 4: US Aid to Agadir Member States in millions of \$ (2001 -2016)



Source: US Aid.



**Appendix 4: Exports and Imports within the Agadir Agreement vs. Agadir's Exports and Imports with Saudi Arabia (1990 -2016) (Unit: US Dollar)**



Source: IMF Database.

**Appendix 6: Historical “Integrative” agreements.**

1945	The Arab League
1953	Transit Agreement
1957	The Arab Unity Agreement
1958	United Arab Republic
1964	Arab Common Market
1981	Trade Facilitation and Trade Promotion Accord
1981	The Gulf Cooperation Council
1989	The Maghreb Union
1997	Greater Arab Free Trade Area
2004	Agadir Agreement

Source: Oumazzane, T. (2016).

## **Appendix 7**

### **Agreement setting up a free trade area between the Arab Mediterranean countries**

The government of the Kingdom of Morocco, the government of the Kingdom of Jordan, the government of the Republic of Tunisia and the government of the Arab Republic of Egypt

- In fulfillment of the “Agadir Declaration” signed between government of the Kingdom of Morocco, the government of the Kingdom of Jordan, the government of the Republic of Tunisia and the government of the Arab Republic of Egypt in the city of Agadir on 8 May 2001, concerning the establishment of a free trade area comprising Arab Mediterranean countries;
- And on the basis of the bonds of Arab brotherhood which tie these countries, and the strong relationships existing between them;
- And given their desire to develop economic and commercial co-operation between them, and to reinforce it on a basis of equality, in order to expand the base of common interests and shared benefits in various domains, to strengthen economic integration between them, to reinforce the development and progress of their fraternal peoples;
- And with a firm belief in the importance of working to liberalise commercial exchanges between them, on the basis of existing bilateral agreements in this field, and through new forms of action appropriate to the nature of modern economic trends at both international and regional level, and the consequent requirements and challenges;
- And in full accordance with the Charter of the Arab League, recognizing the importance of supporting joint Arab economic co-operation, and with the objective of implementing the Greater Arab Free Trade Area and developing it, partaking of the efforts being expended to establish an Arab common market;
- And given their desire to develop and liberalise commercial exchanges, and to support Arab Mediterranean partnership, and to encourage mutual investment between them, and to make their economic space as a whole more attractive to foreign investment;
- And on the basis of the Association Agreements signed between each of these countries and the European Union, and in order to fulfill the objectives of the “Barcelona Declaration” as regards the establishment of a Euro-Mediterranean Free Trade Area;
- And in full accordance with the principles and requirements of the agreements of the World Trade Organisation, to which the signatories of this agreement are parties;

**HAVE AGREED AS FOLLOWS:**

#### ***Section 1: General Provisions***

## Article 1: Definitions

1. In accordance with this agreement, a free trade area shall be set up between the Kingdom of Morocco, the Kingdom of Jordan, the Republic of Tunisia, the Arab Republic of Egypt and other Arab Mediterranean states which may subsequently adhere to it, which shall hereinafter be referred to as “the Area”.
2. The countries which ratify this agreement, and any other Arab country adhering to it in accordance with paragraph 1., hereinafter referred to as the Member Countries, shall be considered as members of the Area.
3. This Agreement to establish a Free Trade Area between Arab Mediterranean countries shall hereinafter be referred to as “the Agreement”.
4. The institutions of the Agreement shall be the Committee of Foreign Ministers, the Committee of Foreign Trade Ministers, the Technical Committee emanating from them charged with the implementation of this Agreement, and the Technical Unit charged with the supervision of matters relating to the Agreement.

## Article 2: Aims of the Agreement

1. The member Countries shall set up the Free Trade Area gradually during a transitional period to be completed at the latest by 1 January 2005, beginning with the entry into force of this Agreement, according to its provisions, and in accordance with the provisions of the General Agreement on Tariffs and Trade of 1994, and other agreements relating to the establishment of the World Trade Organisation.
2. The establishment of the Free Trade area, for the purpose of developing economic activity, supporting employment, increasing productivity, and improving living standards within the Member Countries.
3. The co-ordination of overall and sectoral economic policies in the Member Countries, in particular as regards foreign trade, agriculture, industry, the tax regime, finance, services and customs, to ensure conditions for objective competition between the Member Countries.
4. The approximation of legislation between the Member Countries in economic domains, with the aim of creating a favourable climate for economic integration between the Member Countries.

## ***Section 2: Arrangements for liberalizing trade***

### Article 3: Industrial goods

Industrial goods (commodities and products) traded between the Member Countries shall be subject to a process of dismantlement of customs duties and other duties and taxes of similar effect with regard to importation, as follows:

- a) Immediate and complete mutual exemption, upon entry into force of the Agreement, for lists of goods subject to immediate and rapid dismantling with the EU, these lists being set out in Annex No.1 to this agreement, which includes the following:
- The list set out in Annex No.3 to the Association Agreement between the Kingdom of Morocco and the EU, which comprises goods subject to gradual dismantling during a transitional period of 3 years, and goods to be totally exempted upon entry as of the entry into force of this agreement.
  - The list set out in Annex No.3 to the Association Agreement between the Hashemite Kingdom of Jordan and the EU, which comprises goods subject to: gradual dismantling during a transitional period of 4 years, and goods to be totally exempted upon entry as of the entry into force of this agreement.
  - The list set out in Annex No.3 to the Association Agreement between the Republic of Tunisia and the EU, which comprises goods subject to gradual dismantling during a transitional period of 5 years, and goods to be totally exempted upon entry as of the entry into force of this agreement.
  - The first list in the tables of liberalization of goods included in the Association Agreement between the Arab Republic of Egypt and the EU, which includes goods subject to gradual dismantling during a transitional period of 3 years, as of the entry into force of this agreement.
- b) Continuation of work on the immediate exemptions specified in bilateral agreements.
- c) In relation to other industrial products subject to customs duties and not listed for immediate dismantling, the date of 1 January 2005 is confirmed as the latest date for the end of the transitional period, in accordance with the following:
- Beginning from the date of entry into effect of the Agreement: reduction by 80 percent.
  - Beginning from 1 January 2005: complete exemption of 100 percent.

Article 4: Agricultural goods (commodities and products)  
and processed agricultural products

Liberalization shall take place for agricultural goods and processed agricultural goods set out in Sections 1 to 24 of the Harmonized System (HS), in accordance with the implementation programme of the agreement for facilitation and development of commercial exchanges between Arab states, which aims to set up a Greater Arab Free Trade Area.

### Article 5: Trade in Services

Member Countries undertake to respect the commitments as regards liberalization of trade in services defined in the schedules of the World Trade Organization Agreement on Services, and will seek to expand the scale of trade in services between them, in accordance with the applicable laws and structures existing in each Member Country.

The Foreign trade Ministers' Committee will continuously monitor developments in trade in services between the Member Countries after the entry into effect of the agreement.

### Article 6: Rules of Origin

1. Shall be considered as of local origin and source goods (commodities and products) meeting the requirements of the Protocol on Rules of Origin, Annex II to this agreement, in conformity with the Pan Euro-Med Protocol on Rules of Origin, and any future modifications which may be made to it.
2. Goods of local origin and source (commodities and products) exported from one member country to another shall be accompanied by a certificate of origin issued by the competent authorities in the exporting country, bearing the visa and certification of the competent authorities in the same country, in accordance with the Protocol on Rules of Origin specific to this Agreement.
3. The Committee of Foreign Trade Ministers shall monitor on a continual basis any modifications which may be required to this Protocol, with a view to the sound application of the Rules of Origin.

## **Section 3: Accompanying arrangements for liberalization**

### Article 7: Fixing of customs duties, and duties and taxes having equivalent effect, and rules for their calculation

1. By customs duties is meant those duties laid down in the Customs Tariff according to the rates applied in Member Countries on 31/12/1997, and other duties and taxes of similar effect on goods traded between the Member Countries at the above date imposed by one of the Member Countries on imported goods, which are not imposed on products of the Member Country itself.
2. No new customs duties, nor any duties or taxes of equivalent effect, may be imposed on goods traded between the Member Countries, after the entry into effect of this Agreement.
3. If any reductions are effected in the customs duties, and other duties and taxes of similar effect, at the time of, or after, the entry into force of this Agreement, such reduced rates of duties or taxes shall replace those specified in para. 1 of this Article.
4. Member Countries shall follow the harmonized schedule (ITS) Customs

- tariff in the classification of products traded between them.
5. Upon signature of this Agreement Member Countries shall exchange documents concerning the setting of Customs duties, and duties and taxes having equivalent effect, as of the date referred to in Para. 1, in accordance with the schedule of tariffs mentioned in Para. 4 of this Article.

#### Article 8: Non-customs restrictions

The Member Countries engage themselves to remove immediately all non-customs restrictions, including arrangements and procedures which might be adopted by Member countries to control imports. Such restrictions may specifically include quantitative, currency, administrative and technical restrictions which might be imposed on importations. No new non-customs restrictions may be imposed, this being in accordance with the specific rules of the World Trade Organisation, and the agreement for facilitation and development of commercial exchanges between the Arab states, and the arrangements of the Greater Arab Free Trade Area.

#### Article 9: Customs valuation

For the purposes of customs valuation of imported goods, the Member Countries will apply the provisions of the World Trade Organisation Agreement related to customs valuation

#### Article 10: National treatment

Goods traded between the Member Countries having the origin and source of those countries will be accorded the treatment of national goods.

#### Article 11: Government procurement

The provisions of this Agreement shall be adhered to as regards customs duties and taxes actually imposed in the comparison of offers related to international tenders for the supply of goods in each Member Country, in accordance with the provisions of this Agreement and in a manner not conflicting with the operative laws and procedures as regards preferential treatment in each Member Country.

#### Article 12: Value added tax and sales tax

Levels of VAT or sales tax on imported products benefiting from exemption from or reductions of customs duties shall be set taking account of the customs duties and other duties and taxes having equivalent effect in accordance with the proportional value of the exemptions and reductions specified in Articles 3 and 4 of this Agreement.

### Article 13: Financial transactions

Settlement of financial transactions in the context of commercial exchanges between the Member Countries shall be made in a freely traded currency, in accordance with the rules and laws in force in each one of them, without infringing any agreements or arrangements which may be in force between the Member Countries.

### Article 14: Exhibitions

Each Member Country shall work to participate in exhibitions and international fairs being held in the other Member Countries, and shall allow the organization of temporary or permanent exhibitions in its national territory, and shall offer all necessary facilities for this purpose in accordance with the rules and procedures applicable in each Member Country.

## **Section 4: Procedures**

### Article 15: Defensive procedures

Each Member Country shall have the right to initiate defensive procedures as specified in the agreement establishing the World Trade Organization. Such procedures shall only be applied in relation to products which any party shall determine have been imported into its territory from another Member Country in increasing quantities, either in absolute terms, or proportionally in relation to local production, in such a manner as to cause, or to threaten to cause, substantial damage to local industry or agriculture producing similar products, or products directly competing with the products imported from the other Member Country. Such procedures shall be in accordance with the applicable laws and rules in each of the Members Countries of this Agreement.

### Article 16: Infant industries

- Each Member Country may take measures of limited duration, during the period of progressive dismantlement of customs duties and duties and taxes of similar effect, as an exception to the provisions of Articles 3 and 4 of this Agreement, in the form of increased customs duties, or the re-introduction of customs duties and duties and taxes of equivalent effect, having effect in relation to infant industries or sectors undergoing restructuring or facing serious difficulties.
- Each Member country shall inform the other parties of any exceptional measure which it intends to take, and of the time-table for the removal of such customs duties and other taxes of equivalent effect imposed in accordance with this Article.
- The Foreign Trade Ministers' Committee shall study the measures proposed by each concerned Member Country, and such measures shall not be implemented until such time as this Committee has given its agreement.

#### Article 17: Support measures and dumping

In the event of any Member Country facing a case of subsidies or dumping as regards its imports from the other parties, it may take appropriate measures to deal with such cases in accordance with the agreements on subsidies and compensatory duties, and on anti-dumping measures annexed to the agreement setting up the World Trade Organisation, in accordance with the applicable laws and rules in each of the countries party to this Agreement.

#### Article 18: Disequilibrium in the balance of payments

In the event of one of the Member Countries facing dangers, difficulties or disequilibrium in relation to its balance of payments, or the threat of such, it may take appropriate measures in accordance with the provisions of the World Trade Organisation agreement. The Member Country suffering such a situation shall inform the Committee of Foreign Trade Ministers of these measures, and shall specify the timetable for their removal.

#### Article 19: Goods not subject to the provisions of this Agreement

The provisions of this agreement shall not apply to goods specified in the lists approved by the Economic and Social Council of the Arab League, which are excluded from the facilities granted under the implementation programme of the agreement for the facilitation and development of commercial exchanges between Arab states, for religious, health, security or environmental reasons.

#### Article 20: Protection of public order

All goods traded between the Member Countries shall be subject to security and health legislation, and laws related to the protection of morals and public order, and of national historical, archaeological and artistic heritage, and environmental protection in force in each Member Country.

#### Article 21: Sanitary and phyto-sanitary procedures

The Member Countries shall put in place sanitary and phytosanitary procedures for the purpose of protecting the health and life of persons and animals, and for the protection of plants, provided that such procedures are not in contravention with the



provisions of this Agreement. Goods traded between the Member Countries shall, upon importation, be subject to the Laws of Agricultural and Veterinary Quarantine applicable in each country. Such rules and procedures shall not be used as a non-customs barrier to trade between the parties, in accordance with the agreements on technical barriers to trade and plant health (SPS?) annexed to the World Trade Organisation Agreement, and with other relevant international agreements.

#### Article 22: Intellectual property

The Member Countries undertake to protect intellectual property rights, including authors' rights, patents, trade marks, industrial logos, geographical product names, and names giving indication as to origin. Similarly protection will be provided for literary and artistic works and computer programs. Such protection will be provided without prejudice to the Member Countries' commitments in the context of World trade Organisation agreements, and to the laws and applicable procedures in each of the countries party to this Agreement.

The Foreign Trade Ministers' Committee will have responsibility to monitor all questions relating to intellectual property rights.

#### Article 23: Standards and norms

Member countries will work to co-ordinate their technical legislation, norms and standards, in accordance with international practices.

In the case of any member country taking steps which would create, or might tend to create, technical barriers to trade, the Member Countries will immediately initiate consultations with a view to finding the appropriate solution.

All Member Country will give priority to working on signature of agreements in the area of mutual recognition of conformity assessment.

### **Section 5: Institutional requirements**

#### Article 24: Institutions of the Agreement

##### 1. The Foreign Ministers' Committee

- a) A committee of foreign ministers of the Member Countries of the agreement shall be instituted, which shall be concerned with defining the policy measures need to drive forward and expand the Agadir process amongst the Arab Mediterranean countries, and between them and the European Union.
- b) The Foreign Ministers' Committee will meet annually, or as often as

necessary, at the initiative of any of the Member Countries, in accordance with the Committee's internal rules of procedure, which it shall establish in accordance with paragraph (d) of this Article.

- c) The presidency of this committee shall be assumed in rotation between the Member Countries, in alphabetical order, and the provisions of the committee's internal rules of procedure.
- d) The Foreign Minister's Committee may set up a committee at the level of senior officials to present its recommendations to the ministerial committee.
- e) The Foreign Minister's Committee shall, upon its establishment, approve its internal rules of procedure, and those of the Senior Officials' Committee.

## 2. The Committee of Foreign Trade Ministers

- a) A ministerial committee shall be set up at the level of ministers responsible for foreign trade, and shall meet at least annually, or whenever the circumstances require, at the initiative of any one the Member Countries, in accordance with the Committee's internal rules of procedure.
- b) The committee shall be concerned with for supervising the implementation of the Agreement, and with overcoming and difficulties impeding progress, and with defining ways of deepening co-operation and integration between the parties to the Agreement. The committee shall study general questions relating to the Agreement, and any other aspects of joint concern, and shall have power of decision in this respect.
- c) The presidency of this committee shall be assumed in rotation between the Member Countries, in alphabetical order, and the provisions of the committee's internal rules of procedure as specified in paragraph (f) of this Article.
- d) The committee's decisions shall be considered binding for all the Member Countries who may be required to take steps to ensure their implementation.
- e) The Ministerial Committee shall form a technical committee charged with follow-up on the implementation of the agreement, which shall submit its recommendations to the Ministerial Committee. The Ministerial Committee may decide to delegate a part of its responsibilities to the technical committee.
- f) The Ministerial Committee shall adopt its internal rules of procedure, and those of the technical committee.

### Article 25: Tasks of the Foreign Trade Ministers' Committee

The Foreign Trade Ministers' Committee shall in particular undertake the following tasks:

- Overall review and performance assessment as regards the implementation of the Agreement.
- Review and assessment of the results of the Agreement in the light of the experience gained through its implementation, and examination of the means to improve the relations between the Member Countries.
- Assistance in avoiding disputes and their resolution through consultations on the basis of Article 28.
- Examination of proposed modifications to the Agreement, and approval of such modifications, observing the legal requirements of each of the parties.

This committee may form permanent or specialized committees or working groups, and may delegate to them any of its competences. The Ministerial Committee shall establish its internal rules of procedure, and shall take all decisions by unanimous agreement.

#### Article 26: Tasks of the Technical Committee

The Technical Committee shall undertake such tasks as may be entrusted to it by the Foreign Trade Ministers' Committee, and in particular the following tasks:

- Follow up on the implementation of the provisions of the agreement. - Follow up on decisions of the Foreign Trade Ministers' Committee.
- Offering assistance to resolution of disputes, on the basis of Article 28 of this Agreement.

#### Article 27: The Technical Unit

A Technical Unit shall be set up through this agreement, to deal with matters pertaining to it. It shall in particular offer advice and technical support on all matters concerning the implementation of the Agreement, in accordance with Annex No. III.

### **Section 6: General provisions and concluding requirements**

#### Article 28: Resolution of disputes

The Member Countries shall consult and co-operate in the application of this Agreement, in order to achieve a concurrence of views on any matters which might have an impact upon the good implementation of the Agreement, and on any measures taken, or which may be taken by any of the Member Countries, or any other party, at variance with the provisions of this agreement.

In case of the occurrence of any dispute over the interpretation of this agreement, or should any of the Member Countries of the Agreement consider that one of the other members had failed to respect its obligations in the context of this agreement, or in the event that a Member Country should take steps infringing the privileges established under this agreement, it shall be incumbent upon all the concerned parties to make every effort to arrive by consultation at a solution satisfactory to all parties.

In the event that it shall not be possible for the concerned parties to arrive at a satisfactory solution within 45 days from the date of being informed of a request for consultations, the matter shall be referred to the Foreign Trade Ministers' Committee.

The Foreign Trade Ministers' Committee shall study the matter, and shall the required decisions in order to resolve disputes relating to interpretation and application of the Agreement.

In the event of the Foreign Trade Ministers' Committee being unable to arrive at a solution satisfactory to the parties concerned as regards the resolution of the dispute, the concerned parties may request this committee to nominate a special arbitration committee to issue a judgment on the matter.

The Foreign Trade Ministers' Committee shall study any request for the constitution of a special arbitration committee, and in the event that such a request is accepted, the arbitration committee shall be formed within a period not to exceed 30 days from the date on which the request is accepted. This duration may be reduced to 15 days in the case of goods having a short expiry period.

The Foreign Trade Ministers' Committee shall decide the rules and working procedures of any such special arbitration committee.

#### Article 29: Review of the Agreement

The Member Countries to this Agreement shall review the agreement in the light of future developments in international and regional economic relations, in particular in the context of the World Trade Organisation Agreement, and in this context and in the light of relevant recent developments shall also undertake studies of the possibilities to develop, deepen and expand co-operation between them in areas not covered by the Agreement. The Member Countries may present proposals to the Foreign Ministers' Committee in order that the appropriate decisions may be taken.

The results of the process specified in the above Article shall be subject to ratification by the Member Countries of this Agreement, in accordance with the legislation in force in each country.

### Article 30: Accession to the Agreement

Any Arab state member of the Arab League and the Greater Arab Free Trade area, linked to the EU through an Association Agreement or a free trade agreement, may request to accede to this Agreement. Such a request must be approved by all the Member Countries through the Foreign Affairs Ministers' Committee. The acceding country must agree to implement all the effective obligations of the agreement in full as of the date of accession. The Foreign Trade Ministers' Committee may through consultation set a timetable for the dismantling of customs duties on products from the acceding country on the basis of like treatment.

### Article 31: Withdrawal

This Agreement shall continue in effect for an unlimited period. Any of the Member Countries may withdraw from the Agreement, by informing the Foreign Affairs Ministers's Committee of this. The Agreement shall become ineffective with regard to the country withdrawing, after a period of three months from the date of information. The provisions of this agreement as regards specific commitments having a determined duration of validity shall remain in force until expiry of the period of effect of these commitments.

### Article 32: Other arrangements

This Agreement shall not prevent the extension or ratification of other agreements setting up customs unions or free trade areas, or the institution of other arrangements concerning cross-border trade, in accordance with Article 24 and Section 4 of the General Agreement on Customs Tariffs and Trade of 1994, and obligation to which this agreement gives rise.

### Article 33

The Protocol on Rules of Origin, and the specific annexes to this Agreement shall be considered as integral parts of the Agreement.

### Article 34: Ratification and entry into force

The ratification of this Agreement by each of the Member Countries shall take place in accordance with the specific constitutional arrangements of each country. Copies of the ratified texts of the agreement shall be deposited with the Kingdom of Morocco, which shall be responsible for informing the other parties.

This agreement has been prepared in the Arabic language in four original copies, each having legal effect, signed in Rabat on 4 Muharram 1425 H, corresponding to 25

This Agreement shall enter into force with effect from the date upon which the informing country shall inform the other countries of the completion by the last ratifying country of the procedures specified in the above paragraph

For the Government of the Hashemite Kingdom of Jordan Marwan Muasher  
Minister of Foreign Affairs

For the Government of the Kingdom of Morocco Muhammad bin Eisa  
Minister of Foreign Affairs and Co-operation

For the Government of the Arab Republic of Egypt Ahmed Maher  
Minister of Foreign Affairs

For the Government of the Republic of Tunisia Alhabib bin Eisa  
Minister of Foreign Affairs