

**SYMPOSIUM**  
**JEF – ATCT – IACE**

**POSSIBILITY OF AN FTA BETWEEN THE ARAB MAGHREB  
UNION COUNTRIES AND JAPAN**

Tunis, 31 March and 1 April, 2008

## **WELCOMING REMARKS**

**Noboru Hatakeyama:** Japan has had more than fifty years of diplomatic relations with Libya, Morocco and Tunisia. In addition, Algeria, Morocco and Tunisia have signed free trade agreements with the European Union. This is why Japan seeks to deepen its relations with these countries and the Maghreb as a whole not only because it wants to strengthen relations with the Middle East and Africa in general, but also because the Maghreb may be very important for Japanese firms.

Turning to FTA agreements the speaker pointed out that Japan has concluded such agreements only recently and only with some Asian and Latin American countries, but never with African countries. JEF has been holding symposia in various parts of the world to explore ways and means to promote economic and technological exchanges between Japan and various regional groupings and countries, and Tunisia has been chosen as a venue for this symposium because it is considered as a "sort of FTA hub in this region."

The speaker then thanked all the speakers who accepted to participate in the symposium, all organizations and individuals who made it possible for the symposium to take place, and all participants, wishing full success to all.

### **Amor Jilani**

The speaker began by extending a warm welcome to the distinguished guests from the Maghreb and Japan and thanked them for having accepted to participate in this symposium which seeks to deepen relations between Japan and the Maghreb through the eventual establishment of a free trade area between them.

After giving a brief overview of the ATCT and its mission, the speaker pointed out that the Agency already has a rich history of bilateral and triangular cooperation with Japan and various Arab and African countries in which ATCT, in cooperation with Japan, provided technical training and implemented development projects in a variety of areas ranging from fisheries, renewable energy and reproductive health to oceanographic research.

The speaker indicated that he was confident that this symposium – a brainstorming exercise – will identify ways and means for establishing a mutually beneficial relationship between Japan and the Maghreb countries.

### **Opening address**

**Salah Hannachi:** Japan has been opposed to bilateral or multilateral free trade because it is contrary to the principle of universal free trade enshrined in the WTO Charter. Instead, it was in favor of association agreements negotiated in the framework of international organizations. But by 2000/2001 when some 107 bilateral, multilateral, regional ... free trade agreements had been signed by various countries and regional trading blocs, Japan started to accept the notion that a "multi-level stepwise" approach to universal free trade is becoming an irreversible trend. It had come to the conclusion that a free trade area

(FTA) would be beneficial and would open large perspectives for trade and investment. On that basis it concluded its first free trade agreements with Singapore and Mexico.

The presentation by H.E. Amb. Hannachi has three main parts: Euro-Japanese relations, Euro-Maghreb relations and the prospects of a three-way exchange between Japan Europe and the Maghreb.

The speaker referred to the writings of Ibn Khaldoun, the 13<sup>th</sup>-century Tunisian thinker and philosopher, who described relations between the "island of the Maghreb," as he called it, and sub-Saharan Africa and how Niger carried out trade from the harbor of Gabès (a coastal town in southern Tunisia). From Ibn Khaldoun's perspective trade between Gabès and Niger was only one aspect of wide-ranging relations that existed between a major region (North Africa) and the rest of Africa.

Relations between the Maghreb and the European Union

All states of the Maghreb have signed Association Agreements with the European Union; some of those Agreements are already in full implementation.

Relations between Japan, Mexico and the US

Japanese investments in Mexico which, in theory, would give a competitive edge to Japan on the US market, have not, in fact, been detrimental to the US. On the contrary, they have been beneficial to all three stakeholders by improving Mexican growth and transforming Mexico into a genuine partner of both Japan and the US. They introduced a qualitative change in Mexican-American trade relations and created a true partnership between the two countries. After the creation of NAFTA, that partnership gave a new impulse to trade between Mexico and Japan and, indirectly, between Japan and the US.

The positive results achieved by the three-way relationship Japan-Mexico-USA may well be replicated by an FTA between Japan, the Maghreb (UMA) and the European Union (EU).

Possibility of a three-way relationship between the EU, UMA and Japan

Ever since 2004, when Tunisia invited Japan to the Tunis Summit Conference of the League of Arab States as an observer, Japan acquired the status of Permanent Observer and was present at subsequent Summit Conferences. This fact can only strengthen the case in favor of setting up an FTA between Japan and the Maghreb.

**Session I: Relationships between Japan and the Arab Maghreb Union countries: stocktaking and opportunities**

**Moderator: Hafez Ibrahim**

Within the framework of an FTA between Japan and UMA there is room for concluding agreements in a variety of areas, including energy, fossil fuels and the environment. Generally speaking, UMA wishes to learn from Japan's technological achievements.

Technology transfer would undoubtedly take place as part of the foreign direct investment (FDI), trade and financial flows that are likely to emerge as a result of the creation of an FTA.

## **Speakers**

### **Saburo Yuzawa: Trade Flows and Overseas Direct Investment**

Beginning in 2002 Japan's imports have increased significantly, reaching a value of over USD 600 billion and an average annual growth rate of 9% (until 2007). The regional distribution of Japanese imports shows the dominance of Asia, that region accounting for 43% of Japan's total imports. It is followed by the Middle East (19%), North America (13%) and the European Union (12%). Other regions account for less than 5% each.

Exports have shown an average annual growth rate of 5.8% during the period 2001-2006. It is important to note, however, that the exports of the 7 most developed countries have grown at an average annual rate of 7.7%. This difference between Japan and other industrialized countries is due to that fact that the latter are now taking full benefits of long-standing free trade agreements signed with trading partners, whereas Japan's experience with FTA is more recent (2002) and more limited (involving Singapore, Mexico, Chile and Malaysia).

Looking at the distribution of imports by type of product, it can be seen that oil and machinery have a dominant share, each accounting for 28% of total imports (2006 figures). Other products (raw materials, chemical products, ferrous and non-ferrous metals) represent each between 5 and 10% of total imports. As for exports, they are constituted mostly of electrical, industrial and transport equipments and precision instruments, this group accounting for nearly 2/3 of Japan's total exports in 2006.

Looking at the geographic distribution of Japan's trade for 2007, two features are of particular interest: on the one hand, Africa accounts for only 2% of Japanese imports and, on the other hand, the US has overtaken China as Japan's main trading partner with a total value of trade of USD 23 billion.

Turning to Japan's trade with the five UMA countries, it has evolved rather timidly: in five years Japan's imports from the region have increased by only 25%, going from USD 429 million to USD 538 million. Furthermore, most of the increase is due to the growth of oil imports from Algeria. As for Japan's exports to the region they doubled in value in five years, going from USD 416 million to USD 974 million. The increase is attributed mostly to important growth of exports of capital goods to Algeria, Libya and Morocco.

With respect to Japan's foreign direct investments (FDI), the figures show that they are highly concentrated in the industrialized countries of North America (36%), Europe (26%) and Asia (23%), and that there is an uneven regional distribution of FDI. In particular, FDI in Africa, while extremely low (0.6 percent of total FDI), are not smaller than those made in Eastern Europe, Russia or in the Middle East. As for UMA countries, Japanese FDI there are insignificant: Morocco – the main target – received a total amount of USD 15 million in 30 years.

Economic growth in the world has been achieved through trade and bilateral or multilateral direct investments. To ensure its own economic growth Japan should follow the same path. It should not limit itself to the 14% trade carried out in the framework of free trade agreements. It must find other opportunities of trade and direct investments.

**Mohamed Lahouel:** An overview of foreign direct investments in UMA member states shows that FDI have increased significantly during the last few years. FDI reached USD 10 billion in 2006, with an average of about USD 5 billion per year during the period 2001-2006. This growth is due mainly to privatization operations.

In comparison with other regions and proportionately to its GDP the Maghreb has attracted less FDI than other regions with low- or medium income countries and less than Latin American countries. All UMA countries have received USD 5 billion in Japanese FDI, which represents 2.6% of their GDP and puts them far behind medium- and low-income countries where FDI reached USD 104 billion, representing 3.4% of recipients' GDP.

Japanese FDI in the Maghreb have shown a wide fluctuation between 2000 and 2006, although the overall trend was upward. Nevertheless, Japan's share of FDI commitments remains low (4.5%). In this regard the European Union remains the main source of FDI in the region, accounting for an average of 56% of all FDI made in the region.

The speaker then looks at the destination of Japanese FDI and indicates that the largest share goes to the EU (an average of 37% for the period 1995-2004), followed by the US (31%) and Asian countries (26%). However, the US share is declining in favor of the EU and Latin America. As for Africa, its share is not only insignificant (0.3%) but has been declining during the period 1994-2004.

How can we understand Japan's investment strategy?

It would appear that market size is an important factor that determines investment decisions. If that is the case then the Maghreb should be highly attractive: not only is it a large market in its own right but it is a gateway to the entire African continent in the south and to all of Europe in the north. Therefore, an insufficient market size cannot explain the dearth of Japanese investments in the Maghreb.

Another determining factor in designing investment strategies may be geography. Japan being located in Asia, it would naturally favor markets close to home. But then Europe, the United States and Latin America are no more distant from Japan than North Africa, yet their share of Japanese investments is high and growing. Therefore, geographic proximity cannot be considered as a decisive factor in making investment decisions.

Some may argue that cultural differences may influence investment decisions, but the speaker considers that such an argument is unjustified and even overused: Japanese FDI are present throughout the world and in countries with cultures that are quite different from Japan's.

There may be one factor that has kept FDI away from the Maghreb, and that is the lack of economic integration in the region. Integration would surely be an attractive feature of the Maghreb, but it is not the only one. Others include the ready availability of a qualified labor force whose cost is lower than that of Europe and proximity of the European markets: these features should provide a competitive edge to Japanese firms which could take advantage of a large integrated local market as well as re-export to Europe. In this regard the case of Mexico is enlightening: at one time Mexico attracted less Japanese investments than Brazil, but after it joined LAFTA Japanese investments increased and Japan profited from a mutually beneficial three-way relationship Japan-Mexico-United States.

**Fayçal Lakhoua:** The subject of Japan's official development assistance (ODA) in the Maghreb is as important as it is vast. The discussion will focus on Tunisia since information on other UMA members is not available.

For a long time Japan's ODA was exemplary even though the sums involved were relatively small. Japan's commercial and development assistance to Tunisia was governed by a number of agreements signed in 1960, then in 1974 for sending volunteers to Tunisia, and in 1988 for promoting technical cooperation in various fields and following which the Japanese International Cooperation Agency (JICA) opened an office in Tunisia.

During the decade 1997-2006 Japanese assistance to Tunisia amounted to some ¥ 100 billion, a sum equal to the one received during the 20-year period 1977-1997. In the last few years assistance received by Tunisia has been increasing. This reflects Japan's global policy of encouraging capacity building, improved quality and research/development.

Assuredly, Japan's actions in Tunisia have met some of Tunisia's expectations; this is the case of the Borj Cedria Science and Technology Park which was created a few years ago. But we hope that the pace of activities would increase and that a greater number of agencies would be involved. We also hope that future programs would be more innovative and focus on new areas such as water management, construction and public works, telecommunications, the environment, and R&D in universities. Regarding universities we would like to network institutions of higher learning and research and integrate the private sector in such a network.

We also think that knowledge and experience acquired by Tunisia in various fields could be extended to other countries in Africa and the Middle East in cooperation with Japan.

### **Questions and Answers**

**Q:** With which countries does Japan have free trade agreements?

**A:** At first Japan did not want to have free trade agreements with large agricultural countries. Consequently, it started with Singapore, and that became the model for future agreements. Then there was the agreement with Mexico, following which the process stopped as a result of resistance organized by several groups. At present, Japan has a

well-established free trade policy and agreements have been signed with the Philippines, Thailand, Malaysia with others to follow with Oceania, Switzerland and Chile.

**Q:** Why are Japanese FDI so weak in Africa in general and in Tunisia in particular?

**A1:** Prof. Lahoual has mentioned some of the push factors. Distance and transport cost are certainly unfavorable factors. But market size is also a significant variable that Japanese firms take into consideration. For example, South Africa's GDP is equal to or higher than that of all UMA members put together. I think that if the Maghreb were to achieve integration and constitute a solid unified market, it would become much more attractive to Japanese firms which will undoubtedly look at the Maghreb with greater interest.

**A2:** Business environment is another factor that comes into play. For example, there is a rule called "compensation" which may be considered as a barrier to free trade. At present, a vehicle cannot enter Tunisia unless a portion of its value is represented by parts manufactured locally. The result of this rule is that there are not many Japanese cars admitted in Tunisia in comparison with other markets.

You also need to keep in mind that Japanese firms are constantly solicited not only by developing countries but also by industrialized ones, to make direct investments in high technology and other areas or high value added. Practically no week goes back without ministers making official visits to Japan to attract investments. But it should be noted that most of the potential hosts present fiscal arguments to attract Japanese firms, which shows that they are not aware of these firms' investment strategies. If Japanese firms decide to come to Tunisia or to the Maghreb in general, it probably won't be for fiscal advantages but because of Europe's proximity and the existence of free trade agreements between the EU and UMA states.

**Q:** Is there a link between official development assistance, investment and trade?

**A:** There certainly is. FDI come first, they stimulate trade which then contributes to development.

**Q:** A casual observer would notice that in Algeria there is a predominance of Japanese cars in the streets and a large number of Japanese firms producing electronic products and household appliances, yet this is not reflected in the statistics that have been presented. Isn't there a need for a better data collection so as to have an accurate picture of Japan's investment and production activities in our countries?

**A1:** You are perfectly right. I think that one of the first tasks that JEF should undertake is to create a statistical database that would allow an accurate evaluation of all trade and investment activities that exist between our respective countries, without omitting the important quantity of goods that come through other markets such as Dubai.

**A2:** I think that there is little dialogue between Japan and Maghreb countries, and as a result we don't know each other sufficiently. We need to improve mutual knowledge if we are to give a solid foundation to future cooperation.

**Q:** Do you think that major brand names may make a major contribution to the development of trade between Japan and UMA?

**A:** Japanese brand names, particularly major ones, are interested in large-volume trade. Smaller ones tend to specialize in production goods rather than consumer goods.

**Q:** What about industrial parks, technology transfer, management techniques and support to SMEs?

**A:** We try to deal with these issues in a number of countries. As it was said previously we receive a lot of request for technology transfer and other activities, but we also have some priorities. I hope that this symposium will provide an opportunity for UMA to make similar requests. We believe that all of these activities can only have beneficial effects; to give just one example we provided assistance to a coffee processing plant in Egypt to apply principles for achieving higher productivity, and as a result they have been able to reduce their rate of non-conforming products from 20% to 5%.

**Q:** China is showing a lot of interest in Africa; does this motivate Japan to do likewise?

**A:** Absolutely. We are doing our utmost to strengthen our relations with countries in this region.



## **Session II: Exchange of experiences EPA (Japan) / Association and Free Trade Agreements**

(UMA countries)

**Moderator: Naoyuki Haraoka**

**Speakers:**

**Yukiko Fukagawa: The Japanese Experience.**

Japanese FDI distribution in the world has three main features. First, Japanese FDI had a clear regionalist tendency. But I think that this trend is changing and Japan is opening up to new horizons. It wants to intervene in low-income countries to put them on a track towards higher development.

Secondly, some people were opposed to Japan's new opening, and the number of politicians supporting this new trend has been, until recently, rather small.

Lastly, there is the question of regional integration. The degree of integration achieved in Southeast Asia has been the result of investments made by Japan there in the last 50 years. Japan does not wish to lose its investments or to leave the region without further ado. Japan's population is aging and negotiations with India, Thailand and Vietnam may become important for Japan, all the more so that too great a dependence on China is not advisable. However, it would be good if growth were to be based on a stepwise cooperation which, in any event, has become an irreversible process in today's world economy.

The adoption of trade bilateralism by Japan is a major event and may be considered as an indication that Japan's trade policy is reactive rather than proactive. It came about after China joined WTO and sought cooperation with ASEAN countries. The first bilateral agreement was concluded with Singapore but it was not significant, whereas the one with Mexico was quite important because it affected a sensitive sector, that of agriculture. It quickly created a domestic pressure for reforming Japan's agriculture. Furthermore, the adoption of preferential measures in an FTA may have an impact on relations with other partners such as the rivalry between Japan and China. Finally, bilateral free trade agreements may speed up the restructuring process of certain sectors. Thus, Japan's strategy is reactive; it is still in its early formative phase; it undeniably focuses on the ASEAN region.

**Jamal Boujderia: The UMA Experience**

Members of UMA are geographically contiguous and share a common language and culture. It is at the crossroad of Africa, the Middle East, Europe and America. Thanks to its abundant natural resources, its geographic size (6 million km<sup>2</sup>), its population (85 million people) and a growing per capita income, the Maghreb offers promising prospects for intra- and inter-regional trade.

UMA was founded by virtue of a treaty signed by the five head of states of its members on 17 February 1989 in Marrakech. Prior to the Marrakech summit the five head of states had met in Zeralda (Algeria) on 10 June 1988 and agreed to set up a Grand Commission to propose ways and means for achieving the unification of the five states of North Africa.

The Euro-Mediterranean Partnership (EMP) involving the (then) 15 members of the European Union (EU) and 12 countries from the Southern Mediterranean was officially launched at the Barcelona Summit held in November 1995 for the purpose of strengthening relations and complementarity between the EU and each of the 12 Southern partners. That was the beginning of a new era for Euro-Mediterranean relations and an indication that Europe was re-discovering its authentic historical and geographic dimensions.

At present three UMA members – Morocco, Tunisia and Algeria – have signed Euro-Mediterranean Association Agreements (AA) with the EU. The AA go well beyond the simple liberalization of trade as instituted by the trade agreements concluded at the end of the 1960s between Europe and North African countries. Libya is currently negotiating an AA with the EU. The EMP is a new form of North-South regionalism that aims at creating a Euro-Mediterranean Free Trade Area by 2010; it has two main components:

- set up a free trade area between the EU and each of the Southern partners and the gradual enlargement of this zone through the liberalization of trade between Mediterranean countries;
- provide financial assistance for restructuring Partners' economies through funds allocated in the MEDA program.

The EMP initiative, which has already brought about fundamental changes in the structure of relations between Southern Partners and the EU – their main trade partner – may well become a significant factor towards completing the process of Maghreb economic integration.

Several bilateral agreements have been signed by UMA countries, such as those between Tunisia and Morocco, Tunisia and Libya and Tunisia and Mauritania. There are also multilateral agreements involving UMA members and Middle East countries. A case in point is the Agadir Agreement signed in 2004 and involving Tunisia, Morocco, Jordan and Egypt. The agreement was ratified in 2006 and went into effect in March 2007. It is open to any Arab Mediterranean country that has an Association Agreement with the EU. Still in its early days, the Agadir Agreement is seeking consolidation through enlargement. Thus, discussions are underway with Lebanon for an eventual accession. Thanks to the economic openness of its members, the Agadir space offers promising potentialities.

Intra-regional trade in this vast area remains small (4% of total trade with the rest of the world), whereas trade with the EU is dominant, representing some 60% of the region's total trade. The shares of the United States, Japan and Asia do not exceed 4%.

To promote intra-UMA exchanges a trade and investment bank has been set up; its task is to facilitate regional trade and to attract foreign direct investments.

With regards to an FTA between UMA and Japan, we know that technical and financial cooperation between the parties is excellent, but trade and investment activities remain modest. It is imperative that the stakeholders exchange experiences, improve knowledge of their respective markets and create partnership linkages between their businessmen.

### **Questions and Answers**

**Q:** What are the advantages of free trade?

**A:** This is the Year of Africa. We should take advantage of this opportunity to undertake actions in favor of the entire region. Instead of asking for public development assistance, it is preferable to strengthen private partnerships. Furthermore, Japan may take advantage of UMA as a gateway to Europe, just as was the case for Mexico and Chile which became Japan's gateways to the US. The possibility of a Japan-UMA FTA may be a catalyst for greater economic integration in UMA and ultimately, that objective is tributary of our will.

**Q:** Should the principle of an FTA between Japan and UMA countries be retained, do you think that agreements would be concluded between Japan and individual UMA members?

**A:** Given the small size of individual markets, I think that a free trade agreement would need to be concluded between Japan and UMA as a bloc.

**Session III: A FTA / EPA between the Arab Maghreb Union countries and Japan: Opportunities and challenges**

**Moderator: Salah Hannachi**

**Speakers:**

**Noboru Hatakeyama**

The origin of this symposium goes back to the period when H.E. Salah Hannachi was Ambassador of Tunisia to Japan. He organized a meeting to which he invited several ambassadors and myself to discuss the possibility of concluding free trade agreements between Japan and the Maghreb. It was the first time that such a project was envisioned, and it was prompted by the need to evaluate the impact of free trade area between the EU and Korea.

In my opinion there are five reasons to justify the project of a Japan-UMA FTA:

- 2008 is Africa Year whose purpose is to strengthen relations between Japan and Africa. But how can this objective be achieved without reinforcing trade relations? Investment and cooperation activities can grow only on the basis of commercial exchanges.
- Relations between Japan and the Maghreb have a great potential for growth. UMA's GDP in 2007 is estimated at USD 272 billion and is close to South Africa's GDP (USD 271 billion). However, trade between Japan and South Africa (USD 10 billion) is ten times bigger than that between Japan and UMA.
- In 2007 negotiations were launched between Korea and the EU to set up an FTA. If an agreement is concluded it would have major consequences on Japan. At present the EU imposes 15% taxes on TV sets and 10% taxes on cars originating from non-EU members. If a free trade agreement is concluded between the EU and Korea the latter's products will no longer be taxed, whereas Japan's products will continue to be taxed. Japan's exports of capital goods will be in an unfavorable position, and this will have a major impact on Japan's economy. But if a free trade agreement is concluded between Japan and UMA, such risks would be reduced and Japanese firms would be able to sell their goods in Europe in the same conditions as Korean firms trading with the EU.
- Tunisia and Morocco have concluded preferential agreements with the US, and this should prompt Japan to do likewise so that it can confront American competition on EU markets under similar conditions.
- Finally, the FTA project may serve as a catalytic for greater integration of the Maghreb so that it becomes more attractive to investments and trade.

Consequently, I strongly support the idea of creating a Steering Committee at the conclusion of this symposium and giving it a small budget to allow it to carry out feasibility studies on which decisions will be made.

### **Sid Ali Abdellaoui**

I shall start this modest presentation by raising a question which, in my opinion, is fundamental: What would be the impact of free trade on employment and growth?

If trade is imbalanced, why should one country open its markets to another country? When I say balanced I do not mean that trade should be distributed equally 50-50 between the partners; rather, I mean that the parties should reap the benefits of trade simultaneously.

### **Hakim Nagah**

Since 2002 Libya has been restructuring its market and opening and liberalizing its economy to give it a new dynamism. Libya's trade with Japan remains concentrated on a few sectors such as motor vehicles and electronics, but other sectors such as telecommunications and petroleum remain practically absent. Therefore, there is ample room for expanding trade in such strategic sectors.

I would also like to underline the fact that Libya does not yet have a real strategy of trade liberalization. The liberalization process has started only recently, and the government itself is in the process of restructuring. In the meantime, Libya is concentrating on a number of specific projects such as ICT and the creation of new industries. Therefore, Libya needs cooperation in a lot of areas.

### **Mohamed Lamine Ould Deidah**

Any foreign trade strategy needs to be designed for the entire UMA membership acting as a bloc, for any member acting individually will be marginalized. An FTA agreement with Japan needs to include strong actions to upgrade business firms as well as technical and financial assistance. UMA, for its part, will provide a labor force which is qualified and capable of further improvements. Thus the prerequisites are there for setting up an advanced technological platform and undertaking profitable investments.

Let us then create an economic space that can attract foreign direct investments and all stakeholders would reap the benefits of a partnership between Japan and the Maghreb.

### **Norio Gomi**

As already indicated by Mr. Hatakeyama the free trade agreement that will be signed by the EU and Korea should serve as a major incentive for achieving a free trade area between Japan and the Maghreb.

At a meeting held in Singapore on 19 November 2007 Japan and ASEAN signed an Economic Partnership Agreement (EPA) that will go into effect in Fall 2008. This is the

first multilateral EPA that Japan enters into and it constitutes a major step towards the realization of a major Japanese objective: the creation of a free-trade East Asian Community.

In the 1970s most Japanese big firms opened factories in the NICs first, then in ASEAN 4 countries (Malaysia, Thailand, Indonesia, Philippines), all with the main objective of exporting to the US and Europe.

Starting in the 1990s the electronics industry started producing the same product in each space where a market for that product exists (the mini-Matsushita model). Thus, Matsushita makes TV sets in each of the ASEAN 4 countries as well as in Taiwan. Similarly, Sharp products are manufactured in Thailand, Malaysia and Indonesia. In the car industry vehicles are assembled in each individual market. The only change that occurred, particularly since 1985, was that local content was increased in response to governments requirements. The result was that Japanese firms did penetrate those markets, but imports from Japan were on the decrease whereas local purchases were increasing.

In the second half of the 1990s Japanese electronics firms started to change their strategy. For example, Matsushita is considering the specialization of each country in a given product and exporting that product to the rest of the region. In other words, production will be localized in the country that has the best comparative advantage for a given product.

In the beginning Matsushita will use AICO to avoid paying import taxes until such time when it can take full advantage of trade liberalization measures that will come into effect in the coming years. What will happen is that each site will specialize in a particular model which will then be exported to other Asian markets as well as to countries in the periphery such as Australia, New Zealand and, eventually, the Middle East. In Thailand there is a strong concentration of Japanese car producers as well as other brands (Ford, GM, BMW), in addition to western parts manufacturers. As a result, Thailand has become a major hub for assembling cars for export, whereas other countries in the zone will assemble only models in high demand in their respective markets.

So how can we envision relations between Japan and the Maghreb?

The Japanese approach used in Asia could be the basis on which a free trade agreement with the Maghreb countries could be structured to make the region a bridge between the Japanese economy and the economies of the region (Europe) and even beyond (US).

**Moncef Kattani:** Exchanging experiences and expertise can only be one of the ways of giving support to trade. They need to be complemented by other actions to deepen trade and investment activities in partner countries. Morocco's experiment in vehicle assembly proves this. After Isuzu opened an assembly plant in Marrakech Japanese experts were sent to Morocco and Moroccan technicians and engineers went to Japan. I can assure you that we learned a lot from the experiment, but at the same time and as the Japanese themselves testify, they have discovered many aspects and potentials of the Moroccan economy that they did not know before. Undoubtedly, it will not be easy to attract major

Japanese firms to the Maghreb and to convince them to open plants there, but I am quite sure that this is not an impossible task. I think that we need to develop a short- and medium-term strategy to achieve that objective. In the short term potentialities and opportunities in the Maghreb may be made known through professional associations active in both regions, intensification of contacts through fairs, tradeshows, seminars and workshops focusing in turn on each UMA country, and through more frequent economic missions. Major Japanese firms that would show reticence to invest in the Maghreb should be presented with attractive long-term strategies because such firms do not make major decisions lightly. May I also point out that many firms from the Maghreb are already implanted in Mali, Senegal, Côte d'Ivoire and many other African countries. For them this is a source of diversification, opening to the outside world, and consolidation of their experience. The Maghreb could become a major gateway to the rest of Africa.

**Moez Belkhiria:** Japanese industry has been able to grow mainly because of the availability of an important domestic market. When industrialization started in Japan the national economy was lagging far behind the European and American economies; but today Japan has become not only the world's second most powerful economy but the top reference for technical progress and high technology. As for the creation of an FTA between Japan and UMA, I think that such a project should not be an end in itself but should be included in a comprehensive approach towards growth and economic development. Only such an approach can yield benefits that can be shared by all stakeholders.

The small volume of trade between Japan and the Maghreb is probably not due to the absence of free trade agreements but rather to the fact that Maghreb firms and businessmen do not take initiatives to go up to their Japanese counterparts and discover what opportunities they have to offer. In any event, I think that today the stage is set to attract the attention of Japanese firms, and an FTA would bolster and facilitate trade but not investment decisions.

**Q:** Can an FTA increase employment?

**A:** An FTA should be analyzed dynamically and not statically. An FTA increases trade and attract more investments and that, in turn, would create new job opportunities to meet labor requirements of the new investments. Consequently, there is no real worry about employment. For example, we saw in the case of the FTA with Singapore that job opportunities have increased as a result of trade growth.

## **CONCLUSIONS**

**Noboru Hatakeyama:** At the conclusion of this symposium which has produced a wealth of ideas and arguments, I would like to give a summary of the points that appear to me as the most pertinent:

1. Regarding statistical information, there is a need for better collection of data concerning direct investments and exports and imports from and to Japan and UMA countries.

2. The second point relates to the motives for creating an FTA between Japan and UMA.
3. The third point relates to whether or not an FTA would have a positive impact on employment.
4. What should be the content of a free trade agreement between Japan and the Maghreb? On this question several suggestions have been made, ranging from technological cooperation between SMEs to cultural cooperation.
5. A proposal has been made to set up a steering committee to which a small budget would be allocated for the purpose of debating and further reflecting upon these issues.