

Zentrum für Europäische Integrationsforschung  
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Rheinische Friedrich Wilhelms-Universität Bonn



Stephen C. Calleya

# **Is the Barcelona Process Working?**

EU Policy in the Mediterranean

**Discussion Paper**

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Dr. Stephen C. Calleya, born in 1963, is Deputy Director of the Mediterranean Academy of Diplomatic Studies at the University of Malta. He is also the international representative of the University of Warwick, England, an External Associate of the Centre for European Policy Studies (CEPS) in Brussels, an analyst with the London based Euromoney publication Euro-Mediterranean Journal and editor of the journal Mediterranean Politics. In February 1999 he was appointed adviser to the Malta/EU Steering and Action Committee (MEUSAC).

Among his recent publications are: Navigating Regional Dynamics in the Post-Cold War World, Patterns of Relations in the Mediterranean Area, Dartmouth, London 1997, (ed.), Economic Diplomacy in the Mediterranean, Mediterranean Academy Publication Series, 1999, Regionalism in the Post-Cold War World, Ashgate, London 2000.

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# **Is the Barcelona Process Working?**

## **EU-Policy in the Mediterranean**

### **Introduction**

Developments around the Mediterranean since the launching of the Euro-Mediterranean Process (EMP) in November 1995 have underlined the fundamental fact that this geo-strategic area continues to be dominated by a mosaic of distinct sub-regional constellations, each evolving according to their own indigenous pattern of relations.

- Given such a heterogeneous cluster of regional dynamics, is the EMP the correct mechanism to contend with the plethora of security challenges largely emanating along Europe's southern periphery?
- What can be done to make this process more effective and sustainable than it has been to date?
- What are the issues at stake in this process and what relevance is this multilateral initiative having on the daily lives of the Euro-Mediterranean citizens essentially seeking to address?

### **1. Geo-strategic Setting**

An analysis of the society of states which are geographically proximate to the Mediterranean basin reveals two prominent international regions: the geographical space which borders the north-west sector of the Mediterranean which is labelled the European Union, and the geographical

area covering the south-eastern flank of the basin which is labelled the Middle East.

The four sub-regions encompassing the Mediterranean are southern Europe, the Balkans, the Maghreb (Algeria, Tunisia, Morocco), and the Mashreq (Syria, Jordan, Lebanon, Iraq, Egypt and the Arabic peninsula). Each of the sub-regions continue to follow different evolutionary patterns and there is very little to indicate that any of them will integrate with their counterparts across the Mediterranean any time soon. Relations across Southern Europe are largely co-operative dominant, with this group of countries increasing their intergovernmental and transnational ties with the rest of Europe on a continuous basis. In contrast, conflicting relations have consistently hindered closer co-operation between countries in the Balkans, North Africa and the Levant. Relations in these three sub-regions of the Mediterranean remain primarily limited at an intergovernmental level, with cross-border types of interaction across the southern shores of the Mediterranean limited to the energy sector and Islam.<sup>1</sup>

The geopolitical shifts that have taken place throughout the Mediterranean since the Barcelona conference in November 1995, particularly the slowdown in Middle East peace talks and the escalation of hostilities in the Kosovo conflict, have forced Euro-Mediterranean strategists to reconsider what policy mechanisms should be introduced to ensure that the goals outlined in the Barcelona Declaration are attainable. This includes paying more attention to specific sub-regional trends that are currently manifesting themselves around the Mediterranean.

The thaw in cold war relations in the Levant which systematically spread to other parts of the Middle East after the historic Israeli-Palestinian peace agreement of 1993 came to a practical halt with the election of Benjamin Netanyahu in late 1995. Aspirations that the Middle East peace process would become more comprehensive with the inclusion of both Syria and

1 Calleya, Stephen (1997a): Navigating Regional Dynamics in the Post-Cold War World, Patterns of Relations in the Mediterranean Area, Dartmouth, pp. 131-140. See also Calleya, Stephen, (1997b): 'The Euro-Mediterranean Process After Malta: What Prospects?', Mediterranean Politics, Vol. 2, No. 2, Autumn 1997, pp. 1-22.

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Lebanon were largely replaced by efforts to preserve the fragile peace process.

Neither the Europeans nor the Americans were able to influence Israeli Prime Minister Netanyahu's more hard-line approach to the peace process that resulted in a freezing of peace negotiations. The suspension of the MENA process in 1998 was the result of a concerted effort by the majority of Arab League members to terminate normal relations with Israel and revive the economic boycott against Israel.<sup>2</sup> Any hope of revitalising the peace process took a back seat in the last quarter of 1997 and throughout 1998 and the first half of 1999 as Middle East leaders became more preoccupied with the possibility of another showdown between the United Nations and Iraq or Israel and its Syrian neighbours. The election of Ehud Barak as Israeli Prime Minister in May 1999 offers a window of opportunity to reactivate the dormant Middle East peace process.

In the Maghreb, efforts to promote more co-operative relations have also been at more or less of a standstill in recent years. Internal strife in Algeria and international sanctions against Libya have stifled attempts to reactivate the notion of a more integrated Maghreb as was outlined in the Arab Maghreb Union Treaty of 1989.<sup>3</sup> The European Union's more active policy towards Algeria in 1998 and the United Nation's decision to suspend the sanctions regime against Libya in 1999 have helped create a more conducive climate to remove some of the numerous political stalemates that continue to prevent further intra-regional co-operation across North Africa.

Along the northern shores of the Mediterranean, Southern European countries have also had to contend with an increase in turbulent relations in their vicinity. Animosity between Greece and Turkey reached quasi-hostile intensity in early 1996 when a dispute over the sovereignty of a number of

2 International Herald Tribune, 'Arab States Recommend Sanctions on Israel', April 1 1997, p. 1.

3 Joffé, George, (1994): 'The European Union and the Maghreb', in Gillespie, Richard, (ed.), *Mediterranean Politics*, Vol. 1, Pinter Publishers, pp. 22-45. See also Camier, Alice (1991): *The Countries of the Greater Arab Maghreb and the European Community*, Commission of the European Communities, DE 68, Jan.

Aegean Islands resulted in an escalation of military movements on both sides. Diplomatic initiatives to formalise a set of good neighbourly principles since have largely failed to move Greece and Turkey towards a more cordial relationship.<sup>4</sup> Despite diplomatic interventions by the European Union and the United States, Athens and Ankara also remain stalemated as a result of their failure to broker a peaceful resolution to the Cypriot issue.<sup>5</sup>

Since January 1997 Turkey has further strengthened its strategic alliance with Israel conducting a series of joint maritime search and rescue exercises. Operation Reliant Mermaid took place off the coast of Israel and included the participation of the United States and Jordan. The naval manoeuvres demonstrated this alliance's ability to dominate pattern of relations in the eastern sector of the Mediterranean. The subsequent balance of power shift has resulted in an occasional outcry from Iran, Syria and Iraq who perceive the intensification of military co-operation as a direct threat to their sovereignty.<sup>6</sup>

Further West, stability in the Balkans has blown hot and cold. Regional relations received a boost in December 1997 when U.S. President Clinton announced that U.S. troops would remain stationed in the region until a more secure peace was achieved. Paradoxically, instability again emerged when the neighbouring country of Albania appeared to be on the brink of fragmentation. The increase in tension in Kosovo throughout 1998 and the outbreak of war between NATO and Yugoslavia in March 1999 once again plunged the Balkans into turmoil. The fragile peace that has emerged with the creation of a western Kosovo protectorate in no way guarantees that the decade of instability across the Balkans has come to an end.<sup>7</sup>

4 *Associated Press*, 'Greece-Turkey agree to Meetings' June 30, 1999.

5 *Coufoudakis, Van*, (1996): 'Greek Foreign Policy in the Post-Cold War Era: Issues and Challenges', *Mediterranean Quarterly*, 7/3, pp. 26-41.

6 *International Herald Tribune*, 'Turk-Israeli Exercise: An Alliance Building Steam', December 20-21 1997, pp.1, 4.

7 *Time International*, 'Who Really Won?', June 21<sup>st</sup> 1999, pp. 20-23.

## **2. Prospects for the Future: A Regional Assessment to 2010**

A number of indicators extant today can be used to project the strategic environment in the Mediterranean to 2010. Unless these indicators change significantly, the environment for the first ten years of the next century will be set by the year 2000. The speed with which the events in Europe and the Middle East are moving makes it likely that the shape this part of the world will take by 2010 will be clearly discernible by the end of this century. The United States and Europe will continue to depend on the Persian Gulf and North Africa for much of their energy supplies. They will however be joined by the likes of China and India that will need to satisfy their growing energy demands and therefore access to these areas will remain a high foreign policy priority.

In the first half of the 1990s the Mediterranean showed signs of becoming a co-operative dominant area. But the past four years has witnessed an increase in conflicting relations throughout the Mediterranean and a resultant shift to an indifferent type of region. Fault-lines along a north-south and south-south axis have become more apparent, with no sign of a process of regional transformation taking place.

As relations stand, two scenarios are possible: the first is one in which a number of Mediterranean countries manage to integrate at both a regional and international level, while the rest continue to go through a process of fragmentation. The second is one in which the majority of countries in the Mediterranean are not able to integrate into the international political economy and gradually become failed states.

As patterns of relations across the Euro-Mediterranean area stand, the majority of littoral countries in the Mediterranean seem unlikely to integrate into the global political economy that is emerging. Transnational ventures remain limited, with states in the area more concerned with intra-state and inter-state conflicting issues than with promoting inter-state types of co-operation.

If European Union efforts to foster inter-Mediterranean political and economic co-operation are to succeed they must be complemented by initiatives that Mediterranean states themselves initiate as part of a process that aims to create a transnational network upon which cross-border types of economic and financial interaction can take place. To date, the Mediterranean has not succeeded in creating an environment where people, products, ideas and services are allowed to flow freely. At the moment there are too many bottlenecks in the system and this will prohibit the region from competing and prospering in the global village of tomorrow.

In contrast to the more cohesive and co-operative South-East Asian and Latin American developing regions, the Mediterranean currently consists of a number of sub-regional constellations, i.e., Southern Europe, the Maghreb, the Mashreq, and the Balkans, that are evolving along separate and distinct paths. Perhaps the label that best describes the pattern of relations in the area is "fragmeigration" which denotes the integration efforts being pursued by the EU Southern European countries and the fragmentation type of relations that continues to dominate the southern and eastern shores of the basin. In fact, the lack of cohesion and unity achieved to date somewhat mirrors regional dynamics manifesting themselves across central Africa.<sup>8</sup>

During the first ten years of the new millennium the United States will shift its foreign policy concerns in the region further east, focusing on the management of relations in the Mashreq and the Persian Gulf. The rest of the Mediterranean will become a European Union sphere of influence once a common foreign and security policy is operational. In the interim, the EU will continue to contain instability that may emerge along its southern periphery. In the short-term, its priority will be to achieve internal cohesiveness through the successful implementation of economic and monetary union. In the medium term, the EU's objective will be to integrate as many central and eastern European countries as is feasible.

8 James N. Rosenau, Rountable on "Is International Studies an Anachronism?", International Studies Association Annual Convention, March 20 1998, Minn., Minnesota. See also Rosenau, *Along the Domestic-Foreign Frontier, Exploring Governance in a Turbulent World*, Cambridge University Press, 1997.

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The EU has an opportunity to further strengthen its external relations in the Mediterranean by strengthening its ties with the three European Union Mediterranean candidates of Malta, Cyprus and Turkey. Relations with the three countries are currently proceeding at different level and different speeds.

Malta is currently gearing up for EU accession negotiations and eventual membership by conducting a screening process with the EU. The Maltese Islands hope to commence actual accession negotiations early in the year 2000. Malta has been playing a proactive constructive role in the Euro-Mediterranean process since its launching in Barcelona in 1995. In addition to hosting the second Euro-Mediterranean ministerial meeting in April 1997, Malta is also actively promoting the idea of a stability pact for the Mediterranean.

Cyprus has already commenced accession negotiations with the EU, with half of the thirty-one chapters already open. By the end of the Portuguese Presidency in mid-June 2000 Cyprus is expected to have opened all EU chapters for negotiation. Any EU aspirations that EU accession negotiations would have a positive impact on Turkish-Greek relations and the division of the Mediterranean Island have however failed to materialise.

Turkey's sheer size, religious and cultural traits, and human rights record continue to prevent it from becoming an EU member. The European Union's indifferent attitude towards Turkey at the Luxembourg summit of December 1997 cast a cold shower on EU-Turkish relations that could become permanent unless Brussels introduces a more co-operative framework of relations in the near future. The stalemate between Greece and Turkey over Cyprus is another factor that continues to hinder EU-Turkish relations and unless resolved in the near future could delay the next round of EU enlargement altogether, given Greece's veto status. Despite EU pronouncements to the contrary, the EU is unlikely to adopt the Cypriot stalemate as it stands.

### **3. The Euro-Mediterranean Summits: From Malta to Marseille**

The EMP is certainly the most important regional process that currently exists in the Mediterranean as it brings together all of the European Union member states and twelve Mediterranean countries which are Morocco, Algeria, Tunisia, Egypt, Jordan, Israel, Syria, Lebanon, the Palestinian Authority, Turkey, Cyprus, and Malta.

Given the more indifferent patterns of regional relations that exist in the Mediterranean than those that existed in November 1995, it was no small feat that the second EMP meeting, the first ministerial meeting of its kind that took place in the Mediterranean, could take place. The high turnout of foreign ministers at the EMP meeting in Malta, particularly the presence of Syria, Israel and the Palestinian Authority, illustrates the importance that the participating countries attach to the process that offers the possibility of extending co-operative patterns of relations at several levels.

*In addition to strengthening north-south relations as the EU becomes more active in the Mediterranean, a high priority is also being given to nurturing south-south relations that are to date lacking. Specific efforts are being made to assist Mediterranean countries become more aware of the opportunities that exist in their neighbouring states, and offering the Mediterranean countries involved in the EMP with incentive packages to pursue trans-Mediterranean ventures. After dedicating the majority of its external resources to Central and Eastern Europe at the start of the 1990s, the EMP is an EU attempt to revitalise its outreach programme towards the Mediterranean in an effort to spur co-operative relations in the area.*

At the first Euro-Mediterranean Conference which took place in Barcelona in November 1995 the twenty-seven partner countries established three principal areas of co-operation. The Barcelona Process set out three basic tasks:

- a political and security partnership with the aim of establishing a common area of peace and stability;

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- an economic and financial partnership with the aim of creating an area of shared prosperity;
- a partnership in social, cultural and human affairs in an effort to promote understanding between cultures and exchanges between civil societies.<sup>9</sup>

The main task for the member states at the Euro-Mediterranean meeting in Malta in April 1997 was to elaborate more specifically on implementation of the partnership programme and to set up short term action plans so that tangible co-operative ventures could commence.

Top of the agenda was the endorsement, or at least elaboration, of a security charter that will lay the foundations for the peaceful resolution of crisis situations and conflicts throughout the Euro-Mediterranean area. Such a charter would enable the partners to identify the factors of friction and tension in the Euro-Mediterranean area and to carry out an assessment of how such destabilising focal points can be managed.

In actual fact the Malta Declaration indicates that very little headway was registered in moving ahead with implementing such a goal:

The Participants take note of the work of Senior Officials on a Charter for peace and stability in the Euro-Mediterranean region, and instruct them to continue the preparatory work, taking due account of the exchanged documents, in order to submit an agreed text at a future Ministerial Meeting when political circumstances allow, (Malta Declaration, May 1997, p.4).<sup>10</sup>

The vagueness of the above phrase is a clear indication of the lack of progress that has been achieved in conceptualising a framework for setting up a pan-Euro-Mediterranean security arrangement. The partner countries found it difficult to commit them to an incremental work programme that would at least seek to create the necessary co-operative relations that would allow for the introduction of such a charter. They also failed to hammer out

9 'Barcelona Declaration adopted at the Euro-Mediterranean Conference' (27 and 28 Nov. 1995). For analysis of run-up to the Barcelona conference and the Declaration see Esther Barbé, 1996.

10 See appendix: 'Malta Declaration adopted at Senior Officials meeting, Brussels, (7 May 1997, p.5).

a specific timetable within which such a framework of analysis could be introduced. The stalemate in the Middle East made it all but impossible to even contemplate moving ahead in such a direction.

The Euro-Mediterranean Process was given a new boost of confidence at an informal gathering of foreign ministers of the participating countries in Palermo in June 1998 during the British Presidency of the EU. The meeting helped to chart a less ambitious work plan in an effort to assist EMP countries define a practical package of confidence building measures that would create the necessary atmosphere within which a more elaborate mechanism, such as a security charter could be fleshed out.<sup>11</sup>

The third Euro-Mediterranean Foreign Ministerial conference that took place in Stuttgart in mid-April 1999 provided another opportunity to examine how the EMP had progressed since its launching in Barcelona in November 1995.<sup>12</sup>

The Stuttgart conference served the purpose of injecting another dosage of realpolitik into the Barcelona Process. Whereas the second Euro-Mediterranean ministerial meeting in April 1997 in Malta was overshadowed by the stalemate that was developing in the Middle East peace process (MEPP), the Stuttgart conference was constantly overtaken by diplomatic overtures that were unfolding in the Kosovo crisis. It is now clear that the EMP is not a co-operative security initiative that should be viewed in isolation of regional dynamics unfolding simultaneously in the vicinity of the Euro-Mediterranean area.

Geopolitical shifts that have occurred in the Mediterranean since the launching of the Barcelona process and the course of events surrounding subsequent high level Euro-Mediterranean ministerial meetings have made it blatantly clear that a strategic reassessment on how to implement the goals outlined in the Barcelona Declaration is necessary.

11 EuroMesco Joint Report, April 1997, pp.29-36. For an analysis of prospects for arms limitations and confidence building measures after the Malta meeting see Fred Tanner, 1997, and Roberto Aliboni, 1997/98.

12 Chairman's Formal Conclusions, Third Euro-Mediterranean Conference of Foreign Ministers, Stuttgart, April 15<sup>th</sup>-16<sup>th</sup> 1999, see Annex.

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The Stuttgart conclusions again support the continuation of the Middle East peace process (MEPP). While this in itself is a welcome development, the EU has not succeeded in doing much more than pay lip service to the goal of revitalising the MEPP. The fact that the Euro-Mediterranean Process did not have a significant positive impact on the MEPP throughout Benjamin Netanyahu's term as Prime Minister of Israel underlines the basic fact that while the success of the EMP is dependent upon advancement of the MEPP, the EMP has had very little influence, if any at all, on the MEPP.

It is therefore worth seriously considering whether it makes sense for Euro-Mediterranean policymakers to dedicate as much time and effort as they have been to the MEPP in future. Perhaps it would be better if the concept of conditionality is applied more consistently when it comes to dispersing political and economic resources to the Middle East region. It is also important to consider whether more attention should be given to enhancing co-operative relations in other sub-regions of the Mediterranean such as the Maghreb.

It is particularly the case now that regional relations in the Middle East are more conducive to a resumption of peace talks with the election of Labour Party leader Ehud Barak and Maghrebi relations have taken a turn for the positive with the suspending of sanctions against Libya. Taking into consideration the particular sub-regional trends that are currently manifesting themselves in the Mediterranean area is a prerequisite to spurring sub-regional and intra-regional co-operation.

Elaboration of the political and security chapter of the EMP took a step forward at the Stuttgart Euro-Mediterranean foreign ministerial meeting with a renewed commitment to support already existing partnership building measures. This includes developing further the Euro-Mediterranean information and training seminars for diplomats and activities of the Euro-Mediterranean Study Commission (EuroMeSCo) that are both contributing to the shaping of a culture of dialogue and co-operation through informal exchange and open discussions between practitioners involved in the implementation of the EMP.

The inclusion of guidelines for elaborating a Euro-Mediterranean Charter for Peace and Stability is also a positive development. Identifying the framework within which a security charter can be spelt out is essential if progress is to be registered. It is however clear that a Euro-Mediterranean Security Charter remains a long-term goal. In the interim, the guidelines are a good exercise in taking stock of what security concepts have been discussed up to now. It will also assist in identifying those areas of co-operation where incremental steps can take place when the political atmosphere permits.

At the Stuttgart meeting the EU also committed itself to continue financing the Euro-Mediterranean process between 2000 and 2006, although no precise funds were earmarked. When the EU and the European Investment Bank come to unveiling the MEDA II programme they should make it clear that the primary role of this financial mechanism is to act as a catalyst when it comes to promoting financial and economic co-operation. This will help avoid raising expectations of an economic windfall too high within the Mediterranean partner countries. It is also essential that bureaucratic bottlenecks of financing are eliminated with the introduction of simpler funding procedures. Otherwise interest in participating in co-operative Euro-Mediterranean ventures is sure to wane.

The Stuttgart conference also provided a number of positive inputs that could boost the EMP partnership if properly harnessed. The invitation to Libya to attend the Foreign Ministerial meeting was a first step towards integrating this geo-strategically important North African country into the international community of states. The gradual integration of Libya into the EMP framework will facilitate the task of furthering transnational co-operation across the southern shores of the Mediterranean in general and the Maghreb in particular. It could even facilitate re-launching efforts to activate the dormant Arab Maghreb Union (AMU) process that sought to emulate the European experience of integration.

Stuttgart also identified a number of important events around which the EMP will evolve at the turn of the century. The decision to organize an investment conference and informal Foreign Ministerial conference during

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the first half of 2000 during the Portuguese Presidency of the EU allowed policy-makers to monitor developments in each chapter of the process. The holding of the fourth Euro-Mediterranean Foreign Ministerial meeting in Marseilles in November 2000 during the French Presidency of the EU also demonstrates the clear commitment that the EU and its partner countries have to further implement the objectives of Barcelona Declaration particularly when one considers the extremely difficult phase that Middle East relations have been experiencing since the collapse of peace talks at Camp David in July 2000.

At the Foreign Ministerial meeting in Marseilles the ministers reconfirmed the necessity to reinforce the political dialogue even though the adoption of the Charter for Peace and Stability will have to wait until political circumstances allow. In the economic and financial sector the ministers also reconfirmed the objective of creating a free trade area by 2010 and called for an acceleration of ongoing association agreement negotiations with Algeria, Syria and Lebanon. The EU also announced a budget of 5.35 billion euro for the new Meda programme (2000-2006) and the European Investment Bank has allocated 6.4 billion euro for aid loans to the Mediterranean for 2000-2007, with an additional 1 billion euro put in reserve. The total EU budget for the Mediterranean area during this period is therefore of 12.75 billion euro. In the social, cultural and human sector the ministers stressed the importance of training and employment and recommended the concerted preparation in the year 2001 of a regional programme in the field of Justice and Internal Affairs.

The Ministers of Foreign Affairs also announced that they will meet again during the Belgian Presidency of the EU in the second half of 2001 and that the Fifth Euro-Med Conference would take place in the first half of 2002 during the Spanish Presidency of the EU. Meeting at regular intervals will allow the partners to take stock of developments and also focus on issues that may be hampering implementation of the Euro-Med agenda.

#### **4. Time to Evaluate**

When it comes to the direct tangibility it endeavours that the Euro-Mediterranean process should seek to realise these can primarily be classified into three specific time-oriented categories: the short term, the medium term and the long term.

In the short term, the twenty-seven partner countries must introduce a basic type of confidence building measure network that will enable them to manage and contain the large number of security challenges that risks upsetting stability across the Euro-Mediterranean area. The long list of “soft” security issues that could derail the EMP include maritime safety, environmental pollution, narcotics trafficking, and the flow of illegal migration.

A confidence building initiative that can be introduced as part of an exercise that aims at the nurturing of a Euro-Mediterranean profile within the framework of the EMP is that of establishing a Euro-Mediterranean Development Centre (EMDC). The EMDC’s principal objective would be to promote the dissemination of information relating to the Euro-Mediterranean process in an effort to enhance the level of transparency when it comes to taking decisions about the allocation of funds. Given the fact that DG1B is currently in the final stages of appropriating the EURO 5 billion earmarked for MEDA I and has already commenced preparations for the unveiling of MEDA II for the period 2000-2006, such a measure should take place as soon as possible.<sup>13</sup>

As further progress is registered in each specific chapter of the EMP it is clear that there will be a need to monitor closely the large number of intra-regional co-operative ventures that will be endorsed. Apart from its intrinsic value, such a co-ordinating centre will help overcome inconsistencies in the process and facilitate informal exchanges of views on a wide variety of subjects of common interest.

13 Ibid., paragraph 18, p. 3.

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In line with the general framework of co-operation envisaged in the Barcelona Declaration of 1995, the EMDC's chief objective will be to encourage development in the following sectors:

- at a macroeconomic level, with the maximum degree of convergence between economic, monetary and budgetary policies;
- promoting investment by standardising trade regulations and customs legislation;
- Systematic monitoring of initiatives that the EMP is seeking to operationalise such as industrial zones and centres of special services;
- enhancing co-operation in sectors as diverse as science, technology, education, infrastructure, environment and tourism;
- strengthening dialogue on social issues, including the narco-industry, migratory trends and cultural exchanges.

The overall objective of the EMDC will be to assist in upgrading sectoral co-operative arrangements that currently take place in the energy, tourism and infrastructural sectors. Such measures are an indispensable part of the procedure that will have to be established if the overall goal of creating a free trade area is to become a reality.

The EMDC will in the first instance become a clearing-house of EMP information. Its main goal will be to build a Euro-Mediterranean community of values by strengthening the co-operative regimes that were outlined in the Barcelona Declaration.

In the medium term, the societal issues that the EMP will need to address if socio-economic conditions are to improve, includes the promotion of food production, trade exchanges, industrial co-operation, debt rescheduling and relief. An upgrade also needs to take place in investment capital, particularly, in the communication, transport and tourism sectors, which are the very growth areas of the economies of most developing countries across the Mediterranean. Closer co-operation between the countries concerned will also facilitate the promotion of alternative sources of energy such as

solar and wind energy which would make production costs cheaper and more sustainable.

In the longer term, the creation of a flexible security framework that is already addressing soft security issues as those outlined earlier will set the stage for tackling more sensitive security challenges which include intolerant fundamentalism, demographic expansion and outright conflict.

## **5. Early Warning: EMMA**

At the moment there are no elaborate mechanisms to contend with security crises as an accidental collision at sea between transport tankers crossing through the choke points such as the Straits of Sicily, or the alarming rate of degradation which is currently taking place in the environmental sector. One must also mention the proliferation of drug consignments which are reaching ever deeper into the civil societies of the Mediterranean, and the accentuation of illegal migratory flows from south to north which risks destabilising the legal structures of the state.

At this point in the partnership process a concerted effort should be made to immediately take incremental steps towards setting up an information mechanism that can assess the significance of such security issues and their likely impact on Euro-Mediterranean relations in the near future. Once this has been realised the co-operative maritime security network can be instructed to draw up policy positions on security issues that are regarded as the most serious.

Ideally, at a later stage one should also investigate the feasibility of setting up a Euro-Mediterranean Maritime Agency (EMMA) that would be mandated to co-ordinate the co-operative security network with objectives similar to those carried out by a coastguard. The EMMA should initially carry out stop and search exercises in two principal areas: maritime safety and maritime pollution. This phase could be enhanced at a later stage by monitoring other aspects of security that include narcotics trafficking and the transport of illegal migrants.

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Such an early warning mechanism should be open to any of the Euro-Mediterranean partner states that wish to participate. In order to ensure that such a security model can become operational in the shortest period possible, the EMMA should consist of sectoral types of soft security co-operation.

Any two or more EMP members can start co-operating in specific sectors, such as that pertaining to maritime safety without having to wait until all partners are ready. This will enable the EMMA to evolve along sub-regional lines before it becomes feasible to establish a fully-fledged Euro-Mediterranean Coastguard at a later date.

In addition to strengthening political and security channels of communication, the establishment of such a Euro-Mediterranean early warning network will assist in cultivating more intense crisis management mechanisms in an area where these are lacking. Areas where co-operation can be strengthened include conducting simulation exercises of oil spills, ensuring that international standards are observed during the cleaning of oil tankers, and monitoring the activities of non-Mediterranean fishing boats that are operating in the Mediterranean with a particular emphasis on over-fishing.

## **6. Conflict Prevention: Empowering EuroMarFor**

The maritime security arrangement of EuroMarFor should open its doors to southern Mediterranean countries (at least offer observer status in the short-term). This will help dispel the negative perceptions that have been generated since the establishment of this maritime security force. At a later stage, this force can then become the actual confidence building enforcer of EMMA.

In order to ensure that such a flexible security arrangement moves beyond the conceptual stage in the shortest time-frame possible, its primary mandate may be limited to the following codes of conduct: fact-finding and consultation missions, inspection and monitoring delegations. Such traditional rules of engagement may also be supplemented by operations

that include the facilitation of humanitarian relief particularly in times of natural disasters. At a later stage, situation centres may be set up around the Mediterranean to monitor activities under this mandate. The long list of security issues that would require consistent attention include: maritime safety, environmental pollution, narcotics trafficking, terrorism, organised crime, flow of illegal migration.

In the medium to long term, the creation of a flexible security framework that is already addressing soft security issues as those outlined above will set the stage for tackling more sensitive security challenges which include intolerant fundamentalism, demographic expansion and outright conflict.

## **7. Functions of the Euro-Mediterranean Conflict Prevention network**

*The functions of the Euro-Mediterranean Conflict Prevention network are:*

- Monitoring political, military, and economic matters of interest to countries and the Euro-Med Partnership process itself;
- Supervising and operating communications among focal points which have already been established as a CBM;
- Maintaining and updating background information for crisis prevention and management;
- Being prepared to provide facilities in case a contingency staff is set up with respect to a given crisis or conflict;
- Supporting briefings to the public and private bodies;
- Providing a continuous flow of information to members according to mandates;
- Providing information to media.

A decision will have to be taken on what the scope of instruments will be at the disposal of the network. These would range from fact-finding and observer missions, diplomatic and economic forms of pressure and the deployment of troops. The introduction of economic and diplomatic

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sanctions can be supplemented by the use of force if there is an escalation of violence.

In a region as heterogeneous as the Mediterranean area is, the main sponsor of the Euro-Mediterranean conflict prevention network, the European Union, should only act as a mediator, leaving decision-making and action to the main actors directly involved in a crisis. The EU has a wide range of mechanisms in the economic, political and social domains that will enable it to influence decision-makers at the local level when it comes to complying with preventive measures. It is only once the majority of local actors, both at governmental level and the public at large, perceive that more will be gained by compliance, that preventive measures will be able to attain their true objective.

It is only after such a threshold has been arrived at, a concerted effort should be made to spell out the parameters of a security charter which will include both confidence building and crisis prevention measures that seek to further advance regional disarmament. The introduction of a Euro-Mediterranean security charter will also assist in creating a climate where the partner countries can develop command and control mechanisms to intervene as early as possible in crisis situations. Acting only after an aggressor has acquired territory or access to natural resources is to force the unwelcome choice between a massive military response and a major strategic debacle. The later the international community and security organisations intervene, the larger the cost and the less chance to restore stability.

## **8. The Political Dimension**

The positive steps registered between the Palestinian Authority and Israel during the Euro-Mediterranean conference in Malta in April 1997 and thereafter shed light on the positive influence the European Union can have on the outcome of regional relations. What are the prospects for a more active and effective EU external policy towards the Mediterranean and the Middle East?

To date, the European Union remains an economic hegemony in the Mediterranean area. All the countries in the basin are highly dependent on conducting trade with Western Europe. The aspiration of creating a Euro-Mediterranean free trade area by the year 2010 as stipulated in the Barcelona Declaration of 1995 and the negotiation of “association agreements” with the Mediterranean partner countries in the interim augur well for a more assertive EU economic role in the Mediterranean.

Whether this process will enable the EU to establish a more proactive political role with its southern periphery is however no foregone conclusion. Such an outcome will depend largely on how successful Brussels is in implementing its goal of establishing a common foreign and security policy (CFSP) as envisaged in the Maastricht and Amsterdam Treaties. The appointing of such a prolific individual as Javier Solana to the post of High Representative of the CFSP and the creation of a policy planning unit for security policy are certainly welcome developments in this respect. Harbingers of a more active EU foreign policy towards the Middle East would be wise to recall that European attempts to influence regional dynamics in their vicinity have met with limited success in even the recent past: the Bosnian fiasco and the Kosovo conflict are valid cases in point.

On the other hand, European Union diplomatic overtures leading up to the Malta, Palermo and Stuttgart foreign ministerial meetings tend to suggest that EU member states are gradually realising more effectively their goal of pooling their diplomatic resources into a single decision-making process. Although national interests continue to supersede the notion of a collective security approach to regional affairs, the Euro-Mediterranean process is at least providing the EU with a mechanism through which it can interact with the Mediterranean in a more coherent and systematic manner.

Nevertheless, the European Union will have to advance carefully if it is not to upset the concept of “balancing” in relations between Mediterranean states and their external patrons. If the EU is perceived to be attempting to dominate intra-Mediterranean patterns of interaction, the latter could retaliate by becoming less co-operative in their dealings with specific EU

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member states that have substantial political and economic interests in the area. The consequences of such a turn of events would be very high if such a trans-Mediterranean backlash were to include the key oil and gas producers.

The European Union must also formulate an external affairs strategy towards the Middle East that does not appear to be duplicating Washington's endeavours to broker a peace settlement in the region. Failure to adopt such a policy will only result in a wastage of already scarce resources and could also lead to a situation where the European involvement in the Middle East is regarded more through a competitive lens than a complementary one.

The fluid nature of contemporary international relations in the Middle East certainly offers the European Union with an opportunity to upgrade its influence in this geo-strategically proximate region. One option that could assist the EU in becoming more effective in the region is to introduce a political mechanism that will allow it to adopt a more regular, rapid and flexible type of involvement in the Middle East.

This could take the form of creating a specific ad hoc committee that would assist the EU's special envoy to the Middle East. This committee would be mandated to constantly update the EU Commission and the Council of Ministers about regional patterns of relations and peace process developments. The introduction of such a committee would also facilitate communication flows between Europe and the Middle East protagonists, a confidence building measure in itself.

The Middle East stalemate is not only detrimental to the region itself but is also having a negative impact upon regional relations across the Mediterranean area. International initiatives such as the MENA process and the Euro-Mediterranean process that have attempted to spur intra-regional co-operation are being held hostage as a result of the lack of progress in peace talks.

If a breakthrough does not emerge in the near future the international community under the leadership of the United States should step back from the current stalemate and conduct a complete re-assessment of the Middle

East situation. The European Union must also do more than simply accept its subordinate role in the region – it is a major economic player in the Middle East and should seek to play as important a political role. For some reason the EU has not realised that the Mediterranean area which includes the Middle East is its backyard and until it seeks to play an important role in this geo-strategic zone its aspiration of projecting a common foreign and security policy will remain a fallacy.

When it comes to re-thinking how to accommodate both the Israelis and the Palestinians, a number of strategic models could serve as a useful guide. A Westphalianization blueprint would call for the immediate recognition of a Palestinian state. A Finlandization model would establish a neutral Palestinian state. A Vaticanization model would lead to the establishment of a religious trusteeship. A Sinaification approach would call for an international peacekeeping force to monitor agreed upon borders. A Bosnification model would seek to replicate some of the provisions adopted in the Dayton peace plan, while a Brusselization approach could be considered when it comes to discussing the future of Jerusalem, with the disputed city perhaps becoming the administrative capital of both Israel and Palestine.<sup>14</sup>

Given the direct bearing the Middle East peace process is already having on the evolution of the Euro-Mediterranean process, it certainly seems a logical course of action for the Europeans to consider in the run up to the next millennium.

## **9. The Economic Dimension: Geo-economic Realities**

By about 2010 the EU will have become by far the biggest single market and the world's most concentrated area of economic prosperity and internal stability. It will comprise essentially all of Europe, east and west, more than 90% of total European population. i.e. almost 500 million people, (half of

14 Thanks to Bjorn Moller for sharing his insight during the 'World Visions' conference at the University of Aarhus, Denmark, December 1997.

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China or India) and have a combined GDP of some 12 000 billion USD, an almost unimaginable figure.

How will the 12 non-EU riparian Mediterranean countries, from Turkey to Morocco, adapt to these profound geopolitical changes that will take place north of them in the next 12 years? How will they coexist with the future European giant? To what extent will they be drawn into its economic and political orbit? To what extent will they have to integrate with the European and consequently the world economy? These are questions of vital importance for both the EU and each its Mediterranean neighbours.

Do the Mediterranean countries still have a real alternative? Could they try to stay in a sort of splendid isolation within their tiny national economies, surrounding themselves by high walls of protection and ignoring the profound technological and economic changes taking place around them? To date, Mediterranean trade with Europe is marginal. The majority of Mediterranean countries are dependent on European markets. If Mediterranean countries are to increase their ability to penetrate the global market they must diversify and improve their export capabilities.

Economic development always starts at home. It can never be imposed from the outside. It is a matter of the right mixture between individual freedom of action and the right government policies. This goes for each and every country of the globe, small or big, rich or poor.

It is important to keep these basic considerations in mind when asking about the role that one very specific, and not the most important, economic policy, the one related to trade with the rest of the world, can play. Or, to put it more directly, what is the case for free trade between a Mediterranean country such as Egypt and the EU on the one hand, its Mediterranean neighbours on the other?

The answer is straightforward: the Egyptian economy is far too small to satisfy its increasingly sophisticated needs for cars, food, computers; planes and computers on its own, i.e. to be essentially self-sufficient. Egypt therefore has to export goods and services in order to be able to buy from others what they can supply more efficiently. But for whatever Egypt may wish to export to the world market it needs to be able to compete with

myriad of competitors from Europe, Asia or America. The only way to become competitive is to expose national producers or providers of services to those elsewhere, as if there were no borders with artificial barriers like custom duties or administrative controls (licenses, quotas, currency restrictions etc.).

This has been the recipe tested successfully in Europe, the USA and Japan during the past 50 years, since the end of the 2nd World War, which has allowed these countries to become the dominant economic powers at the end of the 20<sup>th</sup> century.

It was this basic philosophy, the conviction that prosperity is best enhanced in a climate of competition and free trade, that induced the EU and its Mediterranean neighbours three years ago, in Barcelona, to envisage the setting up of a vast Euro Mediterranean free trade area. This free trade area will be a zone where goods and progressively also services should be traded free of any restrictions, as if within national borders. Deregulation and liberalization are therefore very much the name of the game.

This objective has been laid down in a comprehensive policy document, the Barcelona Declaration, in November 1995. The 27 foreign ministers of the signatory states, that is, all fifteen European Union member states and twelve Mediterranean countries, agreed to work towards establishing a Euro-Mediterranean free trade within 15 years, by about 2010.

## **10. The State of Play**

Where do we stand presently with the implementation of that ambitious long-term objective? What remains to be done? What are the obstacles on the way? And what are the chances of the target date of 2010 being respected?

From the EU side, the situation looks as follows:

- with five Mediterranean countries (Israel, Turkey, Malta, Cyprus, Palestine), covering almost 50% of all EU trade with the Mediterranean free trade has been essentially completed (totally for manufactured products, partially for agricultural products)

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- with three countries (Tunisia, Morocco and Jordan) free trade has been agreed; it will be progressively established during a 12 year transition period and should essentially be completed by the target date of 2010;
- with four countries (Egypt, Lebanon, Algeria and Syria) negotiations are still under way. Assuming optimistically that these will be concluded by the end of 2000, followed by two years of ratification, free trade might be completed by 2015 only.

Free trade between Mediterranean countries and the EU will open the way for free trade among the Mediterranean countries themselves. Indeed, it is difficult to contemplate that at some stage Egypt will freely import furniture or metals from Greece, while subjecting those same products from Jordan or Tunisia to high import duties or other import restrictions. Intra-Mediterranean free trade therefore follows as a logical corollary from Euro-Mediterranean free trade.

Presently Mediterranean countries do less than 10% of their total trade among themselves. This is clearly insufficient for neighbouring countries. The trade potential is insufficiently exploited because of high, sometimes even prohibitive trade barriers, every country attempting to protect its tiny manufacturing sector as well as its agriculture.

Enhancing horizontal trade patterns across the Mediterranean is therefore one of the central goals of the Barcelona Process. The EMP has so far failed to seriously financially support intra-regional economic co-operation in the region. Only ten per cent of the overall MEDA I funding budget (1995-1999) was allocated to regional initiatives. The remaining ninety per cent has been earmarked for bilateral co-operative agreements between the EU and its southern partners. If anything, this is likely to lead to an increase in vertical trade.

A more logical alternative would be to dedicate a larger proportion of the forthcoming budget, MEDA II (2000-2006), to regional projects. Such projects should aim at assisting Mediterranean partner countries establish industrial sectors in areas where they already have a comparative advantage. This will avoid wasting the already limited funding which is

available and simultaneously ensure that a more diversified Mediterranean economic base is created.

The logic of Mediterranean or even all-Arab free trade has been clearly recognised by policy makers for more than 50 years, since the very start of the Arab League in 1948. But action has failed to follow until very recently. The Euro-Mediterranean initiative has given a new impetus to Mediterranean free trade.

In 1997, spectacular progress towards Mediterranean free trade has been achieved, when Turkey and Israel, the two economic 'giants' in the Mediterranean agreed to go for bilateral free trade. The Arab countries around the Mediterranean have not yet clearly decided on how to proceed.

They have, for good reasons, concentrated on the EU front, assuming that they would more easily achieve a breakthrough among themselves once they will be tied by free trade to their giant neighbour in the north whose competition they have to fear much more than that of immediate neighbours.

Thus they have kept hesitating between a bilateral approach, with Egypt, Jordan, Morocco and Tunisia agreeing on reciprocal tariff concessions for specific products, and an all-Arab approach.

Indeed, in 1997, in reaction both to the Euro Mediterranean and the Turkish-Israel Initiative, the Arab League has decided (once again) to launch an all Arab free trade agreement (AFTA). 18 of the 22 Members of the Arab League have signed the agreement that provides for the reciprocal elimination of all duties by 2008. But only 12 of the 18 signatories have effectively proceeded with the cutting of duties by 10% by 1<sup>st</sup> January 1998, as provided; moreover more than half of the products were put in exemption. Thus, however good the intentions to finally organise all-Arab free trade, the results look anything but promising.

Free trade must be transparent and comprehensive, if it is to have the desired impact on the patterns of trade and production. If it is to be realised during a transition period, of 5 to 10 years, the calendar must be clear and absolutely trustworthy. The agreed tariff cuts must be implemented 100%,

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and they must not be replaced by other even more restrictive trade obstacles. Monitoring and policing of the agreements has to be seen as absolutely indispensable for the credibility of the whole enterprise. For economic operators must firmly believe in the process, they must anticipate its results and help to bring it about. All this has so far not been the case for the Arab countries' efforts to establish free trade among themselves.

One should therefore carefully monitor what is going to happen when it comes to forthcoming tariff cuts as envisaged under the AFTA agreement. If implementation is as poor as on 1st January 1998, when only two-thirds of the signatories acted at all, but only on half of the product coverage, the all-Arab initiative be better replaced by a more limited but serious and well-prepared approach by those Arab Mediterranean countries that have signed free trade agreements with the EU. This should be complemented by similar agreements with the Gulf Co-operation Council States (GCC) that have already successfully implemented free trade among their six members states. These 10 core countries should form the basis of what may progressively become a vast European-Mediterranean free trade area, with Turkey and possibly Israel to be included when the time will be ripe.

Stability across the Mediterranean is crucial if the necessary investment capital required to ameliorate economic conditions in the area is to be successfully attracted. The difficulty in attracting private investment to the Mediterranean area in the current uncertain climate is clear. This helps to partly explain why the Mediterranean has so far only succeeded in attracting less than two per cent of international investment.

In this respect it should be noted that growing disparities between per capita incomes on the Northern and Southern shores of the Mediterranean have continued to increase, even in states such as Morocco and Tunisia, where stringent economic reforms and structural adjustment programmes have been introduced. The significant extent of economic disparities in the Mediterranean along a north-south axis is evident when one compares the 1994 annual average World Bank figures of \$18,000 per capita income to the North, and only \$700 per capita to the South.

The 4.6 billion ECUs agreed at the Cannes Summit in July 1995 to fund the Euro-Mediterranean initiative over a five year period still only represents about half of the 7.4 billion ECUs earmarked for East and Central Europe over the same period, where the population totals 96 million people, as opposed to 230 million people in the Mediterranean basin. Moreover, the funds of the EU have dedicated to the Mediterranean for the 1995-1999 period is less than one third of the trade surplus it achieved with the 12 Mediterranean partners and Libya in 1995 (13.7 billion ECU) and less than half the trade surplus it registered with the same area during 1993 (12.1 billion ECU) and a little more than half the surplus obtained during 1994 (9.3 billion ECU), (see Appendix Two, EUROSTAT, 1997).<sup>15</sup>

If the Euro-Mediterranean Process (EMP) is therefore to be regarded as a credible initiative it will have to identify and operationalise a series of co-operative cross-border projects that will act as a catalyst to increase the interest of international investors to this part of the world. Otherwise, the objective of establishing a more economically balanced Euro-Mediterranean area will not transpire. Although free trade in itself is likely to increase the level of trade between the northern and southern countries of the Mediterranean, there is nothing to guarantee that this will necessarily reduce the wide level of economic disparities that currently exist. In fact, an increase in EU exports to the Mediterranean would only exacerbate the negative balance of payments which countries in the south are experiencing.

The harsh economic realities that Mexico has had to confront since signing up to the NAFTA agreement is indicative of the negative impact the introduction of free trade measures can have upon developing countries. In effect, the creation of a free trade area could end up reinforcing current North-South and South-South divides as riparian states of the Mediterranean find it more and more difficult to attract international investment.

The creation of a free trade area is nevertheless certain to boost trade. But there should be no reason for euphoria. Even supposing the Mediterranean

15 Eurostat, 'EU Trade Surplus with Mediterranean Hits 13.7 Billion ECU', 7/97.

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countries will be successful in streamlining and restructuring their manufacturing industries and in developing competitive export opportunities, this will not transform all of them into Mediterranean 'tigers'. Turkey's example shows, however, that the intensity of trade between Europe and individual Arab countries can grow enormously, especially for countries like Egypt, Morocco, and Tunisia, provided more entrepreneurs discover the art of developing export markets.

Subcontracting should, of course, increase substantially, especially between Egypt and Europe (where it is practically non-existent), and thanks to the cumulation of origin from different sources around the Mediterranean (and even in the Gulf). Agricultural trade, though it will become much less hampered by tariffs and other restrictions, will grow much less, probably more to the advantage of Europe than the other way round, because of increasing difficulties on the Arab side to generate exportable surpluses.

Free trade should by 2015 also extend to the GCC countries and Europe. The completion of the Association Agreement between Egypt and the EU will give a boost in that direction. The inclusion of the Gulf countries (Iraq) into this network will substantially strengthen European Arab relations, both in a vertical and a horizontal sense.

The question must also be asked what impact will the outflow of capital have on the Mediterranean area as economic and financial policies become more liberal? Will the free flow of capital result in a situation where the rich become richer and the poor become poorer?

It is thus essential that the Mediterranean countries must work towards creating an economic and financial institutional design that will generate wealth. At the end of the twentieth century the label "emerging markets" is actually regarded by some as being synonymous with weak economies. The international economic crisis that began in the Asia-Pacific and later spread to Russia and more recently Latin America has cast a darker shadow on developing countries.

If international economic organisations, such as the European Investment Bank (EIB), are serious about assisting the Mediterranean countries they should adopt more proactive strategies towards this area. This should

include offering developing states credit guarantees and introducing measures to address the serious debt burden several countries in the region are coping with.

In the short to medium term it also appears essential that some type of a compensation fund be created for those sectors of the population in the least developed countries of the Mediterranean that will suffer most of the socio-economic brunt that free trade could bring with it. Such political action will also give credence to the EU claim that its main interest is to ameliorate socio-economic living conditions throughout the Mediterranean area.

During the past three years the EU has reiterated that one of the central goals of the EMP is the creation of a free trade area by the year 2010. This is to be systematically realised by implementing the second chapter of the Barcelona Declaration that is dedicated towards the establishment of an economic and financial partnership between the twenty-seven countries with the ultimate aim of creating an area of shared prosperity.<sup>16</sup>

Now that a period of time has lapsed since the launching of the Barcelona process the following questions should be addressed:

- How realistic and feasible are such goals given the enormous socio-economic disparities which exist across the Euro-Mediterranean area?
- What can one expect to emerge in the run up to the new millennium in respect to this dimension of the Euro-Mediterranean partnership process?
- Should a more flexible integration model and timeframe be considered given the heterogeneous nature of the Partner countries?
- What should a post-free trade area strategy consist of?

A prerequisite to spurring the existing low levels of intra-regional economic relations in the Mediterranean to a free trade or common market

16 Marks, Jon, (1996): 'High Hopes and Low Motives: The New Euro-Mediterranean Partnership Initiative', *Mediterranean Politics*, 1/1, pp. 17-19. See also Calleya, Stephan, *op.cit.*, pp. 205-210.

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level of integration is the maintenance of co-operative relations between the countries in the Euro-Mediterranean process, particularly those located along the southern and eastern shores of the basin.

The volatile nature of relations between Israel and the Palestinian Authority, Syria and Lebanon's indifference to the peace process in general, the escalation of tension between Greece and Turkey, the failure to negotiate a settlement to the Cypriot stalemate, and European concerns on the increase of violence in Algeria, are just some of the examples which one can mention to illustrate the fragility of peaceful relations in the area.

Light has been further shed on the plethora of obstacles that one has to overcome before the concept of partnership building can take root in the economic sector by the Middle East-North Africa (MENA) economic process. Only after four summits in Casablanca, Amman, Cairo and Doha in 1994, 1995, 1996, and 1997 respectively, was significant headway registered in the direction of setting up a Middle East development bank.<sup>17</sup> It therefore comes as little surprise that the concept of establishing a Euro-Mediterranean development bank is something for the distant future.

The majority of Mediterranean countries are aware that an economic restructuring phase is a necessary but a bitter pill they would rather refrain from swallowing. International economic institutions have to date failed to communicate the message that unless such a transition exercise takes place in the near future, the Mediterranean will run the risk of being relegated to the doldrums of the globalisation process that is currently underway.

The shocks that both the MENA and the EMP processes, have experienced in the last twelve months reflect the basic fact that the Mediterranean countries have not succeeded in adapting rapidly enough to the globalisation process.

There is therefore an urgent need for more of a self-help attitude to be adopted by the Mediterranean countries themselves. Littoral countries need to identify productive niche areas and start to dedicate research and development budgets to developing such areas of production. Specialising

in areas that complement one another will enable Mediterranean countries to adopt a co-operative trade strategy with their counterparts in the region and avoid duplicating development efforts. This will in turn facilitate the task of spurring intra-regional trade since an increase in economic diversity will enable Mediterranean countries to enhance the level of trade with one another.

As mentioned earlier, investment funds to the Mediterranean currently stand at less than 2 per cent of total international financial flows. Although the Mediterranean area has not been directly effected by the regional economic crisis during the last two years, this is not due to the region's economic policies. It is rather the result of the fact that the Mediterranean has not yet successfully integrated into the international political economy. Mediterranean countries must also be aware that the economic crisis that seriously struck Asian tiger countries will make those countries that are able to introduce the necessary reforms even more competitive now that the price of their exports has dropped.

Unless the Mediterranean is able to improve its economic diplomacy track record by introducing the necessary measures to attract the attention of international investors, the latter are much more likely to be attracted to other developing regions. Both Central and Eastern Europe (CEFTA), and the southern cone of Latin America (Mercosur), have already demonstrated an ability to integrate with one another and are therefore better positioned to reap the benefits of globalisation.

A more realistic and crucial short-term goal is that of spurring horizontal types of economic co-operation to complement the to date dominant vertical forms of economic interaction that characterise Euro-Mediterranean economic and financial relations. As part of its effort to foster more intense south-south economic forms of co-operation the Euro-Mediterranean process has dedicated a substantial proportion of its resources since November 1995 to encouraging cross-border types of commercial ventures. The result has been the spontaneous emergence of

17 See Special Report on Cairo Summit, MEED, 15 November 1996, pp. 9-18. See also MEED, 22 November 1996, p. 6.

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Euro-Mediterranean chambers of commerce, industrial federations, trade fairs, and export promotion agencies.

As stated earlier, at a bilateral level, the European Union has already signed Association Agreements with Morocco, Tunisia, Israel, the Palestinian Authority, and Jordan and is currently negotiating similar agreements with all its Mediterranean Partners. The EU regards this as a natural progression towards creating a Free Trade Area in about twelve years. The EU is however concerned that a stalemate in the Middle East peace process may slow down further progress in this area. Negotiations with Lebanon remain blocked. Those with Egypt have run into agricultural problems, and although the Commission has a brief to negotiate with Syria it is not clear how the negotiations will develop. Implementation of the agreement with the Palestinian Authority has been delayed due to Israel.<sup>18</sup>

In recent years the EU Commission has stressed that a concerted effort needs to take place to assist the Mediterranean Partners in their effort to replicate aspects of the European single market within their own countries. This would include adopting similar competition law, systems for norms and standardisation and the harmonisation of customs procedures. Only such a strategy would enable them to become more competitive on an international level, and ensure that Mediterranean countries would gain more access to European and international markets.<sup>19</sup>

An increase in private flows of capital to the Mediterranean will only result if the countries concerned move away from dependency upon the energy sector and the low margin ends of the textile and tourism markets towards high value-added industries such as specialised tourism and garment and component production. There is also a necessity to diversify in investment instruments, so that larger flows of portfolio investments bolster the performance of Mediterranean stock markets.<sup>20</sup>

18 Agence Europe, 'EU/Mediterranean', 6 February 1998, p.2.

19 Discussion with Vice-President of the European Commission, Manuel Marin, 2 April 1997, Malta.

20 Marin, Manuel, (1997): 'Partners in Progress', Euro-Mediterranean Partnership, vol. 2, London, pp. 7-8.

## 11. Prospects for the Future

The progressive establishment of Euro-Mediterranean free trade in the coming 15 years will have far-reaching consequences for Mediterranean societies and economies:

- It will vastly enhance the volume of trade within that gigantic trade area. One may expect that by 2015 the participating 40 odd countries will do 50-60% of all their trade within the zone;
- It will have a positive impact on the amount of foreign direct investment in the Mediterranean countries: with assured market access and an improved overall political and economic environment, European, American and Asian investors will find it much more attractive to invest;
- It will accelerate the pace of social and political reforms, the business community will want to have a say in political matters, whether these concern the tax regime, the level of education, the functioning of the judiciary, social security etc.

But this being said, free trade is no panacea to inadequacies of economic policies or of social injustice. Nor will it introduce Western democracy quasi overnight. Free trade may act as a powerful agent of social and economic change, as we have seen in Europe for the last 40 years, but only if many other conditions even more difficult to achieve will be fulfilled. This can only be done by each country on its own, according to its specific requirements and possibilities. Europe can serve as an example, even as a precedent. But it cannot do the reform work for others. The hard work of learning must always be done by those directly concerned, be they individuals or societies.

The EU now stands alongside the World Bank and the IMF as the Euro-Mediterranean region's main partners in economic dialogue. But it ultimately remains the Mediterranean countries' task to become more competitive if they are to integrate further into the rapidly evolving global political economy. The EMP must therefore concentrate on finding the

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most effective way to act as a catalyst towards realising the goal of re-establishing a common Euro-Mediterranean area of prosperity.

As the great French historian Fernand Braudel reminds us the Mediterranean was an economic unity long before Europe. During the sixteenth and seventeenth centuries while very little transcontinental trade took place across Europe, the Mediterranean Sea served as an open area for commercial and cultural trade. The Euro-Mediterranean process offers both Europe and the Mediterranean an opportunity to lay the foundations upon which a free trade area can be established early in the twenty-first century.

### **12. The Cultural Dimension**

The Mediterranean epitomizes many of the problems associated with the North-South debate. These include migration, terrorism, religious intolerance and the lack of human rights. Nurturing co-operative cross-cultural patterns of interaction which address these issues is a prerequisite to improving economic disparities and ethnic divisions in the area.

The eastern Mediterranean is the historic cross-roads for diverse ethnic, cultural, and religious traditions. How can these be safeguarded and respected while at the same time tolerance and understanding are promoted? Can the Barcelona Process' proposals for educational exchanges be turned into concrete and practical programmes?

A concerted effort is required to remove misperceptions and prejudice which continue to exist across the Mediterranean. This is where international cultural activities, such as cultural tourism, may play a strategic role as culture brings about relations based on trust. Tangible proposals that actually initiate cross-cultural ventures of co-operation and seek to further the principles of respect and understanding that are still lacking are long overdue.

Common socio-economic concerns might be one point of embarkation in this respect. It should be mentioned that Euro-Mediterranean networks of economic co-operation have already been created in a number of areas and include Chambers of Commerce, Federations of Industry, commercial fairs,

export promotion bodies, and banking associations. These networks aim at establishing permanent links that will enable the exchange of information and projects that will facilitate agreement on respective policies and better implementation.

The third chapter of the EMP termed "Partnership in Social and Human Affairs: Promoting Exchanges between Civil Societies" promotes the idea that the countries concerned should work to encourage the participation of civil society in the EMP. This is to involve joint efforts in education and training, social development, policies designed to reduce migratory pressures, the fight against drug trafficking, terrorism and international crime, judicial co-operation, the fight against racism and xenophobia, and a campaign against corruption.

Further ideas that have been proposed include joint efforts with regard to culture and media, health policy, the promotion of exchanges and development of contact among young people in the framework of a decentralised co-operation programme. Throughout there has been an emphasis on the importance of dialogue between cultures, and exchanges at human, scientific and technological level, deemed as an essential factor in bringing people closer, promoting understanding between them and improving their perception of one another.

But, whereas the political and security and the economic and financial chapters of the EMP have been handled in a "fast-track" manner by different parties participating in the Barcelona Process, the social and cultural chapter has been the subject of long debates and discussions. This is largely due to the fact that the Arab and European views differ sharply on issues such as human rights, immigration, terrorism, the right of political asylum and the role of civil society.

The Barcelona Declaration acknowledges the essential role civil society must play in the EMP. The Euro-Med Civil Forum, which took place in November 1995, was the first formal consolidation of civil society as a partner within the process. It gathered 1200 experts from very diverse fields, representing civil society in countries from the northern, eastern and southern shores of the Mediterranean. The second Euro-Med Civil Forum

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took place in Naples in December 1997. Even if one points to the various cultural aspects that have been tackled in these meetings and the numerous projects that were approved in the field of cultural heritage, progress has been slow and difficult. Few tangible results have emanated from the ministerial meetings that have taken place.<sup>21</sup>

The Third Euro-Mediterranean Ministerial in Stuttgart nevertheless reaffirmed the importance of the Civil Forum underlining that regional and local authorities should be more closely associated, as should the business community and the non-governmental organisations. Several Civil forums were also held in parallel with the Stuttgart conference and these gatherings made recommendations for future activities concerning human rights, the environment and the setting up of a Euro-Med Forum of Trade Unions. It remains to be seen whether the positive remarks regarding the Civil forums that are included in the Stuttgart Conclusions will eventually assist in strengthening the dialogue between governments and civil society.<sup>22</sup>

Three and a half years into the Euro-Mediterranean Process it is clear that civil forums must play a more direct role in the implementation phase of the Process if this multilateral initiative is to be strengthened and sustainable. It is only through the direct participation of non-governmental organisations that a more grass roots type of Euro-Mediterranean community will be nurtured.

But before significant steps can be taken in this direction the EU must itself decide what policy positions it is prepared to adopt in this sector of the Partnership. For example, should the EU turn a blind eye to regimes whose respect for human rights and democratic principles are widely criticised throughout the Mediterranean? If not, how can Europe's concerns be turned into actions that receive widespread popular support in the region? What can be done to further strengthen the role of civil society?

Suggestions that should be considered:

21 Roque, Maria Angels, (1997), 'Position Paper on the Role of Civil Society', Intercultural Dialogue in the Mediterranean, Foundation for International Studies, pp. 18-23.

- Promote dialogue between the civilisations in the Mediterranean;
- Aim at a more objective portrayal of cultural characteristics found in the Mediterranean, in the European and international media;
- Encourage the development of civil society and non-governmental organisations. This would assist in nurturing a sense of national unity and stem the threat of rising ethnic, religious and social conflicts;
- Establish a Euro-Mediterranean Institute for Democracy and entrust it with the implementation of a democracy building programme similar to what has been undertaken in the countries of Eastern Europe and the former Soviet Union.<sup>23</sup>

Steps taken in this direction will immediately have a positive impact upon the contribution civil forums are making to regional stability across the Euro-Mediterranean area. A more integrated civil forum will also ensure that co-ordination in this field of co-operation is further enhanced.

### **13. Lessons to be drawn from the Euro-Mediterranean Process**

Throughout its twenty-six years of direct engagement in the Mediterranean the European Union has failed to contain, let alone reverse, economic disparities between the northern and southern countries of the basin. It is also quite clear that little progress has been registered in removing the misperceptions and prejudice that currently exist in the region or in promoting further the principles of respect and understanding. A concerted effort in implementing the goals set out in the third chapter of the Barcelona Declaration is certainly the most effective way to start tackling such problems.

22 Chairman's Formal Conclusions, Third Euro-Mediterranean Conference of Foreign Ministers, Stuttgart, April 15th-16th 1999, paragraph 30.

23 Makram-Ebeid, Mona, (1997), 'Prospects For Euro-Mediterranean Relations', Intercultural Dialogue in the Mediterranean, Foundation for International Studies, pp. 38-53.

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It is fundamentally clear that the EMP offers a unique opportunity to strengthen political, economic and cultural ties across the Euro-Mediterranean area. But such progress will only be registered if the twenty-seven partner countries direct their actions at the causes rather than the symptoms of contemporary security risks. This is not to say that humanitarian and development assistance is not essential, but this should not become a substitute for efforts that are geared towards increasing higher levels of co-operation between the countries of the Mediterranean.

A cost/benefit analysis of the EMP to date reveals a large number of lessons that can be taken note of about the partnership exercise itself.

Euro-Mediterranean ministerial meetings have shed light on the fact that the objectives spelt out in the Barcelona Declaration will not become attainable without a focused in-depth series of work plans that are more short-term oriented in nature. In technical terms, one should not expect vertical integration to proceed at a rapid speed without a complementary effort occurring at the horizontal level.

Given the state of international relations in the Mediterranean, the Euro-Mediterranean process is probably the most adequate type of multilateral forum that can further co-operative security in the area. The process is to be credited for committing the Europeans to co-operate with their Mediterranean neighbours in a much more comprehensive sense than previously the case.

One should not overlook the fact that the EMP is the only regional institutional arrangement that brings together such a large number of Mediterranean countries. To date, no other trans-Mediterranean security arrangement has been able to move beyond the theoretical stage of development.<sup>24</sup>

Malta must be credited for providing the environment where such co-operative types of interaction could take place. The ability to offer the diplomatic means that are essential to the peaceful settlement of disputes

24 Calleya, Stephen, *op.cit.*, (1997a), pp. 141-164. See also Wriggins, W.H. et al (1992): *The Dynamics of Regional Politics: Four Systems on the Indian Ocean Rim*, Columbia University Press, New York, pp. 293-294.

and include that of providing good offices is certainly to be welcomed. Facilitating dialogue between parties to an international dispute and seeking to bring about an amicable solution of existing disputes is the only way the Mediterranean will avoid becoming a conflict based region.

The Malta and Palermo Euro-Mediterranean meetings must also be credited for injecting a dosage of realism into the process. The partnership framework launched in Barcelona must consistently be adapted to the constantly evolving geo-strategic area it is seeking to function within if it is to remain functional and sustainable. It is a valuable lesson to take note of, particularly at such an early stage of the process.

The Third Euro-Mediterranean foreign ministerial meeting in Stuttgart in April 1999 also highlighted a number of other lessons that should be taken note of if the EMP is to become a more effective process. First, the EMP continues to lack visibility. It has not had enough of a direct positive impact on the Euro-Mediterranean citizens it is supposed to be addressing. This can be overcome by directing more of future Euro-Mediterranean programmes to the civil societal level.

Second, the Euro-Mediterranean partnership runs the serious risk of being downgraded on the European Union international agenda. The launching of the EURO, the enlargement process towards Central and Eastern Europe and the increase in interest to develop a post-Kosovo EU/Balkan strategic relationship, could gradually lead to a marginalisation of the Mediterranean. The Mediterranean Partner countries would therefore do well to adopt a more progressive and constructive attitude towards Brussels in order to avoid such an attitude of indifference settling in.

Third, more attention needs to be given to the third pillar of the EMP, that dealing with social, cultural, and human affairs. This *volet* has to date been rather neglected. Closer cross-cultural co-operation can only be achieved if a more concerted effort is made to seek a convergence on the basic values that are part and parcel of the civilisations surrounding the Mediterranean area.

At the same time, an analysis of the ability of international organisations to influence regional relations reveals that while they are often capable of

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having an impact on the regional patterns of relations they are unable to alter the basic pattern of regional alignment and conflict within such international regions. Contemporary EU involvement in the Mediterranean is a good example of an international organisations' limited ability to influence regional dynamics. In reality, the EU's Mediterranean policy is best seen as a boundary management exercise, rather than a boundary transformation one. Its principal aim is to safeguard the process of regional integration in Western Europe from that of fragmentation that is active throughout the Middle East.<sup>25</sup>

The success or failure of the EMP will actually determine whether the Mediterranean becomes a crossroad of tension, outright conflict and an economic wasteland, or whether it becomes a co-operative zone of peace, prosperity and tolerance. Three and a half years since its launching, the process still holds a great deal of potential, but only if it is adapted to the ever changing regional security dynamics it is attempting to stabilise.

On the eve of the twenty-first century, the Mediterranean is more akin to a fault-line between the prosperous North (the haves), and an impoverished South, (the have-nots). The key development to watch in the Mediterranean in the next decade will be to see whether the phase of co-operative competition that has dominated post-Cold War relations to date is eventually superseded by an era of conflicting competition. If this age of indifference scenario does take hold, disorder will dominate Mediterranean relations and as resources are depleted, the region will become an economic wasteland.

In the post-Cold War world that has emerged, the patterns of relations in the Mediterranean have already moved away from a co-operative security dominant framework to a more competitive security based model. If trends continue as they have been, the Mediterranean is destined to become a geo-strategic zone of indifference. Soft security risks will multiply, demographic growth will exacerbate economic problems, and the

25 Calleya, Stephen, *op.cit.*, (1997a), p. 186.

developed world will adopt a selective engagement approach towards the area. (See Appendix One).

The only way this scenario can be avoided is if the Euro-Mediterranean Partnership process is overhauled, international institutions such as the World Bank and the IMF become more aggressive in their dealings with the region, and the Mediterranean countries themselves adopt a self-help mentality.

Rather than undermine or diminish the significance of the EMP, the quasi-conflictual pattern of relations in several pockets of the Mediterranean underlines further the significance of the Euro-Mediterranean process, the only multilateral process of its kind in the area.

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**Appendix 1:**

**Mediterranean Geo-Political Scenarios  
in the Year 2010**

<b>INTEGRATION (1)</b>	<b>CO- OPERATIVE SECURITY (2)</b>	<b>COMPETITIVE SECURITY (3)</b>	<b>INDIFFERENCE (4)</b>	<b>FRAGMENTATI ON (5)</b>
Renaissance	Flexible relations	Gradual Growth	Fault-lines Intensify	War
Mediterranean Region	Core/Periphery	Status Quo	Subregional Instability	Apocalypse
Prosperity	Stability	Boundary Management	Marginalisation	Clash of Civilisations
Transnational dominant	The haves/have-nots	North-South divide	Wasteland (resource depletion)	
Pax Mediterranea	CSCM	Euro-Med Partnership	Euro-Med Collapse	Meltdown
<b>10%</b>	<b>20%</b>	<b>25%</b>	<b>35%</b>	<b>10%</b>

## **Appendix 2:**

### **EU TRADE SURPLUS WITH MEDITERRANEAN HITS 13.7 BN ECU**

#### *Exports up sharply by 10%*

The EU's trade surplus with the 13 Mediterranean countries (Malta, Cyprus, Turkey, Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Syria, Lebanon, Israel and Gaza-Jericho) rose to a "remarkable" 13.7 bn ECU in 1995, according to a report today from Eurostat, the Statistical Office of the European Communities in Luxembourg (EUROSTAT Statistics in Focus, External trade no 13/96, EU trade with the Mediterranean countries, results for 1995). In 1994 the surplus was 10.4 bn.

The report says trade relations with the Mediterranean are of major importance to the EU, although their share of total EU external trade has shrunk somewhat in recent years. In 1995 their share of all EU exports and imports amounted to 9.3% and 7.2% respectively.

In 1995, EU imports from the Mediterranean countries rose by 4% over 1994. Exports were up sharply by 10% after a slight fall of 0.5% the previous year.

#### *Turkey most important supplier*

Petroleum products, clothing, textile yarns and fabrics, and fruits and vegetables were the most important imports in 1995. Together they made up 60% of all EU imports from these countries.

EU exports to the area were concentrated mainly in machinery and transports equipment - 38% of the total - and miscellaneous manufactured goods (32%).

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Germany, France and Italy accounted for more than 60% of both exports to and imports from the Mediterranean basin. On the other side Turkey (26%), Israel (16%) and Algeria (12%) accounted for more than half of the EU's total trade flows with the region.

Turkey also stands out as the most important EU supplier: in 1995 it was the source of some 24% (9.2 bn ECU) of all the Union's imports from the region. It was followed by Algeria and Libya (both 15% or around 6 bn ECU).

Malta, Lebanon and Israel recorded the highest levels of intra-industry trade with the EU (that means that bilateral trade flows - exports and imports - are concentrated in the same industries).

Trade with Syria, Libya and Algeria was restricted largely to inter-sectoral exchanges.

### *Positive balances for all except Portugal*

France and Germany recorded the largest surpluses: 3.7 bn and 2.7 bn ECU respectively. All Member States had positive balances - except Portugal with a small deficit of around 0.2 bn.

Finland and Sweden showed the most dynamic export growth in 1995: 27% and 24% respectively. Ireland recorded the highest percentage change in imports - a rise of 31%.

Source: EUROSTAT No. 7/97 28 January 1999

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**Zentrum für Europäische Integrationsforschung**  
**Center for European Integration Studies**  
*Rheinische Friedrich-Wilhelms-Universität Bonn*

Walter-Flex-Straße 3  
D-53113 Bonn  
Germany

Tel.: +49-228-73-1880  
Fax: +49-228-73-1788  
<http://www.zei.de>