

# RETHINKING THE EUROPEAN UNION'S ECONOMIC RELATIONS WITH THE MEDITERRANEAN: A HISTORICAL OPPORTUNITY

*The article aims to provide an analysis of the current state of the European Union's relations with the Mediterranean from a political economy perspective, and elaborates on the implications of the "Arab Spring" for the future of the European Union. After a brief history of the failure of the Barcelona Process, the first section discusses the main reasons why the political transformation in the southern Mediterranean presents a historical opportunity for the European Union to secure a stable future. The second section outlines the most immediate remedies for the recovery of Euro-Mediterranean relations.*

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Starting with the Jasmine Revolution of Tunisia and spreading to Egypt, Libya, and most recently Syria, the sudden wave of upheaval in the Mediterranean has created a whole new reality across the Arab world. By showing the limits of their tolerance for the corrupt and autocratic regimes that governed their countries for decades, the Arab peoples have made it clear that a new era of governance is due in their region.

This historical moment is as crucial for the European Union as it is for the Arabs of the Mediterranean. In some aspects, it may be regarded as a wake up call for the EU after long years of neglect for its southern neighborhood. The “short-sightedness, self-satisfaction and feeling of safety with the *status quo* have been,” in the words of Polish Member of the European Parliament Jacek Saryusz-Wolski, “the EU’s dominant attitude towards the Mediterranean, where the status quo was in fact mistaken for ‘stability’ for many years.”<sup>1</sup>

It is perhaps a result of this realization that a new and ambitious European Neighborhood Policy (ENP) was launched in May by the High Representative for Foreign Affairs and Security Policy Catherine Ashton. Unable to ignore the urgent need for reconstruction in the region, the EU provided 140 million euros of humanitarian assistance to those most in need<sup>2</sup>, and an extra 1.24 billion euros on top of the existing (approximately) five billion euros (totalling nearly seven billion euros) was made available for the ENP following the political developments in EU’s southern neighborhood.<sup>3</sup> Indeed, given the failure of the Barcelona process and the inefficiency of the Union for the Mediterranean, the current political climate in the southern Mediterranean gives the EU a historical opportunity to rethink its economic relations with the wider region, take advantage of a great potential to ensure sustainable security, prosperity and stability within the wider region, and to fix its past mistakes in the inefficient conduct of the Euro-Mediterranean Partnership.

### ***Brief History: Barcelona Process and Union for the Mediterranean***

The Euro-Mediterranean Partnership (EMP) was initiated through the Barcelona Process in 1995 by 15 Foreign Affairs Ministers from EU member states and 14 Mediterranean counterparts. The Barcelona Process was essentially a framework to manage the bilateral and regional relations which would create the EMP in the long run. The main goal of the partnership was to gradually establish a free trade area between the EU and Mediterranean countries.

<sup>1</sup> Jacek Saryusz-Wolski, “EU must fundamentally redesign its Mediterranean policy”, *EurActiv*, 10 March 2011, <http://www.euractiv.com/en/print/global-europe/eu-fundamentally-redesign-mediterranean-policy-analysis-502981>

<sup>2</sup> Catherine Ashton, “Speech on North Africa and the Arab world in the European Parliament”, 6 July 2011, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/123479.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/123479.pdf)

<sup>3</sup> “Barroso announces extra € 1.2 billion for Europe’s neighbours”, *ENPI Info Centre*, 25 May 2011, [http://www.enpi-info.eu/main.php?id=25296&id\\_type=1](http://www.enpi-info.eu/main.php?id=25296&id_type=1)

Its political aims were equally sophisticated and ambitious as they sought to create “a common area of peace and stability underpinned by sustainable development, rule of law, democracy and human rights.”<sup>4</sup> The EMP specifically aimed at strengthening the economic relations among the Mediterranean non-EU member countries while providing them the necessary financial and technical support to promote a balanced socio-economic development besides equipping them with the tools to build capacity for further development. With the Eastern enlargement phase of the early 2000s and the introduction of the European Neighborhood Policy (ENP) in 2004, the ambitious EMP entered a period of stagnation, only to gradually transform into an invisible component of the ENP.

Upon the suggestion of French President Nicolas Sarkozy, the EMP was eventually re-launched in 2008 as the Union for the Mediterranean (UfM). The revised EMP was this time launched by 43 EU members and Mediterranean states. The establishment of this extended partnership received substantial criticism for serving as a political tool for Sarkozy’s presidential election campaign in France, and was moreover regarded as a sign of increased competition between France and Spain over their influence in the Mediterranean region. The new goals set forth by the extended partnership seemed promising in the beginning – the establishment of the Mediterranean Business Development Initiative providing assistance for small and medium sized enterprises, a Mediterranean University for high quality research on the region, extended focus on the environment and transportation, and finally a permanent general secretariat in Barcelona initially raised hopes for a serious improvement in the cooperation between the northern and southern parts of the region. The inadequacy of the bilateral partnerships within the countries of the region and the outbreak of the global credit crisis, however, acted as catalysts for the fast demise of the ambitious goals of the Union for the Mediterranean and made way for its perceived failure.

The reasons for the failure of the Euro-Mediterranean Partnership and Union for the Mediterranean could loosely be identified under two main headings – political and economic. The lack of an EU membership prospect and the absence of any clear, concrete and short-term gains for the partner countries served as the most obvious political shortcoming of the EMP. Moreover, the politicization of certain sectors within the bilateral trade agreements (namely agriculture due to the protectionist constraints posed by the EU’s Common Agricultural Policy) further watered down the potential incentives for partner countries. Lastly, the shift of EU focus to its Eastern neighborhood during the enlargement process further marginalized the Mediterranean from the core of EU’s priorities. The most important economic reasons, on the other hand, have been a serious lack of European business interest

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<sup>4</sup> “Barcelona Declaration, adopted at the Euro-Mediterranean Conference”, *Summaries of EU Legislation*, 27-28 November 1995, [http://trade.ec.europa.eu/doclib/docs/2005/july/tradoc\\_124236.pdf](http://trade.ec.europa.eu/doclib/docs/2005/july/tradoc_124236.pdf)

in the southern Mediterranean (mainly due to political instabilities and lack of grand opportunities), and consequently, very low levels of foreign direct investment by EU firms in the wider region.

### ***Reviving Euro-Mediterranean Relations: Motivations***

Although the Barcelona process has so far shown to be a failure, there are enough legitimate and pragmatic reasons why the original objectives of the EMP should be revived and given more emphasis by the EU. The strategic significance of the geographical location of the Mediterranean region, rising concerns about uncontrolled migration into the EU from its southern neighborhood and escalating fears of Islamic fundamentalism in the Arab countries could be named as the main, if not the only, reasons why a secure, prosperous and stable Mediterranean region is important for the future of Europe.

Perhaps the most visible reason for the revival of the original goals of the Barcelona Declaration and Union for the Mediterranean is the EU's growing concern for uncontrolled immigration. The issue of immigration has continuously ranked high in priority on the European agenda. Catalyzed by the financial crisis, tighter border controls and stricter policies against immigration have become commonplace in member states. The efficiency of such measures, however, is yet to be proven and therefore remains under scrutiny. This perceived threat of an "immigration wave from the South" has noticeably increased following the revolutionary upheavals in Europe's southern neighborhood – hundreds of thousands have filled up refugee camps in North Africa, and over 20,000 are estimated to have reached Italian shores. What is certain is that Europe needs to rethink its "cure" for the problem of uncontrolled immigration. Addressing the symptoms of this problem so far has not produced any smooth answers to the issue – targeting the causes, however, has the potential to generate more sustainable solutions. Creating positive incentives and practical means to ensure that potential migrants stay home could therefore be an optimal recipe for controlling immigration. Taking into account the large volume of immigrants coming into the EU from the southern Mediterranean, working towards the original goals of the Barcelona Declaration would prove to be useful. Europe should address this problem by shifting its focus to creating jobs in the south of the Mediterranean, and significantly liberalizing its trade regimes to foster growth through trade with the region's countries.<sup>5</sup>

The geostrategic significance of the southern Mediterranean and Europe's trade security together constitute another reason why the EU should rethink and re-prioritize its Mediterranean policy.

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<sup>5</sup> Peter Sutherland, "Europe's Test in North Africa", *Project Syndicate*, 27 April 2011, <http://www.project-syndicate.org/commentary/sutherland1/English>

As the former EU High Representative for Foreign and Security Policy Javier Solana has justly observed in a recent article with Angel Saz, the container traffic between East Asia and Europe is crucially dependent on the EU's southern Neighborhood.<sup>6</sup> Solana and Saz have drawn attention to two important issues related to this container traffic. First, although the container flow from East Asia uses the Mediterranean route (i.e. passing through the Suez Canal), only 28 percent of the transported goods enter Europe via southern European ports such as Barcelona, Genoa or Marseilles. The remaining 72 percent of the goods are unloaded at northern European ports such as Antwerp, Rotterdam and Hamburg, following a longer route through the English Channel. Even though this option involves extra financial and environmental costs, it is nevertheless preferred over unloading at southern European ports due to the superior efficiency of the northern European ports and their more advanced transport infrastructure. Second, Solana and Saz emphasize that the Suez

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Canal must always stay as a "safe and reliable shipping route" in order to avoid the shifting of the route to the southern end of Africa, generating even higher costs for trade and the environment and excluding the Mediterranean region altogether. In brief, the security of the operation of the Suez Canal is of great strategic importance to Europe and therefore stable political regimes in and around the Mediterranean are of paramount importance for the secure and efficient operation of the economic activity between East Asia and Europe.

Lastly, there have been mentions of a possible Marshall Plan for the Arab World following the rapid regime changes and political reconstruction in the Middle East and North Africa (MENA) region. The transformation across the region will surely have serious consequences for Europe, as regional peace, prosperity and stability are indeed vital for Europe's stability in the long term. It is with this motivation that Italian Minister of Foreign Affairs Franco Frattini recently suggested that the revolutionary countries of the Arab world share the same needs with the post-war countries of Western Europe. Although a financial aid package by the EU for democratizing MENA countries (similar to that of the post-war Marshall Plan) may indeed seem unrealistic given the current financial burden on the EU due to the alarming condition of southern European economies, additional measures could be taken to build on the existing financial and institutional structures.<sup>7</sup> Indeed, what is important at

<sup>6</sup> Javier Solana and Angel Paz, "The Mediterranean Reborn", *Project Syndicate*, 11 July 2011, <http://www.project-syndicate.org/commentary/solana8/English>

<sup>7</sup> Franco Frattini, "A Marshall Plan for the Arab World", *Project Syndicate*, 26 May 2011, <http://www.project-syndicate.org/commentary/frattini3/English>

this stage is not how much of its financial resources the EU can allocate to support the democratic transition in the MENA region, but how it can work to prioritize the Mediterranean within the existing financial and institutional resources. The ongoing financial crisis, therefore, should no longer be an excuse for turning a blind eye on the developments in the southern Mediterranean.

### ***Reviving Euro-Mediterranean Relations: Immediate Remedies***

Having reviewed why the EU should prioritize strengthening its economic relations with the Mediterranean, it is also necessary to acknowledge the main limiting factors that currently prevent a stronger Euro-Mediterranean economic dialogue and outline the most immediate remedies for recovery. The first and most debated

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of these is undoubtedly the issue of the persisting protectionist measures in European trade, and most notably those in the agricultural sector. As discussed earlier, perhaps the most obvious technical obstacle that has played a role in the failure of the EMP has been the current state of the EU’s Common Agricultural Policy and the resultant illiberal tendency in Euro-Mediterranean trade. Europe needs to liberalize its trade regime if it is to induce any form of economic development and promote

democracy in its southern neighborhood. At this critical time when the political character of the entire MENA region is going through historic change, the EU cannot afford to continue ignoring the need to liberalize the barriers in its trade activity with the democratizing Mediterranean.

The weakness of the institutional setup of the former EMP has been a very important though less visible limiting factor for the advancement of Euro-Mediterranean relations. The Barcelona Process originally promoted the creation of a free trade zone in the wider Mediterranean region, which would provide the basis for enhanced cultural dialogue, promotion of stability and security in the South, and flow of financial and technical aid. When compared with other successful regional free trade agreements, the EMP stands out for not having an advanced institutional framework. The North Atlantic Free Trade Agreement (NAFTA) between the United States, Mexico and Canada, for instance, could be taken as a good institutional example for the future of the Euro-Mediterranean trade relations. In comparison with the relatively looser Association Agreements between the EU and non-EU Mediterranean states, NAFTA provides a good institutional example with its side

agreements and subsidiary organizations, most notably in the areas of labor rights and environmental protection. There is little doubt that the future of the Union for the Mediterranean and Mediterranean trade could benefit substantially from such a move towards institutional development and capacity building.

### ***Conclusion***

The history of the world shows that the Mediterranean region has been the global center of trade and economic activity for many prominent civilizations like the Romans, Egyptians, Greeks, the Spanish, and Ottomans. The current lack of a healthy and sustainable economic dialogue between the northern and southern ends of the Mediterranean Sea may continue only for a given period of time. The security and prosperity of the wider region is possible only with economic cooperation and extended social and political relations among the region's countries. The Arab Spring provides a historical moment for the realization of this regional cooperation, though to achieve this long-term goal, the EU needs to shoulder the lion's share of responsibilities. Removing non-tariff barriers to further liberalize its trade regime, and enhancing the backbone of the EMP with a serious institutional reform are of vital importance for the EU to fulfill this immediate duty. Bearing in mind that the security of the Mediterranean is the security of Europe, the EU can no longer afford not to invest in its economic relations with the Mediterranean if it is to pursue a healthy and stable presence.