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PEACE, STABILITY, SECURITY AND PROSPERITY IN THE MEDITERRANEAN REGION

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Peace, stability, security and prosperity are the key words stressed in the Declaration approved at the Euro-Mediterranean Conference in Barcelona last November. This is understandable considering that these four virtues are markedly scarce in the Mediterranean region. There is no denying however that the four are intimately connected so that it cannot be realistically assumed that one of them could be secured and enjoyed in the longer-term without the other three. Instability in the Mediterranean arises mainly from the historical sub regional conflicts, from the attempt of radical states to radicalise international relations in the region, and from the internal instability of some states. A sense of insecurity arises because of the national military buildups by some key actors, unresolved conflicts, the historic experience of the use of force to resolve issues, and, above all, the imbalance between strong and populous states on the one hand and small, unarmed countries on the other hand. Many countries sense their own "vulnerability", in the meaning employed by Buzan¹, who distinguished between threats, sometimes very

¹ Buzan Barry, *People, States and Fear: An Agenda For International Security Studies In The Post -Cold War Era*, Harvester and Wheatsheaf, (2nd edition) 1991, pages 112 forward. Buzan distinguishes between threats and vulnerabilities. Weak states (because they are small) are vulnerable in many senses, mostly as a result of their smallness. Larger states, as well as small ones, can be vulnerable by virtue of their strategic geographic position, the fact that they possess important raw materials which other countries want or weak internal institutions which invite foreign intervention.

hard to perceive, and vulnerabilities, which he claims "are fairly concrete". In the case of many Mediterranean states, this vulnerability arises from the strategic positions they occupy: Turkey at the head of the Dardanelles, Egypt on the Suez Canal, Morocco and Spain command the narrow passage linking the Mediterranean with the Atlantic, the Straits of Gibraltar, Malta the main seaways in the midst of the Mediterranean, and Cyprus a geostrategic position close to Turkey and the Middle East. Some of them possess important mineral resources such as oil, gas or phosphates.

Some have a "historical sense" of vulnerability *vis a vis* more powerful neighbours (Greece - Turkey, Cyprus - Turkey) The nation state is by historic time-scale a recent artifact. Hence, the internal weakness of such states, their unstable institutions and economic problems increase their vulnerability to external meddling, strengthens their disposition to arms buildups to overcome their perceived vulnerabilities and in turn present a security dilemma to their neighbours. Most of the countries of the region have only recently emerged from colonial rule. The growing strength of political movements which challenge the internal status quo in some key countries is also viewed as a source of both instability and insecurity. Terrorism appears to be endemic to the region. Drug trafficking is a growing concern in tandem with the proliferation of weapons of mass destruction. Falling prosperity is evident on both the northern as well as southern shores of the Mediterranean. In the south it is reflected in the falling GNP per capita ratios, as economic growth continues to be generally positive but inadequate to keep up with demographic changes. On the northern shore countries it is epitomised by the growing developmental gap between the southern and northern regions of Europe. On both shores rising unemployment, an inadequate economic infrastructure, social and health care problems bedevil governments. In the southern shore states, a liberal democratic state structure based on the full and adequate participation of the people,

expectancy of peaceful change in governance through fair elections, the rule of law and respect for human rights are still far from becoming the norm, making such states prone to change by violent means and raising concern in Europe about their long-term stability.

The European Union has long realised that instability in the Mediterranean region can possibly have destabilising effects on Europe itself.² Lacking the institutions and the legal basis for joint political action by the Member States in the fields of security and defence, it acted as a civilian power in the region, employing economic statecraft to achieve political aims. The first association agreements signed with Greece and Turkey in the early sixties were particularly aimed at strengthening the economic stability of these key NATO countries in the era of the policy of containment. It used the association agreement with Greece to show its disdain of the military junta while the latter reigned in Athens, and finally it opened its doors wide open to Greece, Spain and Portugal in order to stabilise the democratisation and modernisation process following the end of the dictatorships in the three countries. Similarly, the European Union is employing like means in its efforts to stabilise the situation in central and eastern Europe as well as the Mediterranean region. In the past, it skilfully employed the Global Mediterranean Policy (GMP) to bind all the countries of the region (except Libya and Albania which refused a formal accord with the Community) in a relationship to it, though this did not always turn out to be a happy one, especially from the late seventies onwards when the Community applied protectionist measures against the MNCs on textile and clothing goods. The GMP has had a positive effect in helping the MNCs maintain their traditionally important

² Lorenzo Natali, EC Commissioner "We must question whether the Community could survive a serious disturbance in the Mediterranean region...", quoted in the European File Series, No 19/82 (1982). This assertion has been repeated in many policy declarations, including Conclusions of the Presidency of the EU which are too numerous to list here.

exports to Metropolitan Europe, partially transforming the relationship from one of dependence into interdependence, but in the seventies, when Europe found itself in economic difficulties it quickly turned protectionist so that this policy stance combined with supply-side problems on the part of the MNCs quickly led to disgruntlement with the GMP. Besides, the instruments of the GMP to tackle the present problems which the EU faces in the Mediterranean region are inadequate, both because these challenges demand twofold political and economic initiatives, not merely economic statecraft, and because in the post-Maastricht setting, when the EU is supposed to be developing a Common Foreign and Security Policy (CFSP) it cannot limit itself to GMP methods, while the efficiency of its policies has to be judged against the exploited and unexploited potential of the Maastricht Treaty. In the past, the EC had tried to remedy its obvious lack of a foreign policy by creating the European Political Co-operation (EPC). However, an EC foreign policy never came into being. Europe found itself divided on many key issues, not least among these those related to the Mediterranean region. The EC's response to the Middle East war of 1967 and then to the first oil crisis in 1974 brought in to focus the divisions among European states. Subsequently, hopelessly unable to give substance to many of its policies, Europe limited itself to a declarative foreign policy largely based on issuing statements, many of which were exceptional in their content and foresight, notwithstanding that at times they met with incredulous criticism from the United States.³ During the cold war, Europe played second fiddle to the superpowers in the maintenance of the military balance of power in the region and was virtually absent in the most important of the Mediterranean crises, notably the Middle East

³ The famous Venice Declaration on the Middle East adopted by Council in June 1980, [Bulletin of the European Communities, No 6, 1980 pages 10-11] was a case in point. It irritated the United States because it was seen to interfere with its Middle East diplomacy as well as Israel because it was seen to favour the Arab World.

problem. Lastly, in the absence of a European foreign policy, the member states of the EC were left free to conduct their own foreign policies as dictated by their respective national interests, with some feeble attempts to co-ordinate them, lest they face the graver accusation that they were sidetracking the more profound aim of developing EPC. The weakness of EPC was not only exploited but used as an excuse for individual forays. This resulted in a number of premature initiatives in the region, all cursed with the seeds of failure from their beginnings. Reference to these initiatives will be made further down.

The new phase in the EU's relations with the Mediterranean countries, launched with the Euro-Mediterranean Partnership started in Barcelona will perhaps put an end to unco-ordinated national initiatives and weld the economic and political aspects of Europe's policy in the region more tightly. It has the advantage of making the Union's Mediterranean policy a policy for the whole of the Union rather than one limited to the Mediterranean member states. However, it is rather still early to start celebrating the success of this policy.

For a start, history testifies to the fact that the attention which the EU has given to the Mediterranean region in the past has been dyslexic, even in times when the Mediterranean region was the only one where the Community could play a role in the external arena. The pattern of the EC's policies towards the region has been historically marked by flurries of intense activity followed by long pauses of inertia as the Community busied itself with internal matters. A period of inertia followed the signing of the first Association agreements with two Mediterranean countries at the start of the sixties and in fact, throughout the eighties to the beginning of the nineties, the EC neglected the Mediterranean region as it busied itself with a number of internal and external

problems: internally the completion of the internal market, the Single European Act, the intergovernmental conference which led to the signing of the Maastricht Treaty, the difficult ratification process; externally - the completion of the negotiations leading to the second enlargement (Spain and Portugal, 1985), negotiations with the EFTA group for the creation of the European Economic Area (EEA), enlargement negotiations with the EFTA group, the Uruguay Round of negotiations, and finally after 1989 the situation in Central and Eastern Europe. It was in response to growing criticism that the EU was neglecting the Mediterranean region and the need to reintroduce some balance in its external relations that, in June 1990, proposals were put forward by the Commission for redirecting the EU's Mediterranean policy. From there onwards it took another five years for the proposal to be developed into the idea of the Euro-Mediterranean Partnership launched last November.

This ambivalence may be explained by the fact that with only five Mediterranean member states (if Portugal is considered as such) the European Union is essentially a northern-central European entity. Of the five Mediterranean states, Spain and Portugal have only recently joined the Community and have been practically engrossed with adjusting to their new situation. France, described by Braudel⁴ as having throughout its history mostly identified with central Europe, remains true to form in the contemporary age. Italy, always beset by domestic political problems, generally shuns external action. This has been more pronounced since the "end of the first

⁴Braudel Fernand, *The Identity of France*, Volume II, Fontana Press, page "Since the time of Caesar, and well before, up to the great barbarian invasions in the fifth century, the history of France was a fragment of Mediterranean history. The events which happened around the middle sea, even if they happened a long way from the shores of France, determined the country's life. But, after the invasions, leaving aside the exceptions like the belated wars for the domination of Italy, France identified with, above all, Central and Eastern Europe."

Republic". Greece is interested only in the Aegean and Turkey as we have been shown time and again, and has used its EC membership to condition Turkey and more recently to undermine Macedonia, with little time to spare for more comprehensive ideas on the Mediterranean region as a whole. The enlargement of the EU to include Malta and Cyprus will provide the Union with mixed blessings: Cyprus will reinforce Greece's policy - thus giving a negative contribution to the development of the CFSP; Malta will presumably follow a policy more consistent with the overall interests of the EU in the Mediterranean - thus giving a positive contribution to the development of the Mediterranean policy.

The Mediterranean member states of the EU now have the opportunity to change old habits. Euro-Mediterranean leaders meeting in Barcelona agreed to establish a comprehensive partnership among all the states of the littoral, based on an ongoing dialogue. Three main pillars were singled out for the realisation of these plans: the establishment of a common area of peace and security; creating an area of shared prosperity; and developing human resources, promoting understanding between cultures and exchanges between civil societies. The Barcelona Declaration is thus a manifesto of good intentions for the Mediterranean region. The frequent use of the word 'dialogue' elicits sentiments of *deja vu* and reminds one that this is after all a continuation of the Euro-Arab Dialogue began with much fanfare in 1975⁵ over the heads of the Americans worried that it would inject too much noise into Kissinger's Middle East diplomacy model, or that it would decouple Europe from the United States and split the Western camp. That 'dialogue' of the deaf, as it turned out, led to few tangible results as the Europeans struggled to secure guarantees of uninterrupted oil

⁵ The Cairo Joint Memorandum of June 1975 which began the Euro-Arab Dialogue is a much shorter document than the Barcelona Declaration. However the underlying philosophy is the same.

supplies at reasonable prices while the Arab side tried in vain to promote the Palestinian question. When world markets pushed oil prices down, the 'dialogue' lost much of its luster for the European side, while the divisions in the Arab world following the Camp David accords weakened the interest of the other counterpart as well. The process became another sad chapter in the history of Euro-Mediterranean relations. It underlined the fact that the two sides had ignored real designs and had opted instead for vague idealistic ones. Had they adhered to the Cairo Joint Memorandum⁶ both sides would have achieved more lasting results.

Before Barcelona, when it had already finalised its not so "grand design" for the Mediterranean region, the European Union decided to underwrite the effort with a not very generous, but certainly not negligible sum of ECU 4.7 billion to be disbursed over a period of five years (1995-99) in aid to the Non-Member Mediterranean countries (MNCs).⁷ Originally the Commission had proposed a total aid programme of ECUs 5.5 billion in addition to European

⁶ In the Cairo Joint Memorandum it was stated by both sides that the Euro-Arab Dialogue should be :

"(i) based on equality between partners; (ii) based on their mutual interest; (iii) a complement to the co-operation that already exists between the European Community and certain members of the Arab League." from "The European Community and The Arab World" , Europe Information Development, Commission of the EC, DE 38/1982.

⁷For example to get an idea of the extent of the EC's aid to the Mediterranean non-Member countries, a comparison must be made between the EC aid to its own backward regions as part of the "structural funds" and the aid it is promising to extend to the MNCs. Ireland, Greece and Portugal with a combined population of less than 25 million have signed Community Financing Agreements providing for an expenditure of ECUs 69.8 billion over the period 1993-99 as action under the structural funds, of which ECUs 33.58 billion will be provided from the structural funds while the rest will be provided by the member states concerned. The figures do not include transfers from the Cohesion Fund. By contrast the aid offered to the Mediterranean countries with a combined population of over 200 million is a mere 4.7 billion ECUs

Investment Bank (EIB) resources.⁸ This financial aid package is simply a continuation of the tradition of financial aid started with the beginning of the so called 'Global Mediterranean Policy' (GMP) in the mid-seventies. It is true that the EU has a right to a "Community Preference" in favour of its own backward regions in disbursing development aid. However, the differences in the rate of such aid are staggering (for example, aid to the MNCs is lower on a per capita basis than that given to Central and Eastern Europe, while when compared with that given to Ireland, Portugal and Greece under the structural funds, such aid to the MNCs compared on a per capita basis is 57 times lower). When consideration is taken of the fact that the EU's own backward regions are by comparison more developed than the MNCs the inadequacy of financial aid to the Mediterranean countries becomes even more staggering. Not oblivious to the accusations that this sum was inadequate⁹ and that it did not add to as much as the EU was spending on central and eastern Europe, and noting that Europe's declared aim to maintain a balance in its relations with all its neighbours, the EU finally threw in the sop that this fund will be augmented by unspecified financial assistance from the European Investment Bank (EIB) and from bilateral aid agreements.

The question of financial aid to the MNCs is linked to the issue of whether a sound case for it can be put forward. The matter is

⁸ See the Communication from the Commission to the Council and the European Parliament, "Strengthening the Mediterranean Policy of the European Union: Establishing a Euro-Mediterranean Partnership" Com (94) 427 final of 19.10.1994: "Against this background, the Commission considers that in order to implement the wide range of policies invoked above, an indicative figure of around 5,500 m Ecu of budgetary resources for the period 1995-99 will be required for all Mediterranean non-member countries (not including Albania and ex-Yugoslavia). This would be in addition to increased lending from the EIB and other international financial institutions, bilateral aid from the Member states..." (point 24.6, page 15).

⁹ The amount made available to the countries of Central and Eastern Europe over the same period is Ecus 6.7 billion. A straight comparison is however misleading.

somewhat complex. During the decade from the mid-seventies to the mid-eighties, while increased wealth flowed to the oil producers and non-oil countries benefited from increased trade in goods and services (e.g. earnings from workers' remittances) with them or loans on very favourable terms, the negative effects of bad economic policies of extensive state intervention, subsidies, import substitution policies, capital controls, extensive bureaucracy etc could be hidden under the flow of petrodollars. Significantly among the MNCs five countries, all with a negligible or no dependence on the oil economy and which followed an open economic policy or launched one during the period¹⁰, at present have some of the more resilient economies in the region. Soon after the world price of oil started declining and revenues dried up significantly, the fissures began to appear and many MNCs were left perched on a high foreign debt mountain. In the midst of this crisis the MNCs, prodded by the IMF and World Bank, were converted to the virtues of economic reform. Did they in fact have a choice? The restructuring thus started under significantly adverse economic conditions, compounded in some instances by a severe debt problem and rapid population growth.

It is within this context that the poor financial package offered by the EU should be discussed. One thing is certain, namely that the Union cannot take on the challenges of transformation occurring in central and eastern Europe and the Mediterranean simultaneously without overhauling its finances and without ditching the wasteful Common Agricultural Policy (CAP). The relevant question is whether Europe should increase its aid package to a region (the Mediterranean) which had enjoyed a decade of surplus wealth but

¹⁰ Israel, Tunisia, Cyprus and Malta were constrained to follow such policies due to their small domestic markets which made import substitution policies generally unworkable. Egypt commenced its open door policy in 1973. Morocco and Turkey, also non-oil producers, practised rife protectionism.

was unable to transform it into more lasting economic development. The answer seems to be linked to the fact that the contextual frameworks are different. The former situation, when the MNCs failed to take advantage of the wind which blew in their sails was a missed opportunity. The present situation is however one in which the MNCs are reforming their economies and significant financial flows to such economies in transition could help them overcome the unpopular adjustment costs and enhance their internal social and political stability. Previously, enough petrodollars existed in the region to help MNC governments maintain stability. Now they can no longer do so and uncontrolled instability can slip over into the Community itself. The EC is not oblivious to the need of supporting reform. In the Euro-Mediterranean Partnership Agreements initialled between the EC and Tunisia¹¹, Morocco¹² and Israel¹³ the priorities established for financial aid are to help the MNCs cope with reforms. The main questions remain whether the aid is sufficient and whether enough attention has been given to the time factor and cultural constraints. There is always a time lag between the proposed economic restructuring and the benefits that accrue from such initiatives. The second (i.e. cultural constraints) is related to the fact that it may be axiomatically difficult to transfer the values of liberalisation, essentially of advanced societies, to countries which culturally may still be unprepared for modernisation at such speed. Clearly the economic decision-making cannot be divorced from the political.

While falling short of fully underwriting the reforms in the Mediterranean non-member countries with more generous financial

¹¹ Agreement initialled between the EC and Tunisia on April 12th, 1995, Com(95) 235 final of 31.05.1995.

¹² Agreement initialled between the EC and Morocco on November 15th, 1995, Com(95) 740 final of 20.12.1995.

¹³ Agreement signed between the EC and Israel on November 20th, 1995, Com(95) 618 final of 29.11.1995.

aid, Europe has not shown itself sympathetic to the political leeway which the MNCs should be allowed to manage change either. Europe insisted that as part of the Euro-Med Partnership, the MNCs must gradually develop democracy and respect for human rights. Insistence on these Western values is positive, but not unproblematic. Europe must stand up for the respect of human rights. However, transformation of the present regimes into democratic ones may, if it is allowed to happen before the economic reforms have been given the chance to bear their fruits, lead to the transfer of power from governments which are not democratic (according to Western yardsticks) to governments which actually do not believe in the Western notion of democracy (the case of Algeria is instructive). The adverse implications for Europe of such a development need not be spelled out. Perhaps the aberration in this case is the non-truth that the development of market economies and democratic principles need move hand in hand. On the other hand the maintenance of authoritarian rule in some MNCs may be needed to see the reforms through, once other means such as increased financial aid are unavailable to underwrite the process. Once market economies have bloomed, democracy may come charging in its trail. Is this not the path which some newly industrialising countries in Asia have followed? Is this not the trend that may, in the opinion of some crystal ball gazers, see the last of the communists in China eventually swept away? Democracy may not be a feasible project in all countries in the Mediterranean in the medium term. Respect for human rights short of full democratic rights may be a more workable solution.

Turning once more to the economic impact of the Free Trade Area, so far reference has been made to the long-term benefits and short-run costs. It is worth outlining what these costs and benefits are. Some restructuring has already occurred in the MNCs to varying degrees. The liberalisation process, which will be accelerated by the free trade area should lead to the reallocation of economic resources and help the MNCs shift these towards those economic activities in

which they have a comparative advantage. Much will depend in this case on how fast this reallocation will take place. The greater openness of the economy will encourage more competition and cut down excessive monopolistic profits. It will increase efficiency (more mergers and shutdowns of inefficient firms) but unemployment will increase.

Foreign Direct Investment (FDI) may be stimulated. But political instability, and bureaucratic bottlenecks might bring around a lower level of FDI than expected. Openness may also lead to disinvestment in the sense of firms presently situated in the MNCs relocating to Europe, once they will still be free to export to the MNCs. The latter phenomenon may not be so large as to cause worries, but watch out for perceptions on political stability in the MNCs.

Lastly it is worth noting that many MNCs have already achieved the most they could have achieved given their present economies in their exports to the EC, and the new Euro-Mediterranean Partnership agreements do not offer substantial improvements in this regard. On the other hand, the EU stands to gain more from trade liberalisation both in the short-run as well as in the long-run.

Many MNCs are already shifting their tax system from reliance on import tariffs to consumption taxes (such as the introduction of VAT). An overhaul of the fiscal system is required in the MNCs to set up a new fiscal balance between revenue and expenditure. Liberalisation may also cause persistent balance of payments difficulties as people spend more on consumption. In case of acute balance of payments difficulties the EU has promised that it will help the MNCs to overcome such difficulties in consultation with the International Monetary Fund (IMF). All in all, the MNCs will have to take a gradualist approach to liberalisation while at the same time accelerating measures to improve their economic infrastructure, develop human resources and industrial restructuring.

The state of economic health of the Mediterranean countries is such that caution must be advised in approaching reforms. Consider that according to World Bank's classification, in 1994-95, Jordan, Morocco and Syria were designated as severely indebted countries, while Albania, Egypt, Algeria, Greece, Tunisia, Turkey and the ex-Yugoslav republics were moderately indebted countries.¹⁴ Unemployment is another concern, reflecting the fact that economic expansion has been unable to keep up with the expansion in the labour force caused by demographic changes¹⁵. Rates of economic growth have to be increased massively if these countries are to provide enough job opportunities to keep up with demographic changes. During periods of economic restructuring, economies might do exactly the opposite of what is needed of them, and shed jobs rather than create new ones.

In the abstract, the creation of a Euro-Mediterranean Free Trade Area (FTA) will in the longer-run reap benefits for all the people in the region thus helping to strengthen economic development, social cohesion and internal stability in most countries. It will also reap benefits for the EU which itself will be able to increase its exports to the region. However, the limited content which the Euro-Mediterranean free trade area has been given may yet rob it of its major economic impact. For instance, it is detrimental that agricultural trade has been left out and the free movement of labour, at least after a transitional phase, is similarly excluded. In the past, as transpired during the setting up of the Global Mediterranean Policy and during the negotiations with the MNCs preceding the second enlargement, further concessions to the MNCs on agricultural exports were welcomed by northern EU member states

¹⁴ World Debt tables, 1994-95, the World Bank.

¹⁵ Some of the latest available official unemployment figures published by the World Bank are: Algeria - 25%, Tunisia - 15%, Morocco - +20%, Jordan 15-18%; Egypt - 15-20%; Israel - 7.5%.

and resisted primarily by the EU Mediterranean member states. The evidence is clear that although some concessions on agricultural trade were made by the Community, as is amply shown in the first three Euro-Mediterranean Partnership agreements concluded so far, the issue of further trade liberalisation in this sector was postponed until after the year 2000. For the MNCs, the weaker side in the bargaining which has taken place, half a loaf may be better than no bread at all. However, objectively considered, the EC has again shown its meanness in a sector where it could greatly help the MNCs without having to dip deeper in its coffers, something which it (the EC) is extremely reluctant to do. By its actions the EC is further retarding economic progress in the MNCs.

One more important query that needs be answered concerns the seriousness with which the EU is pursuing the Euro-Mediterranean free trade area. How much hope should we allow to glow in our hearts that the EU is keen on realising the Euro-Mediterranean free trade area? This time the Community appears dead serious. Historically, the creation of a free trade area was the aim of the Global Mediterranean Policy, but alas three full decades into that policy it has never come to pass, of course through no fault of the Community. The main difficulty, though even in this case it is not completely unproblematic, is not the liberalisation of north-south trade; but the liberalisation of south-south trade and the free movement of factors. Not even the concession of cumulative rules of origin granted to the Maghreb countries in the bilateral trading agreements signed with the EC since 1978 was enough to make these states forge closer economic links between them. The Arab Maghreb Union, which blows hot or cold depending on the situation in the region, has fallen short of expectations, despite its rational underpinnings. In the absence of resolve among the MNCs or of the conditions which will lead to the realisation of the free trade on a south-south basis, the European Union could possibly fill the gap by maintaining a leadership role and ensuring the continuation of the

momentum. Yet on past experience, the EU is prone to retreat from Mediterranean initiatives into long periods of neglect when it busies itself with internal affairs. For the future, the EU's "internal" agenda (the IGC, EMU etc) appears full. Externally its priority is enlargement to include the countries of central and eastern Europe, and not its relations with the Mediterranean countries.

One important consideration is that although, apart from what has already been discussed so far, none of the EU world trading rivals are prepared to mount the kind of policy for the Mediterranean region which the EC has set up, the region is not impervious to non-EU challenges such as those coming from lower cost producers in Asia. The EU has every interest to consolidate its position in the Mediterranean region. Then the EU's motivations for the creation of the Euro-Mediterranean Free Trade area are not simply altruistic. The FTA was not sought after by the MNCs which were happy with unilateral concessions and would have preferred to widen their benefits while carrying on with economic restructuring and gradual trade liberalisation. World Trade Organisation (WTO) rules established by the Uruguay Round entail that preferential trading arrangements (PTAs) which the EU has with the MNCs are legal only if they are eventually transformed into a free trade area within a reasonable time of around a decade, though this is not specified. PTAs have always militated against GATT's corner stone, the Most Favoured Nation (MFN) clause, but were tolerated on the grounds that the asymmetry which they introduced between trading partners, whereby the developed countries granted preferences to developing countries without requiring them to match these concessions by equal and reverse preferences, favoured the developing countries. Yesterday's dogma is today's untruth and there are abundant economic arguments to show that this should no longer be blindly accepted. Following the Uruguay Round, interim agreements leading to the formation of a free trade area or a customs union are no longer free from a time constraint, and they have now to be

achieved over an agreed time frame accepted by the WTO¹⁶. Hence the urgency of the EU to establish a time frame of 12 years to achieve its free trade area agreements with the MNCs.

When due consideration is given to the WTO pressures and the fact that the EC for its own interests is intent on achieving the free trade area, it will appear that significant progress will be made on north-south trade liberalisation, while south-south liberalisation (which may be of greater economic importance to the MNCs) may take much longer. In sum, the difficulties in concluding the FTA are many: primarily there are three time factor problems, ie the length of time it is going to take to negotiate the myriad accords to establish the free trade area, the constraint that the EC-MNC FTA will have to be established over a period of twelve years, and last but not least that this twelve year period, which may be short for the purposes of economic transformation with palatable side-effects, may be too long for the political changes in the region. They might turn in such a way as to eventually overturn the whole process. Ironically, the longer the time frame, the bigger the danger that the process will stall due to a worsening of the political situation in the region.

There are however other difficulties: tariff dismantling and the three freedoms¹⁷ will not bring about the FTA unless trans-Mediterranean communications and transport networks are also established.

¹⁶ Refer to the "understanding on the interpretation of article xxiv of the general agreement on tariffs and trade 1994" in the Final Act of the Uruguay Round of Multilateral Trade negotiations.

¹⁷ Observe that in concluding the European Economic Area with the EFTA countries the EC strove to achieve the so called four freedoms of labour, capital, services and goods. In the case of the countries of central and eastern Europe, the EC made generous concessions to them in freedom of movement of labour when it signed the Europe Agreements. In the case of the Mediterranean non-member countries, freedom of movement of labour has been excluded.

The Barcelona Declaration makes ample reference to this. Achieving the networks will require a sustained investment effort. A large amount of learning how to conduct south-south trade is required, for the dominant trend is still the one established during the colonial era on a north-south axis. This will require a substantial amount of transfer of know-how from Europe to the south.

In practical terms the eventual achievement of the Euro-Mediterranean free trade area will depend in the first instance on the successful upgrading of the EU's present trading agreements with the MNCs, a process which has already started. Cyprus and Turkey have a customs union in place and in any case Cyprus and Malta will join the Union in about two years. New FTA agreements have been initialled with Tunisia, Israel and Morocco, while negotiations carry on with the rest. With regard to trade liberalisation and the four freedoms, as far as a south-south basis is concerned, what may be easier is a round of multilateral trade negotiations between all the states of the region very much on traditional GATT pattern (or the EU-EFTA negotiations for the EEA) with a previously agreed time-frame for the conclusion of the agreement, and which will set out a working plan for the next twelve years.

Turning to the political aspect of the Euro-Mediterranean relationship, the first priority for Europe is to resolve clearly in its mind the tension between democracy and economic progress, both of which have been singled out as contributing to security and stability in the region. The argument is that the successful launching of the FTA is essential for increasing the momentum of economic growth in the region and for achieving greater prosperity. Prosperity lessens social tensions and provides the conditions for internal stability, and in turn makes possible the full democratisation of societies. Democratisation of states lessens the chances of war or external conflict, though it does not remove the threat completely. It must not be assumed that fully fledged democracies do not go to

war¹⁸ or that the present conflict situations in the Mediterranean are all the result of the absence of democracy. Such mental leaps can lead to catastrophic policies. An analogous leap is to say that the end of superpower confrontation in the Mediterranean region has produced the conditions for ending the conflicts. Indeed, the end of the cold war may have had beneficial effects on the Middle East but may for example have removed one of the strongest restraining influences on such historical rivals as Greece and Turkey. The fall of communism may have deprived the radical states in the region of the moral and material support of the USSR, but new challenges have arisen from international terrorism, supported very often from a number of far-flung countries outside the region. The dissolution of the Soviet Union, may have facilitated the proliferation of weapons, know-how and material for the construction of weapons of mass destruction. Indeed, there is no end of history in sight in the Mediterranean region.

Resort to collective security arrangements are a tempting proposition but inherently flawed. Equally dangerous may be European institutional prototypes grafted onto the region, such as the proposed Conference on Security and Co-operation in the Mediterranean (CSCM), the Mediterranean Forum or the Council of the Mediterranean which create opportunities for parliamentarians but are so broadly aimed that they lose momentum. To borrow Bismarck's dictum from a completely different historical context, "the great questions of the day will not be decided by speeches and the resolutions of majorities" but by actions which are more lasting. The institutions mentioned above may become useful only when the urgent problems of economic reform have been solved and

¹⁸See for example the ideas advanced by Raymond Cohen (and the polemic which followed in subsequent issues) in "Pacific Unions: A Reappraisal of the Theory that Democracies do not go to War With Each Other" in *The Review of International Studies*, Volume 20, No 3, July 1994.

democratic government has become the norm. Unluckily for us, such institutions in the present conjecture may be instrumental in creating a fictitious sense of security, falling short of providing real security, and prolonging or stopping the search for a real cure.

What may be a more workable solution will be one in which Europe will work actively with the main countries of the region in terms of territorial size, population and military strength, in respect of two or three of the most threatening issues in the region such as international terrorism, proliferation of the weapons of mass destruction and disarmament. The aim would be that lasting, verifiable and enforceable agreements are achieved. Once a critical mass is thus achieved in the region, other areas could then be tackled.

Conclusion

The problems of the Mediterranean region are many but not incurable. This paper has concentrated on the main difficulties in achieving the Euro-Mediterranean Partnership as I see them. The Partnership will succeed if the variables discussed in this paper, or the majority of them, are constantly kept in the forefront. One thing is certain, there is a role for every country in the region to play. The EU, as the richest and most powerful entity in the region, must keep the momentum going constantly. The Barcelona Conference does not make the Euro-Med Partnership. The EU must take the lead in this, as it must assume the responsibility of giving the MNCs more market access, especially by opening its markets more to Mediterranean agricultural products. Economic reform in the MNCs must take priority but this will be successful only if it moves forward with a velocity which would allow the national authorities to deal adequately with its negative side effects. The liberal notion that the market will deal with all problems is flawed and can produce disasters whereby unpopular economic changes give rise to alternative totalitarianism in the MNCs. The EU can do a lot to help

this process forward primarily by reforming its own financial resources with a view to providing more finance to underwrite the reform processes. The time factor is enigmatic: the longer the problems are left untackled, the worse they grow. Too fast a reforming move forward may create negative repercussions which may arrest the process. The more time passes, the greater the possibility that the political setting will become hostile to further reforms before the project has been successfully concluded. Political and economic questions are deeply intertwined and the EU cannot hope to execute its role satisfactorily by limiting itself to the traditional tools of the GMP, namely economic statecraft, or to those of EPC, namely a declarative foreign policy. The principal role of the MNCs will consist in maintaining the reforms at home, opening up with vigour to south-south economic integration, and moving their societies further along the path of democracy and human rights without endangering the whole process. Lastly, the Euro-Mediterranean Partnership cannot be considered as a costless project. In the short run, the MNCs must bear the burdens of transformation while the EU must bear the costs of financing it. The EU is meanwhile negotiating Euro-Partnership agreements with the MNCs. It has concluded one such agreement with Tunisia and one with Morocco.

It is busily concluding one with Egypt and has upgraded its agreement with Israel. All of these bear the stamp of the unequalness of the two negotiating sides. The superior economic power of the Union brought to bear against the singular weakness of the individual MNCs could not have produced a more balanced outcome. Here lies Europe's main weakness: it proclaims a Euro-Mediterranean Partnership but at the same time it has not only taken the lead, (as it is expected to do) to set the ball rolling, but is imposing its strength, thus denuding the partnership concept of its proper meaning. Europe understands, perhaps as no other power, that the economic weaknesses of the MNCs and their divisiveness, (they all want to negotiate singularly in a vain attempt to maximise

their unilateral national advantage) makes them "deal takers" and certainly not "deal makers".

Lastly, it is important for Europe to depart from the neo-liberal notion of excessive reliance on market forces to put everything right that is wrong. It will not work. Perhaps when considering liberal philosophies, the answer to today's dilemmas may lie more in the ideas of its founding fathers of the past two centuries than in its modern exponents. Certainly this is not a call to a post-modernist assessment but having opened this Pandora's Box, it is not my intention to try to close it here.