

## **AN ASSESSMENT OF THE EURO-MED PARTNERSHIP**

**by**

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The Euro-Mediterranean Partnership (EMP) is certainly the most important regional process that currently exists in the Mediterranean as it brings together all of the European Union (EU) member states and twelve Mediterranean countries which are Morocco, Algeria, Tunisia, Egypt, Jordan, Israel, Syria, Lebanon, the Palestinian Authority, Turkey, Cyprus, and Malta. (Cyprus and Malta are due to become members of the EU in May 2004, thus reducing the number of Mediterranean partner countries to ten).

In the past decade the EMP has certainly strengthened north-south relations between the EU and the Mediterranean. The sheer amount of meetings and policy actions that have been launched since 1995 has resulted in the creation of an intricate web of political, academic and civil societal networks emerging that are all contributing to a more intensive north-south pattern of relations in this part of the world. In contrast the EMP has only recently succeeded in spurring south-south relations in the Mediterranean despite the high priority that has been given to this objective since the start of the EMP.

The EU has consistently focused on assisting Mediterranean countries become more aware of the opportunities that exist in their neighbouring states, and offering the Mediterranean countries involved in the EMP incentive packages to pursue trans-Mediterranean ventures. The EMP has also ensured that the EU's focus on enhancing relations with Central and Eastern Europe over the past decade is complemented by an outreach programme towards the Mediterranean that seeks to advance co-operative relations in the area.

As the Barcelona Process approaches its tenth anniversary, Euro-Mediterranean policy makers need to think about measures that will help transform this multilateral initiative from a boundary management exercise to a process that focuses more on encouraging boundary transformation. Euro-Mediterranean initiatives that are in the pipeline and include the enhanced political dialogue, the Charter for Peace and Stability, the creation of a free trade area, and justice and home affairs co-operation must seek to achieve more than maintenance of stable Euro-Mediterranean relations.

If the EU wants to develop a Euro-Mediterranean Partnership that is sustainable it should introduce a series of measures that will allow and enable Mediterranean states to integrate into the international political economy that dominates global relations. The EU's southern borderlands must also realise that the only policies that will improve their political and economic outlook are those that are home-grown and implemented. If the EU's neighbourhood policy towards the south is to be successful it must work closely with local reformers and not try to export modalities of reform that have been devised somewhere else.

At the first Euro-Mediterranean foreign ministerial meeting 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;
- 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.

When it comes to the direct tangible endeavours that the Euro-Mediterranean process should seek to realise it is crucial to ask again and again what will determine the success of the over-arching Barcelona process? It will essentially be the Mediterranean countries' ability to generate higher rates of growth than they achieved during the 1980s and 1990s.

### **The Euro-Mediterranean Partnership in the Twenty-First Century**

Almost a decade has passed since the signing of the Barcelona Declaration in November 1995, when the Foreign Ministers of the EU and their colleagues from all the countries around the Mediterranean pledged to progressively establish a Euro-Mediterranean area of peace, stability and prosperity at the horizon of 2010.

Since then we have seen profoundly asymmetrical developments in the EU and the Mediterranean: an EU frantically struggling to keep up with the constraints of globalisation, a Mediterranean falling further behind.

The EU has been moving into new areas. It has undertaken two major constitutional reforms, the Amsterdam and the Nice Treaties. It has successfully introduced a common currency, the Euro. It has virtually completed its single market for goods, services, capital and people. It has started to develop a common security machinery to be ready for action by 2003. It has made great strides towards a common area of law and security.

The EU has also set itself the objective to become a knowledge society and a common area of research and science by 2010. It has readied itself for the 5<sup>th</sup> enlargement: by 2004 10 new member countries from central Europe and the Mediterranean are expected to join the EU, after having undergone, during the last 10 years, a thorough transformation process of their economic, social and political systems.

During the same period, most of the EU's Mediterranean partner countries have moved ahead very slowly. The prosperity gap with Europe, especially Central European countries, has further widened. It would have widened even further without the general rise of oil prices and a significant slowdown of demographic growth, the only positive developments in the region.

There has been no attempt whatever towards more economic, let alone political integration. The Maghreb has not advanced a bit towards closer cooperation, contrary to what had been called for by the 1989 Treaty on the Maghreb Union.

Throughout the Mediterranean area, the reform process has been lamentably slow. Privatisation and deregulation of the economies are still in the very beginning. Hardly any country has made convincing strides on the path towards political accountability and democracy.

The EU's Mediterranean policy aims at profound economic, social and political reforms in the southern neighbour countries. Free trade and EU assistance are only instruments to that end.

Yet the work of reform cannot be done by the EU alone. It has to be done by the Mediterranean countries themselves, their societies and above all the political elites. To that end, they have to realise that such reforms are in their long-term interest, in view of spreading education, more prosperity, better health, more political stability and less social tension and unrest.

Such awareness is largely lacking on the part of the political elites. They are not prepared to abandon their privileged position to the market forces, to share power with other social forces, for example, the emerging entrepreneurial class, the trade unions or the opposition parties. With the exception of the two monarchies, namely Jordan and Morocco, all the other countries on the southern shores are governed by quasi - military regimes without proper political legitimacy.

This is the core of the problem and thus the main obstacle to the introduction of pluralistic societies. Therefore the commitment to respect democratic principles and basic human rights, which is an essential element of the association agreements, is likely to remain "lettre morte" for many years to come.

The EU approach is rightly a pragmatic and incremental one. It is based on the hope that the introduction of free trade will oblige the partner countries to introduce more and more elements of the market economy, to reduce the role of the state in the economy, to privatise, to do away with all sorts of bureaucratic obstacles to economic activity and investment, both foreign and domestic.

The gradual spreading of market forces will have a triple effect on the societies. It will raise the standard of living of the population, it will create new power centres that will want to participate in the political decisions and it will weaken the role of the state bureaucracies, the military and other "cliques". It will also enhance transparency of the system, accountability of the budget procedures through appropriate foreign assistance procedures. And very gradually it will tend to loosen the grip of the various political "mafias" and family clans that presently cling to their power.

The EU approach therefore seems to be basically correct. It is no different from that applied in the accession countries for the last 10 years that has achieved a great deal. But in Eastern Europe the EU had a much bigger prize to offer, i.e. membership in the club. And the EU interacted with European societies that wished nothing more than to return to the roots of their culture and to reunite with the rest of Europe.

In the south, the EU's leverage is infinitely more limited. The societies are infinitely less sophisticated, the rulers do not want to part with their privileges, and the EU offers just some €1 billion per year (instead of €3 billion) for a much bigger number of people (150 million instead of 100 ) that are much poorer (only 20-30% of the living standard in the EU accession countries) and have an infinitely lower educational level.

Concretely, the EU should therefore initially focus on the non-political, non-sensitive issues, such as issues related to the business and investment climate, the macro-economic framework, the banking system, the educational system, privatisation, the legal system and the functioning of the judiciary. This is more than plenty on the agenda for the coming 5-10 years that needs to be addressed. It corresponds to the basic and urgent needs of the countries. It is mostly acceptable to the governments. It is part of their ongoing reform processes, however slowly they may proceed.

What does this require from the EU side? More focus on this reform process, regular policy dialogue, both comprehensive and specific. Ideally, each of the Mediterranean partner countries that has ratified the association agreement should prepare an "association strategy", a list of legislative reform actions to be implemented in a 3-5 year period. The EU should assist in the preparation of these programmes; it should put its funding behind them, monitor their implementation and disburse the funding according to the progress of implementation as is the case in structural adjustment financing.

Why has the Barcelona Process come under fire from both the EU and the MED side? Essentially, because of slow progress in implementation of the EMP's financial cooperation, of dispersal of efforts, of lack of a clear political message, of hesitation on the part of the Mediterranean countries. For the Mediterranean countries, it was the normal procedure: when something goes wrong at home, blame the other side for the shortcomings and divert the attention from ones own shortcomings.

Both sides can do much better, provided they return to the basic strategic goals of the Barcelona Process and concentrate all their energy on getting reforms more effectively done.

The high expectations raised in 1995 by the Barcelona Declaration have not been fulfilled. They will not be fulfilled in the future unless there is a profound change of awareness in the eight Arab Mediterranean partner countries. They have to "change gear". Otherwise they will continue to fall behind Europe, Asia and America.

They should take lessons from Hungary, Estonia or Bulgaria or, more recently, in Turkey for how to do, in order to enable their populations to enjoy a better life, more freedom, better education, more jobs, and less pollution.

Everywhere they will find similar answers: accountability and transparency of governments, market economy, higher standards of education, encouragement of civil society, particular of women, privatisation of the banking sector and major utilities, retreat of the government from direct interventions in the economic process.

The EU is willing and able to support whatever reforms governments will be prepared to launch and implement. The Association Agreements signed with all the Mediterranean countries, except Syria, and financial assistance are elements of such

support. The establishment of free trade between the EU and each of the Mediterranean countries will, in due time, have a positive impact on the functioning of their economies. The case of Tunisia, the only country that is already somewhat advanced on the road towards free trade is telling in that respect.

But the EU should do much more to stimulate and accelerate the necessary reform process in the South. And it should do so urgently.

The EU is itself in a new stage of socio-economic reforms. Since Spring 2000 it is engaged in the “Lisbon Process”, through which it hopes to become the world`s most competitive economy by 2010.

The EU should offer its full support to all those countries in the South willing to move ahead with serious socio-economic reforms. With those volunteering for a joint reform effort it should start a process of “open coordination” in a few areas that are essential for more rapid socio-economic progress: education, information technology, deregulation, science and research, and good governance. In return, the partner countries would commit themselves to a set of reform objectives and a strict calendar for implementation.

The EU would have to offer substantial financial assistance to certain packages of the reform process. It would focus its assistance on those countries participating in the joint exercise.

In doing so, the EU would transpose its precious experience with the transition countries in Central Europe to the Mediterranean. This will require substantially more personal and financial commitment on the part of the EU Commission and member states than during the past eight years.

### **The EU Should Learn To Do Better In The Future**

First, the EU needs to adopt more of a strategic approach. The problems of the Mediterranean will not be solved within a few years. Both sides have to think and act with a long-term horizon, say 2020.

Linked to this is “commitment”. It is hard to say that the EU has, in recent years, been truly committed to the cause of development in the Mediterranean. The Mediterranean has been just one among other priorities on the EU foreign policy agenda. The partner countries may not have eased the job. Whatever the past: without firm political will and commitment from both sides Barcelona will not succeed!

Second, the EU should forget about public relations gimmicks. It should focus on those parts of the Barcelona process that really matter for the long-term socio-economic development. That is the standard by which coming generations will measure EU policies, not by the number of meetings that have been held or the volumes of papers produced.

Third, the EU should focus on improving bilateral links. Reforms will have to be undertaken by each and every country. Therefore the EU will have to enter into the substance of societal, administrative, legal, political development blockages and try to

unblock these. This will be a patient process that requires continuity of effort. It is here that much can be learnt from the experience with the accession countries.

The EU should not be afraid of applying to the Mediterranean its technique of “accession strategies” which would become “association strategies”. The EU should sit down with each of the countries willing to undergo the experience and fix medium-term objectives for education, market opening, judiciary reforms and the assistance to be offered for such reform programmes by the EU. In doing so, the EU should have the courage of using the “stick and carrot” approach: funding should be modulated according to the pace of reforms. The EU might start with the easy reforms, for example, customs procedures, tax laws, competition laws, so as to create “success stories”.

Fourth, the regional approach should be somewhat down-graded and be given a new focus: the EU should try to introduce “open coordination” (Lisbon process) in the Mediterranean, for example, in fields like education, taxation, and privatisation. Thus, the laggards may be shown how their own neighbours proceed and succeed. This may become an important tool of accelerating the overall pace of development, by creating emulation (and transparency) among the partner countries.

Fifth, the regional approach should involve encouragement of south-south free trade. After the Declaration of Agadir, the time is ripe to go ahead with south-south free trade. It may be best to start with the four most advanced countries but it should rapidly also associate the latecomers. Free trade among the south should be completed by 2010 latest.

Sixth, the south-south free trade will only be attractive if the EU finally grants total cumulation of origin so that components from one country may be merged with those from any other Mediterranean country without value-added constraints. Otherwise business investors will not find it sufficiently attractive to produce in the Mediterranean for exports to the EU. Without more FDI the Mediterranean will not be able to catch up with other parts of the world.

Seventh, the EU should be prepared to progressively increase its financial support for the Mediterranean. The €700-800 million p.a. for the whole region, Turkey included, is simply not good enough to make an impact.

Eighth, financial support should be concentrated on the support of specific strategic policies, for example, education. The EU should try to bundle its own assistance with that of member states and multilateral donors and thus create more synergy.

Ninth, the EU should focus its efforts on the eight Arab Mediterranean countries. These are the decisive elements for peace, stability and prosperity in the Mediterranean. Cyprus and Malta will join the EU in 2004. Turkey may follow by 2015. Israel is a case apart which requires a different sort of attention.

The economic and social development of the Mediterranean does not depend exclusively on the progress registered towards peace between Israel and Palestine. The lack of peace must not be an alibi for the lack of reforms in the Maghreb or elsewhere.

Tenth, with the progress of the south-south free trade area (FTA) in the Mediterranean, it will become even more important to focus more on the GCC (and Yemen) and to conclude the FTA with this sub region of the Mediterranean. This is important to complete Euro-Arab free trade by about 2015.

Eleventh, the EU should be much more open on the agricultural front. As it will liberalise its own agriculture, it should review its agricultural trade with the MED and progressively dismantle the remaining obstacles to free trade (calendars, reference prices etc.). This will not constitute a big boost to agricultural exports from the south but deprive the south from exaggerated criticism of EU double standards.

The Barcelona Process is “the only game in town” and it will remain so for another two decades or longer. Europe cannot escape its southern neighbours, however messy their socio-economic situation may become. And the Mediterranean countries will not avoid Europe being a major reference for their future development, from market economy, to high-tech research, freedom of the press, good governance, democracy and human rights.

The Barcelona Process must, however not become a scapegoat for the failures of southern countries in doing their homework properly. The EU cannot undertake necessary reforms in the place of the governments in the partner countries. It can only make suggestions, share its own positive and negative experience with those who want to learn. It can try to transpose the basic methodology of the “Lisbon process” with its “benchmarking”, “open coordination”, and target setting to those countries in the south that may wish to undertake a similar exercise adapted to their particular challenges.

But it should – more than in the past – use its financial support, including that coming from individual member countries, to encourage and support those who are making serious reform efforts.

It would be worthwhile to give a push in this direction and fill the Barcelona Process with new life, starting with one or two countries eager to push ahead their reforms. Once the ice is broken, others will follow suit.

It has taken the EU 30 years to launch and start implementing a comprehensive Euro-Mediterranean policy. If the Barcelona Process is to provide the foundation upon which a *Pax Euro-Mediterranea* is to be established over the next 30 years, it is essential that the EU focus on spreading prosperity’s benefits more fairly with its neighbours in the south. The Mediterranean must not become a wall of poverty along the EU’s southern periphery. This is the ultimate challenge facing the international community in the Mediterranean.

The three most active external actors in the Mediterranean, the EU, the United States, and NATO must focus their political and economic resources on ensuring that the Mediterranean does not become a permanent north-south divide. If the existing perceptual and prosperity gap between the northern and southern shores of the Mediterranean are allowed to increase, tension and hostilities across the Mediterranean will also become more widespread. In such circumstances, sources of instability that include terrorism, illegal migration, the proliferation of weapons and drug trafficking are certain to multiply. Given the common strategic interests the EU, the United States and NATO have in the Mediterranean, co-ordinating their policies towards the part of

the world will also provide them with an opportunity to further strengthen transatlantic relations.

Only the creation of a co-operative Mediterranean region in which the perceptual and prosperity gap is addressed, reduced and gradually eliminated, will ensure that the Mediterranean does not become a zone of indifference and an eventual economic wasteland. Integrating the Mediterranean into the twenty-first century international system through mechanisms such as the EU's recently launched "Neighbourhood Policy" and a sustainable Middle East Peace Process is the immediate challenge that the international community must confront. Otherwise transnational sources of instability emanating from the Mediterranean will continue to manifest themselves at a regional and international level.

## References

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