

## THE FOREIGN POLICY OF THE EUROPEAN UNION: PERSPECTIVES FOR THE NEW EURO-MEDITERRANEAN PARTNERSHIP

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### ABSTRACT

The international economic relation system is presently undergoing a period of great change. From January the 1<sup>st</sup> 1997 until 2010 the co-operation between the European Union (E.U.) and the Mediterranean Third Countries (M.T.C.) has been following the directions established in the Barcelona conference (28/11/95). The Euro-Mediterranean partnership is built on bilateral relations, and possibly on multilateral ones, which are likely to be strengthened in future.

This article seeks to underline the possible economic effects of the new Mediterranean policy.

The first part examines the historical reasons leading the E.U. and the M.T.C. to the creation of a Free Trade Area; the second one deepens the expected consequences of such a policy (trade diversion and trade creation) on the improvement of welfare.

In the conclusion, there's an analysis of the perspectives both for Europe, confirming its economic hegemonic position in the Mediterranean area, and the Southern countries which could expect an help in their social and economic growth, also thanks to the attraction they could exercise towards foreign investors.

### RÉSUMÉ

*Le système international de relations économiques subit actuellement de grands changements. Depuis le 1<sup>er</sup> janvier 1997 et jusque l'an 2010, la coopération entre l'Union Européenne et les Pays Tiers Méditerranéens se situe dans la direction donnée par la conférence de Barcelone (28/11/95). Le partenariat Euro-Méditerranéen se construit sur la base de relations bilatérales et multilatérales, appelées à se renforcer dans les prochaines années.*

*Cet article vise à présenter les principaux impacts économiques que l'on peut attendre de la nouvelle politique méditerranéenne de l'Union Européenne. Dans une première partie, nous examinons les raisons historiques qui ont conduit l'Union Européenne et les Pays Tiers Méditerranéens à la perspective de création d'une Zone de Libre Echange Méditerranéenne; dans une seconde partie, nous analysons les conséquences économiques attendues des principaux aspects de cet accord politique. Du point de vue européen, le renforcement des liens économiques que constituerait une Zone de Libre Echange conforterait la position économiquement dominante de l'U.E. dans la zone; du point de vue des pays du Sud, cet accord représente l'espoir d'un appui accru à la croissance économique et sociale, et celui d'attirer d'avantage les investisseurs étrangers.*

The ambition behind the proclaimed objectives of the Euro-Mediterranean Partnership Initiative launched in Barcelona in November 1995 is one of great proportions since it comprehensively addresses the historical relationship between the European core and its Mediterranean periphery. The southern Mediterranean area, along with the former Soviet Union, is considered by Europe to be one of the two main strategic regions bordering a progressively enlarging European Union.

The Euro-Mediterranean Partnership signals a turn in the definition of the relationship between the opposite shores of the Mediterranean.

It represents, in fact, the opportunity to deal with the challenges posed by the Mediterranean region through a process of integration rather than confrontation.

Free trade is a key concern for the European Union, and the creation of a free trade zone linking the Eu-

ropean Union with the poorer southern Mediterranean countries represents an integral element in the European Union's plan to create a Free Trade Area encom-

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the European Community began developing a conscious Mediterranean Policy. That has evolved through distinct phases. In many cases, the model established to regulate the European Community's relations with the three Maghreb states - Algeria, Morocco and Tunisia - has been extended to structure relations with other southern Mediterranean and Arab countries. This pattern was created with the establishment of co-operation and association agreements in the late 1950s and 1960s, and has continued to the all embracing Euro-Mediterranean Partnership.

passing 30 countries and up to 800 million people at the beginning of the next century (Marks, 1996).

This process is intended to create a trading bloc to rival the North American Free Trade Area (NAFTA) and the Pacific rim where the Association of the South East Asian Nations (ASEAN) and the Asia-Pacific Economic Co-operation (APEC) blocs are progressing.

We will present the historical background of the Euro-Mediterranean Partnership in this paper and discuss the questions concerning the economic impact of a Free Trade Area.

### I - AN HISTORICAL BACKGROUND OF THE EUROPEAN UNION MEDITERRANEAN POLICY

The Euro-Mediterranean Conference held in Barcelona in November 1995 started a new chapter in the relations between the European Union and its southern neighbours.

The launching of the Euro-Mediterranean Partnership took place 25 years after

The first association agreements were signed with Morocco and Tunisia in 1969, giving preferential access to European markets for their goods. The market for industrial imports into the European Economic Community (EEC) was almost totally open. Agriculture was already a contentious issue, hence the 1969 accords gave preferential access to the EEC only for specified Moroccan and Tunisian products.

The accession of Denmark, Ireland and the UK to the Community in 1972 weakened the focus on the Maghreb within the EEC and shifted the centre of the Community's Mediterranean policy towards the eastern Mediterranean, mainly because the U.K.'s interests were resolutely turned towards the Middle East. In 1972, the Community's perspectives were therefore enlarged by calling, for the first time, for a "global Mediterranean approach" including all the region.

But unlike the relations with the African, Caribbean and Pacific countries (ACP), the Mediterranean countries were not considered as a whole. The co-operation agreements concluded with the Maghreb countries in the 1970s introduced a five-year financial protocols system and open-ended agreements on other forms of co-operation and trade.

In line with the EEC's new Mediterranean approach, similar agreements were signed with the Mashrek countries (Egypt, Jordan, Lebanon, Syria) and Israel. They included financial aid which took the form of direct grants, as well as loans from the European Investment Bank (EIB). All these agreements established free access to EEC markets for most industrial products while some tariffs remained (Marks J., 1996).

In the first half of the 1980s, the Commission formulated an integrated plan for the development of its own Mediterranean regions and recommended the adoption of a new policy towards the non-Community countries of the area. This would include greater co-operation in helping to diversify agriculture so as to avoid surpluses of items such as fruit, olive oil and wine and reduce the countries' dependence on imported food. In 1985 the Commission negotiated modifications in agreements with non-member Mediterranean countries to ensure that their exports of agricultural produce to the EEC would not be adversely affected by the accession of Portugal and Spain to the Community at the beginning of 1986. But, under the influence of the EEC-Mediterranean farm lobby, the opening of European markets to southern produce was effectively opposed.

"North-South co-operation", however, was promoted by the expansion of financial protocols and increased financial aid. The total provided to Algeria, Egypt, Israel, Jordan, Lebanon, Morocco and Tunisia in the third protocols was ECU 1,618 million, or 59 per cent more than under the offered by the second protocols which expired in October 1986. That year marks the beginning

of a more active role of the Community in the Middle East. The Council issued guidelines for financial aid to the Palestinians and by 1989 the Strasbourg council had authorised the Community to free access to industrial goods and 40 to 80 per cent reductions in fruit and vegetable import duties. This move led to bitter recriminations between Israel on one side and the Palestinians and the Europeans on the other.

In 1989 the European Commission started a new phase in which support for the region was increased. This new phase was known as the "Renovated Mediterranean Policy" (King, 1997). European planners in the late 1980s and the first half of 1990s turned their attention to potentially massive security problems for the European Union. The European Commission decisions were strongly influenced by the political concerns of member states, notably France, Spain and Italy, and by the depressing economic data, which showed that despite the implementation of structural adjustment programmes supported by the International Monetary Fund and the World Bank, difficult developmental problems continued to confront the southern part of the region.

In 1992 need for a wide-ranging series of measures to oppose such difficulties was acknowledged and in 1994 the Essen Council presented a document in which the creation of new regional co-operation structures was proposed. These structures were to be supported by substantial short-term external assistance and other appropriate financial flows. The aim of the European Union was mainly to produce sustainable economic and social development in the Maghreb by opening up of the Maghreb's economies to its own competitive market (European Commission, 1994).

The Barcelona Conference of November 1995 was therefore the culmination of a period of intense policy making in Brussels.

As far as the western Mediterranean is concerned, the first stage of the process that eventually led to the Euro-Mediterranean Partnership was the so-called "5 plus 4" group. Their first ministerial session took place in September 1990, and was overtly concerned with security issues. It brought together the foreign ministers of the newly formed Arab Maghreb Union (Algeria, Morocco, Libya, Mauritania, Tunisia) and the foreign ministers of a southern bloc of European Union states, namely France, Italy, Spain and Portugal. Enlarged to "5 plus 5" with the addition of Malta, its agenda widened its issues and included those related to migration. However, the idea of a free trade zone, rather than merely a series of bilateral arrangements, came to light through talks about the formulation of a new bilateral agreement with Morocco in 1992. Tunisia asked for a similar agreement in the same year, followed by Israel in 1993 and Egypt in 1994. The scene was set for the substitution of a global approach and a free trade zone in place of the

bilateral country-by-country approach that hitherto prevailed.

A further development of the new approach towards the Mediterranean, which occurred during the same period, was a joint proposal from Spain and Italy concerned with strategy rather than trade. Within the framework of the Organization for Security and Co-operation in Europe (OSCE), Spain and Italy proposed a strategic structure that would incorporate both the eastern and the western Mediterranean. This was the so-called Conference for Security and Co-operation in the Mediterranean (CSCM) whose aim was to maintain Mediterranean security. The CSCM would have included every state with Mediterranean shores together with those of the European Union and the states of the Gulf Co-operation Council as well as Yemen, Jordan and Iraq, and would also invite the participation of the United States.

Another suggested grouping was the Forum of Mediterranean States, which met in Egypt in November 1991. All these initiatives suffered a similar fate. They fell into disuse and became virtually defunct after initial meetings. Nevertheless they raised strategic issues while the European Union was formulating trade agreements.

It was under new global pressures and in the context of profound changes created in the Middle East and North Africa by the end of the cold war, the collapse of the Soviet Union and the war against Iraq in 1991, that the European Union policy towards the Mediterranean had to be designed anew.

This altered socio-political context of the early 1990s must be kept in mind if one wants to understand the rationale behind the European's Union initiative. As Eberhard Rhein points out, "trade, free trade to be precise, is no more than a vehicle, an essential instrument to provoke necessary changes on the side of Europe's Mediterranean Partners" (Rhein, 1996). By this time the road was clear for European thinking to move along the lines that were to result in the Barcelona Conference of November 1995, where strategy and economics as well as politics and trade, were to be included in a single framework.

The Euro-Mediterranean Partnership was the outcome of the Barcelona Conference held in November 1995. Twenty-seven countries were represented, the fifteen member states of the European Union as well as Morocco, Algeria, Tunisia, Egypt, Israel, Lebanon, Syria, Jordan, Turkey, Cyprus, Malta, and the Palestinian Authority.

The Partnership initiative consists of three sections: the Political and Security partnership whose objective is to establish a common area of peace and stability; the Economic and Financial Partnership which aims at creating an area of shared prosperity and a Social, Cultural and Human Affairs Partnership aiming at "developing human resources, promoting understanding between cul-

tures and exchanges between civil societies" (E.U. Bulletin, 1995).

The Barcelona process has been accepted by most Mediterranean countries with great enthusiasm. The Euro-Mediterranean Partnership is based on a series of bilateral economic association agreements, the first of which was signed by Tunisia on July 17, 1995 followed by Morocco and Jordan.

Egypt and Algeria are currently negotiating agreements with Europe while Israel has signed a more complex Free Trade Area deal and Turkey has signed a customs union agreement with Europe. Other states are expected to join in soon and in theory any state may do so.

The Tunisian and subsequent agreements involve a twelve-year transition period, during which import duties and other tariffs are to be eliminated. However, these bilateral arrangements only represent a first stage, for, after 2010, the bilateral North-South arrangements are to be expanded into South-South economic integration through free trade so that the equivalent of a single market structure will be created in the Mediterranean basin to partner the one that already exists in the North inside the Union itself.

Some 4,685 millions ECU should be granted alongside these proposals over a five year period, together with a similar amount available from the European Investment Bank in the form of soft loans-which represents an increase of about one-quarter over the amount of aid given in previous years (Joffe, 1997). The sum is to be directed to the private sector and is designed to encourage transition to the type of economy that should exist under a proper Free Trade Area agreement. It is, in effect, the same process as that offered to Spain and Portugal in 1986 when they joined the European Community, except that it does not have the convergence funding that they enjoyed.

Important restrictions will remain between the two shores of the Mediterranean in the field of agricultural trade, which is for the moment excluded from negotiations. Although promises have been made that these restrictions will be subject to future negotiation, the potential assimilation of the Visegrad countries into the European Union makes any possible change in this respect seem very unlikely.

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 part of the Barcelona Process with the ultimate goal of creating an area of shared prosperity (Calleja, 1997). But how realistic and feasible such goals are, given the economic disparities that exist across the Euro-Mediterranean area, remains an open question.

In relation to the Mediterranean policies of the past, the

system of financial and technical protocols has been replaced by a new regulation called MEDA dealing with all Mediterranean non-member countries. This is a unified framework that will deal with all co-operation activities (Tovias, 1996). In the field of trade, the Initiative will oblige the Mediterranean countries to give tariff-and-quota-free access to industrial products originating in the European Union while in agricultural products negotiations are still ongoing, (the negotiations on agricultural products should begin 5 years after the agreements signatures) showing how difficult this issue is for the European Union. It is important to point out that the likely access of most of the Central and Eastern European Countries will cause the opening of the Mediterranean markets to these countries as well. Moreover, all Mediterranean countries are expected to eliminate duties on goods originating from other Mediterranean countries.

Finally, the Commission requires that these countries gradually adopt European Union competition and origin rules.

## II - THE ECONOMIC IMPACT OF CREATING AN EURO-MEDITERRANEAN FREE TRADE AREA

The European Union stands as a major economic partner for most of the Mediterranean countries. For the Middle East and North Africa, the European Union is the largest trade partner, outpacing the United States and Japan.

Europe is not only the dominant source of imports but also represents the major market for Mediterranean products. This is particularly well demonstrated by the role of energy, as both the Middle East and North Africa are major suppliers to Europe. In 1995, the Middle East supplied 28 per cent of the European Union's crude requirements, while North Africa supplied a further 15.8 per cent. In addition some 26.8 per cent of the European Union's imports of natural gas came from North Africa (British Petroleum, 1996). The importance of North Africa in terms of gas supply is likely to increase in the years to come thanks to the Algeria-Maghreb-Spain pipeline.

Although the Middle East presents a diversified exports picture, with oil exports to the United States and the Far East forming an important part of the whole, Europe remains the dominant partner, especially in terms of imports (IMF, 1994).

In the Maghreb region, the European Union controls around 53 per cent of total imports and 39 per cent of exports (Eurostat, 1996). Even Israel, whose economy is more developed than those of most southern Mediterranean countries and which has traditionally sought privileged links with the United States, strongly depends on Europe as a trade partner. Trade with the European Union accounts in fact for a third of Israel's total trade.

In such a context, creating an Euro-Mediterranean Free Trade Area could have the following impacts:

Tariff levels and taxes would be progressively eliminated

Most of the Arab Mediterranean countries have engaged in trade policy reforms in the last few years. In most cases these included the progressive elimination of quantitative restrictions on imports and a movement towards tariffication. The result has been an increase in fiscal revenue. The creation of a Free Trade Area with the European Union will affect this increase.

One of the strongest anxieties in the countries of the southern shore of the Mediterranean relates to the potential losses in tax revenue resulting from the creation of a Free Trade Area in the Mediterranean basin. Presently 20-50 per cent of total fiscal revenue is derived from custom duties in almost all the countries concerned (Rhein, 1996). According to the results of a study by Besidoun and Chevallier, the revenue loss as a percentage of total government revenue, is equivalent to 5 per cent for Algeria (1.5 per cent of GDP), 4 per cent for Egypt (1.4 per cent of GDP), 11 per cent for Morocco (3 per cent of GDP), and 24 per cent for Tunisia (6 per cent of GDP) (Besidoun, Chevalier, 1995).

Trade diversion and trade creation could improve welfare

The basic idea in favour of a Free Trade Area is that the fiscal loss due to the elimination of tariffs will be outweighed by the positive effects resulting from trade creation.

The first question regarding the impact of on Free Trade Area is whether increased manufactured and agricultural imports from the European Union will replace import-competing production (trade creation effect) or imports from other countries (trade diversion effect). In reality, the degree of overlap between European exports and domestic production in most Mediterranean countries is quite small. Even though there are many import-substituting industries in these countries which are protected by high tariffs, and will therefore be affected by their elimination, much of what is imported from the European Union is not in competition with local production, since it includes machinery, transport equipment and temperate agricultural products. The establishment of a Free Trade Area will probably imply a high degree of trade diversion against OECD countries other than those in the European Union but also against many Asian NICs. Considerable trade diversion is likely to emerge in those countries that buy a large share of their imports in states external to the European Union in particular Mashreq states such as Egypt, Syria and Jordan.

The countries of the southern Mediterranean that are

assumed to gain from trade creation are those where the share of imports from the European Union is higher, mainly the Maghreb countries. Countries still oriented towards import-substitution programmes with resources trapped in capital intensive industries will have to move towards labour-intensive industries, in export-oriented sectors such as clothing (or agriculture).

Of course, the effects in terms of welfare will depend on the effects of this process on employment. An important political economy issue is that a necessary condition for the liberalization process to be politically feasible is that it should increase job opportunities for the high number of unskilled and the educated unemployed in the region.

A solution would be represented by foreign investors which could do much to stimulate both labour-intensive and more skilled activities, but it will only materialise if the regulatory and institutional environment is able to enhance private investment. Much will depend in this respect on how the European Union financial assistance is used (Hoekman, 1996). Eliminating some non-tariff barriers other than quantitative restrictions, would be another way for the European Union to reciprocate in trade (Tovias, 1996).

#### Dynamic effects are expected

Economic integration can produce dynamic effects. These can be mostly applied to exporters rather than to import-competing producers.

One argument in favour of economic integration relates to the opportunities it opens in terms of exploitation of economies of scale. In particular, it is argued that regional integration can help overcome the problem of having too small a local market. This argument, however, does not apply to the case of the Euro-Mediterranean Partnership. In fact, there is no evidence that European Union firms will benefit from additional economies of scale.

Additionally, even in the case of the southern Mediterranean countries exporting to the European Union, the possibility of improvement of market access depends heavily on the cumulation of rules of origin. There is no doubt, however, that the exploitation of economies of scale could be enhanced if Free Trade Area agreement were concluded among neighbouring southern Mediterranean states.

A second dynamic effect deriving from economic integration relates to the fact that many investors might be attracted by the opportunity of exploiting the new preferential status.

In the context of the Mediterranean Free Trade Initiative, it means that the European Union might attract investors due to the improved market access open to exporters based in the European Union. Consequently, it is possible that investors interested in the markets of the southern Mediterranean countries might find it valuable

to invest in southern Europe or Israel, provided the latter signs Free Trade Area agreements with other Mediterranean countries. The effect would be, however, that the Euro-Mediterranean Partnership increases direct investment in the "hub", i.e. the European Union, and not in the "spokes", that is the Southern Mediterranean states, unless they decide to enter in a free trade agreement among themselves.

A point put forward by the World Bank and European Union officials in favour of the Partnership, states that economic integration will contribute to the elimination of local monopolies and oligopolies (Rhein, 1996; Hoekman *et al.*, 1996). The amount of imperfect competition in most Arab countries on the southern rim of the Mediterranean is huge. This is also true for the import-competing sectors, which are strongly subsidized by the state.

The argument is that the establishment of a Free Trade Area with the European Union will enhance the process of economic reform in many Mediterranean countries and consequently improve their efficiency. In this sense the commitment of these countries with the European Union would have a catalytic effect as it would signal to foreign investors the commitment of governments to pursue the path of domestic reform. Moreover, at the domestic level, the implementation of a Free Trade Area would represent for governments an extremely valuable instrument to overcome the opposition of monopolistic industries that may show their reluctance in accepting the liberalization process.

The objective would be to attract Foreign Direct Investment (FDI). But the results of a potential investors survey in the region suggest that the major constraints identified relate to red tape, discretionary decisions and legal problems, issues that are not covered by the agreements (Page *et al.*, 1996). Without a right of establishment included in the new association agreements, without an harmonization of standards and with no liberalization in the domain of services, capital inflows will be limited (Rhein, 1996).

Macroeconomic stability and improved legislative, regulatory and institutional structures are necessary but not sufficient conditions for increases in FDI. Foreign investors surveys report strong strategic motives for FDI (World Bank, 1992). Consequently, if the agreements are to provide a basis for increased FDI they must also result in foreign investors' changed strategic perceptions.

The agreements may, for example, increase FDI in industries serving niche export market in the European Union. This would be the case for manufactures such as textiles, clothing and footwear.

Moreover, as Page and Underwood (1996) argue, the European Union agreement could accelerate growth through enhancing the absorption of non-proprietary technology.

The integration agreements can effectively reduce barriers to technology imports but again much will depend on the ability of these countries to improve the investment climate within their own economies.

#### The question of the rules of origin

An important part of the agreements negotiated between the southern European states and the European Union is represented by the recognition of what is called bilateral cumulation of rules of origin. The importance of the origin rules can be understood if one considers that even though Mediterranean countries have duty free access to European Union markets, in practice rules of origin may be such as to require the use of European Union inputs in order to benefit from duty free treatment.

The bilateral cumulation allowed for in all the new association agreements, means that any Mediterranean country can use European Union-originating materials for goods produced for the European Union market. In this case the test of "sufficient transformation of non-originating materials" to declare the good as originating in that country is not necessary, provided the processing is more than symbolic.

Since 1994, the Commission has proposed to the member states what is called "diagonal cumulation". This would allow any Mediterranean country to buy originating material from a country that also has an agreement with the European Union and to sell the processed material either in the European Union or in another Mediterranean country, even without any proof of "sufficient transformation". The importance of the cumulation of origin rules lies in the fact that for many Mediterranean countries, especially in the eastern Mediterranean, the access to the European Union would be facilitated, it would enlarge sourcing possibilities for materials and products and finally, it would increase trade among the southern Mediterranean states thereby generating important political implications in terms of regional co-operation and stability.

Several economies in the eastern Mediterranean, such as Turkey, Israel, and Egypt are sufficiently diversified to benefit from this. Moreover, the proximity of Palestinians, Jordanians, Lebanese and Syrian to Israel could further facilitate a substantial development of intra-industry trade among these countries simply based on diagonal cumulation.

What is important for cumulation to display its advantages, however, is that in all association agreements the same system of origin rules is established.

As the number of countries with which the European Union entered into free trade with increased, the need for streamlining the rules of origin became more and more evident. In late 1995 the European Union agreed on common rules of origin with EFTA and the Eastern European Countries and in early 1996 these rules were

proposed to all the Mediterranean countries (Rhein, 1996). What is clear, however, is that it is the European Union that will impose its system of rules to the Mediterranean countries.

#### CONCLUDING REMARKS

##### The Southern perspective

Despite the non-encouraging economic perspectives opened by the Euro-Mediterranean agreement, most southern Mediterranean countries have joined the European initiative with great enthusiasm.

However, some anxieties remain on the part of the southern states, and they centre around the issues of free movements of population, the cost of transition the issue of adequate investment, the potential cultural infiltration from Europe and America and anxieties over western intolerance of indigenous political and cultural paradigms.

It can therefore be asked why these countries, despite their worries, are prepared to sign such agreements. The reason is probably a political one. In economic terms, all the southern Mediterranean countries are in a position in which they have to comply with the demands of the European Union as they do with the International Monetary Fund over economic restructuring. By anchoring to the European Union they can hope to encourage foreign investment and proceed through the path of restructuring their economies. But apart from the economic dimension, there are two elements of the process that play an important role in this context. The first relates to the security agenda offered to the Mediterranean non-member states which argues for a form of collective security that includes forms of co-operation between North and South over common problems. Of course this involves the complex issue of the future role of NATO, the WEU, the third pillar of Maastricht and the European attitudes to security. The second relates to the political implications of the process. In particular, the encouragement of the so-called "good-governance" and the support of a series of ten confidence-and-security-building measures can encourage the growth of a civil society in the states concerned and act also as a stimulus for the governments to change (Spencer, 1997).

##### The European perspective

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 represents a sign of a more assertive European Union economic role in the Mediterranean.

The strong trade relations between north African countries and the European Union seem to confirm an economic hegemonic position of Europe in this area. For

most of these countries, the economic costs of opening up their markets to the competition from European products can be particularly high but, as George Joffé (1992) argues, most north African countries do not seem to have a choice in this sense and they have to conform to the demands of the dominant force in of the region, the European Union.

The whole Barcelona process seems to fit in the traditional pattern of development that characterised the European integration process itself: that is the achievement of political goals through economic instruments and agreements.

These goals are clearly defined in terms of security matters. The objective remains, as stated in the Barcelona declaration itself, that of creating a zone of stability and peace in the Mediterranean basin. This means, from the perspective of the European Union, the control of immigration movements, of drugs and arms traffic.

The situation is somewhat different as far as the Middle East is concerned.

The European Union represents the main donor of financial aid to the area for the purpose of economic development of the region. Nevertheless, the predominant political role is played by the United States, a role that the European Union does not seem willing to challenge.

The recognition of this situation was clear in Barcelona where the Euro-Mediterranean process and the Middle East peace process were somehow kept separate to the extent that, for the first time after the Madrid Conference in 1991, both Israel and Syria agreed to participate to a ministerial meeting.

Nevertheless, the Barcelona Process has formalized a geo-economic zone dominated by the European Union. This of course has important implications for the other economic experiments in the region.

Whether this process will enable the European Union to establish a more proactive political role with its southern periphery depends probably on how successful Brussels is in implementing its goal of establishing a common foreign and security policy as envisaged in the Maastricht Treaty and the Amsterdam intergovernmental review conference provisions.

It is clear though that as a consequence of the Barcelona Process, the European Union can no longer avoid the political responsibilities it has acquired in respect of the Mediterranean and this will have striking implications within the European Union itself. In particular the concerned European states will have to adjust their different national interests over European policy and adapt to a common political approach as far as the Mediterranean is concerned.

On the other hand, European Union diplomatic policy leading up to, and during, the Malta meeting of March 1997, tend to suggest that European Union member states are in fact realising more effectively their goal of

combining their diplomatic efforts 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 European Union with a mechanism through which it can interact with the Mediterranean in a more coherent and systematic manner. ●

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