

# **Future Chances of Economic Integration in the MENA Region**

*Challenges to the European initiatives*

## **Abstract**

The Euro-Mediterranean cooperation is a win-win situation for both of the cooperating partners. The European Union has to build up its own independent foreign policy, and for this purpose its close neighbourhood is obviously the best area to start with. To build up a region of peace and prosperity in its surrounding region is also highly important both for socio-economic and security reasons. For the Mediterranean partner countries, this partnership is equally essential as it is a good chance to gain external funds from the EU to develop their economies and to reintegrate into the international commerce. Looking through the historical path of cooperation between the European Economic Community and the Southern Mediterranean states, we can easily identify a slow institutional progress from the simple bilateral agreements of the beginnings to the complex institutional network of now-days including the Euro-Mediterranean Partnership (EMP), the European Neighbourhood Policy (ENP), and the Union for the Mediterranean (UfM). After drawing up the institutional context of Euro-Mediterranean cooperation, this paper will explore different international initiatives and economic influences challenging Europe's geopolitical dominance in the MENA region. This initiatives come up from within, and also from outside of the region, and while the EU supports intra-Arab cooperation, the initiatives from outside are easily interpreted as concurrence to European political and economical dominance in the region.

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## **1. The EU-MENA cooperation framework**

### **1.1 The Euro-Mediterranean Partnership (EMP)**

The most active members of the EEC in proposing deeper cooperation with Mediterranean partners were always the Mediterranean EEC member states. In 1990 Italy Spain, France and Portugal together with 4 Maghreb states formed the so called 4+5 Cooperation Network, which expanded to 5+5 when Malta joined in 1991. The 5+5 Cooperation Network agreed to deepen cooperation amongst it's states in migration, agricultural, environmental and cultural issues, and to develop a common financial institution. Unfortunately the political developments in Algeria in 1992 halted the further development of the cooperation, but now-days we can easily see that the Cooperation Network was a huge step towards the first real multilateral (regional) cooperation: the Euro-Mediterranean Partnership.

The Barcelona Process was launched in November 1995 by the Ministers of Foreign Affairs of the then 15 EU members and 12 Mediterranean partners (Turkey, Syria, Lebanon, Israel, Jordan, the Palestinian National Authority, Egypt, Tunisia, Algeria, Morocco, Malta and Cyprus), as the framework to manage both bilateral and regional relations. Guided by the agreements of the Barcelona Declaration, it formed the basis of the Euro-Mediterranean Partnership which has become a new and innovative regional alliance based on the principles of joint ownership, dialogue and co-operation, seeking to create a Mediterranean region of peace, security and shared prosperity. The partnership was organised into three main dimensions, which remain today as the broad working areas of it:<sup>1</sup>

- Political and Security Dialogue, aimed at creating a common area of peace and stability underpinned by sustainable development, rule of law, democracy and human rights.

- Economic and Financial Partnership, including the gradual establishment of a free-trade area aimed at promoting shared economic opportunity through sustainable and balanced socio-economic development. During the Barcelona Conference, the foreign ministers of the 15 member states and the 12 Mediterranean Partners, (Maghreb and Mashrek countries including the Palestinian Authority as well as Israel, Turkey, Malta and Cyprus) officially approved the principle of the creation of an Euro-Mediterranean free-trade economic zone, planned for 2010.

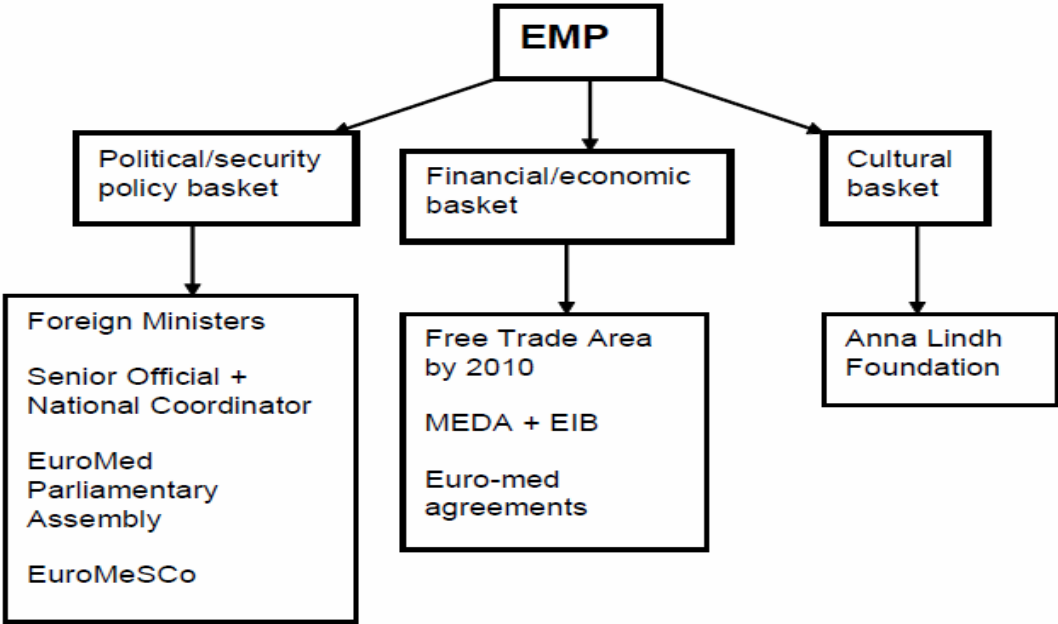
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<sup>1</sup> Source: Anna Lindh Foundation: <http://www.euromedalex.org/about/our-mandate/union-for-the-mediterranean>

The Economic and Financial Partnership is financed by the European Investment Bank and a special European financial fund for the Mediterranean projects called MEDEA.

- Social, Cultural and Human Partnership, aimed at promoting understanding and intercultural dialogue between cultures, religions and people, and facilitating exchanges between civil society and ordinary citizens, particularly women and young people. This part of the partnership is managed by the Anna Lindh Foundation through occasional project founding.

Under the umbrella of each sector, Euro-Mediterranean Ministerial meetings are being held in order to establish the political commitments which drive cooperation and activity across sectors. These meetings are accompanied by periodic meetings of Euro-Mediterranean Ministers of Foreign Affairs which evaluates the state of the partnership, its priorities and the progress made on different initiatives, while the bilateral cooperation based on the previous bilateral agreements continued in the form of standardised Euro-med Agreements coordinated by a Senior Officer and a National Coordinator in each country. To develop a deeper level of political cooperation amongst partners, the EuroMed Parliamentary Assembly was created to bring closer the members of parliaments from each participating country. Finally EuroMeSCo, a network of research centres based in partner countries was established to give a form of cooperation amongst policy makers and researchers of the region.



**The structure of the Euro-Mediterranean Partnership. Source: Erzsébet N. Rózsa: From Barcelona to the Union for the Mediterranean - Northern and Southern Shore Dimensions of the Partnership, HIIA Papers T-2010/9.**

## 1.2 The European Neighbourhood Policy (ENP)

As the implementation of the Euro-Mediterranean Partnership suffered a lot from the delays in the Middle-East Peace Process in the 90s, and the created institutional framework was unsuccessful in deepening the cooperation, the EU realised the need to renovate again the relations with it's Mediterranean partners. The first initiative, the Wider Europe concept in 2002 was followed by a completely new system, the European Neighbourhood Policy (ENP) in 2004. This new concept turned back to bilateral cooperation forms, and managed to reinvent Europe's foreign policy completely.

The new geopolitical reality after the 2004 enlargement of the EU brought politically unstable and low-income countries directly to the EU's external borders, and the development of the ENP can be interpreted as an institutional answer to the new situation as well. The ENP has a wider geopolitical coverage than the previous cooperation forms: it includes 10 Mediterranean partner states (Syria, Lebanon, Israel, Jordan, the Palestinian National Authority, Egypt, Tunisia, Algeria, Morocco, Mauritania), 3 East-European states (Belarus, Ukraine and Moldova), and 3 Caucasian states (Armenia, Georgia and Azerbaijan) therefore it can be considered as the umbrella organization for Europe's external policy. The states with EU-membership prospects (Turkey, Albania and the ex-Yugoslavian states) are not involved in the policy, because –as a strict criteria- the ENP gives no EU accession prospect for the partner states.



Source: European Neighbourhood Policy, [http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)

The implementation of the ENP works through the bilateral Action Plans, which are set out for periods between 3 and 5 years. The Action Plans (APs) are designed differently for each country, although they have a common structure. The implementation of APs are evaluated in Progress Reports indicating the development for the partner states in each field of cooperation.

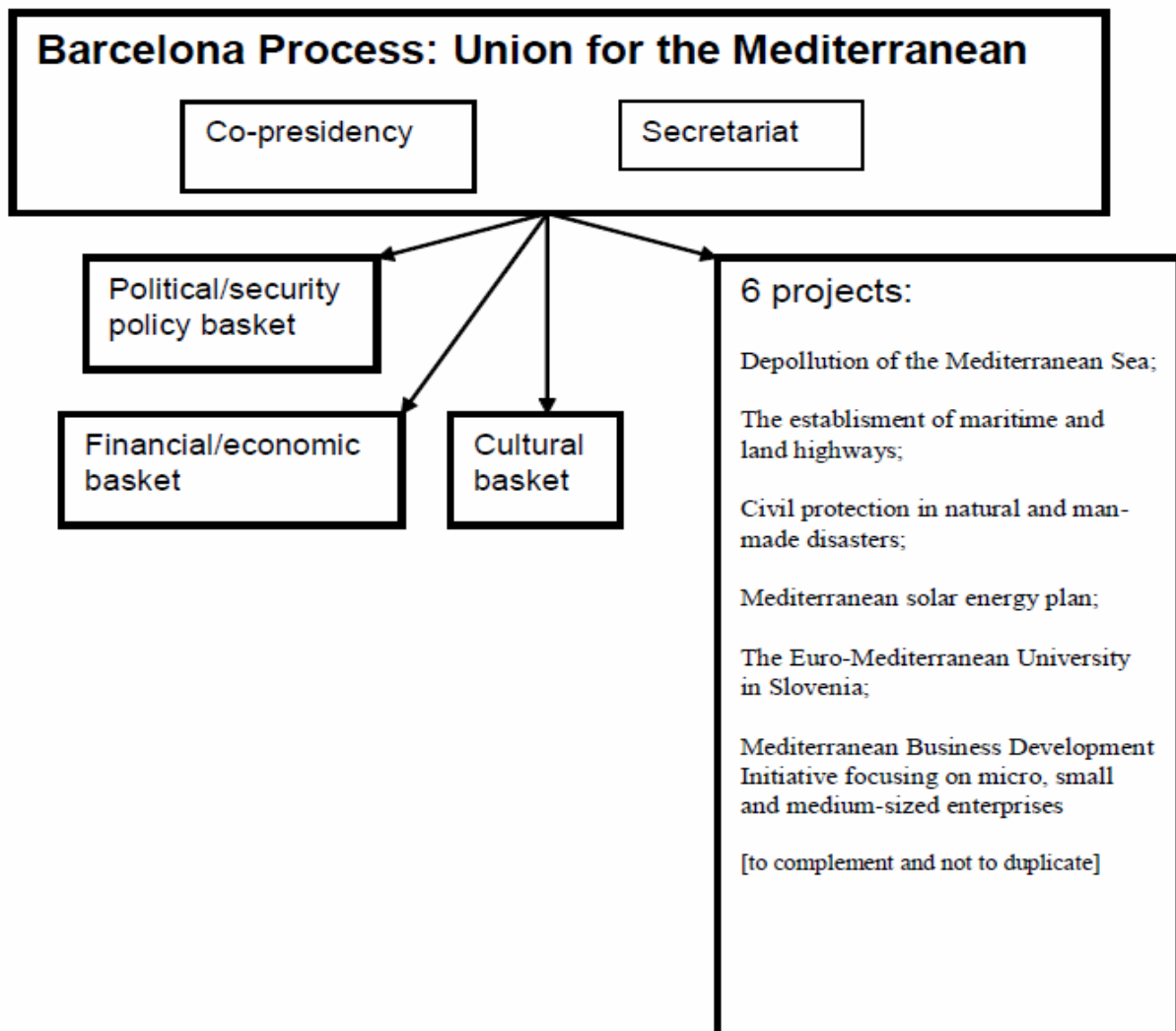
The core structure of the ENP can be identified as the „enlargement template”. This means, that after the EU’s successful enlargement in 2004, it seemed to be appealing to „stretch” the enlargement template further to the EU’s new neighbours and to the Mediterranean partner states, hoping that this policy will be as successful later as the enlargement itself was. The main contradiction already rises here: the same conditionality is used in the ENP as was used during the accession negotiations with the new EU members, but without the perspective of accession this time, and this can seriously undermine the ENP’s credibility.

The idea behind the invention of the ENP was not to substitute, but to complement the Euro-Mediterranean Partnership. As the EMP is intended to be more like a multilateral forum for political cooperation, the ENP focuses on the concrete development of each partner country in various sectors. In order to gain influence, the ENP has a system of conditionality to motivate partners towards the shared values of the EU, and the better they perform is the closer they can get to the EU’s internal market. This system we can identify as the instrumentalisation of the EU’s soft power, and here comes up the second problem with the ENP’s perception in the south: as the EMP was a cooperation forum it was much more associated with co-ownership, while the mostly EU-tailored Action Plans resemble dictates for the southern partners. The EU has to reconsider the doctrine of value-projection through the ENP, since the accession states were much more closer to the EU both in cultural and socio-economical means than the Arab partners, therefore the utilization of the enlargement template can be not as useful as it might seem at first.

Still, out of the three contemporary institutions (EMP, ENP, and UfM (which will be introduced in the next sub-chapter)) together often referred as the Barcelona Process the most effective tool is the European Neighbourhood Policy, and basically the only one not considered as being wrecked. As the following sub-chapter will show, the newest initiative, the Union for the Mediterranean can be seen as a fourth added basket to the original structure of the EMP, while the ENP has a completely different structure, and also different system of implementation. The dual structure of the Barcelona Process (EMP+UfM versus ENP) would worth an other deep examination, but it is not the subject of the present work.

### 1.3 The Union for the Mediterranean (UfM)

In 2008 French president Nicolas Sarkozy keeping his promises of revitalising Euro-Arab relations started a new initiative called Mediterranean Union, which aimed to bring together all the states of the Mediterranean basin in one union. This plan was not negotiated with EU officials, and was not part of the European external policy framework. The initiative was not supported by non-Mediterranean EU member states, and was threatening the unity of the European Union. After several rounds of negotiations German chancellor Angela Merkel (the main opponent of the plan) and Sarkozy reached a compromise: the Mediterranean Union will be renamed as the Union for the Mediterranean (UfM), and will be build into the framework of the Barcelona Process. It will complement the BP with six new projects (as a fourth basket of the EMP) supporting, but not substituting the original three baskets of the EMP in the following structure:



The structure of the Union for the Mediterranean. Source: Erzsébet N. Rózsa: From Barcelona to the Union for the Mediterranean - Northern and Southern Shore Dimensions of the Partnership, HIIA Papers T-2010/9.

## **2. Challenging initiatives from within and from outside of the MENA region**

### 2.1 Challenge from within: The Agadir Agreement and the Arab-Maghreb Union

After looking through the European cooperation initiatives towards the MENA, we can examine the intra-regional initiatives of the MENA countries themselves. Two main institutional frameworks are worth mentioning: the Agadir Agreement and the Arab-Maghreb Union.

The idea for an economic union of the Maghreb began with the independence of Tunisia and Morocco in 1956. Because of the several intra-regional tensions only thirty years later managed the five Maghreb states - Algeria, Libya, Mauritania, Morocco, and Tunisia – to meet for the first Maghreb summit. In 1989 the Arab-Maghreb Union agreement was formally signed by all member nations. According to the Constitutive Act, its aim is to guarantee cooperation “with similar regional institutions... [to] take part in the enrichment of the international dialogue...[to] reinforce the independence of the member states and ...[to] safeguard...their assets....” Strategic relevance of the region is based on the fact that, collectively, it boasts large phosphate, oil, and gas and it is a transit centre to southern Europe. The success of the Union would, therefore be economically important and give a common voice to the members in the trade negotiations with the EU too. Unfortunately the ongoing tensions amongst member states wrecked the partnership as early as 1994, and since then the AMU can be described as frozen.

The Agadir Agreement for the Establishment of a Free Trade Zone between the Arabic Mediterranean Nations was signed in Rabat, Morocco on 25 February 2004. The agreement aimed at establishing a free trade area between Jordan, Tunisia, Egypt and Morocco and it was seen as a possible first step in the establishment of the Euro-Mediterranean free trade area as envisaged in the Barcelona Process. All members of the Agadir Agreement have since joined the Greater Arab Free Trade Area, effectively superseding the agreement. The Greater Arab Free Trade Area (GAFTA) is a pan-Arab free trade area that came into existence in 1997, and together with the Agadir agreement they constitute the main cooperation network of MENA countries now-days. The focus of the agreement is to eliminate the burdens of intra-Arab trade and step by step create a free trade region in the MENA. All MENA countries are included: Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, and the United Arab Emirates.



## 2.2 Challenge from the West: The American free trade initiative (U.S. MEFTA)

The U.S. MEFTA initiative started in 2003 with the purpose of creating a U.S. Middle East Free Trade Area by 2013. The main objectives are:<sup>2</sup>

- Actively supporting WTO membership of countries in the Middle East and Maghreb
- Expanding the Generalized System of Preferences (GSP's) that currently provides duty-free entry to the U.S. market for some 3,500 products from 140 developing economies
- Negotiating Trade and Investment Framework Agreements (TIFA's) that establish a framework for expanding trade and resolving outstanding disputes
- Negotiating Bilateral Investment Treaties (BIT's) with interested countries by obligating governments to treat foreign investors fairly and offering legal protection equal to domestic investors
- Negotiating comprehensive Free Trade Agreements (FTA's) with willing countries that demonstrate a commitment to economic openness and reform
- Helping to target more than \$1 billion of annual U.S funding and spur partnerships with private organizations and businesses that support trade and development

The initiative covers the same 18 MENA countries as the GAFTA: Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, and the United Arab Emirates. Unfortunately most of the partner countries are participating in only one or two points of the agreement (mainly in TIFA's), and in the other points only six countries are making efforts: Bahrain, Egypt, Morocco, Israel, Tunisia and Jordan. These are close to fulfil the original aims of the agreement, but in the case of the majority the initiative can be considered unsuccessful.

## 2.3 Challenge from the South: The African Union

The African Union is an organisation consisting of 53 African states. The only all-African state not in the AU is Morocco. Established on 9 July 2002, it aimed to build an EU-like region with common market and governance. The most important decisions of the AU are made by the Assembly of the African Union, a semi-annual meeting of the heads of state and government of its member states. The AU's secretariat, the African Union Commission, is based in Addis Ababa, Ethiopia.

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<sup>2</sup> Source: <http://www.ustr.gov/trade-agreements/other-initiatives/middle-east-free-trade-area-initiative-mefta>

The AU is not considered as an economic cooperation initiative, it focuses mainly on political issues although it has an „economic basket”. The Economic, Social and Cultural Council (ECOSOCC) is an advisory body of the African Union designed to give civil society organizations (CSOs) a voice within the AU institutions and decision-making processes. ECOSOCC is made up of civil society organizations from a wide range of sectors including labour, business and professional groups, service providers and policy think tanks, both from within Africa and the African diaspora.<sup>3</sup>

## 2.4 Challenge from the East: The Russian, Chinese and Turkish influence

After drawing up the institutional network surrounding the MENA region, three non-institutional player should be also mentioned: the Russian, Chinese and Turkish influences –although not institutionalised- are significantly growing in the region.

For Russia, the North-African countries constitute a strategic region: these countries are the main other EU suppliers of oil and gas, therefore they pose competition to the Russian export. Russia’s main strategic goal is to take control of the MENA resources through extensive oil industry investments and trade agreements, and this way the Russian oil industry can become even more monopolistic supplier of the EU.

The Chinese influence has a different motivation: agriculture. The Chinese are the main players in the process we could call neo-colonialism in Africa. Chinese firms are buying up farmlands in Africa with exclusive rights, and bringing their own workers to exploit the area. This process becomes more and more significant as the global food prices are growing, and influences other economic areas as well: in most of the African countries Chinese workers are becoming the main minorities taking leadership and ownership of most of the local industries.

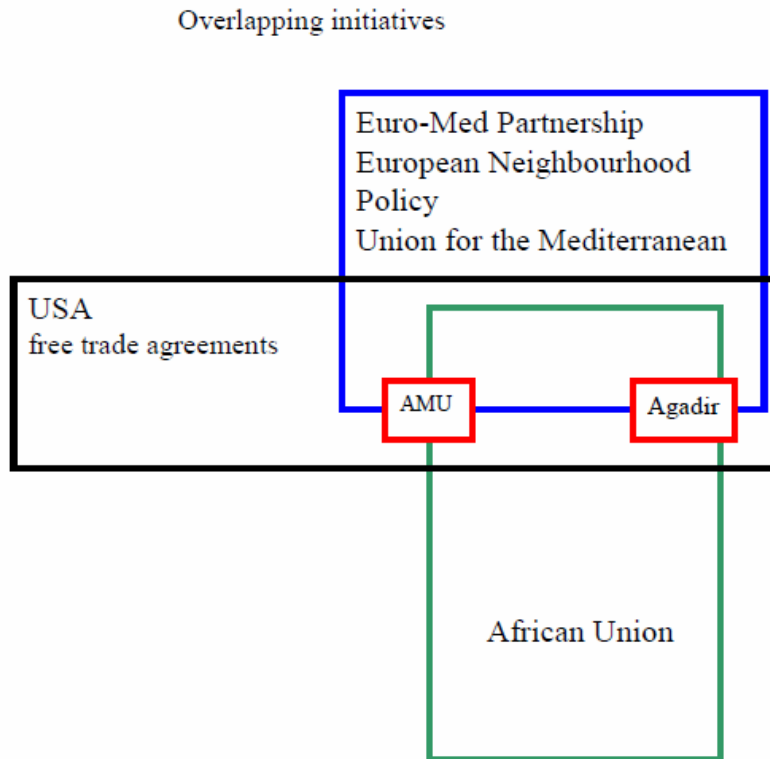
The Turkish influence in Africa is more political than economic: as Turkey developed a new foreign policy approach towards the region called neo-ottomanism, it tries to lead the democratization in the region by it’s own example. Turkish interests are competing and complementing EU interests in the region at the same time. As the example of a successful Islamic democracy, Turkey can play a positive role in the region, but with Turkish leadership the EU’s economic interests can be easily damaged in the future.

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<sup>3</sup> Source: <http://www.africa-union.org/ECOSOC/home.htm>

### 3. Conclusions: challenges to the European leadership in the MENA region

As a summary we can identify the overlapping MENA institutional background as the following:



**Source: Erzsébet N. Rózsa: From Barcelona to the Union for the Mediterranean - Northern and Southern Shore Dimensions of the Partnership, HIIA Papers T-2010/9.**

Out of the seven institutions discussed above we can identify the European triad as the most influential, although these cooperation forms have their own weaknesses too. Since the intra-regional pan-Arabic cooperations and the American free trade agreements have only the creation of a free trade area as their main goal, they are not only weaker but also less ambitious initiatives than the European ones, which draw up an agenda towards the development of a multi-level cooperation system. The African Union could give a more serious challenge to the European initiatives, but the AU is mainly focused on political cooperation, and the economic integration is not represented as focal point yet.

The more serious challenges to the Europeans are the eastern initiatives: Turkey can perhaps overtake the EU in political leadership in the region soon, while Russia and China are aiming to exploit Africa economically. As the main conclusion, we can assume that given the global power and growing dynamics of China, this country can be considered as the main challenger of European influence in the region now-days.

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