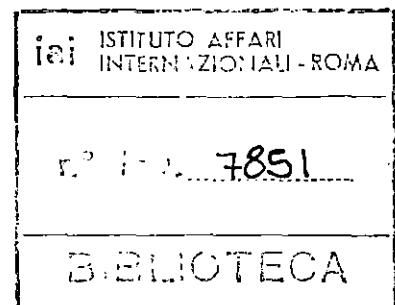


ARAB-EUROPEAN DIALOGUE III

Arab Thought Forum
Amman, 29-30/XI/1987

- a. Tentative program
- b. List of participants
 1. "Speech delivered by Prince Hassan"
 2. "Recent developments in the Gulf crisis: the West and the Gulf"/ Roberto Aliboni
 3. "The Iraq-Iran war: present and future implications"/ Saleh al-Zu'bi
 4. "Dutch-Arab relations: a short quantitative survey of bilateral relations since 1980"/ Marianne van Leeuwen
 5. "German-Arab relations: a survey of current bilateral relations between the Federal Republic of Germany and 19 Arab states"/ Helmut Hubel
 6. "Relations between France and the Arab world"/ Chartouni Dubarry, Basma Kodmani-Darwish
 7. "Bilateral relations between Britain and the Arab world"/ Edward Mortimer
 8. "Italy and the Arab world"/ Pier Giovanni Donini
 9. "Report on the Euro-Arab dialogue issues and prospects"/ Abdel Moneim Said Ali, Wadouda Badran, Mohammed el-Sayed Said



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ARAB THOUGHT FORUM
AMMAN



منتدى الفكر العربي
عمّان

Ref : ATF/1/62/ (8)
Date : 26/11/1987

الرقم :
التاريخ :

Arab - European Dialogue III

Amman 29 - 30 Nov. 1987

Tentative Program

Arab - European Dialogue III
Amman 29 - 30 Nov. 1987

Tentative Program

Saturday 28 Nov. 1987 . Arrival

Sunday 29 Nov. 1987

9:30 - 10:00 Opening Session *

- Opening Address : H.R.H. Crown Prince Hassan
- European Response : Sir John MOBERLY

10:00 - 10:30 - Coffee Break

10:30 - 1:00 - First Session

THE GULF WAR : RECENT DEVELOPMENTS

Chairman : Dr. Jawad ANANI

Speakers : Dr. Roberto ALIBONI

Dr. Saleh AL ZU'BI

Commentators: Sir John MOBERLY .

Lt. Col. Al- Hayssam AL-AYYOUBI

* Opening & Other Sessions will be held at the Amman Plaza Hotel.

1:30 - 3:30 Lunch

4:00 - 7:00 p.m. Second Session

Round Table on :

THE GULF WAR : FUTURE IMPLICATIONS

Chairman : Dr. Mohamed H. Al-ZAYYAT

Panelists: Dr. Khaldun AL HUSARY

Dr. Freidman BUSTNER

Mr. Amr MOUSA

Dr. Philippe MOREAU-DE FARGAS

Dr. Ghassan SALAMEH

5:30 - 6:00 Coffee Break

8:00 p.m. Dinner Hosted by the Secretary General of the
Arab Thought Forum

Monday 30 Nov. 1987

9:30 - 11:00

Third Session

EURO-ARAB RELATIONS : PAST and PRESENT

Chairman : Sir John MOBERLY

Speakers : Dr. Helmut HUBEL

Dr. Marriane Van LEEWEN

Dr. Jaques JACQUET

Mr. Keith KYLE

Dr. Piere Giovani DOMINI

Commentators : Dr. Osama Al-ANSARI

Dr. Kamel ABU-JABER

Dr. Mohamed Sayyed SAID

11:00 - 11:30

Coffee Break

11:30 - 1:30

Fourth Session

EURO-ARAB RELATIONS : PAST and PRESENT

Chairman : Dr. Osama ANSARI

Speakers :

Dr. Abdel Monem Said ALI
Dr. Moh'd EL Sayyed SAID
Dr. Wadouda BADRAN .

Commentators : Mr. E.F. VON MALTZAHN

Mr. Jaques JACQUET

Mr. Keith KYLE

1:30 - 3:30

Lunch

4:00 - 6:00 p.m

Fifth Session

EURO -ARAB RELATIONS : FUTURE OUTLOOK

Chairman : H.R.H. CROWN PRINCE HASSAN

Speakers : H.E. Mr. Claude CHEYSSON

H.E. Mr. Tahseen BASHIR

8:00 p.m

Dinner

ARAB THOUGHT FORUM
AMMAN



منتدى الفكر العربي
عمان

Ref : ATF/1/62/ (5)
Date : 17 Nov. 1987

الرقم :
التاريخ :

Euro - Arab Dialogue III

29 - 30 Nov. 1987

List of participants

Euro - Arab Dialogue III
Amman 29 - 30 Nov. 1987

Arab Participants

1. H.R.H. Crown Prince El-Hassan Ben Talal
President - Arab Thought Forum .

2. Dr. ABDELLAH , Moh'd (Egypt)
Head of Foreign Relations Committee
The Peoples Assembly - Egypt

3. Dr. ABU-JABER , Kamel ,(Jordan)
Prof. of Political Science
Jordan University
Amman .

4. Dr. ALI , Abdel Monem Said (Egypt)
Brookings Institute
Washington D.C,
U.S.A.

5. Dr. ANANI , Jawad (Jordan)
President , Royal Scientific Society
Amman .

6. Dr. ANSARI , Osama (Syria)
Advisor,
Arab International Bank for Investment
London .

7. Lt. Col. AL-AYYOUBI , AL - Hayssam (Syria)
 - Strategic Studies Researcher and
 - Director of the Arabic Military Encyclopedia and
 - Member of the International Institute of
Strategic Studies . London .

8. Dr. AWAD , Abdel- Aziz (Jordan)
Director, Hebrew Studies Centre
Jordan University
Amman .

9. Mr. BATAYNEH , RIZQ (Jordan)
Member, Foreign Relations Committee
Home Representatives
Jordanian Parliament
Amman .

10. Dr. BASHIR , Tahseen (Egypt)
Former Ambassador
Egypt .

11. Dr. BADRAN , Waddoda (Egypt)
Prof. of Political Science
Cairo University
Cairo .

12. Dr. Al HUSARY , Khaldun
Former advisor to the Ministry of
Foreign Affairs
United Arab Emirates ,
in Beirut .

13. Dr. IBRAHIM , Saad Eddin (Egypt)
Secretary General ,
Arab Thought Forum
Amman - .

- Mr. KELDAR , Abbas
Advisor to H.R.H. Crown Prince Al Hassan
Amman .

14. Dr. MAJALI , Abdel-Salam (Jordan)
President , Jordan University
Amman .

15. Mr. MOUSA , Amr (Egypt)
Ambassador ,
Foreign Ministry of Egypt
Cairo.

16. Dr. OBEID , Muna (Egypt)
Prof. American University
Cairo .

17. Dr. OTEIBI , Subhi (Jordan)
Director ,
Jordan Center for Studies and Information
Amman .

18. Dr. SALI' , Khalil (Jordan)
- Director of the Board & Director ,
Arab Finance Corporation (Jordan)
- Member of the Senate
Amman .

19. Mr. SABA , Elias (Lebanon)
Former Minister
Lebanon .

20. Dr. SALAMEH , Ghassan (Lebanon)
University Professor
Paris .

21. Dr SAID , Moh'd EL Sayyed (Egypt)
Centre for Political & Strategic Studies
AL- AHRAM
Cairo .

22. Dr. AL ZAYAT , Moh'd Hassan (Egypt)
Head , Arab Affairs Committee ,
Peoples Assembly - Egypt .

23. Dr. AL ZU'BI , Saleh (Jordan)
Director , Centre for Political &
Strategic Studies ,
Jordan University
Amman .

Euro - Arab Dialogue III

Amman 29-30 Nov. 1987

European Participants

France

1. Mr. Philippe MOREAU - DE FARGES
Advisor to the Director ,
Institute Francais Des Relation Internationals
and Prof. at Institut D'Etudes Politiques
Paris - France .

2. Mr. Jaq. JACQUET
Ass. Director
Institute Francais Des Relation
Internationals (IFRI)
Paris - France .

Germany

3. Prof. Friedman EUETTNER
Free University - Berlin

4. Ekhard FRHR, Von MALTZAHN
Director, F. Krupp AG,
Essen .

5. Dr. Helmut HUBEL
Research Institute of the Deutsche
Gesellschaft Fur Answartige
Politik
Bonn . F.R. Germany .

Italy

6. Prof. Roberto ALIBONI
Director of Studies
Italian Institute of International Affairs ,
Rome - Italy .
7. Prof. Pierre Giovanni DOMINI
University of Venice
Italy .
8. Mr. Claudio Femioni

European Community

" Brussels " 9 . Mr. Claude CHEYSSON
European Commissioner In charge
of North - South Relations
Commission of the European Community
Brussels - BELGIUM

Netherlands 10. Dr. Marianne Van LEEWEN
Netherlands Institute of
International Relations
Clingendael
Netherlands.

United Kingdom 11. Sir John MOBERLY
Middle East Program
Royal Institute of International Affairs -
Chatham House - London

12 Mr. Keith KYLE
Special Assistant to the Director,
Royal Institute of International
Affairs - Chatham House.,
London .

Euro - Arab Dialogue III

OBSERVERS

1. Mr. Marcello PALMIERI
Acting Head of Delegation
Delegation of the Commission
of the European Community in Jordan
Amman - Jordan

2. Mr. George KARABASHY
Ministerial Relations Officer
Delegation of the Commission of
the European Community in Jordan.
Amman - Jordan.

3. Ms. Valerie YORKE
Middle East Editor
Economist Intelligence Unit
London - U.K.

4. Dr. Matthes BUMBE
Representative For Jordan
Friedrich Ebert Stiftung
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5. Dr. Fahd Fanek
Senior Researcher
Arab Thought Forum .

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7. Dr. Hussain MOMANI
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& Strategic Studies.
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8. Dr. Annika RABO ,
Department of Social Anthropology
University of Stockholm
Sweden .

9. Mr. Dobers HUBERT
Representative For Jordan
Conrad Adenauer Foundation
Germany .

10. Mr. Ahmad HAFEZ
Advisor
Embassy of Arab Republic of Egypt
Jordan .



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Speech delivered
By His Royal Highness
Crown Prince Hassan

at the Opening of
The Euro-Arab Dialogue III

November 29-30, 1987

Amman



The extraordinary summit of the League of Arab States held in Amman between 8 and 11 November 1987, has been hailed as a triumph for Jordanian diplomacy by friend and foe alike. Modest as we are in Jordan, we graciously acknowledge this assessment and express our thanks to all. However, what was at stake was not Jordanian diplomacy. At stake was the collective Arab will which had been riven by conflict, strife and mistrust. The fact that no full Arab summit could be convened for five years prior to the Amman meeting spoke volumes for the tragic state of inter-Arab relations. The Arab leaders came to Amman and their countries' security threatened, their territorial integrity questioned and the survival of their states challenged. They were apprehensive about the present and uncertain of the future. The question of Arab collective security was staring them in the face, demanding immediate and comprehensive action to protect the Arab order and preserve its distinct identity.

It was not just the Iranian threat to Iraq, Kuwait and Saudi Arabia. It was not just the Israeli challenge to Jordan, Lebanon and Syria, but a peril that confronts them collectively, and they had to act as such, to avert



the danger. They rose to the challenge. The leaders of the Arab states agreed at Amman to transcend all differences and resolve the causes of their disunity and inaction.

The Amman summit marks a turning point in the history of inter-Arab relations. the reconciliation between Iraq and Syria and the shared perception of the need for an early implementation of 598 must be seen as a significant facet of the Arab World's resolve to end the senseless slaughter, wanton destruction and waste of precious human and material resources. The war must come to an end as all wars do; and the sooner the better, so that these resources can be better deployed towards reconstruction and development.

The spirit of the Amman meeting must be preserved so that the political framework worked out for the implementation of collective Arab action can take shape and become a tangible reality. There will be no limit to inter-Arab political cooperation as all the major differences among the Arab states have been eliminated. The effective implementation of the summit resolutions will provide the best mechanism for the preservation of Arab solidarity. The interdependence of Arab resources and interests in the political as well as the economic



fields has been the guideline to the resolution of inter-Arab disputes. In the past this work was interrupted for lack of the political will to carry it through, and the absence of coordination among the various participants. This problem is to be rectified. A joint Arab team, formed earlier, will submit its report on the regional integration of the Arab countries. It is hoped that this report will provide a new strategy for Arab economic and political cooperation so that a new basis for inter- and intra-regional collaboration may be laid and followed.

Proud as we are of our Arab achievement at Amman, we were just as heartened to see that the peace machinery of the world body has been given a new lease of life. Superpowers cooperation and the unanimous vote on Security Council Resolution 598 to end the Gulf war has injected a fresh impetus in the work of the UN, and given us a new hope that at last the two superpowers have agreed to grapple with world problems in earnest and jointly. Their collaboration in this field is certainly long over-due. We Arabs have always impressed on various figures and representatives of the US and the USSR the desperate need for such joint action to defuse the highly explosive situation in the Middle East, and assist in the resolution of all outstanding conflicts in



our troubled region. The Arab summit resolution in support of 598 is a clear indication that the Arab world in its entirety demands the implementation of these provisions.

We have long recognized that the danger implicit in the Gulf war goes beyond the two immediate adversaries: Iraq and Iran. It threatens the stability and the security of the entire region. The insidious perils of fragmentation and radicalization entailed in the fundamentalist religious campaigns undermines the very fabric of sovereign state system in the Middle East. Moreover, the strategic importance of the Gulf and the magnitude of its oil resources, coupled with the threat of escalation of the war has led to the deployment of considerable naval forces: American, Russian and European, adding to the risks of touching off a wider conflagration.

The presence of these naval forces is of considerable interest and concern to all of us. What is so mystifying is the purpose of this presence. No one in the US, or in Europe for that matter, has asked the question as to what it is that the American naval task force in particular is supposed to be doing in the Gulf—there are basically four questions:



1. Is it there to protect Kuwaiti ships?
2. Is it there to guarantee the freedom of navigation in international waters.
3. Is it there to contain Iran's war and its quest for hegemony over its neighbours.
4. Is it there to check Communist penetration of the region and limit Soviet influence?

One thing is clear. It cannot be all these things at the same time. While the protection of Kuwaiti ships is necessary and desirable it becomes rather paradoxical to do that, and allow American-owned ships to be attacked by the Iranian revolutionary guards. Moreover, to guarantee freedom of navigation is not compatible with the containment of the Iranian war effort since Iran would be able to export its oil without interference. Increased oil export will inevitably mean increased revenues which will in turn lead to improvement of the Iranian war machine and its capabilities. Meanwhile, the Americans do not show the kind of resolve that would deter Iran from pursuing its war aims for fear of driving Iran into the Soviet orbit. We really can no longer afford this kind of instant reactive diplomacy of



doing things first and finding the explanation for it afterward. We must have a well-thought out, coherent and comprehensive policy which addresses itself to the problems of the region rather than deal with their symptoms all the time.

It is imperative that there should be no complacency and delay in the implementation of UN resolution 598. We should not allow ourselves to be so mesmerized by the consensus achieved either at Amman or the UN Security Council that this unanimity becomes an end in itself. It provides the means for effective action not only relating to the Gulf, but also on other important and explosive disputes. There is a serious risk in the widely expressed view that all other disputes in the region have been overshadowed by the Gulf war, which must now await the outcome of superpower cooperation to resolve it before other outstanding problems are addressed. It is hoped that the Secretary-General of the UN would increase his effort and capitalize on the current collaboration to impress upon the Security Council that other conflicts are not left in abeyance and should be tackled simultaneously. Allowed to drift these disputes become more complex and intractable to the detriment of all concerned.



Increased effort and resolve become even more necessary when differences in perception whether in the Arab world or between the two superpowers on the nature and the extent of the UN resolution and its provisions, coupled with the determination of the Iranian leadership at the top to prosecute the war to its bitter end against Iraq are taken into consideration. They must not be allowed to paralyse the peace machinery of the UN. Failure in this regard would mean that the region is condemned to continuous war and destruction. Such an outcome would inflict untold damage on the peacemaking machinery of the world and put into sharper focus the credibility of Arab leadership and the role of the superpowers. More directly it would put an end to the useful work and progress which the Arabs have made toward the promotion of peace and good neighbourliness in this troubled region.

It is imperative that the problems of the Middle East are addressed at a regional level. The Iraq-Iran conflict bears many similarities to the Arab-Israeli dispute. In some ways they are directly related and cannot be separated. Iran occupies a geo-strategic position of considerable importance and what happens to that country as well as to the region would have much wider repercussions than merely the general concern with



the free flow of oil supplies to the West, or the western strategic advantage over the Soviet Union, both of which may prove marginal and ephemeral factors. As such Iran should not be allowed to use its important strategic position as Israel has exploited its close alliance with the United States to vitiate all international action. Diplomatic immobility has its own dangers. Thus constructive cooperation between the two superpowers which ought to be pressed upon them and supported is essential for the success of the UN effort, regional security and world peace.

The Amman summit devoted some time to the question of Egypt's readmission to the political councils of the Arab world. It is incomprehensible that when Arab leaders are looking into the problem of Arab national security, Egypt, the most popular and potentially the most powerful Arab state, should be kept out. The rush to establish diplomatic relations between Egypt and several other Arab states in the wake of the Amman summit is an indication of the importance the Arab states attach to Egypt. Joint Arab strategy and defence is likely to be as effective without Egypt as the Western alliance is without the United States or the Warsaw Pact without the USSR. Moreover, whether in the fold or outside it, Egypt has not shirked its pan-Arab



responsibilities. She has remained a staunch champion of the Arab cause, whether in Palestine, in Lebanon or the Gulf. In peace and in war, Egypt can be relied on for support and assistance in the Arab World.

The peace achieved between Egypt and Israel provides the universally accepted precedent for the implementation of the cardinal equation embodied in UN Resolutions 242 and 338 of exchanging peace for territory. Egypt has evolved its commitment to the proposal for an international peace conference to be held under the auspices of the United Nations with the participation of all the parties concerned in the Arab-Israeli dispute and attended by the five permanent members of the Security Council. As we seek a middle path in the face of cynical extremes, Europe and many other parts of the world, have become our partners in this endeavour. It is the only proposal that keeps the peace process in the Middle East alive and viable. Egypt's role and interest provide an important element in that process. It will heighten the desire for peace, improve the capability for development and reconstruction, and act as a stabilizing force in this highly volatile region.

Regional peace and Arab security must be underpinned by economic growth and development to increase the wealth



and prosperity of all our peoples. National wealth, as you all know, is not measured by the possession of healthy balances in foreign banks. It is, essentially, the acquisition of a national capacity to organize and produce goods and services in order to generate a surplus of both. For these specific purposes a competent management of Arab economic affairs has to be obtained and developed. The problem which needs to be tackled is the lack of a complementary economic strategy that serves the economic interests on a regional level. Inequality in resources, income and wealth is a cause for resentment, recrimination, instability and discord not only within our region but also between the various regions of the world.

The recent crash of the world financial markets came swiftly in the wake of the World Bank annual meetings in Washington in late September. It is ironic that the need for increased international cooperation and coordination in dealing with the major economic issues facing the world was the overriding theme of the Washington meetings. Recriminations, accusations and counteraccusations of responsibility for the recent upheaval are increasingly coming out in the open amongst the leading industrial nations. West European countries blame it on the mismanagement of the US economy, while



the Americans are critical of the policies of other countries such as West Germany and Japan for the massive trade surplus they have enjoyed over the years. What is clear is that the three ugly sisters of external debt, exchange rates and trade imbalances which were on the agenda of the World Bank meeting have been joined by a fourth - the crisis in the financial markets.

In many instances, Arab countries have been disadvantaged by the ability of the advanced countries to coordinate their economic and political policies and thus achieve maximum bargaining positions. Apart from oil a recent example is the exploitation of the situation in the Gulf by certain European countries in relation to the EC-GCC dialogue on petrochemical industries. The EC has conveniently divided the Arab world into three main sub-groupings that cover almost all Arab countries: the Maghreb, Mashreq and GCC. Separate negotiations between the EC and each of those groups have taken place without coordination among them, and sometimes to the detriment of all concerned. Arab countries can equally suffer as by-standers in a probable triangular split and a global economic cold war that is emerging more openly amongst the USA, Western Europe and Japan.



The high hopes that ensued from the Amman summit of 1980 and the declaration of the Arab Development Decade contrast sharply with the current inability of the Arab states to coordinate their economic policies in the face of an unstable and deteriorating international economic scene. Partial recovery in the major international financial markets will not erase the memory of the events following Black Monday on October 19th, when the stock exchanges of New York fell by 23%, London by 20% and Tokyo by 15%, and the trend has continued despite the hurried measures taken to check the decline. How much Arab money was lost in that collapse is anybody's guess. The estimates are in billions of dollars. This clearly calls, amongst other things, for the revision of investment criteria for Arab capital in Arab countries.

Inter- and Intra-regional frameworks for development can be evolved through the identification of regional plans for different sectors based on a wide ranging pattern of complementarities. The establishment of the Trans-Arabian system, transporting oil from the Gulf across the Arabian Peninsula to the Red Sea, and through the Levant to the Mediterranean has knitted these areas more closely together than ever before. It has changed the nature and volume of trade and consequently the order of priority for economic development. The attempt



to by-pass the strategic bottleneck of the Straits of Hormuz has given the Red Sea Basin and the East Mediterranean littoral additional strategic significance, which goes a long way towards explaining the immense interest expressed by the superpowers in the freedom of navigation in these sea lanes.

Moreover, the demographic dimension in this context is no less important. The presence and migration of manpower from Jordan and the Levant to the countries of the Peninsula and the Gulf has given rise to an unprecedented pattern of complementarities in terms of shared human and financial resources. Thus events in one part of the region have a direct and immediate bearing on all others. A threat to the security of the Gulf emanating from the Iranian quest for hegemony will inevitably imperil the economies of the Fertile Crescent states, just as war with Israel could bring about the closure of the pumping stations or the shipping lanes, shutting off the flow of oil.

The regional linkages and complementarities mean that no state in the region can feel secure or isolated from developments elsewhere, nor can any country be insulated from regional conflicts, however distant or parochial these may seem at first. The Arab-Israeli conflict, the



crisis in Lebanon, the Gulf War and other disputes simultaneously menace all the states of the region and world peace.

Jordan has been advocating the idea of regional and inter-regional programmes for economic development to overcome various discrepancies in the provision of economic resources within a Eurasian framework. It seeks the integrated development of the Asian Rim of Europe or the European Rim of Asia in cooperation with Europe on the one hand and with countries of South Asia on the other. A plan of this kind can provide an answer to the political and economic problems of the most disturbed region in the world and forms the basis for closer linkages with Europe and Asia so that the balance of economic power does not shift too drastically in favour of the Pacific Rim countries.

It is abundantly clear that neither the political nor the economic problems of the region can be treated on bilateral bases as though they concern only Jordan and Israel, or Iraq and Iran. Therefore, a broader regional focus is required to eliminate primordial passions and overcome narrow concepts of national interests. While economic cooperation presupposes a degree of political stability and accommodation, it is equally true that one



way of breaking out of the political straight jackets is to divert matters to common economic concerns. Inter-regional cooperation will provide a counterpart to what may disdainfully be described as the "politics of gestures". Despite the devastation caused by wars and internal strife, there has been a marked increase in skills and wealth which need to be put to more constructive uses. A lasting solution to the problem of poverty and underdevelopment can only be found on the basis of integration in the world economy and not be looking inwards to narrow internal markets.

It is these factors which have prompted the notion of the Eurasian Rim of Asia and the need for closer cooperation between the member-states of the OECD and the countries of the Middle East, and between these countries and other regions in the world.

Clearly we must build a more intergrated world to avoid the paradoxical situation of building mountains of food north of the Mediterranean while there is famine and starvation to the south of the same sea. Here again what is required is the political will to translate these ideas into tangible machinery to carry out the work. It is not an impossible task, and it is certainly worth the effort.

ARAB THOUGHT FORUM

AMMAN



منتدى الفكر العربي
عمان

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Euro-Arab Dialouge III
Amman 29-30 Nov. 1987

Recent Developments In The Gulf Crisis :
The West and The Gulf

By: Prof. Roberto Aliboni
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Rome

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Unrevised - Not to be quoted

RECENT DEVELOPMENTS IN THE GULF CRISIS:
THE WEST AND THE GULF

remarks by Roberto Aliboni, Director of Studies,
Istituto Affari Internazionali, Rome.

Euro-Arab Dialogue, 3rd Session
Amman, 29-30 November 1987

Only six months ago the Western media used to refer to the Iran-Iraq war as the "forgotten war". From time to time they reported on the high number of casualties, atrocities, like the use of chemical weapons and the draft of children, and the huge military expenses incurred by remarkably poor and backward societies. There was nothing like the present regular coverage of the war operations and its political evolution. The "forgotten war" was meant to be a moral judgement to blame both the countries at war and the culpable inertness of third countries in stopping the conflict.

Today, from the fact that the war is covered in full detail and a number of Western countries are more or less involved in the Gulf area, it may be more evident that the "forgotten war" was a political judgement too: the war was forgotten because for the Western countries -as well as for the Socialist ones- it was very difficult and politically unwise to take side in this particular crisis. Both on regional and global grounds, the balance between costs and benefits emerged as uncertain and unpredictable. This was the real reason for forgetting the war. Have things changed in these last six months?

The reasons it is difficult for the Western countries to take side in relation to the Gulf conflict are particularly clear for the United States. Two main reasons can be mentioned.

First, after the Iranian revolution the United States has kept on ascribing to Iran a crucial role in shaping the East-West balance within the South-Western Asia region. In the eyes of the United States no other country in the region is able to replace the role pre-revolutionary Iran had played in the global arena. Furthermore, there is the risk that because of international and regional pressures on its security, Iran will drop its present non-aligned posture by allying itself more or less closely with the Soviet Union. This would represent a definite blow to the US and Western possibility of withstanding the Soviet Union in that region as well as to the global balance of power. As a consequence, despite the provocative attitude of Teheran against the United States, Washington has maintained a very cautious and neutral posture in the Gulf crisis. So, the role assigned to Iran by the United States has acted as a first important constraint on US policy.

Second, the Iran revolution has politically unified the Middle East and Iran, two areas which previously were substantially separated despite a number of cooperative (Iran-Israel relations) and conflictual (Iran assertive role in the Gulf) relations. Its ideological interests have brought Teheran to search for an Iranian role in the Palestinian crisis. Its anti-Western Islamism has allied Teheran to fundamentalist domestic oppositions in the moderate, pro-Western Arab regimes. The radicalization of the Shi'ite population in Lebanon has encouraged Teheran's political interests to assert and expand its own presence in the region. On the other hand, the Iranian interests we have just mentioned have been rightly regarded by Syria as instrumental to its own interests in the inter-Arab arena. As a consequence Iran has become a new factor in inter-Arab politics. Inter-Arab relations have become extremely intertwined with the Gulf crisis. This development has acted as another constraint on Us policy both in the Middle East and the Gulf -as well as on the policies of other countries concerned- and has contributed to make their decision making even more difficult.

These constraints have prevented Washington from taking a definite stand in the Gulf war. Standing on Iraq's side might be helpful for its Middle Eastern interests. This could stabilize and strengthen the moderate group in relation to domestic oppositions, the radical Arab countries and the radical Palestinian groups and possibly ease some form of peace arrangement with Israel. On the other hand, however, this evolution could throw Iran into Soviet arms and stir up more or less open opposition in Israel. In other words it could hurt the two countries which are considered by the Usa as the two real strategic assets of the region. Similarly, if the United States decided to side with Iran -if allowed to do so by Teheran- this would upset its relations with the Arab allies.

A third factor which has contributed to prevent the Usa from taking a stand has been the fact that it has been prevented by its local Arab allies -the Gulf Cooperation Council countries (Gcc)- from increasing its direct military access to the region. The transformation of Iran from a friendly strategic "pillar" into a harsh enemy prompted Carter's intervention doctrine and the setting up of a Rapid Deployment Force (later to be known as Rdjtf). This doctrine, however, assumed a military Us access to the region which proved unfeasible because it was perceived by the Gcc countries as a factor of domestic and inter-Arab insecurity. In subsequent years Us direct access has been surrogated by a number of facilities which surround the Gulf, in Egypt, in Oman, etc., but the very principle of its direct military presence has not been accepted by local allies. On the other hand it is also true that this presence, which in the early stages of the Gulf crisis was strongly demanded, was considered later as compromising in the eyes of the Iranians. As a consequence the indirect access which had materialized was seen as a satisfactory solution for everybody.

Despite constraints, this situation has gradually evolved toward some Us tilting in favour of the Arabs. Sale of weapons to Saudi Arabia and the stationing of an Awacs fleet in that country have made material a form of Us low profile access. A long political process has brought Iraq and the Usa to restore their diplomatic relations. Most of all, however, the uncompromising hostility displayed by Teheran towards the "Great Satan", and its practice of terrorism against American citizens and Arab allies alike, have prevented any

open rapprochement, much as this may have been sought after. It is true that from time to time Iranian hints at a more moderate attitude towards the Usa have emerged, from the end of the hostages saga to Mr. Rafsanjani's mediation on the occasion of the June 1985 hijacking of a Twa aircraft in Beirut. These developments, however, have never translated into an official Iranian policy. Rather they have always appeared as instrumental to domestic political struggle. As a result, the Usa have simply been left with no other option than that of maintaining generally normal or good relations with the Arab countries and abnormal, not to say very bad, relations with Teheran.

In any case, the Usa has officially maintained a strict neutral stance and, despite its good relations with Arabs as opposed to its bad relations with Iranians, it has continued to do so because of the major strategic preoccupations we have mentioned above. The war therefore has continued to be "forgotten".

West European allies have taken positions remarkably different from that of the United States. In contrast with other cases, like the Multinational Force sent to Lebanon, in that of the Gulf crisis the West's out-of-area solidarity has not worked for more than seven years. West European countries up to very recently have strongly de-emphasized the opportunities the Gulf crisis seemed to open to the Ussr. By applying a notion of global security divisibility at a time of strong East-West tensions, they have been rather afraid that a hardening of the East-West dimension of the Gulf crisis would have made more difficult an East-West entente, thus affecting security in Europe. As a consequence they have strongly supported the Gcc countries' opposition to the Us request for easier access to the area.

This has brought West European countries to neglect the Gulf crisis too. At the same time, however, because of their peculiar East-West perception in relation to the Gulf area, they could maintain a freedom of action unknown to the Usa and, though it would be unfair to say that they took sides, it would be equally unfair to say that they were as neutral as the Usa. In fact, France has openly taken the side of Iraq and sold Baghdad weapon systems, like the Mirages, which have proven decisive in keeping Iran at bay. On the other hand, the Federal Republic of Germany and Italy have kept on increasing their trade with Iran. Japan, even more detached than the Western Europeans on political grounds, has maintained strong commercial ties with Teheran, thereby sustaining its war effort.

One has to say, however, that this West European stance has been more opportunistic than politically inspired. It didn't amount to an open support in favour either of the Arabs or the Iranians. On the whole a war often regretted on moral and humanitarian grounds was no less "forgotten" on political grounds (though less so as business) by West Europeans and Japanese than by Americans.

These antecedents make the eighty Western warships which are today present in the Gulf only a more unexpected and astonishing event. As unexpected and astonishing is the fact that forty out these eighty vessels belong to West

European countries (Belgium, France, Italy, Netherlands and Uk), while for the first time since the war even the Federal Republic of Germany has indirectly contributed to this military effort by sending four warships to the Mediterranean so as to allow other allied vessels to be diverted to the Gulf. Only Japan, though contributing financially to the expedition, has refrained from a direct military contribution. Is this event to be interpreted as a change, not to say a turnabout, in the Western stance? Does it mean that the Usa have now taken sides with the Arabs and that the West European countries are doing so with the Usa? Is the Western East-West perception in the region undergoing a change?

Let us begin from the West European attitude. If Western Europe has opted for such a significant involvement in this out-of-area operation, it is because security conditions in Europe are changing and the role of South Western Asia (Swa) among these European security conditions is changing too. In this sense the Europeans cannot fail to consider that both the Usa and the Ussr have undergone a growing involvement in Swa. Independently of recent developments in the Gulf, this involvement is witnessed by the new military arrangements made by Washington and Moscow in setting up the Rdjtf (Rapid Deployment Joint Task Force) in Tampa and the new Southern Tvd (Russian acronym for "operative strategic theater") respectively. The recent disarmament agreement between the two superpowers in the European theater may be regarded as an outcome and a factor of this change in both superpowers' regional priorities.

Whichever their relationship may be, disarmament in Europe and the new Us regional priorities coalesce in urging Western Europe to work out a new and enlarged security concept. It is an enlarged concept in the sense that it must account for European and the Southern Flank (including Swa) regional security alike. In fact, as a consequence of changes occurring in Us-Ussr relations, especially in the European theater, West European countries are expected not only to take up more responsibilities in defending the European front, but also to do so out of the Nato area. For in order to keep alive American support to their security in Europe, Western Europe has to meet Us security requirements elsewhere. West European countries will not be allowed to think of their security as divisible any more. More and more, the East-West dimension in regional crises outside Europe, especially in Swa and more generally speaking in the Southern Flank, is going to become a mutual concern. Another argument to reach the same conclusion is that the detente now prevailing in the relations between the two superpowers is reassuring for Western Europe and as a consequence it allows for more Atlantic cohesion. Whichever the arguments, they suggest that West European presence out-of-area is likely to become an important part of the new West European security concept. Its remarkable presence in the Gulf today can be considered as a first outcome of this new posture. Past trends seem to have been reversed and Western Europe is expected to stay closer to the Usa in out-of-area operations generally and in the Gulf particularly. Accordingly, West European policy toward the countries in the region should become less fragmented and opportunistic and the Western presence in the area more effective and stable.

The change in global and European security conditions is not the only factor allowing for this more cohesive and effective Western presence in the Gulf. Another important factor is the substantial Atlantic consensus on policies to carry out in the area, both on regional and global grounds. One

could hardly say that the "reflagging policy" and, more generally, that of protecting international navigation in the Gulf emerged, from Washington as a conscious and pondered policy. It may be that this policy was adopted as a way out from the "Iran-Contras" quagmire at a moment when US credibility among Arab and Western nations seemed seriously in question and American policy was regarded as a blow to the stability of the allied moderate Arab regimes. Whichever its origin, it has rapidly proved effective. Its effectiveness comes also from the parallel action carried out at the Un starting with Resolution 598. In some Western quarters -as in Italy for instance- a direct Western military presence in the Gulf has been regarded as in contradiction with policies carried out through the Uno. Military presence has been considered as an obstacle to the possibility for the Un to mediate between Iran and Iraq and for the Ussr to be associated with a more authoritative peace process. Quite on the contrary, though this Western policy has been neither thought out jointly nor officially agreed upon, it looks like a deliberate and well-conceived double-track policy. On the one hand, Western moves at the Un keep the door open to the Ussr should it be willing to initiate a cooperative policy to moderate and conciliate the contenders by joint pressures and by isolating them politically. Furthermore, Un moves have prevented the Ussr from using easy propaganda against the Western military presence in the area and have also made clear that there are oscillations in its attitudes towards the crisis. Some Soviet steps have appeared in harmony with the overall cooperative attitude shown by the new leadership and the search for a responsible role in this regional crisis. Other steps have appeared closer to old fashioned opportunism. Anyway, the door is kept open and this is definitely an important element in reassuring West European allies and in allowing a strong cohesion among them. On the other hand, military presence is a clear signal to the Soviet Union, to Iran and Iraq and to the Gcc and the other Arab countries that the Western nations are determined to protect their interests and those of the allied countries independently of the absence of expected cooperative policies. In the end, this may be a good argument for urging such cooperative policies. Consensus on this double-track policy is making Western cooperation work, even if it is working as a spontaneous coordination outside any institutional framework.

Besides pluses, however, there are shortcomings. An uncoordinated military presence may be a good start. Definitely, it has had the merit of throwing Western countries out of impotence. However, it cannot be a surrogate for an overall regional policy. In the end, if Western military presence is not explicitly coordinated, it is because of the absence of shared Western policies. A policy based on nothing else but consensus -rather than on shared institutions- is only too vulnerable to changes in circumstances and conditions actually prevailing. As in Lebanon, it may work for a while, but sooner or later the lack of well defined goals -as well as the presence of wrong policies- is bound to backfire and make any military instrument void.

At Present, the prominent political goal which has prompted Western military presence in the Gulf is that Western countries' interest in protecting Arab moderate countries' stability has definitely prevailed. Fears about Arab stability have finally been confirmed by the Iranian decision to involve Kuwait in the war, by attacking it militarily after years of terroristic pressures. However, these fears have come up as a consequence of protracted American and then French ambiguities in reacting to Shi'ite terrorism in Lebanon, and

principally in the aftermath of the "Iran-Contras" affaire. Now, military presence has certainly sent to Western regional allies a strong signal. It is also true that this signal has been appreciated, though not necessarily in an open fashion. However, in the immediate future this policy will require responses to other -sometimes "old"- questions which in the end have been only postponed. First, effective and cohesive as it may be today, Western policy in the Gulf has not resolved its dilemma between Middle Eastern and Iranian interests. Second, if Western policy is expected to restore Gcc countries' long-term security perceptions, it cannot avoid accounting for "old" regional issues, such as Iraq-Syria rivalry, Iraq and Iran roles in the region, and the conflict over Palestine. If the West fails in responding to these wider questions, its military presence will be perceived once again by local allies as a factor of insecurity and the aim of stabilising Arab moderate countries as a middle-term goal will also be missed.

We have just hinted at the more or less covert negotiations undertaken by some Western states with Iran and its supporters. As unacceptable as those policies might have been, they are the expression of a widespread feeling, especially in the United States, that a relation must be restored with Iran because of its unavoidable strategic importance. Rightly or wrongly, recent Iranian moves towards Moscow as a reaction to Western military activities in the Gulf may keep alive the American feeling that Iran cannot be strategically surrogated. One can say that this feeling is sometime exaggerated. However, it remains true that Iran is part of both a Western Northern Tier and a Russian/Soviet Southern Tier which continues to be perceived as strategically determinant by both sides as in all our modern history. This means that the present Western tilt towards the Arab side is not to be maintained and developed in the near future. Today, there is an international agreement which involves not only the Western countries but the Soviet Union as well, over the fact that an Iranian victory over Iraq cannot be permitted because it would have a sweeping destabilising effect on the Arab world. However, there is also on the Western side the firm feeling that Iran cannot be entirely left to frustration.

For this reason Western countries have to find the way to restore working relations with Iran. The military stick must combine with a reinforced stream of offers for political and diplomatic cooperation. On this ground Western hints at recognizing that Iran suffered an aggression should be more explicit, because this could be a good argument in the hands of Iranian pragmatic wings. At the same time military pressure must continue unabated in order to make peace more desirable to those who want it and the war more costly to those who are not prepared to enter into negotiations. This will certainly be a major political task for the Western countries to accomplish.

An even more difficult task will be that of reassuring Gcc countries. Though, for their own reasons, these countries are as half-hearted as the Western countries. Their security could not tolerate an Iraqi defeat but an Iranian defeat is hardly wanted. By the same token, a situation where Iraq could prevail over Syria is not desired either. While on the first point, i.e. keeping a fair balance between Iran and Iraq, Western and Gcc interests seem to converge, as far as the second point is concerned it involves the whole Palestinian issue and the ultimate inter-Arab balance. Here regional and Western interests are not necessarily converging. Nor are the Usa and Western Europe's.

As a consequence, as satisfactory as the present state of affairs may be in terms of Atlantic cohesiveness and effectiveness in the Gulf, prospects depend on Western countries' ability to substantiate their military presence and their prevailing East-West orientation with proper initiatives on the ground of regional politics. This is a difficult and divisive task of itself and it is a severe test for the Western lack of institutions in an area where they need on the contrary a growing presence and cooperation.

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The Iraq - Iran War
Present And Future Implications

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The Iraq - Iran War
Present and Future Implication

Introduction:

Historically, nothing has constituted a direct cause of eruption of Wars more than miscalculation. And nothing led to miscalculation more than lack of/or misinformation. Such judgement seems to be quite relevant to the Iraq-Iran War, now entering its eighth year, and threatens to continue for many years to come.

The War between Iraq and Iran has been characterized on both sides by serious miscalculations, particularly, the strategy and operation of the War, and the loyalty of each other's population. Aware of the political and social turmoil which took place in Iran after the revolution, and alarmed by Iranian revolutionary tendencies toward Iraq and Arab Gulf States, and yet considering its role as the guardian of the Arab interests on the eastern flank of the Arab nation; the Iraqi leadership thought that, the Khomeini regime would fall under the impact of a quick and pre-emptive invasion. Likewise, the Iranian leadership thought, as soon as Iraqis' were faced with military setbacks and economic hardships, the people of Iraq who are mostly Shi'a would rise up and throw the regime out. In fact, the War has had much the opposite effect. It has driven Iraqi public opinion behind the regime. The hopes of Iran's leaders that Iraq's sizable Shi'a community (more than 50 percent of the population) could be led to active disaffection have thus far also proved to be illusory. (1)

There has been no convincing evidence of any serious disturbances on the part of the Iraqi Shi'a during the War. Such disturbances are now occurring in Saudi Arabia, Kuwait, and other

Arab and moslem countries. The Iraq's, being aware of the aggressive intentions of the Iranian regime against their country are now united to defend their pride and Iraq's territorial integrity. Conversely, Iraq's invasion of the province of Khusistan, know historically known as Arabistan, whose inhabitants are largely Arabs, did not lead to significant defections among the people of that province. Even worse, some Arab countries sided with Iran, while others are still neutral. Nationalism and loyalty to the present state have proven a stronger force than religious affinity or distant ethnic identity.(2)

Following the course of this bloody War, many observers believe that whether the War started on the 23 of Septembers 1980, or on the 4th of September that year, Iraq had no choice but to go to War to defend its future existence. There is no doubt that the Iraqi leadership regarded the Khomeini regime a deadly threat against Iraq and, as such, it was a challenge that had to be confronted regardless of its risks.

One of the compelling reasons was to stand against the Iranian encroachments on Iraqi land, and land inhabited by Arab speakers. Iraqis see this encroachment as a long and exorable process stretching back to the Ottoman-Persian Wars and the treaties concluded as a result of them, and continuing right up to the Shah's seizure of the right bank of the Shatt.

The Iranian encroachment has intensified in the twentieth century under the modern state of Iran. In 1925, for example, the autonomous Arab Shaikhdome of Muhammarah, under Shaikh Khaza'il was seized by Reza Sha and incorporated in Iran as the province of Khuzestan. In 1937 a treaty between Iraq and Iran, brokered by the British, advanced the Iranian frontier between Iraq and Iran on the Shatt Al - Arab still further into Arab

territory; specifying that the border would run along the right bank, except in front of Abadan where the frontier would be the thwalweg or midchanned.(3) Thus, Iraq lost exclusive control over its only major access to the Gulf. Even this line was breached by the Shab in 1969, when he challenged Iraq's claim to sovereignty over the river, and began to police and use the shatt with out reference to Iraq.(4) The Shah's ambitions were not cooled down except after signing the Algiers Agreement of March 1975, which legally gave him what he wanted—a border on the thwalweg; and which the Iraqis bitterly accepted in return for the Shah's guaranteed promise to cease interference in the internal affairs of Iraq.—In short, to end his support to Barazani movement in the north.

The second reason was to stand against the continuous attempts by the Iranian government to openly spread its revolution to Iraq and the Arab Gulf States. For example, Iran's president stated "Iraq is persian" on 7 April, 1980, while the foreign minister claimed the next day that "Aden and Baghdad belong to us." In a radio address the same month, Khomeini stated that "the Iraqi people should liberate themselves from the claws of the enemy. It should topple this non-Islamic party in Iraq referring to Ba'thist Party." In May, the Iranian president declared that ".... the Imam(khomeini) is the religions leader for us as well as for Iraq."(5)

The appeals to overthrow the Iraqi regime was addressed particularly to the shi'as of Iraq, and specially to Al Da'wah party which is supported by Iran. The Da'wah party and Shi'a mihlants, under Iranian direction, were engaged in bloody demonstrations,

sabotage attempts, and assassination acts against Iraqi targets and official government and party leaders. Hostilities between the two countries reached climax when, on 4 September 1980, Iranian Armed forces used artillery to shell the Iraqi cities of Khanaqin and Min-dali from the border area of Zayn al-Gaws, which Iraqis expected to have returned as apart of the border agreement of 1975. The shelling inflicted serious losses of property and civilians, and constituted an abrogation of 1975 agreement by the Iranian side. Despite an Iraqi protest, the shelling was repeated again on the 7th of September. Iraqis again protested but received no reply. Finally the Iraqis occupied Zayn al Qaws and on September 17 abrogated the 1975 agreement.(6)

The Iraq Iran War has other characteristics. One of striking phenomena about the Iran-Iraq War is its uniqueness. It is distinguished in many aspects from other contemporary conflicts.

First, the continuation of the War seems not to be motivated by the desire of either side for occupation and territorial acquisition, although historically, border disputes over shatt al-Arab and Arabistan (now Khuzestan), have been behind the fears and suspicions prevailing between the two countries. After about eight years of fighting, officials in both countries now publicly declare that they have no objection to accept the international border line between the two countries, provided (certain conditions) are met. There is no foundation for dispute over land and sovereignty as is the case in the Arab - Israeli conflict.

Iraq had stated more than once that it has no territorial aims beyond the restoration of the status quo prior to the 1975

agreement, and the return to the Arabs of the three islands, Abu Musa and the Tunbs, earlier seized by the Shah in 1971. In addition, of course, Iran would have to agree to end the export of its revolution and to cease interference in the internal affairs of Iraq. On the tenth of November 1980, president Saddam Hussein stated: "We have said on more than one occasion ... and we emphasize that, our decision to confront Iran after its aggression ... implied no intention or action on our part to acquire Iranian territory.(7) The same attitude was pronounced by the rulers of Iran, although it is now becoming very difficult to predict the real Iranian terms for the settlement of the War. Quoting Hashimi Rafsangani, head of the Iranian Parliament, he said: "We only demand putting the criminal aggressor(Iraqi president Saddam Hussein) on trial and Punishing him, in addition, to get compensation for losses, and the liberation of the Iraqi people. If our demands are met, we will then have no ambitions on a single inch of Iraqi territory."

Second, the War between Iraq and Iran can't be viewed as a racial or ethnic War. The War is not between the Arabs and the (furs) Since only a few Arab countries, Jordan and Egypt in particular, have come to strongly support Iraq, Syria and Libya have been openly supporting Iran.(*)

In fact, both Iraq and Iran are experiencing all serious problems of which afflicts most of

(*) The question of the War is atop priority on the agenda of the emergency summit meeting convened now in Amman. According to press reports, a change in the Syrian and the Lybian stands towards joining the Arab consensus in supporting Iraq, and endorsing immediate implementation of security council Resol.598 is expected to take place.

the third world countries. Every year of fighting puts back each country at least five years.

Both countries depend on oil for most of their foreign exchange, and the oil glut, and the drop in the price of oil, had certainly ruined the economy of both countries. Arms and ammunition are never supplied free by either capitalist or socialist countries, and even though helped by friendly countries with finance, it will soon be difficult for both sides to continue Warfare.

Third, the Gulf War cannot be considered as a War by-proxy between the two superpowers, although, it is not difficult to realize that the American and Soviet stand towards the War is not totally neutral. There is no direct or indirect confrontation between the two superpowers through their local allies as is the case in Angola or South America.

Perhaps the most remarkable thing about the War has been the relative aloofness of the superpowers. It is inconceivable that a conflict between Israel and any Arab country would go on for very long, without both superpowers being drawn in, on the diplomatic side, and threatening to become involved militarily. Yet in this conflict both superpowers have been somewhat ambivalent about where their interests lie. They are both showing considerable restraint not to get directly engaged, presumably for fear of drawing in, the direct involvement of the other superpower, and because this not the region where the United States would choose to have a major military test with the Soviet Union. (8) The general attitude of the two superpowers has been to prevent any decisive military victory

be Iran or Iraq one on another, and to keep the War dragging on as long as it can be contained within its military and regional boundaries. So long as the flow of oil to the Western world is continued in fair price, there is no need for American actual interference. The Soviet Union, though an interested party, is busy in Afghanistan and prefers to stay out of the conflict while evidently supplying arms for both sides.

Nevertheless, the Gulf War is not, now, confined to the borders of the two warring countries - Iraq and Iran. It has spread to the Gulf states as well. The attacks on oil tankers, and the interruption by Iranian naval forces of oil shipment, have posed difficult choices for the two superpower and other superpowers as well. For the Gulf States, the extension of the War, to "breach non-belligerent countries" (ie: the Mecca incident and rocket attacks on Kuwaiti oil installations), have now convinced them that, the Iranian revolution, and the Iraq-Iran War constitute the worst security threat that they have yet had to face. Many Gulf leaders are now ready to see Iraq as their first line of defense against Iranian subversion.(9)

Finally, the Gulf War is not a religious War. It is not a War motivated by differences between two religions. Aside from Khomeini indoctrinations, combatants on both sides embrace the same religion - Islam, and have the same religious affiliations.

At the outset of the War, Iraq indicated its willingness to end the fighting, and expressed its readiness for direct

negotiations through a third party, the United Nations, or any other regional or international forum. Iran still refuses to negotiate the conflict. In fact, Khomeini insists that, no peace will be concluded with Iraq as long as president Saddam Hussein is in power in Baghdad. Khomeini further demands, along with other conditions, a new regime should be established in Iraq which resembles the present Iranian regime in its constitution, ideology and operation.

No country can advise another about its change of leadership. Any change must come from within, either constitutionally or otherwise. Instance on change from outside will result in a puppet and unpopular regime to neighbouring countries. Perhaps, this is what Khomeini aims at.

The unique and complex nature of the Iraq - Iran War, its dynamics and motivations, should not, morally and politically justify its continuation or prolongation, although Wars are usually fought with no regard to moral or humanitarian obligations. The Gulf War has been going on for almost eight years now... time enough to reveal to everyone what this tragic War has left behind. The aim of this paper is to examine the tragic consequences and implications of the War in its regional and international context. It will focus on the social, political and strategic impact the War has left on both Iraq and Iran. Its impact on the Gulf States, as well as , the two superpowers whose interests have been directly or indirectly affected by the War.

Impact of the War on Iraq and Iran

The negative and painful results emanating from the Iraq-Iran War are hard to comprehend. The War has been a complete waste of human, economic and social resources for both countries. More than a million have been killed and wounded on both Sides(10) If so many young men are sacrificed in a hopeless War which definitely cannot be won by either side, who will care for the widows, childless and old people in five, ten, and twenty years from now when the generals and ayatollahs are old men or have passed away.

One of the most distressing social effect is the ability of the War to destroy and weaken the material and moral structure of society. Death of tens of thousands of men in the battlefield created social vacuum and imbalance between the two sexes. The absence of the head of the family led to grave financial, moral and psychological problems, let alone problems created by the existence of thousands of disabled persons, who are left desperately in need for professional and rehabilitation programmes to help them to spend the rest of their lives in peace and dignity.

Attacks on economic and vital installations such as factories, roads bridges and other, transportation services have destroyed the infrastructure and crippled the economy of both countries. The establishment of such infrastructure cost Iraq and Iran tens of millions of dollars in the last two decades. Many development projects in the field of housing, education, industry, and social well fare have been deferred or cancelled under the need to allocate money to service the machinery of the War. It is going to take

relentless efforts by the governments of the two countries, when the War ends, to rebuild the economic infrastructure, which is not an easy job to do.

If the social and political consequences of the Iraq - Iran War have been so painfully shocking, the political results are no less dangerous. The continuation of the War, with the possibility of spreading to threaten other countries in the region, has left the door open for the superpowers to reinforce their existence in the area, under the pretext of protecting their strategic interest, and the interests of their "Friends". It led to the weakening of the national and regional security of the two conflicting parties; and, as one of the necessities of War, created a shift in their position toward friends and adversaries. For instance, Imam Khomeini and those around him used to call the two superpower the "big Salan" who has been responsible, historically, for the problems and grievances of the Iranian people. They used also to label any contacts with Israel as being treacherous and evil. Nowadays, Iran depends on these countries for its economic and military build up. (11)

The extension of War has also led to weakening of regional cooperation. The principles of good neighbourliness, cooperation, negotiation, peaceful coexistence and recognition of each other's identity, have been replaced, in this War, by the tendency towards mistrust, suspicion, and aggression. In fact, the World is now witnessing very dangerous and strange political tendencies. Such tendencies are represented by the Iranian desire to destroy other countries' heritage, ideologies, and regimes,

because such regimes are different from that of Iran; using only force to achieve that goal. (12)

Unfortunately, the data available on economic costs of the Iran-Iraq War do not provide an accurate picture of each side's problems and capabilities. The budget and economic data available on Iraq's credit position, or of Iraq's position in terms of total cashflow available to finance the War is unclear. The economics and budget statistics on Iran are also intrustworthy.(13) Never the less, it is clear that both Iraq and Iran are now under serious strain.

Inspite of costs in development and industry, Iraq is badly short of labor. Iraq has now some two million foreign workers to finance. It has become steadily more dependent on Egyptian and Arab workers, and on imports of food and industrial products. The extension of the War, and the loss of its Gulf oil terminals during the first weeks of the War, and then its pipelines through Syria, cost Iraq growing economic strains in financing arms imports. Iraq went from massive holding of foreign reserves, (estimated 35 billion at the start of the War) to being a debtor nation that can only sustain its ability to borrow and defer debt payments because of aid from Saudi Arabia and Kuwait.(14)

Judging from the data issued by the Iraqi Central Organization, it is clear that significant decline in gross domestic products, employment, rate of construction, improvement of transportation services, growth of education, imports of civil goods, and agricultural production of major crops, has taken place, because of

the huge costs of the War. The situation is certain to grow much worse if the War has not come to an end.(15)

Iran also is feeling the strain; but in different way. Iran has had to generate high levels of military spending inspite of the revolution, the collapse of Iran's pre-revolutionary economy, and major difficulties in maintaining its oil exports. Although Iran has been able to average 2.2 million barrels perday during the early stages of the War, it was almost certain that Iran has only been able to finance the War, because so many of its volunteers are virtually unpaid, and because of mass popular contributions.(16)

In an interview with the Indonesian Weekly Magazine (the Tempo) Abu Al-Hassan Beni Sadr, ex-president of the Islamic Republic of Iran, described the Situation in Iran; as being "Severely Deteriorating"(17). "Every day there are protests and demonstration against the regime of Khomeini and the War he is " foolishly pursuing with Iraq". People are fed up with the War because of the high cost they are paying for it. The War costs the budget around 10 billion dollars each year; whereas the revenues from oil do not exceed 4 billion; that is if we want to exclude the false figures issued by the government of Iran". "The War, poverty, social injustice; frustration of not being able to export the revolution, and social and financial scandals are the "mechanisms" which face the Khomeini regime and its insane policies". He concludes by saying "the image of the Khomeini regime is fading away. There is no one who can take the place of Khomeini. All those who are in office now are "men of War: They lack the vision, ability and integrity to lead."(18)

In fact, the cost Iran is paying for prolongation of War is not to be measured in the corpses that litter the battle-field. Like Iraq, it also represent an enormous drain on Iran's finances and skilled man power. Very soon, Iran may have to choose between, its ambitious development programmes, and the conflict with Iraq - much as the government of Iraq has shown its readiness to do.(19)

The Impact of War on the Gulf States

The War between Iraq and Iran has been one of two major dilemmas facing the Gulf countries; referred to here, as the six members of the Gulf cooperation council. The first, is the recession which hit the economies of these countries since the first half of the 1980s.

The Gulf countries have been among the worst hit by the combined fall in demand for oil. Saudi Arabia which has been a major producer in OPEC is now producing 4.15 mb/d compared to 10mb/d in 1980. Kuwait and the other countries are not in better shape. Oil revenues are down by 50% since 1981. The Gulf countries problem in the past six years has been that of trying to adjust to new conditions. (20)

The falling revenues reduced the level of spending by the Gulf governments. It forced cutbacks in development projects, reductions in the number and salaries of government employees, and delays in payments to contractors. Some governments are trying to increase their revenues by cutting subsidies on electricity and water; and even, by introducing income tax. But political nervousness made those governments unwilling to squeeze their citizens directly. (21)

The economic difficulties of the Gulf states have been exacerbated by the Iran-Iraq War, and the rise in regional security problems. Assistance to Iraq has drained dwindling resources, while regional subversion has undermined business confidence, leading to a considerable outflow of capital, and reduced investment in local economies. The War has also depressed regional trade, including re-export trade. The result has been a serious economic recession that has endangered the stability of the Gulf financial and banking systems. (22)

Additionally, the Iraq-War has generated tremendous political turmoil and instability in the Gulf. The real dangers of the War lies not only in its prolongation but in its possible after effects in a strategic region over which the Gulf states have very little control;

The major concern of the states of the Gulf has basically been to maintain their own security against the radicalization winds sweeping the region. The gist of their policies was centered on preserving a status quo position against the dangers of internal as well as, external threats.

Another major concern was, and still is, the protection of their economic base. The greatest risks are, of course, those of physical damage to oil installations, and/ or the disruption of shipping of oil in the Gulf. Both of these risks have been illustrated in the Iraq-Iran War.

It is probably correct to say that the states of the Gulf did not want this War, however much they feared and disliked the implications of the Iranian revolution. Aware of their weakness vis-a-vis more powerful regional neighbours, these countries have adopted a policy of seeking to stay out of trouble and remain on good terms with everybody. They worked hard to establish good relations with the Shah. It therefore came as a particularly unpleasant shock when his government was overthrown and replaced by a regime that openly proclaimed its hostility to the "corrupt rulers and societies" across the Gulf.(23) Under the circumstances, the

Gulf States' Support for Iraq was necessary for reasons of Arab Solidarity and because Iraq constituted a vital element in the regional balance. However, they did so because they regarded the Iranian revolutionary regime as the main threat to their security.

In fact, the leaders of the Gulf States realize that in the best of circumstances Iraq cannot defeat Iran, and that whatever course Iran's internal revolution takes over the next decade, Iran will continue to be a major force in the Gulf affairs, and that the Arab Gulf States will have to find away of living withit. They have therefore sought to balance their support for Iraq by keeping the door open to Tehran.(24)

The dangers of the Iraq-Iran War have been, one of the constant and primary concerns of the Gulf cooperation council since the organization was founded. As kuwait's foreign Minster Shaikh Sabah Al Ahmad Al Jaber, recently stated in a meeting of the GCC Ministerial council (June 1986), " there never has been a meeting (of the Ministerial council) at which the Iraq-Iran War has not figured on the agenda". The Gulf War emphasizes the difficulties the GCC faces in reconciling its stated aims and objectives with the practical dictates of inescapable political and military developments. " The GCC therefore, has emphasized the importance of its nonaligned position to all countries" and its collective responsibility for the stability in the Gulf region.(25)

The same views of " neutrality and non-alignment" has been reiterated by Mr Abdul Kader Al-Ameri, ambassador of Qatar to the United States in a recent interview with the editor of the American

Arab Affairs. When asked about, what might be done to end the War , , he said; "The Gulf War has been a top issue on the agenda of the GCC summit meetings" . The GCC called on both parties to accept the principles of the United Nations, which calls for the freedom of navigation to end from the Gulf ports. The GCC countries reaffirmed their readiness to mediate with warring parties in order to put an end to the destructive War, in away that would preserve the rights and legitimate interests of both countries, as a step toward normalizing relations among the States of the region".(26)

In order to understand the ideological orientation of the Iranian revolution, and consequently its potential threats on the Gulf States and Arab and moslem countries in the area, it is necessary to examine the ideological concepts of Khomeine, who is the architect of that revolution:

For Khomeini, the only salvation for moslems is to overthrow the corrupt, oppressive and anti-Islamic regimes, and to establish the Islamic revolution which will usher in, a new social and political order in the Islamic World.(27) In his words: "We have no alternative but to work for destroying the corrupting systems, and to destroy the symbol of treason and the unjust among the rulers of peoples. This is a duty that all moslems wherever they may be are entrusted—a duty to create a victorious and triumphant Islamic political revolution".(28)

Thus the objective of khomeini's ideology is to establish the Islamic revolution which will "destroy the heads of treason ,

the idols, the human images, and the false gods who disseminate injustice and corruption on earth".(29) To achieve this objective, Khomeini calls on the religious (Ulama) to abandon passivity and to become involved in the political process.

Since the Islamic government is a government of religious law, Khomeini argues that "only the religious jurispudent (the Faqih), and nobody else should be incharge of the government.(30) Thus the (Ulama) have exclusive anthority over all matters. "They have been entrusted with governing, ruling and running the affairs of people.

The concept of (vilayati Faqih) is based on Khomeini's conviction that the Islamic state is the best from of government, and that only in an Islamic state can the moslem's interests be safeguarded and promoted. Since the Islamic state is the best form of government, only the (Faqih) can have genuine leadership of such a state. (31)

Khomeini concept of the Islamic government and the univer-sal pan-Islamic state runs contrary to the concept of the territorial state, and the contemporary political systems. For Khomeini "the division and fragmentation of the moslem states into independent political entities is artificial. He attributes this fragmentation to the schemes of "imperialists and the tyrannical, self-seeking rulers" who have divided the Islamic homeland.(32)

Iran's politicizing of religion has antagonized the secular state of Iraq and alarmed the Gulf states. In the words of Sa'doun Hammadi, head of the Iraqi peoples council:

"Khomeini's scheme of the so-called Islamic revolution is to destabilize the region through instigating sectarian strife. We in Iraq refuse such a medieval ideology. Our concept is secular, and we don't mix together affairs of state and religion. Revolutions can't be imposed from the outside against the free will of the people. We are bound to stand against Khomeini's theories and practices, in defence of our security, well being, and independence".

To president Saddam Hussein, the new orientation of the Iranian revolution is only " a false mask to cover persian racism, and the deep-rooted hatred against the Arabs". "The Iranian ruling clique is using religion to instigate fanaticism, hatred, and divisions among the peoples of the region.(33)

Unfortunately, the ideological and practical manifestation of the Iranian revolution proved to be so. The political incidents carried out by the Shi'a community in the Gulf, and instigated by Iranian authorities; gave validity to the Iraqi interpretation of Iran's revolution. The anti-government agitation in the eastern region of Saudi Arabia in 1979, the Iranian-backed coup attempt in Bahrain in 1981, Iran's refusal to return to the UAE the three islands seized by the Shah in 1971, the disturbances during the Haj season, which are caused by Iranian pilgrims to spread Khomeini's message of politically active Islam, convinced the leaders of the Gulf States of the hegemonic intentions of the Iranian regime. Such incidents were perceived by the Gulf states as an Iranian attempt to undermine their existing regimes; and as aspiration by Tehran, as did the Shah before, to be reconized as the dominant power of the region.(34)

In Rafsanjani's words Iran's naval and other forces are "the guardians of Persian Gulf security" "Iran would turn off the oil taps in the Persian Gulf, if Iran's oil exports are stopped.(35) Therefore Iran's rocket and air attacks on Kuwait's land and oil installations; and on the shipping in the southern Gulf is aimed at for reminding the Gulf States that their support for Iraq is not cost free.

In spite of "Iran's verbal assurances", particularly in the last two years that "Iran has no covetous eye on Iraqi territory, and it has high respect for its Gulf neighbours, the leaders of the Gulf States, are still worried of the dangerous regional implications of the Iraq-Iran War - a War on which Khomeini and his regime have gambled everything - even the revolution itself.(36)

The Iraq-Iran War has had far-reaching implications that exceeded the two warring countries to the whole Middle East region. Some of the major regional implications are:

First, the eruption of the War split the Arab world into two camps, a pro-Iraqi camp versus a pro-Iranian one.(37) A new realignment of power consequently emerged in the Arab world, as evidenced by an Iranian - Syrian - Libyan axis versus an Iraqi - Saudi - Jordanian axis. This polarization deepened and sharpened inter-Arab differences. However, such differences seem to be overcome in the deliberation of the extra-ordinary Arab Summit held in Amman on the 8th of this month. The conference unanimously supported Iraq and the Gulf States to defend their legitimate rights,

and condemned Iran's denial and noncompliance with international law.. (38)

The final communique issued by the conference expressed the Arab leaders' anxiety on the continuation of the War and voiced their dismay over the Iranian regimes' intransigence, provocations and threats to Arab Gulf State. They condemned Iran's occupation of parts of Iraqi territory and Tharan's procrastination in accepting Security Council resolutions 598. The conference also declared its solidarity with Kuwait in confronting the Iranian regime's aggression: and denounced the bloody criminal acts perpetrated by the Iranians in the vicinity of the Holy Mosque in Mecca. The conference rejected all forms of disturbance in the holy places that would infringe on the state and sovereignty of the Kingdom of Saudi Arabia.

Second, the War destroyed the Iraqi - led Arab coalition against Egypt's Sadat in the Arab world. Egypt's support for Iraq against Iran led to gradual but steady improvement in Iraqi- Egyptian relation. Thus the War provided Egypt with an opportunity to extricate herself from regional isolation to re-enter the Arab fold.

As a matter of fact, it is the realistic and ballanced policies of president Husni Mubarak which made the whole difference. Although the Arab world is still worried about the interpretation of the camp David framework, especially that referring to the Palestinian issues, many Arab countries look with regard to Mubarak's stand on the Iraq-Iran War and its strategic and geopolitical

implications, his support to Iraq and the Gulf States, and his adherence to the Arab cause. Now the restoration of full diplomatic relations between Egypt and many Arab countries is becoming a matter of formality. The extraordinary Semmit Conference while endorsing in principle the restoration of relations, (39) has left the door open for each individual Arab State to decide on this matter. Right now, Iraq, the six Arab Gulf States, the republic of North Yemen and Morocco have already restored their diplomatic relation with Egypt.

Third, Iraq military involvement in the War weakened the eastern front against Israel and had adverse effects on the Arab - Israeli ballance of power. This military imbalance worked to Israel's advantage, and was one of the factors which led her to embark on a full scale invasion of Lebanon in summer 1982. Israel's destruction of the Iraqi nuclear reactor, osirak, in the summer of 1981, and her military support to Iran, also attested to her desire to weaken further Iraq's military capability. (40)

The Israeli authorities, due to Iraq's preoccupation with the War, have been able to scuttle all meaningful moves towards the establishment of a just and durable peace in favour of their policy of creeping annexation of the occupied Arab territories into what they call "creater Israel". They have also pursued, with relentless Zeal, the re-inforcement of Israel's two-tier relationship with the U.S by putting into sharper focus the strategic dimension. (41) Thus the American commitment, rather than being confined to the defence of Israel as a garrison State within the regional context, has rendered Israel a virtual member of Nato.

Fourth, strategically and economically, the establishment of the trans-Arabian system, transporting oil from the Gulf to the Mediterranean across the Arabian Peninsula to the red Sea, has knit these areas more closely together than ever before. The attempt to by-pass the strategic bottle-neck of the States of Hormuz has given the Red Sea Basin and the East Mediterranean additional strategic significance, much goes along way towards explaining the immense interest expressed by the Superpowers in the freedom of navigation in these sea lanes:(42)

Thus events in one part of the region have a direct and immediate bearing on all others. A threat to the security of the Gulf emanating from the Iranian quest for hegemony will inevitably imperil the security of the Fertile crescent states, just as War with Israel could bring about the closure of the pumping stations, or the shipping lanes, shutting off the flow of oil. No state in the region can feel secure or isolated from developments elsewhere, nor can any country be insulated from regional conflicts, however distant these may seem at first. The Arab Israeli conflict, the crisis in Lebanon, the Gulf War and other disputes menace simultaneously all the states of the region.(43)

The War and the Superpowers

The Iran-Iraq War has been the most dramatic manifestation of a rivalry to fill the vacuum created by the British withdrawal from the Gulf in 1971. Until then, Great Britain had dominated the Gulf for over a century. It maintained security of navigation in the area, kept superpowers remote, and the ambitions of the regional powers, through its presence in the small khalifates of the Gulf Arab littoral - Bahrain, Qatar, and the other sheikhdoms, now comprise the United Arab Emirates.

The United States was eager to take Britain's role in the Gulf. But being heavily engaged in the Viet Nam War, it instead, allowed the responsibility for regional defence, under the Nixon Doctrine known as the "twin pillar strategy", to be undertaken by the local powers namely Iran and Saudi Arabia. Iran assumed the responsibility for overall security and for Gulf navigation, while Saudi Arabia took responsibility - for the other Gulf states. Iraq, isolated in the Gulf by the Saudi - Iranian alignment received Moscow's support to act as the third regional power.(44)

The Shah of Iran dominated the competition in the Gulf between the years 1969 and 1979. In the wake of the Nixon Doctrine enunciated in June 1969, the Shah offered a defensive alliance to all the Gulf States after the British withdrawal in late 1971. The largest state in the Gulf, Iran, was also the preeminent military power.(45) But the fall of the Shah, the Iranian revolution, and the Iraq-Iran War - which is in itself a by-product of the revolution, again put the security of the region in jeopardy.

The Gulf region is an area of major strategic and economic importance for both the USSR and the West. Any significant disruption of the balance of power could pose major dangers to the interests of both sides. While Iran is probably considered to be the more important of the two warring countries(46) by virtue of its size, population and strategic geographic location; Iraq's close strategic, cultural, and political identification with the rest of the Arab world enhances its importance to both East and West. A decisive victory by either country could create a new regional balance of forces which could be profoundly destabilizing to the status quo of the entire region.

Such a crucial situation has had its impact on the attitudes and policies of the superpowers towards the War and its mechanisms. Both sides, the Soviet Union and the United States, have different policies in the area, as a reflection of their historical positions. Both seem to consider the Gulf region as an area too sensitive to allow for miscalculated rivalry between them. Therefore, the two superpowers maintained a deliberately watchful and neutral policy towards the war during its first stages. Such policies although tailored by the two sides to protect their own interests without being directly involved in the War, they proved to be less effective to cope with the regional and international implications of the War.

When the War erupted, the attitude of the United States was influenced by many considerations such as:(47) the unresolved hostage crisis, the effect of War on the supply of oil and the security of the Gulf States, and the fear of closer Iranian - Soviet relations, particularly in view of: Iran's strategic location, her

geographical contiguity to the Soviet Union, and the radical anti American orientation of its new regime.

In an attempt not to make negotiations over the hostage crisis not becoming more complicated, and so as not to alienate Iran and push her towards Moscow, the United States declared her neutrality in the Iran - Iraq War. Moreover, the American administration entertained the possibility of supplying Iran with arms and spare parts as an inducement for her to expedite the release of the American hostages. Since then, America has been involved with many secret arm deals with Iran, the latest is that which has been disclosed on Nov 14, 1986 and became to be known as IranCam or Irangate. The justification this time, is to help release the American hostages in Lebanon, and "to strengthen moderate elements in Iran who were supposedly opposed to terrorism and were willing to bring an end to the Iran-Iraq War".(48)

Iran Was not only forthcoming but used these "friendly gestures" to improve its image inside Iran, and on the battlefield. The Iranian leadership manipulated the lenient American stand towards Iran's policies to prove that Iran is not totally isolated.

The Soviets view of Iran Was also conditioned with Iran's vocal anti-American policy orientation, Iran's strategic location on the Gulf, Iran's geographical proximity to Afghanistan, Moscow's attempt to minimize Tehran's aid to the Afghan resistance against the Soviet occupation; and the role of the (Tudeh) communist party in Iranian domestic politics.(49)

But when the War erupted, the Soviets were faced with an acute dilemma. Caught between Iraq, who was linked with Moscow by a treaty of friendship, and radical anti US Iran, Moscow preferred to declare her neutrality while describing the War as "serving the interests of the imperialists"(50) Displeased with the Iraqi invasion and of not being consulted by Iraq about the latter's military plans, the Soviets offered to supply Iran with arms. Although the Soviet offer of arms was rejected by Iranian leaders, Moscow did supply Iran with arms through Poland and North Korea in winter 1980-1.(51) Now Moscow is happy to maintain its neutral attitude by supplying arms to both sides.

Like Washington, Moscow's neutrality or rather friendly attitude towards the Iranian regime was not that rewarding. It did not take long for the Iranian authorities to crack on the (Thdeh) party and arrest its leaders, accusing them of acting as agents to the Soviet Union. Moreover, the Iranian support to the Afghani resistance has not changed. Iran has granted refuge to about two million Afghani refugees in addition to her support to the Majahideen movement. Iran is also bargaining with Moscow to obtain an active role, equal to that of Pakistan in determining the future solution of the Afghani problem.

After nearly eight years of fighting it is becoming evident that the Iraq-Iran War cannot be easily contained within the boundaries of Iran and Iraq. It is now becoming the major issue in Middle Eastern Politics. The effects of the War has spilled-over to the Gulf states. Politically, the War has changed the traditional nature of priorities and alignments in the region. Such change is deemed to affect the

policies and interests of the superpowers in the area.

The escalation of the War has led to a growing naval build-up on the part of the superpowers in the region. Fear of the potential threats of the War, coupled with Iranian threats to close the strategic straits of Hormuz, and her repeated attacks on ships and installation of the Gulf States, further intensified naval build-up, particularly American presence. Whether they like it or not, the two superpowers will soon find themselves in a confronting situation, if the War has not been halted. Because the war is far too dangerous to be naively regarded (as something that should be allowed to continue as a means of paralyzing Iranian and Iraqi ambitions).

While a quick end to the war would be most desirable, Khomeini's demonstrated determination to pursue the conflict does not lead to optimism. Just yesterday, it has been announced by Iran radio that Khomeini has given order to the army chiefs to prepare for a massive attack against Iraq. Although this tough stand reflects Khomeini's attitude towards the war; it is meant to challenge the resolution taken by the extra ordinary Arab Summit conference which unanimously supported Iraq and called for immediate implementation of security - council resolution 598.

The role of the superpowers, particularly America, to protect "non belligerent" countries and maintain freedom of navigation in the Gulf Waters remains important, but it is secondary. The fate of the Gulf depends on the War. Any superpower that shows ability and determination to affect the War gains influence.

Basically, the apparant major gain for the two supers is to protect their strategic interest in the region, a viod any major change in the states quo, and the possibility for each to create a "friendly" regime in Iran or Iraq when the War ends . In the absence of that outcome. The USSR like the US is prebaly hoping for a negotiated settlement between Iraq and Iran, without a decisive victory by either side. They cannot reach this goal, without their potantial influence to limit the economic, political and military mechanisims of the war, and help create measures,which may finally induce Iran to agree to a negotiated settlement. The superpowers should use their intensive efforts for the implementation of the security council resalution 598, which has been endorsed unaniamously by all members of the council; in all its priorities. Failure or delay in implementing such a resolution will be catas-trophic in terms of the human and material losses caused by this tragic War.

In conclusion, the Iraq-Iran War should be ended; otherwise the whole Middle East, and not only the Gulf, will remain as it had been so often described, a tinder-box ready to set the world afire from a single spark.

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Dutch - Arab Relations

A short quantitative survey of
bilateral relations since 1980.

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International Relations - Clingendael

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Prepared for the Third Arab-European Dialogue of the Arab Thought Forum, 29/30 November 1987, Amman.

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Introduction

On the following pages, a short survey is presented of Dutch relations with nineteen Arab states.

The data on bilateral trade are derived from publications of the Centraal Bureau voor de Statistiek (CBS - Central Bureau of Statistics). The figures for 1986 are provisional. Export and import figures refer to exports and imports by the Dutch; hence, the balance figures refer to the Dutch trade balance. Only bilateral economic agreements have been listed. With many Arab states, economic relations are (co-)founded on agreements with the European community.

The data on development cooperation are Official Development Aid (ODA) figures. They include grants and loans provided according to ODA criteria.

Quantitative data on cultural cooperation were somewhat hard to gather, because of the decentralized nature of Dutch university administrations. The figures presented are derived from the Jaarverslag of the NUFFIC (Annual account of the Netherlands Universities Foundation for International Cooperation). They refer only to educational courses at institutes of advanced learning given in English. As mastery of the Dutch language is required to follow ordinary courses at Dutch universities, and studying Dutch may not worthwhile for many Arab scholars, the number of Arab students presented by NUFFIC probably provides a trustworthy impression.

Political relations seemed even more difficult to catch in numbers. They therefore do not figure in the individual country reports. The Netherlands government greatly values mutually constructive relations with Arab states. The Netherlands maintain diplomatic relations with all the Arab states in the country surveys. With many of them, frequent contacts at high levels are customary. In the period under discussion, Dutch ministers annually made extensive

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tours of the Middle East in order to further intensify and improve contacts. (Visiting Iraq, Kuwait, Saudi Arabia, Qatar, Bahrain, the UAE, Oman, the Arab Republic of Jemen, Jordan, Syria, Egypt, and Tunisia.) Prominent Arab leaders and politicians were welcomed in the Netherlands during the same period, for example their majesties king Hussein and queen Noor, and HRH crown prince Hassan of Jordan; representatives of the league of Arab states and the Gulf cooperation council; the vice prime-minister and the minister of foreign affairs of the State of Kuwait.

COUNTRY REPORTS

I. ALGERIA

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	528,237	665,929	639,117	706,266	686,212	758,260	548,525
imports	<u>800,914</u>	<u>869,593</u>	<u>2 327,715</u>	<u>2 261,226</u>	<u>3 062,592</u>	<u>3 446,553</u>	<u>1 325,722</u>
balance	- 272,677	- 203,664	-1 688,598	-1 554,960	-2 376,380	-2 688,293	777,197

Exports consist of a great variety of products, agricultural and industrial (telecommunications items)
Imports consist mainly of crude and refined oil.

2. Development cooperation

Dutch aid: in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.6	0.1	1.3	0.8	0.1	0.0	-
Dfl	1.19	0.25	3.47	2.28	0.32	-	-

3. Cultural cooperation

In 1986, 11 Algerian students followed advanced courses of applied science (especially at the Institute for Aerospace Survey and Earth Sciences), and agricultural science.

II BAHRAIN

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	41,552	72,278	98,874	124,958	144,742	134,511	90,688
imports	35,257	94,540	25,597	6,851	5,538	4,972	5,653
balance	+ 6,295	- 22,262	+ 73,277	+ 118,107	+ 139,204	+ 129,539	+ 85,035

Exports consist of a great variety of agricultural and industrial products.
Imports consist mainly of industrial products (and aluminium).

2. Development cooperation

Dutch aid: in 1,000,000 US dollars and Dutch guilders

	<u>1986</u>
\$	0.02
Dfl.	0.05

III EGYPT

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	423,845	723,811	895,665	1 045,669	1 113,025	1 164,651	799,630
imports	185,769	119,946	215,531	244,861	364,038	261,337	69,648
balance	+ 238,076	+ 603,865	+ 680,134	+ 800,808	+ 748,987	+ 903,314	+ 729,982

Exports consist of a great variety of agricultural and industrial products.

Imports consist of a great variety of agricultural and industrial products.

There exists an agreement on economic and technical cooperation between the Kingdom of the Netherlands and the Arab Republic of Egypt (1975) as well as an agreement on reciprocal encouragement and protection of investments (1977).

2. Development cooperation

Dutch aid: in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	17.1	21.4	17.3	12.6	18.3	11.1	26.73
Dfl	34.00	53.40	46.20	35.96	58.72	36.87	64.49

Dutch cooperation has been in the field of birth control projects, increasing food-production, amelioration of agricultural infrastructure and amelioration of general health services, drainage program.

3. Cultural cooperation

A cultural agreement was concluded between the Kingdom of the Netherlands and the United Arab Republic in 1960.

Cultural ties are extensive. There is cooperation between the faculties of biology and agriculture of the Municipal University of Amsterdam and Cairo University, respectively. The subfaculty of science of the Free (protestant) University of Amsterdam has contacts with Mansura University, and Cairo University (concerning laser technology).

There is cooperation of long standing between the subfaculty of archeology of Leiden University and Egyptian archeologists. A Netherlands Institute has been established in Cairo. The Catholic University of Nijmegen has contacts in the field of the study of Arabic and Arabic Literature.

In 1986, 48 Egyptian students followed advanced/graduate courses at Dutch institutes in the fields of applied and social science, agriculture and medicine.

IV IRAQ

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	495,587	706,756	780,961	453,003	546,437	534,882	293,381
imports	276,380	75,230	282,537	364,979	729,664	869,745	810,712
balance	+ 219,207	+ 631,526	+ 498,424	+ 88,024	- 183,227	- 334,863	- 517,331

Exports consist of a great variety of agricultural and industrial products (e.g. items for telecommunication).
Imports consist mainly of crude and refined oil.

There exists an agreement on economic and technical cooperation between the Kingdom of the Netherlands and the Republic of Iraq (1983).

2. Development cooperation

Dutch aid: in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.1	0.1	0.0	0.0	0.0	0.1	0.07
Dfl	0.20	0.25	-	-	-	0.33	0.17

3. Cultural cooperation

In 1986, 10 Iraqi students followed graduate courses of applied sciences, agriculture and medicine at Dutch institutes of learning.

V JORDAN

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	100,212	136,326	261,307	173,714	196,796	206,872	172,818
imports	759	609	3,916	1,624	2,948	5,910	4,864
balance	+ 99,453	+ 135,717	+ 257,391	+ 172,090	+ 193,848	+ 200,962	+ 167,954

Exports consist of a great variety of agricultural and industrial products.
Imports consist of agricultural and industrial products.

There exists an agreement on economic and technical cooperation between the Kingdom of the Netherlands and the Hashemite Kingdom of Jordan (1978), as well as on international road transport (1975).

2. Development cooperation

Dutch aid: in 1,000,000 US dollars, and Dutch guilders.

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.7	0.9	0.4	0.3	0.8	0.1	0.37
Dfl.	1.39	2.25	1.07	0.86	2.57	0.33	0.91

3. Cultural Cooperation

The municipal university of Amsterdam maintains ties with Bir Zeit University.

Leiden University cooperates in the field of archeology with Jordan.

The Catholic University of Nijmegen maintains contacts with the Academy for the Arabic Language, Amman.

VI KUWAIT

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	204,096	344,519	318,363	269,894	373,144	350,463	298,297
imports	<u>2 810,968</u>	<u>2 506,535</u>	<u>1 131,699</u>	<u>1 868,200</u>	<u>2 779,240</u>	<u>3 108,734</u>	<u>1 533,321</u>
balance	+2 606,872	-2 162,016	- 813,336	- 1 598,306	-2 406,096	-2 758,271	-1 235,024

Exports consist of a great variety of agricultural and industrial products (e.g. items for telecommunication).

Imports consist of a number of industrial products and, mainly, crude and refined oil.

There exists an agreement on economic and technical cooperation between the Kingdom of the Netherlands and the State of Kuwait (1983), also on aviation (1973).

VII LEBANON

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	144,340	192,270	200,437	198,414	242,776	179,928	141,270
imports	<u>5,294</u>	<u>5,239</u>	<u>6,114</u>	<u>6,430</u>	<u>8,389</u>	<u>14,157</u>	<u>11,164</u>
balance	+ 139,046	+ 187,031	194,323	191,984	234,387	165,771	130,106

Exports consist of a great variety of agricultural and industrial products.
Imports consist of raw materials, industrial products.

2. Development cooperation

Dutch aid: in US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.3	0.3	2.1	1.6	1.2	0.8	0.5
Dfl	0.60	0.75	5.61	4.57	3.85	2.66	1.23

3. Cultural cooperation

The Catholic University of Nijmegen maintains contacts concerning cooperation in teaching Arabic and Arabic literature with the American University of Beirut.

VIII LIBYA

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	330,030	668,615	513,036	702,367	593,343	446,164	393,346
imports	<u>508,760</u>	<u>591,576</u>	<u>1 385,868</u>	<u>2 821,223</u>	<u>1 288,701</u>	<u>1 501,036</u>	<u>337,489</u>
balance	- 178,730	+ 77,039	- 872,832	-2 118,856	- 695,358	-1 054,872	+ 55,857

Exports consist of a great variety of agricultural and industrial products.
Imports consist mainly of crude and refined oil.

IX MAURETANIA

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	43,668	71,076	55,729	60,023	26,097	53,608	39,896
imports	5,238	17,453	1,959	14,802	725	1,390	261
balance	+ 38,430	+ 53,623	+ 53,770	+ 45,221	25,372	52,218	39,635

Exports consist of a variety of agricultural and industrial products.

Imports consist of machinery.

2. Development cooperation

Dutch aid: in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	4.7	4.5	1.0	2.8	2.7	2.5	3.87
Dfl	9.34	11.23	2.67	7.99	8.66	8.30	9.48

There exists an agreement between the Kingdom of the Netherlands and the Islamic Republic Mauretania on cooperation in the development of agricultural areas around villages (1983).

Cooperation has been concentrated on projects of irrigation for agriculture. Food-aid was also given.

3. Cultural cooperation

In 1986, 6 Mauritanian students followed advanced courses of agricultural science in the Netherlands.

X MOROCCO

1. Economic relations

Bilateral trade: in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	220,123	259,027	263,168	237,964	203,556	223,714	246,401
imports	<u>256,870</u>	<u>235,514</u>	<u>248,834</u>	<u>250,725</u>	<u>257,297</u>	<u>300,953</u>	<u>192,128</u>
balance	- 36,747	+ 23,513	14,334	- 12,761	- 53,741	- 77,239	+ 54,273

Exports consist of a great variety of agricultural and industrial products (e.g. items for telecommunication).

Imports consist of a great variety of agricultural and industrial products.

There exists between the Kingdom of the Netherlands and the Kingdom of Morocco an agreement on international roadtransport of persons and goods (1982); also an agreement on economic cooperation (1971).

2. Development cooperation

Dutch aid in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.8	0.6	0.2	0.2	1.6	0.9	0.09
Dfl	1.59	1.50	0.53	0.57	5.13	2.99	0.22

3. Cultural cooperation

A cultural agreement exists between the Kingdoms of Morocco and the Netherlands.

The Free (protestant) University of Amsterdam cooperates with its counterparts in Fez and Rabat on the subject of French language, semitic languages, general comparative linguistics, theology.

XI OMAN

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	97,096	107,920	230,711	187,444	218,289	317,934	229,698
imports	<u>141,943</u>	<u>137,772</u>	<u>261,748</u>	<u>331,446</u>	<u>3,864</u>	<u>1,114</u>	<u>473</u>
balance	- 44,847	- 29,852	- 31,037	- 144,002	214,425	316,820	229,225

Exports consist of a variety of agricultural and industrial products.

Imports consist of some agricultural and industrial products.

There exists between the Kingdom of the Netherlands and the Sultanate Oman an agreement on aviation (1983).

XII QATAR

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	57,764	58,580	114,742	92,545	83,984	104,427	67,052
imports	<u>1 470,676</u>	<u>1 745,000</u>	<u>309,311</u>	<u>227,307</u>	<u>563,916</u>	<u>255,688</u>	<u>139,253</u>
balance	-1 412,912	-1 686,420	- 194,569	- 134,762	- 479,932	- 151,261	- 72,201

Exports consist of a great variety of agricultural and industrial products.
Imports consist almost exclusively of crude oil.

There exists between the Kingdom of the Netherlands and the State of Qatar an agreement on aviation (1980).

XIII SAUDI ARABIA

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	2 181,389	2 636,190	2 513,583	2 457,678	2 297,386	1 681,018	1 152,249
imports	8 664,847	11 420,529	3 966,637	1 473,770	1 440,518	2 470,356	2 582,546
balance	-6 483,458	- 8 784,339	- 1 453,054	+ 983,900	+ 856,868	+ 789,338	-1 430,297

Exports consist of raw materials, agricultural and industrial goods in great varieties.
Imports consist of crude and refined oil, and industrial goods.

There exists an agreement on economic and technical cooperation between the Kingdom of the Netherlands and the Kingdom of Saudi Arabia (1984), as well as on agreement on aviation (1985).

A Dutch company constructed the Bahrain-causeway.

3. Cultural cooperation

In 1986, 32 Saudi Arabian students followed advanced courses at Dutch institutes of learning in the field of applied sciences (particularly at the Institute of Aerospace Survey and Earth Sciences), social and agricultural sciences.

XIV SUDAN

17.

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	89,700	145,714	182,749	169,186	154,390	191,663	159,908
imports	<u>7,257</u>	<u>22,350</u>	<u>25,445</u>	<u>38,547</u>	<u>23,613</u>	<u>11,498</u>	<u>11,784</u>
balance	+ 82,443	123,364	157,304	130,639	130,777	180,165	148,124

Exports consist of a variety of agricultural and industrial goods.

Imports consist of food products.

There exists an agreement on economic and technical cooperation between the Kingdom of the Netherlands and Sudan (1970).

2. Development cooperation

Dutch aid in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	45.6	34.8	26.3	34.4	28.0	27.8	52.47
Dfl	90.66	86.83	70.23	98.18	89.84	92.34	128.55

Cooperation has been concentrated on the amelioration of food production, health services and rural provision of drinking-water, as well as reforestation, road-construction and energy projects.

3. Cultural cooperation

Leiden University (faculty of astronomy and physics) maintains contacts with its counterpart in Khartoum.

The Catholic University of Nijmegen had contacts with the International Institute for the Arabic language at Khartoum.

In 1986, 36 Sudanese students followed advanced courses at Dutch institutes of learning, studying applied sciences, social and agricultural sciences, and medicine.

XV SYRIA

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	229,808	254,460	242,448	269,090	308,127	302,985	142,950
imports	<u>50,684</u>	<u>2,156</u>	<u>19,175</u>	<u>876</u>	<u>9,020</u>	<u>35,520</u>	<u>45,728</u>
balance	+ 179,124	+ 252,304	+ 223,273	+ 268,214	+ 299,107	+ 267,465	+ 97,222

Exports consist of a great variety of agricultural and industrial goods.
Imports consist mainly of tobacco, refined oil products, clothes.

There exists an agreement between the Kingdom of the Netherlands and the Syrian Arab Republic on the establishment of a training center for the stock breeding of dairy cattle (1982).

2. Development cooperation

Dutch aid in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.4	0.5	0.7	0.4	0.3	0.3	0.34
Dfl	0.80	1.25	1.87	1.14	0.96	1.00	0.83

3. Cultural cooperation

In 1986, 11 Syrian students followed advanced courses of applied science, social and agricultural sciences at Dutch institutes of education.

XVI TUNISIA

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	174,811	222,490	229,347	189,324	233,439	191,041	211,237
imports	188,833	149,012	129,050	122,208	124,414	125,403	141,428
balance	14,022	+ 73,478	+ 100,297	67,116	109,025	65,638	69,809

Exports consist of a great variety of agricultural and industrial products.
Imports consist of agricultural products, raw materials and industrial products.

There exists an agreement on trade (Benelux-Tunisia) (1958) and an agreement on the protection of investments (1963).

2. Development cooperation

Dutch aid in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	7.7	3.6	2.3	2.1	6.2	3.2	7.73
Dfl	15.31	8.98	6.14	5.99	19.89	10.63	18.93

Concentration of cooperation was directed toward rural development and slum rehabilitation.

3. Cultural cooperation

A cultural agreement exists between the Republic of Tunisia and the Kingdom of the Netherlands (1960).

The Catholic University of Nijmegen maintains contacts with the Bourguiba Institute in Tunis, on the subject of Arabic and Arabic literature.

In 1986, 9 Tunesian students followed advanced courses of applied and agricultural science at Dutch institutes of learning.

XVII UNITED ARAB EMIRATES

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	365,098	446,541	540,061	497,979	561,494	505,208	436,816
imports	<u>925,961</u>	<u>769,043</u>	<u>895,157</u>	<u>462,212</u>	<u>70,694</u>	<u>665,116</u>	<u>88,237</u>
balance	- 560,863	- 322,502	- 355,096	+ 35,767	490,800	- 159,908	+ 348,579

Exports consists of live animals, agricultural products, industrial products in great variety.
Imports consist mainly of crude oil and refined oil products, also of machinery.

XVIII YEMEN ARAB REPUBLIC

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	118,930	105,861	155,362	172,335	261,123	297,440	205,474
imports	<u>350</u>	<u>995</u>	<u>4,729</u>	<u>196</u>	<u>22,087</u>	<u>28,161</u>	<u>318</u>
balance	118,580	104,866	150,633	172,139	239,036	269,279	205,156

Exports consist of live animals, agricultural and industrial goods.
Imports consist of refined oil products.

There exists between the Kingdom of the Netherlands and the Yemen Arab Republic an agreement on reciprocal encouragement and protection of investments (1985), and on technical cooperation (1978).

2. Development cooperation

Dutch aid in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	19.6	20.4	12.7	11.0	13.4	12.8	22.72
Dfl	38.96	50.90	33.91	31.40	43.00	42.51	55.66

There exists between the Kingdom of the Netherlands and the Yemen Arab Republic an agreement on the employment of Dutch volunteers (1981).

Cooperation has been concentrated upon rural development projects (health care, provision of drinking-water, agricultural development).

3. Cultural cooperation

In 1986, 8 Yemenite students followed advanced courses of applied, social and agricultural science at Dutch institutes of learning.

XIX YEMEN PEOPLE'S REPUBLIC

1. Economic relations

Bilateral trade in 1,000 Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
exports	64,595	121,596	98,389	101,723	119,016	121,309	56,618
imports	<u>26,109</u>	<u>84</u>	<u>23,749</u>	<u>15,705</u>	<u>69,132</u>	<u>19,914</u>	<u>4,075</u>
balance	38,486	121,512	74,640	86,018	49,884	101,395	52,543

Exports consist of a variety of agricultural and industrial products.
Imports exist of products of refined oil.

2. Development cooperation

Bilateral Dutch aid in 1,000,000 US dollars and Dutch guilders

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$	0.0	0.0	0.1	0.4	-	0.3	0.03
Dfl	-	-	0.27	1.14	-	1.00	0.07

Dutch energy imports and exports

1. Crude oil, natural gas liquids, and refinery feedstocks, in thousand metric tons.

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
a. total exports	21	55	41	222	463	1961	1323
total imports	<u>49915 -</u>	<u>38686 -</u>	<u>37227 -</u>	<u>40211 -</u>	<u>44592 -</u>	<u>39547 -</u>	<u>46749 -</u>
balance	-49894	-38631	-37186	-39989	-44129	-37586	-45426
b. <u>Arab suppliers</u>							
Algeria	526	323	1665	2211	2476	2546	2704
Bahrein	-	-	-	-	799	-	-
Egypt	158	96	188	139	270	218	-
Iraq	650	113	365	141	1038	1002	3133
Kuwait	5536	3249	1168	2362	2995	2968	3747
Libya	563	705	1464	3903	1787	1804	870
Saudi Arabia	18826	15961	5153	2040	1365	3076	9800
Qatar	2878	2299	438	306	769	356	323
United Arab Emirates	1985	1084	1253	670	77	303	215
c. <u>Other important suppliers</u>							
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Iran	615	466	6998	6855	7653	4401	4062
Mexico	298	982	1648	2712	3689	2791	1105
Nigeria	10765	4975	2289	2840	3543	2872	3407
Norway	1733	1399	1787	3048	3564	2654	5298
UK	3814	4200	7659	7618	7815	10480	9127
USSR	525	821	2287	2282	4004	2178	955

Exports: almost entirely to OECD-countries (Belgium, France, Germany, UK).

II Total products, in thousand metric tons

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
a. total exports	40915	40180	45838	50831	51494	50238	54509
total imports	<u>28549 -</u>	<u>31901 -</u>	<u>36399 -</u>	<u>36448 -</u>	<u>32455 -</u>	<u>36613 -</u>	<u>40098 -</u>
balance	+ 12366	+ 8279	+ 9439	+ 14383	+ 19039	+ 13625	+ 14411
b. <u>Arab suppliers</u>							
Algeria	1371	1224	1621	1258	2281	2663	2421
Bahrein	24	93	57	-	-	-	25
Egypt	36	18	65	146	85	58	4
Iraq	18	-	-	-	-	63	174
Kuwait	387	445	693	845	1644	1901	2256
Libya	377	206	452	187	145	695	530
Saudi Arabia	589	1169	574	372	480	478	1009
Quatar	-	19	-	-	-	-	-
United Arab Emirates	12	87	27	6	53	-	515
c. <u>Other important suppliers</u>							
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Belgium	3827	4229	2622	3891	2993	3071	4447
Finland	382	996	1117	1431	1418	1385	1133
Germany	1551	2138	2265	1975	1822	1630	1073
Spain	128	361	1373	1201	1421	1278	1251
United Kingdom	2879	3035	2488	2620	3064	3831	4363
USSR	6710	7443	10300	11208	9515	9564	9764

d. Arab customers	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Algeria	no data	no data	-	-	22	13	11
Egypt			-	-	69	3	1
Kuwait			-	-	3	2	15
Libya			-	-	12	4	3
Saudi Arabia					60	34	11

The bulk of the total products exports goes to OECD countries.

Source: OECD/IEA, Quarterly Oil and Gas Statistics

ARAB THOUGHT FORUM
AMMAN



منتدى الفكر العربي
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German-Arab Relations

A Survey of current bilateral
Relations between the Federal
Republic of Germany and 19
Arab States.

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GERMAN - ARAB RELATIONS.
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Relations between the Federal
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A. INTRODUCTORY REMARKS

The following paper presents a concise survey of the bilateral relations - political, economic, and cultural - between the Federal Republic of Germany and 19 Arab states.*

Historical and cultural aspects of German-Arab relations have not been dealt with intensively. A comprehensive book, covering all aspects of the relationship, has been published a few years ago in Germany: Karl Kaiser and Udo Steinbach (eds.), Deutsch-arabische Beziehungen, Munich/Vienna 1981 (Oldenbourg), Research Institute of the Deutsche Gesellschaft für Auswärtige Politik. (Unfortunately, this book has not yet been translated into Arabic or English).

The figures on bilateral trade presented in the following survey, are always in Million (m) Deutsche Mark (current prices; imports - c.i.f., exports - f.o.b.); source: Statistisches Jahrbuch, various editions, Statistisches Bundesamt Wiesbaden.

Bilateral co-operation in development comprises of mainly financial and technical co-operation. Financial co-operation is loans on favourable terms. Since 1978 the less developed countries have received grants without payment. Technical co-operation, granted free of charge, aims at providing technical, economic, and organizational skills and knowledge. It consists of the following items: dispatch or financing of experts, delivery or financing of equipment, grants for the payment of salaries for local and foreign experts, professional training, and grants for programmes and projects in developing countries. "Technical co-operation against payment" is designed for those countries, who can afford to take upon the costs. In principal it comprises of the same services already mentioned.

* The other two member-states of the Arab League, Djibouti and Somalia, are considered as African states in Germany.

B. COUNTRY REPORTS

I. ALGERIA

1. Political relations

Bilateral relations, which had been discontinued in May 1965 and resumed in December 1971, are mainly taking care of the intensive economic exchange. The political dialogue has been promoted on high levels since 1974. Towards the conflict in the Western Sahara the Federal Republic of Germany maintains strict neutrality.

2. Economic relations

There is no general trade agreement. A joint committee exists as from January 1981. An aviation agreement was concluded in May 1976.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	5 326	3 826	3 167	2 797	4 112	1 917
exports	2 816	3 282	2 478	2 491	2 898	1 802
balance	- 1 510	- 544	- 689	- 306	- 1 214	- 115

German imports: mainly oil and oil products. The main items of German exports: engine building products, road vehicles, food, iron, and steel.

3. Development co-operation

The main projects are in forestry, use of solar energy, training of experts (esp. oil products), sheep breeding, and environment protection. A laboratory for regional environment protection is in preparation.

The financial co-operation until the end of 1986 amounted to 325 m DM. The technical co-operation until the end of 1986 amounted to 165,1 m DM (in the year 1986 to 12 m DM). Other forms of co-operation reached 87,3 m DM.

4. Cultural co-operation

There is one cultural institute (Goethe Institute) in Algiers with appr. 600 language pupils during one half-year term.

II. BAHRAIN

1. Political relations

Political relations, established in 1973, have been without any bilateral problems; they are called "cordial".

2. Economic relations

There are no agreements on economic co-operation, technical co-operation, or on double taxation. German direct investments are not yet considerable.

Bilateral trade:

	1983	1984	1985	1986
German imports	22	24	52	69
exports	384	328	296	281
balance	+ 362	+ 304	+ 244	+ 212

German imports: mainly aluminum. (Since 1984 oil and oil products have no longer been imported.) German exports: mainly engines, road vehicles, electro-technical products, iron and ironware, chemical products, food, precision mechanics, and optical products.

3. Development co-operation

Public technical co-operation amounted to 0,477 m DM (until the end of 1984). Private co-operation on market conditions reached 132,4 m DM (end of 1984).

III. EGYPT

1. Political relations

Bilateral relations (since 1952) had been discontinued in May 1965 and resumed in June 1972. Today they are marked by regular contacts and meetings on the highest level and by an intensive exchange of visitors in all spheres and on all levels. The relations are called "trustful and cordial".

2. Economic relations

Mutual agreements have been concluded on trade (1951), commodities (1956), protection and promotion of investments (1974), and double taxation (a new agreement is in preparation).

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	634	1 053	767	1 364	1 576	429
exports	2 540	2 774	2 952	3 214	3 150	2 513
balance	+ 1 906	+ 1 721	+ 2 185	+ 1 850	+ 1 574	+ 2 084

German imports: mainly oil, oil products, metals, and textiles. German exports: mainly machines, road vehicles, iron and steel, and chemical products.

German direct investments were at the end of 1986 more than 1,1 billion DM (mainly in the oil sector).

3. Scientific-technological co-operation

Mutual agreements on science (1979) and on the peaceful use of nuclear energy (1981) have been concluded. After the general agreement of 1979 several single agreements have been made, on the German side mainly by the nuclear research center (Kernforschungsanlage) Jülich.

The main areas of co-operation are: alternative energies; nuclear safety; study on the development of electrotechnical and electronic industries in Egypt. New projects are under consideration (gene technology, production techniques, environment protection, and information media).

4. Development co-operation

Egypt is one of the "focal points" of German development co-operation; she ranks third after India and Turkey. Since 1973 annual agreements on financial co-operation have been made. Until the end of 1986 the German government has pledged to provide 3 731,6 m DM (for the year 1986: 235 m DM). Loans for technical co-operation, food aid, scholarships, and projects of the churches and political foundations amounted to 450 m DM (until the end of 1986; in the year 1986 35 m DM for technical co-operation and 50 m DM for food aid have been provided).

The co-operation has concentrated on basic necessities of the poor social strata, the increase of productivity in agriculture and industries, the building economy, and on the professional training. At the end of 1986 98 projects have been carried out, 47 experts have been working in the country, and 1 385 scholars have been supported.

5. Trade unions

Since 1978 close contacts have been established between the single trade unions of the German Trade Union Federation (Deutscher Gewerkschaftsbund, DGB) and their Egyptian counterparts.

6. Cultural relations

A general agreement on the German cultural institutions in Egypt has been concluded in 1984.

Three German schools (two in Cairo, one in Alexandria) are supported by the German government. Two cultural institutes (Goethe I.) are based in Cairo and Alexandria. There is one central library for German scientific literature. The German Academic Exchange Service (DAAD) is represented by a branch office in Cairo, supporting Egyptian universities and promoting German language at three Cairo universities.

Scholarships and the exchange of scientists are provided by the DAAD and the Alexander-von-Humboldt-Foundation. 2 277 Egyptian students and scientists have studied or graduated at German universities from 1960 to 1986. In 1978 a special exchange programme has been established for Egyptian scientists. Several co-operation agreements exist between universities in both countries:

Cairo University - University of Marburg and Technical University Berlin.

Ain Shams University (faculty of pedagogics) - University of Braunschweig, University of Erlangen/Nürnberg, and University of Essen.

Several projects of the German Archeological Institute, based in Cairo, have been carried out in close co-operation with the Egyptian authorities. Beyond this, several German excavation teams are working independently in Egypt.

Professional training has been provided by the Carl-Duisberg-Foundation.

The youth exchange has been lively: since 1981 more than 500 persons have travelled annually in each direction. In 1985 appr. 113 000 German tourists visited the country.

IV. IRAQ

1. Political relations

Bilateral relations, which had been discontinued in 1965 and resumed in 1974, are normal. There are high level meetings and an intensive economic co-operation.

2. Economic relations

An agreement on economic and scientific-technological co-operation has been concluded in 1981. Meetings of the joint economic commission have taken place in 1982, 1983, and 1985. Agreements on the conversion of Iraqi debts have been concluded in 1986 and 1987.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	177	563	1 002	1 368	367	228
exports	6 592	7 599	3 684	2 449	2 452	1 436
balance +	6 415	+ 7 036	+ 2 682	+ 1 081	+ 2 085	+ 1 208

German imports: mainly oil and oil products. German exports: mainly machines, road and other vehicles, and chemicals.

3. Development co-operation

Technical co-operation until the end of 1986 amounted to 10,2 m DM. Since 1978 this co-operation was for regular payment. Other forms of co-operation until the end of 1986 reached 27,2 m DM.

4. Cultural exchange

Takes place on a relatively low level. A cultural agreement has been in force since 1983. Besides the German Archeological Institute in Bagdad there is no other German cultural institute in Iraq.

V. JORDAN

1. Political relations

Relations, which had been discontinued in May 1965 and resumed in 1967, are called "cordial". There are frequent regular meetings on highest levels.

2. Economic relations

An agreement on the promotion and protection of investment came into force in 1974. German direct investments have reached a level between 2 and 3 m DM.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	14	13	20	53	50	30
exports	965	974	576	526	584	398
balance	+ 951	+ 961	+ 556	+ 473	+ 534	+ 368

German imports: mainly metal ore and machines. German exports: mainly road vehicles, machines, electrotechnical products, food, pharmaceutical and cosmetic products.

3. Development co-operation

Financial co-operation has reached a volume (until the end of 1986) of 178,4 m DM (in 1985/86 40 m DM). Main projects have been: infrastructure (railway), rural development and agriculture (Jordan valley), enlargement of electricity and water supply, industrialization of small and medium-sized industries, health system. Technical co-operation has reached a volume (until the end of 1986) of 30,9 m DM (in 1985/86 7,6 m DM). Other forms of co-operation amounted to 69,7 m DM.

A new agreement on financial and technical co-operation for the years 1987/88 has been signed in August 1987.

Appr. 30 projects have been carried out in agriculture, cooperative trading systems, management of forests, geology, training of experts, infrastructure and regional planning, and the equipment of the police.

More than 20 German short- and long-term experts are present in the country. Food aid is granted bilaterally and under the auspices of the European Community to Jordan authorities and to international organizations (UNRWA); the Arab population in the occupied Westbank also receives German aid.

4. Cultural co-operation

is based on the cultural agreement (in force since 1981). The first joint meeting of the cultural commission took place in October 1986.

The German Academic Exchange Service (DAAD) grants a large number of graduation scholarships. It also supports the exchange of scientists. There is a partnership between Yarmouk University of Irbid and the University of Tübingen. (Until the end of 1986 a total of 175 scholarships were granted, 14 in 1986.)

Two lecturers in German language are working at Jordanian universities; since 1986 a third one is present at Birzeit University (Westbank). The Goethe Institute is represented in Amman. The German language is taught in several schools. Four major archeological projects are carried out.

Institutions of the German churches are present in Amman, East-Jerusalem, and the Westbank (Theodor-Schneller-School in Amman; Evangelical congregation in East-Jerusalem; German Evangelical Institute for the Ancients' Research in East Jerusalem).

Three political foundations (Konrad-Adenauer-F., Friedrich-Ebert-F., and Friedrich-Naumann-F.) are represented in Jordan.

VI. KUWAIT

1. Political relations

Consular relations exist since 1963, since 1973 diplomatic relations. The bilateral relations are without problems.

2. Economic relations

An agreement on avoiding double taxation of income and property has been initialed in 1986.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	623	517	931	986	741	377
exports	1 409	1 977	1 771	1 790	1 483	1 044
balance	+ 786	+ 1 460	+ 840	+ 804	+ 742	+ 667

German imports: mainly oil and oil products. German exports: mainly road vehicles, electrical machines and equipment, iron and steel, machines and dairy products.

3. Scientific-technological co-operation

A basic agreement has been signed in 1979. There are several projects: Use of solar energy and sea water desalination (in co-operation with the Kuwait Institute for Scientific Research); water purification techniques, treatment of oil pollution, and hothouse techniques.

4. Cultural co-operation

There is no general cultural agreement. Co-operation has been virtually non-existent. (One basic problem is the scant knowledge of the German language.)

VII. LEBANON

1. Political relations

Diplomatic relations were discontinued in 1965 and resumed in 1972.

2. Economic relations

Agreements on protection of industrial property and on aviation (1961/74) have been signed.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	13	10	13	16	23	15
exports	502	594	582	490	383	311
balance	+ 489	+ 584	+ 569	+ 474	+ 360	+ 296

German imports: mainly textiles, agricultural products, metals and leather goods. German exports: mainly road vehicles, chemical products, machines, ironware, food, and electrotechnical products.

German direct investments have been appr. 4 m DM (1982).

3. Development co-operation

Agreements have been signed on financial aid (1975/77) and on technical aid (1961 and 1969).

Financial co-operation until the end of 1986 amounted to 20 m DM, technical co-operation 20,1 m DM. Other forms of co-operation: 131,8 m DM. Major projects (partially not carried out, due to the circumstances in the country) have been: reconstruction, telecommunication, water supply, traffic regulations, and professional training. 17 professional scholarships have been granted.

4. Cultural co-operation

Despite the lack of a formal cultural agreement there has been a considerable German presence. Due to the specific security problems in parts of the country this presence has been considerably reduced since 1984 and 1986. (The Goethe Institute had a dependency in Beirut with a branch

in Tripoli. There was a German school and a research institute for oriental studies in Beirut. One lecturer for the German language had been at the American University of Beirut. The Protestant Church has run several projects. German radio and TV correspondents had been based in Beirut.) Several scholarships are offered to Lebanese students and researchers.

VIII. LIBYA

1. Political relations

are scarcely developed and at the moment very much reduced.

2. Economic relations

were until recently considerable and are now declining.

Bilateral trade:

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
German imports	7 417	7 232	6 316	6 166	6 275	2 155
exports	3 380	2 835	2 142	2 285	1 541	1 108
balance	- 4 037	- 4 397	- 4 174	- 3 881	- 4 734	- 1 047

German imports: to 99% oil. German exports: mainly machines, road vehicles, and production equipment.

3. Development co-operation

took place mainly before 1975. Presently there is only some minor technological co-operation "against payment".

4. Cultural co-operation

is virtually non-existent. (There is a German school in Tripolis. A second school is run in connection with projects of the German enterprises.)

IX. MOROCCO

1. Political relations

are without problems. Political contacts take place on high levels. Towards the conflict in the Western Sahara the Federal Republic of Germany maintains strict neutrality.

2. Economic relations

Agreements exist on double taxation, promotion of investments, aviation, navigation and road traffic.

Bilateral trade:

	1980	1981	1982	1983	1984	1985	1986
German imports	507	482	535	550	580	603	591
exports	431	492	522	485	516	646	655
balance	- 76	+ 10	- 13	- 65	- 64	+ 43	+ 64

German imports: mainly vegetables and fruits, clothing, and carpets.

German exports: mainly machines, iron and steel, and textiles.

3. Development co-operation

There are agreements on technical co-operation and on the conversion of debts (1984 and 1986). Main projects have been: rural development (agriculture and fishery) and supply of drinking-water. The technical co-operation until the end of 1986 amounted to 212,4 m DM (in 1986: 10,6 m DM). The financial co-operation until the end of 1986 reached 1 458,5 m DM (in 1986: 60 m DM). Other forms of co-operation altogether: 143,9 m DM.

4. Cultural co-operation

A cultural agreement does not exist. The Goethe Institute is represented in Rabat and Casablanca. Scholarships are available for Moroccan students and scholars (annually up to 5 from the DAAD and additional scholarships from other institutions). The Konrad-Adenauer-Foundation is represented; the Friedrich-Ebert-F. and Friedrich-Naumann-F. have run projects in the country.

More than 100 000 German tourists are visiting the country annually.

X. MAURETANIA

1. Political relations

are called "friendly". German development aid, which is granted without any political purposes, is highly esteemed.

2. Economic relations

There is no trade agreement. An agreement on protection and promotion of investment has been in force since 1986.

Due to structural preconditions trade relations are not very intensive:

	1980	1981	1982	1983	1984	1985	1986
German imports	38	36	34	26	26	42	28
exports	26	50	45	80	91	68	45
balance	- 12	- 14	- 11	+ 54	+ 65	+ 26	+ 17

German imports: mainly metal ore. German exports: mainly machines, food, road vehicles, and clothing.

3. Development co-operation

Main projects are: irrigation, dam construction, rural development, promotion of infrastructure (water supply, Senegal ferry), and safeguarding of food supply.

The financial co-operation amounted to 178,7 m DM (105,7 m loans, 73,1 m subsidies/grants). The technical co-operation has reached a total volume of 98,9 m DM. Other forms of co-operation altogether 109,6 m DM.

Presently there are 14 projects with 34 specialists in the country. There is also one joint German-French project.

4. Cultural co-operation

A joint research project on Arab handwritings is being carried out by the University of Tübingen and the Institut Mauretaniens de Recherche Scientifique, supported by the German Research Society (Deutsche Forschungsgemeinschaft, DFG).

There is also co-operation in sport, radio, and TV.

XI. OMAN

1. Political relations

are without any problem and called "friendly". (Diplomatic relations have been established in 1972.)

2. Economic relations

Agreements exist on technical and economic co-operation and on the protection of investments. The joint economic commission had its third meeting in Nov./Dec. 1986.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	1 558	1 072	140	59	26	15
exports	221	395	433	608	577	371
balance	- 1 337	- 677	+ 293	+ 549	+ 551	+ 356

German imports: mainly metals (copper). German exports: mainly road vehicles, electrical and other machines, iron and steel.

3. Development co-operation

The main field is the procurement of skilled labour (town planning, professional schools, and banking).

Future projects of technological co-operation (agreed in Nov. 1986): agriculture, fishing, mining, energy, health system, promotion of investments, and professional schools (mainly employing experts on a short-time basis).

XII. QATAR

1. Political relations

are mainly based on economic exchange. (Diplomatic relations have been established in 1974.)

2. Economic relations

Bilateral trade:

	1980	1981	1982	1983	1984	1985
German imports	96	205	275	458	340	5
exports	169	295	364	300	248	300
balance	+ 73	+ 90	+ 89	- 158	- 92	+ 295

German imports in 1985: mainly machines and vehicles (in the years before more than 90% were oil and oil products). German exports in 1985: mainly road vehicles, machines, organic chemicals, and metal goods.

3. Cultural co-operation

There is no German cultural representative in Qatar.

A rising number of Qatari tourists and patients visiting hospitals in the Federal Republic has been observed in recent years.

XIII. SAUDI ARABIA

1. Political relations

Regular contacts and meetings take place on highest levels. Political relations, which had been discontinued in May 1965 and resumed in September 1973, are called "close and friendly"; nevertheless there have been certain minor strains.

2. Economic relations

An agreement exists on the protection of investments. A joint economic commission (on the level of ministers) has been established. There is also the "Businessmen's Dialogue" (the first meeting of economic representatives took place in November 1986).

Appr. 150 German companies are in Saudi Arabia with their own representatives.

Bilateral trade:

	1980	1981	1982	1983	1984	1985	1986
German imports	9 907	14 503	10 566	4 001	2 828	2 186	1 894
exports	4 296	6 196	8 541	7 606	6 307	5 235	3 370
balance	-5611	- 8 407	- 2 025	+ 3 605	+ 3 479	+ 3 049	+1 476

German imports: mainly oil and oil products. German exports: mainly road vehicles, machines, iron and steel, and metal hardware.

3. Scientific and technical co-operation

There are agreements on scientific and technical co-operation. Technical co-operation is "against payment": more than 300 German experts are engaged in professional training, in hospitals, and in other institutions (e.g. advisors in ministries). There is also co-operation in improving internal security.

4. Cultural co-operation

A cultural agreement is under negotiations. In scientific co-operation 15 German professors are teaching at King Fahd University of Dhahran; there are also guest lecturers at the universities of Riyadh and Jiddah.

Several Saudi Arabian students are studying at German universities. 3 German schools exist in Riyadh, Jiddah and Dhahran. Lecturers of the German language are teaching at the universities of Riyadh and Jiddah.

XIV. SUDAN

1. Political relations

Political relations, discontinued in 1965 and resumed in 1971, are without any bilateral problems.

2. Economic relations

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	85	81	93	141	95	64
exports	241	231	213	206	329	188
balance	+ 156	+ 150	+ 120	+ 65	+ 234	+ 124

German imports (1985): mainly cotton, cattle, and gum arabic. German exports (1985): mainly ready-made articles, oil and oil products, machines, food, chemicals, and road vehicles.

3. Development co-operation

The main projects of technical co-operation are: infrastructure, professional training, new energy resources, agriculture and the health system. The volume until the end of 1986 amounted to 467,7 m DM (in 1986: 10,5 m DM).

The main projects of financial co-operation (all grants) are traffic infrastructure and energy supply. The volume until the end of 1986 amounted to 1 222,9 m DM (in 1986: 40 m DM). Other forms of co-operation have reached a volume of 302,2 m DM.

The following political foundations are represented in the country and are running projects: Friedrich-Ebert-F., Friedrich-Naumann-F., and Hanns-Seidel-F.

The catholic and protestant churches are engaged in rural development projects and the health system.

The Land Niedersachsen of the Federal Republic has granted 6 m DM in the last years for project aid.

4. Cultural co-operation

There are partnerships between the University of Khartum and the universities of Hamburg, Göttingen, Bayreuth, and the veterinary institute of Hannover. The Gezira University of Wad Medani has a partnership with the University of Hohenheim/Stuttgart.

Several German scientists payed long-term visits to Sudanese universities, several Sudanese researchers and lecturers received scholarships to study or teach at German universities. Donations (books, equipment etc.) for Sudanese universities have proved to be important.

Since 1986 a lecturer is teaching the German language at the University of Khartum.

The Goethe Institute is represented in the Sudanese capital. The National Theatre of Omdurman and several ethnographic, ethnological, and archeological projects receive support.

XV. SYRIA

1. Political relations

Political relations, discontinued in 1965 and resumed in 1974, have been throughout normal. Bonn ordered a degradation of relations for a time (November 1986 - May 1987), after a German court had found evidence that Syrian secret services had been involved in terrorist activities in Berlin.

2. Economic relations

The Federal Republic of Germany is one of the most important economic partners of Syria. An agreement on the protection of investments has been signed in 1977 and ratified in 1980.

Bilateral trade:

	1980	1981	1982	1983	1984	1985	1986
German imports	236	338	250	322	747	841	221
exports	819	991	886	822	681	837	461
balance +	583	+ 654	+ 635	+ 500	- 65	- 4	+ 240

German imports (1985): mainly oil and oil products. German exports (1985): machines, chemical products, road vehicles, iron and steel (main items).

3. Development co-operation

The economic co-operation had been interrupted in the years 1980-85 and reduced again in the first half-year 1987. The main projects are in agriculture, infrastructure, and professional training.

The volume of technical co-operation until the end of 1986 amounted to 86,2 m DM (in 1986: 0,077 m DM). The volume of financial co-operation until the end of 1986 reached 603,4 m DM. Other forms of co-operation: 51,6 m DM.

4. Cultural co-operation

Both sides consider still valid the cultural agreement between the United Arab Republic and the Federal Republic of Germany concluded in

1959. In 1978, 1983, and 1985 cultural records have been signed.

The Goethe Institute was reopened in 1979.

Since 1980 the German Archeological Institute is represented and has undertaken a wide range of activities (excavations and promotion of cultural relations). Appr. 500 Syrian students are studying at German universities; more than 1 000 doctors receive special training.

XVI. TUNESIA

1. Political relations

have been continually friendly. Diplomatic contacts are on high levels. Official relations exist between the Destour Party and the Christian Democratic Union and the Social Democratic Party.

2. Economic relations

There is a series of agreements: on the protection of investments (1966), navigation (1966), aviation (1968), legal aid (1968), general agreement on economic co-operation (1970); double taxation (1975), road and goods traffic (not yet ratified), and on social security (1984).

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	495	584	630	663	605	652
exports	806	977	919	947	934	803
balance	+ 311	+ 393	+ 288	+ 283	+ 328	+ 151

German imports (1985): mainly electrical machines, clothing and textiles, oil and oil products, and leather. German exports (1985): textile products (for further treatment), machines, road and other vehicles.

3. Development co-operation

The main projects have been in agriculture, drinking water supplies, irrigation, and fishery. From 165 projects set about, 118 were carried out in 1986. More than 1 000 Tunesian scholars have received education or advanced training with German help.

In the last agreement for the years 1986/87 85 m DM have been assigned for financial aid and 19,4 m DM for technical aid. Until the end of 1986 German financial co-operation amounted to 1 490,9 m DM, technical co-operation to 253,4 m DM. Other forms of co-operation reached 103,4 m DM.

4. Cultural co-operation

is based on the general agreement of 1966 and the agreements of the joint cultural commission meeting every second year.

Many German tourists are visiting the country every year.

The Goethe Institute is represented in Tunis.

Scientific co-operation is promoted by scholarships of the German Scientific Exchange Service (DAAD) and direct links between universities and institutes of both countries (mainly engineering and natural sciences). Since 1981 the Tunesian government sends 50 students every year to German technical universities (financed mainly by Tunesian funds).

Two German political foundations are represented in the country: the Konrad-Adenauer-F. is running several social-political projects, the Friedrich-Naumann-F. is training journalists and promoting environmental protection.

XVII. UNITED ARAB EMIRATES

1. Political relations

have been established in 1974. They are without bilateral problems and called "friendly".

2. Economic relations

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	2 281	1 573	1 143	785	235	98
exports	1 401	1 755	1 307	1 221	1 251	1 058
balance	- 880	+ 182	+ 165	+ 435	+ 1 016	+ 961

German imports: mainly oil; exports: road vehicles, machines, iron and ironware, and electrotechnical products.

Some German enterprises are engaged in major projects in the energy field.

3. Development co-operation

A basic agreement on technical co-operation "against payment" has been concluded in June 1975 (hitherto without any projects). 10 scholarships have been granted by German institutions.

XVIII. YEMEN, ARAB REPUBLIC

1. Political relations

Bilateral relations, which had been discontinued in May 1965 and resumed in 1969 are very good, especially due to the intensive co-operation in development.

2. Economic relations

An agreement on protection of investments has come into force in Dec. 1978.

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	1	5	6	5	6	3
exports	176	256	265	226	250	149
balance	+ 175	+ 251	+ 260	+ 221	+ 244	+ 146

The main item of German imports was transportation vehicles (1985). German exports (1985): mainly machines (incl. electrical), food incl. dairy products, and road vehicles.

3. Development co-operation

The country is one of the so-called "focal points" of German development co-operation.

A general agreement on technical co-operation has been concluded in July 1978, in 1979 an agreement on the remission of debts has been agreed upon; since then German financial aid has taken the form of grants.

The main projects in technical co-operation are: set-up of a national service for plant protection, regional development, centres for professional training (in Sanaa finished, in Taiz planned), enlargement of a schoolbook printing-office; consultants in the Central Planning Commission, in various ministries and development banks; town planning.

Several scholarships are granted every year (some linked to specific projects, 10-15 independently); in 1986: 20, altogether: 373.

Since 1979 the German Development Service (DED) is running projects, presently employing about 25 specialists.

The total volume of financial co-operation until the end of 1986 runs up to 428,8 m DM (in 1986: 25 m DM); the total volume of technical co-operation runs up to 238,3 m DM (in 1986: 20,3 m DM); the total volume of other forms of co-operation runs up to 94,6 m DM. New agreements on co-operation have been signed during the visit of the German Minister for Economic Co-operation, Hans Klein, in Sept. 1987.

4. Cultural co-operation

The German Archeological Institute has been working for 10 years in the country (projects on ancient technologies - Marib dam - and Islamic architecture).

A joint programme on the restoration of ancient arabic handwritings has proved very successful and will be continued until 1989. There is also co-operation in sport.

A comprehensive exhibition on Yemen with active participation of the government in Sanaa has taken place in the Ethnographic Museum of Munich in 1987.

XIX. YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC

1. Political relations

Political relations, which had been discontinued in 1969 and resumed in 1974, are called "correct". Due to the lack of a general agreement, the co-operation in development has remained insignificant.

2. Economic relations

Bilateral trade:

	1981	1982	1983	1984	1985	1986
German imports	1	53	44	45	60	1
exports	46	42	42	66	63	39
balance	+ 45	- 11	- 2	+ 21	+ 3	+ 38

German imports: mainly oil and oil products; exports: food and machines (main items).

3. Development co-operation

has not been resumed since 1974. The volume of financial aid amounted to 10 m DM; of technical co-operation reached 0,6 m DM. Other forms of co-operation: 4,9 m DM.

C. GERMAN ENERGY IMPORTS

I. Crude oil, natural gas liquids, and refinery feedstocks
in thousand metric tons

	1980	1981	1982	1983	1984	1985	Jan.-Sept. 1986
total imports	100 200	79 561	72 541	65 339	66 933	64 193	50 837
partners in the Arab world:							
Algeria	6 375	5 912	4 227	3 716	2 671	4 247	3 533
Egypt	163	498	1 060	673	1 239	1 889	349
Iraq	2 952	223	777	1 472	1 989	329	491
Kuwait	825	604	-	306	258	136	-
Libya	15 117	10 381	11 014	10 459	9 536	9 450	5 174
Qatar	200	314	410	737	497	-	-
Saudi Arabia	24 581	25 533	17 018	7 016	4 550	2 877	5 317
United Arab Emirates	6 305	3 616	2 275	1 428	1 117	261	81
other impor- tant suppliers:							
Iran	5 681	1 504	2 271	2 067	2 423	2 666	1 795
Norway	2 964	2 885	2 432	3 804	2 614	3 405	3 933
Nigeria	10 963	5 170	6 633	7 467	9 530	9 823	7 854
Mexico	35	101	56	81	2	465	-
United Kingdom	14 810	15 947	15 353	14 301	17 808	17 219	14 068
USSR	3 707	981	3 408	4 424	5 765	3 885	2 593
Venezuela	1 456	1 428	2 036	5 191	4 210	5 050	4 378

II. Total products
in thousand metric tons

	1980	1981	1982	1983	1984	1985	Jan.-Sept. 1986
total imports	37 468	36 380	38 666	43 955	43 761	47 958	43 281
partners in the Arab world:							
Algeria	1 189	1 477	1 282	1 113	1 353	1 820	1 326
Bahrain	-	-	38	6	-	15	-
Egypt	44	91	85	49	95	34	97
Iraq	3	-	-	-	37	78	42
Kuwait	553	306	592	1 110	989	850	768
Libya	462	441	310	142	112	320	461
Saudi Arabia	189	272	202	82	107	250	244
United Arab Emirates	11	-	-	-	-	29	56
other important suppliers:							
France	2 629	2 707	2 344	2 385	1 625	1 519	1 392
Netherlands	14 790	13 630	14 103	16 307	17 049	19 862	17 757
United Kingdom	1 016	983	1 117	1 566	1 681	2 907	2 942
USSR	3 173	4 014	5 216	6 137	6 195	6 658	5 449

Source: OECD/IEA, Quarterly Oil and Gas Statistics.

ARAB THOUGHT FORUM
AMMAN



منتدى الفكر العربي
عمان

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Report on
Relations Between France and
The Arab World

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INTRODUCTION

Besides Europe and to a lesser extent Black Africa, the Arab World - including the Machrik and the Maghrib - has always been the most important region, as far as French interests are concerned. Geographical proximity, economic interdependence, historical and cultural ties have brought France to play a special role in this part of the world, thus differing from its European partners.

Without going back as far in time as to relate the history of Franco-Arab relations, pointing out the key-dates is needed on one hand to emphasize the differences between French policy in the Machrik and the one led in the Maghrib, and on the other, to extricate the gist of French stakes in Franco-Arab relations.

The 1956 Suez crisis, the 1962 independence of Algeria and the 1967 six day war had had a great impact on France's Mediterranean policy. The first two events mark the break with an ancient order, a political, economic and cultural one, inherited from colonisation and from the traditional "Question d'Orient". Till 1956, France was leading, in the Middle East, what has been called the "minorities protection" policy ; on which was based its active presence in Lebanon until 1975.

But on the whole, the Suez abortive expedition, while showing, if needed, the decline of both Britain and France's power in the Middle East, deprived the latter of its economic and cultural device in both Egypt and Syria.

Until 1962, France's policy towards the Maghreb, as a colonial power, aims at some form of integration of the region within the French space. Following Algeria's independence, France under General Charles de Gaulle began to revise its policy in the region. The most fundamental step has been taken in 1967 when he condemned the Israeli aggression at the time of the six day war. Since that moment, curtailing its special relationship with Israel, having recognized the global importance of the Arab world at the instigation of de Gaulle, France has been determined to conduct policy toward the region according to its own lights and in keeping with her vocation as a great power.

Finally, economic interests must be mentioned, along with de Gaulle's ambition to lead "a great foreign policy", separate from that of the US. Accustomed to the appealing markets of the colonies, French businessmen and industrialists showed poorly as exporters in competition with Germans and Italians at the time of decolonization. The adherence of France to the EEC in 1958 was essential, but it was also a gamble on the future which risked to be fatal if French industrialists did not have access to new foreign markets, in particular Arab ones. De Gaulle realized that the economic breakthrough could only be made in the wake of political overtures. Algeria's accession to independence allowed him to revive an Arab and Muslim policy.

This policy permitted France under the Fifth Republic to play again a role in the Middle East, to guarantee its supply of oil, even in case of a global crisis like that of 1973 and to open markets to its civilian and military exporters, in Libya, in Iraq and in the Gulf countries.

De Gaulle initiated a policy towards the Arab World which was carried on after his death, strengthening Franco-Arab relations and bringing French leaders within the EEC authorities to plead the Arab cause.

Today, these relations have entered a period of uncertainty, given the mobility of the Arab regional scene and the sharpness of the East-West competition.

The aim of this report is two-fold. Firstly, to take stock of Franco-Arab relations in both political and economic fields, identifying the main issues at stake. The second part of the report aims at assessing the future prospects of these relations ; emphasis will be laid here on the strategic importance of cultural cooperation and on the continuity of French commitments in the region.

PART ONE : SURVEY

I. FRENCH POLICY TOWARDS THE ARAB WORLD

France has no overall policy in the Arab-world, but a series of "sector-based and bilateral policies". In fact, French ambitions and interests at stake are far from being identical in the Machrik and in the Maghrib.

North Africa is closer to France, largely francophone, and there is a large presence of immigrant workers from the region ; France's historical and political involvement is much deeper and manyfold in the Maghrib where French influence is almost exclusive. France's role in the Middle East is more like that of a middle-grade power where the US presence is dominant, competing with that of the Soviet Union.

Nevertheless, it can be said that France's global and major objectives are the Arab world's stability and the strengthening of the regional balances : a continuity in French policy which has so far brought harmony in Franco-Arab relations.

On the other hand, these relations may be seriously affected by hot domestic French issues such as Middle-Eastern terrorism both in Paris and against French interests abroad, French hostages in Beirut and the increasingly unpopular presence of an Arab community in France. Those stakes, which are at the same time France's major foreign policy issues, are closely intertwined in French public mind, thus producing a "mixture" between terrorism, Islam, Arabs and insecurity.

The following two chapters aim at analysing the gist of France's policy, first in the Middle East, and then in the Maghrib.

A. FRENCH POLICY IN THE MIDDLE EAST

For the past twenty years, France's policy in the Middle East has by and large been characterised by continuity rather than new directions. Despite early fears which have arisen in 1981 from the victory of the Socialist party and the possible reversal of the pro-Arab gaulist line, president Mitterrand made no significant changes in the policies set forth by de Gaulle and his successors. In March 1986, the election of a centre-right coalition did not break off the national consensus which prevails as far as foreign policy options are concerned.

Today, France is more deeply involved in the region than any other western power save the United States. The current crisis, which materialized with the French hostages still held in Beirut and the terrorist attacks against France's interests in Paris and in Lebanon, reveals the deepness and the complexity of France's commitments in the Middle East.

It could be argued that France's present problems in the region stem from contradictory policies in its recent Middle-eastern diplomacy. But the fact is that it has no easy choices in the region. One of the major dilemmas for France's policy-makers is how to juggle its relations with Lebanese Shia extremists, Syria, Iraq and Iran to win the release of its hostages without affecting its options in the region. To put it bluntly, France is facing the

dilemma of having to sacrifice either its citizens or its friends, with serious consequences in either case.

France's present position is further complicated by the fact that the political "cohabitation" between a socialist president and a right-wing government provides opportunities for outsiders to exploit the differences between foreign policy views held by the President, the Prime Minister and their respective staffs.

There is no doubt that the growth of Arab terrorism is having an increasing impact on both diplomatic activities and on the definition of French foreign policy. Policy planners are being forced to yield to increasing public pressure calling for France's disengagement from this troubled and dangerous region. This is precisely where democracy's weakness lies : when its public opinion pressure turns out to be a potential weapon in its enemies's hands.

At all events, for the first time in many years, France is adopting a low-profile policy at least as far as the Arab-Israeli conflict and the Lebanese crisis are concerned. On the other hand, France continues to play a substantial role in the Middle East, by maintaining an independent line which sometimes, however, reflects regional and international contradictions and suffers from American pressures.

This continuity of French policy in the Middle East has been emphasized in Chirac's stunning interview to the Washington Times, late 1986, which gist is a mere echo of de Gaulle's views. Mr Chirac provided the first coherent statement of his government's policy in the Middle East. The core of this

policy is that the West's main interest in the region is to support friendly governments in Egypt, Saudi Arabia, Jordan in their struggle against economic trouble and anti-western Muslim fundamentalists. Sanctions against Syria, according to the Prime Minister, merely serve to encourage the extremists. Compared with the threat of the collapse of pro-western governments in the Middle East, terrorists' bombs in Western Europe were a small problem to be met by solid, joint European policework. The worst thing that could happen in the region would be for the sentiment to prevail that the West has been chased out of the Mediterranean.

Nevertheless, Chirac's gaullist ambitions suffer undoubtedly from a lack of coherence and from an amount of ambiguity, which stem partly from the region itself, an unpredictable area of increasing violence and intractable political confusion. French policy in the Middle East has to meet with constant upheavals : the tragic evolution of the Lebanese war, the insolvable Arab-Israeli conflict and the never-ending Gulf War.

1. Progressive disengagement from the Arab-Israeli conflict and the Lebanese crisis

On the central issue of the Arab-Israeli conflict and its Palestinian dimension, president Mitterrand's personal sympathies and long-standing links with Israeli socialist leaders, while undeniably improving French relations with Israel, did have very slight practical consequences on the political level. Mitterrand's warships have twice come to the rescue of PLO Chairman Yasser Arafat, from the Israelis in Beirut in 1982, and from Syrian-backed PLO dissidents in Tripoli (Lebanon) in 1983. On the other hand, France has not

gained any influence on Israeli policy : the raid against the Iraqi nuclear plant, the invasion of Lebanon in Begin's time, the attack against PLO headquarters in Tunisia in October 1985 decided by Shimon Peres, a member of the Socialist International and a personal friend of Mitterrand, are examples of this total lack of French grip on Israeli initiatives.

The French government continues to recognize the PLO as the legitimate representative of the Palestinians, and still holds onto the three principles already present in the Venice European declaration of June 1980 : the right of Israel to exist and to have security, Israeli withdrawal from the occupied territories and self determination for the Palestinians. French officials are convinced that the core of the conflict remains the Palestinian problem, which can only be settled through a recognition of the PLO and the creation of a Palestinian state.

As for the process by which to resolve the conflict, France unambiguously supports holding an international conference with the participation of the five members of the Security Council and thinks that no peace could be reached without the consent of the Soviet Union, which has a historical and geographic presence in the region.

Today, France seems resigned to accept fully the centrality of the role of the United States in this conflict. After the lack of success met by the July 1982 Franco-Egyptian proposal for solving the Arab-Israeli conflict, calling for mutual and simultaneous recognition between Israel and the PLO, France did not come up with any new concrete initiative, preferring to adopt a "wait-and-see" attitude.

As far as the Lebanese crisis is concerned, the French position is far more ambiguous. Lebanon is important for France symbolically for historical, psychological, linguistic, and religious reasons as well as the French commitment to its mission civilisatrice.

Today, for a tangle of reasons, French officials, feeling that "nothing is left to be done in Lebanon" (Michel Jobert Herald Tribune, 7 October 1986), are calling out for both a political and a military withdrawal from this country, "where the small number of Frenchmen that stayed on are potential hostages and victims".

It looks as if the French believe they have lost their ability to work for peace in this country, since they have been taken in tow by American and Israeli policies, at the time of the Israeli invasion of Lebanon, in the summer 1982. In agreeing to participate in a multinational force whose mandate was ambiguous, the French government found itself locked in a policy it did not share completely and could not influence. The May 1983 agreement signed between the Lebanese, the Israelis and the Americans was made without France having been fully informed. The most dramatic result of French integration into the American plan in Lebanon were the simultaneous terrorist actions, in October 1983, singling out the French and the American contingents as a way to group them together and to exert pressure for their common departure, which took place in March 1984.

Meanwhile, the new problem of the French hostages held by pro-Iranian groups in Beirut and the attacks against UNIFIL contingents added a tragical

dimension to France's involvement in Lebanon which became rather ambiguous. While claiming that it would not surrender to terrorism, France, unwilling to endanger further more the life of French citizens, had begun since the Spring 1986 the withdrawal of French military observers from Beirut and the lessening of its commitment to UNIFIL peacekeeping forces in southern Lebanon.

On the other hand, French officials have come to consider that Syria is a key power, not solely in Lebanon but in the eastern Mediterranean as a whole and must be dealt with as such. This French attitude was very clear in May 1986 when Jacques Chirac declared to the foreign press that the Lebanese tripartite agreement, engineered by Syria in late 1985 but torpedoed by Christian opposition before it got off the ground, may have been "too hastily rejected".

Thus France regards negotiations with the Syrians as essential if the West is to continue to have any constructive influence on the evolution of the Arab-Israeli conflict or on the Lebanese crisis. Prime Minister Chirac has clearly expressed this search for concertation with Damascus by saying that no settlement having been reached against Syria in Lebanon, it was time to seek a solution with it. Besides, the French argue that Europe will curb terrorism more effectively by winning Syrian cooperation than by driving President Assad into a corner. Even more, the latter can be counted on to stalk Iran and maybe help obtain the release of French hostages in Lebanon.

2. Unwavering support to Iraq in the Gulf War

As the Gulf conflict dragged on, France continued to be an outspoken supporter of Iraq. French officials have repeatedly said they favour a negotiated

settlement to the Gulf War, but they have also made clear that an Iraqi defeat would be "catastrophic". France has supplied Iraq with considerable quantities of modern weaponry, including Super Etendard aircrafts equipped with Exocet air-to-sea missiles, arranging partial payment in Iraqi petroleum, which makes France the second Iraqi arms supplier, just behind the Soviet Union. (Some 20% of Iraq's military equipment is French).

If the public line is to downplay French involvement in Iraq - some are firmly convinced that purely mercantile interests have come to dictate French policy in Iraq - France's top officials adopt a different position. If France cuts off its arms sales to Iraq, or even reduces them, they argue, the latter would have no choice but to throw itself into the arms of the Soviet Union and depend totally on Moscow's assistance. Thus, the French are serving as a bridge to the West. Moreover, they are having a moderating influence on the Iraqi regime for, as contacts with France grow, Iraq has markedly toned down its anti-Israeli rhetoric and has recently adopted a more pragmatic approach to the Arab-Israeli conflict. Finally, France argues that it is serving the West's overall interests by contributing to the defence of the whole Arab world against the spread of Islamic fundamentalism.

Thus, in this seven-year war with Iran, French support to Iraq remains unwavering. Even at the time of Chirac's abortive attempt to improve contacts with Iran, the Premier made it clear to Iran from the start that French policy in the Middle East would remain unchanged, including support for Iraq, initiated a decade ago by J. Chirac himself. The hostage-takings, while they have been made possible by the specific Lebanese situation, are in fact a direct consequence of the Gulf War. Thus, the conviction that the key to the

hostages' freedom has always rested in Iran drove the French to pursue a dialogue with Iran, despite the obvious risks of its clashing with other French aims : staying friendly with Iran's enemy, and cracking down on Middle-Eastern terrorism in France. In any case, the repeated Iranian demand of French neutrality in the war, and the consistent French position that sales to Iraq will go on, seemed to create an irreconcilable contradiction in J. Chirac's policy from the beginning. Less than a fortnight after France broke off diplomatic relations with Iran in July 1987, the French aircraft carrier Clemenceau, two missile-launching destroyers and a supply ship sailed for a mission to defend "French interests in the Mediterranean and the Indian Ocean". France's policy towards Iraq appears today as the best and the only available way of remaining faithful to the pro-Arab political line initiated by De Gaulle. Whether military and political support for Iraq assumed dimensions that go beyond France's means is another problem to debate.

B. FRENCH POLICY IN NORTH AFRICA

The pre-eminent French presence in the Maghrib extends to all fields : administrative, cultural, economic, military and of course political. France is still maintaining its deepest and most preponderant commitments in this region. However, Franco-Maghribi relations did not yet succeed in getting rid of the colonial legacy and remain passionate.

Therefore, France's policy in the Maghrib, while very active, is constantly seeking a difficult balance, given the regional rivalries, particularly the Western-Sahara dispute, and the hot issues at stake such as the status of Maghribi immigrants in France and the financial indebtedness.

1. How France views its interests and ambitions

Unquestionably, France believes in and intends to support the durability and the stability of the Maghribi countries as Nations-States as well as favouring harmonious relations between the actors of this region. Thus it is embarrassed when confronted to Algerian-Moroccan relations and most of all, it is very much concerned about the Tunisian leaders' ability to handle the growth of the fundamentalist impending threat and the risks of a destabilization of this friendly and vulnerable state.

In fact, the interests at stake are considerable and can be summarized as follows. First, a strategic interest. The Maghrib is the key to Black Africa, occupying the entire southern shore of the Western Mediterranean, a region which is vital to the security of France. It contains important raw materials : petroleum, gaz, uranium, phosphates, iron and precious metals. One can easily imagine the danger that an enemy fleet, acceding to Bizert, Mers el Kebir or Tangier would represent.

France has some 250 military advisers in Morocco, 70 in Mauritania and 40 in Tunisia. Finally, all of these countries (including Libya until a few years ago) send officers and pilots to France for training at various levels.

On the political side, the Maghrib, together with Black Africa, are two zones of influence which, added to the nuclear capabilities and industrial potential of France, permit the latter, a country of middle grade importance to figure

among the great powers. The French communities (40,000 in Algeria, 40,000 in Morocco, 10,000 in Tunisia and 1500 in Mauritania) are the most important of the foreign communities in those countries where they have certain significant advantages (schools, hospitals, and freedom from entrance visa requirements, at least until very recently). There is also a cultural interest : if the countries of the Maghrib, apart from Libya, are arabicizing their system, they still remain one of the solid strongholds of Francophonie and contribute to the continued use of French in regional affairs and in Arab-African meetings.

Thus, France's major fear is a destabilization of the region as a whole or domestic unrest in any of those countries. Realizing that the security of Europe is directly affected by the situation in the Western Mediterranean and the Maghrib, the French government is therefore seeking to encourage inter-Maghribi cooperation.

In fact, until recently France had no overall policy towards the maghrib considered in its horizontal dimension. Instead, it pursued relations on a strictly bilateral basis with each country without much concern for the ties which have been established between those states since their independence.

In 1985, the need for an overall view found expression, when , for the first time since decolonization, the Ministry of Foreign Affairs assembled its ambassadors to the Maghrib capitals in Paris in October to compare their views and to lay down the bases of an areawide, coordinated policy. French officials think a reconciled or, better yet, united Maghrib would be in a better position to confront the serious domestic problems which are looming - the islamist wave which swelled after the victory of the Iranian revolution in

1979, decelerating economic growth and the frustration of the youth increasingly threatened with unemployment, the weight of foreign debt and so forth.

But France's task in the Maghrib is far from being easy : apart from risking the anger of the Maghrib governments by taking at home a tough line towards immigration, French leaders are walking a tight rope, avoiding to be caught in the midst of the regional tensions and rivalries.

2. Where French policy limits stand

a) Status of Maghribi immigrants

One of the hottest issues at stake is the domestic problem of the increasingly unpopular presence of a large Arab immigrant population from North Africa which, in the long run, could affect Franco-Maghribi relations.

Although the Portuguese are the largest single foreign community in France (860 000), the increase in French racism is directed above all at the Maghribis, who are the largest community if lumped together. Of the four and a half million foreigners numbered by the Ministry of the Interior, there are 780,000 Algerians (of whom 320,000 are working), 420,000 Moroccans (170,000 workers) and 190,000 Tunisians (76,000). In any case, this problem, tied to the presence in France of more than 2 million Muslims, including about 500,000 who carry the French nationality, is likely to be posed with increasing sharpness in France as long as the youths of the second and third generations are not effectively integrated into French society. It will also be

problematic in North Africa, where the massive return of Maghribis from France is feared for two reasons : having lived in a western environment, they may represent potential opponents - a political risk Maghribi regimes could not afford to take - or an object of scandal in societies which are still traditional. At the same time, they will constitute an additional social and economic burden on these countries, where those under 20 years of age already represent 60 percent of the population and are the most affected by unemployment.

However, after having legalized the presence of 135,000 clandestine, and therefore illegal immigrants in the years 1981 and 1982, conforming to socialist principles on human rights respect, the French government had to backtrack. The aggravation of the economic crisis, unemployment, the evolving trend of public opinion and the need to proceed with the industrial restructuring, forced the Socialists, and later the Chirac right wing government, to harden their policy by taking rigorous measures to prevent illegal entries and encouraging foreign workers to return home.

The main burden of possible new laws to be voted against immigration will be borne by the North African community, already alarmed by the increase in anti-arab racism and the growing political power of the extremist National Front, which now has more representatives in Parliament than the French communist party.

b) Inter-Maghribi rivalries

But France's main difficulty in the region stems from inter-Maghribi rivalries, that is to say the Western Sahara conflict and Libya's activities

in the region. In fact, France's position became uncomfortable as Morocco and Algeria insisted on French support one against the other, when the Western Sahara dispute went critical in 1975. Officially, France is neutral. However, it has continued its military aid to Morocco and has never exerted effective pressure on it to negotiate a settlement. It has never defined a real policy on this question and experts' views are divided. President Giscard d'Estaing was sensitive to King Hassan II's argument that during the colonial period, France had enlarged the Algerian Sahara at Morocco's expense and had bequeathed it to independent Algeria. Was not Morocco, therefore, entitled to seek to recover the Spanish Sahara ?

President Mitterrand, for his part, seems to be preoccupied above all with avoiding a destabilization of the Moroccan throne. Besides, relations are facilitated by converging points of view on some key issues such as the Arab-Isareli conflict. However, improving relations between Paris and Rabat could not go without disturbing the Paris-Algiers axis.

Still, in order to respect a difficult balance, France is still encouraging a peaceful settlement of the Algerian-Moroccan dispute, even after it failed, in February 1983 at the time of the Rabat-Algiers summit, to arrange a final agreement.

Franco-Maghribi relations are also affected by French commitment in Chad which sometimes is to interfere with the Saharan problem. As for example, in 1984, soon after the spectacular Treaty of Arab-African Union was signed between Libya and Morocco, Mitterrand's private visit to Fez infuriated the Algerians. They suspected the king of having proposed to intercede with Qadhafi to

facilitate the evacuation of French and Libyan troops from Chad in order to obtain from France a commitment to ignore the "fait accompli" in the Western Sahara, where Moroccan troops had enhanced their position on the ground. Today, all that has changed : the "marriage" between Tripoli and Rabat led to a quick divorce, and Libya's support to the Polisario has been reduced given the heavy mobilization of its financial and military means in Chad. But France is always suspected to be in the midst of a huge plot.

On the other hand, Qadhafi's ambitions in Chad and Tunisia led Paris and Tripoli many times to the brink of rupture. But the French government under Giscard d'Estaing's presidency reckoned that it was not in its interest to break with Libya, both for economic reasons and for the sake of the regional balance, France not wanting to leave the field clear for the Soviet Union. At present, the same assessment is made by both President Mitterand and Prime Minister Chirac. This cautious posture has been clearly expressed by France's refusal in mid-April 1986 to allow US bombers overflight rights en route to Libya.

French policy makers are very much at pain to maintain balanced policies in order to satisfy everyone, even in the field of economic co-operation. In fact, French governments have shown much more prudence after the February 1982 Franco-Algerian agreement on gas prices which was followed by the sectoral development agreements. This political gesture brought forth demonstrations at the time from less-endowed neighbours who also asked for a reevaluation of their own raw materials' prices. Today, the gas dispute is poisoning Franco-Algerian relations and negotiations are in a deadlock.

Undoubtedly, France has no means of influencing inter-Maghibi relations. North Africa remains admittedly of primary economic and political importance to any French government which, given the strong historical and cultural ties, shows great concern about the evolution of the region. However, the Maghib basic needs go beyond the means of France's policy which is increasingly seeking a concerted action within the EEC in order to remain a significant actor in this region in face of growing American influence.

II. ECONOMIC RELATIONS

France has been forced to take a central role in some hot areas of the Arab world, while drafting a withdrawal from others, at a time when its economic commitment to the region is being reduced. The French government has broken diplomatic relations with Iran and dispatched French naval forces to the Gulf, as well as dealing with renewed fighting between Libya and French-backed forces in Chad.

France's active policy in the region comes against a background of falling trade volumes with the Arab world. The considerable export slump has left many manufacturers in financial difficulty, especially the armements industry which relied heavily on a few large orders from the Middle East. Exporters have been hit by a sharp fall in new contracts for construction and engineering work in the Arab world, as lower oil revenues prompt cuts in investment spending in the region. Another concern is France's large exposure in many Arab countries forced to reschedule payments. French dependence on the Arab World economies finally takes its toll.

A. TRADE

As a result of the 1986 oil prices collapse and the regional recession that ensued, business analysts are increasingly gloomy about French prospects in the Arab world as sales to the region continue to drop - and government officials are alarmed at the possible consequences for the French economy as a whole:

More than other western countries, France has depended on large construction contracts, military equipments and civil aviation sales in the Middle East to offset its deficit with EEC members and most other OECD partners.

Even its agriculture and food exports have begun to decline after a record surplus in 1984. "Our problem is that, unlike West Germans and Japanese, we did not concentrate on the everyday bread-and-butter exports like consumer goods, motor vehicles and machinery, sectors that will continue while most infrastructure projects have been completed or delayed", observes a Paris banker closely involved in the Middle East.

1. The trade downturn

The value of French imports from the region dropped by more than 25 percent in the first-half of 1986, to FF 34,936 million compared with FF 49,973 million in the corresponding period of 1985. French exports are also affected ; these dropped by nearly 23 percent to FF 37,809 million. Only Kuwait, the UAE and Mauritania increased purchases from France in the same period.

Despite a 22 percent drop, Algeria remains the biggest recipient of French goods, with FF 9,011 million in first-half 1986. French exports to this country declined a further 40 percent in the first four months of 1987, and imports fell 50 percent in value.

As for Morocco and Tunisia - which continue to be, along with Saudi Arabia, Egypt and Iraq the other most important clients - the trade downturn with France totalised 13 percent in value, for each country.

Trade with Saudi Arabia continued in 1985 its rapid decline from the 1981 peak. Exports to the Kingdom dropped steeply to FF 10,900 million from FF 19,900 million in 1984, and imports over the same period dropped to FF 10,823 million from FF 18,707 million. Despite a dramatic increase in French purchases of oil in 1986, French exports continued to fall. The outlook is bleak for trade with Egypt : the overall trade volume amounted to FF 4,435 million in 1986, which means a 34.2 percent fall, compared to 1985 figures.

2. Food exports and "grain war"

In 1985, French grain sales to the Arab world brought in FF 3,676 million, or 10 percent of the country's total grain exports, while wheat flour sales at FF 1,849 million represented more than a third of the value of French flour exports world-wide.

Thus, despite its reputation as a producer of gourmet food, France's main agricultural exports to the Arab world are mostly grains, wheat flour, and staples such as sugar, vegetable oils, beef, frozen chicken, fruits, powdered

milk and processed cheese. The Arab world took 15 percent of all French sales of these items last year, and thus still represents an important market for one of the most flourishing sectors of the French economy.

However, given the intense trade and price war that broke out the same year between France and the US, and which main issue has been grain and flour sales, the regional market held less promise in 1986 than in previous years. In mid-1985, the US initiated its \$ 2,000 million Bonus Incentive Commodity Export Program (BICEP), to combat EEC subsidies for agricultural exports to the Mediterranean region. The BICEP has been so successful that French wheat sales to the region in 1986 slowed down significantly.

Still, France is competing strenuously for the Egyptian flour market which used to be in previous years the first outlet to its flour exports. However, these dropped by 50 percent in 1986, given the US's large-scale commercial offensive. Within the Humanitarian Aid Program "Food for Peace", Washington supplied Egypt with \$169 million worth of wheat and flour. This is why Egypt, usually one of France's biggest clients for grain exports, fell from 9th place in 1986 to 16th the following year, in the clients' chart.

In Morocco, which figures among France's leading customers for agricultural products, the outlook is just as bleak. In 1985, France had supplied Morocco with 38.5 percent of its food imports, while in 1986 it supplied only 9 percent.

Sales to Jordan and North Yemen were down by a third, while a big commercial contract of 250,000 tons of French wheat supplies was signed recently with Syria, despite the diplomatic strains between this country and Europe.

In addition to food exports, France is also involved in a variety of agricultural ventures. In Egypt, it has set up a school to train flour mill technicians. French experts have helped to eradicate fruit tree diseases in Syria, set up a veterinary vaccination institute in Iraq and are assisting the Algerians to draft a food quality control legislation for consumers' protection.

3. Energy

a) Oil trade slowing down

In 1986, Arab countries supplied a third of French oil sales. Saudi Arabia moved ahead of Algeria as France's top supplier in the region. The increase in the Kingdom's oil production, as well as its decision to abandon for a time the official price, also restored Saudi Arabia to its former position as France's main supplier of crude. Saudi exports to France rose to FF 9,307 million in first-half 1986 - about 129 percent more than in 1985. However, in first-half 1987, Saudi Arabia as well as Iraq saw oil sales to France decrease in tonnage and in value. For different reasons, Iraqi exports dropped by 76 percent to 350,000 tons considering last year's figures, and the Kingdom's sales fell 25.1 percent to 3 million tons. Here again, the UK moved ahead of Saudi Arabia in the French suppliers' chart while Iraq fell from fourth to ninth place, behind Algeria.

Thus, Iraq and Saudi Arabia, which in 1980 accounted for 54 per cent of total exports of crude oil, NGL and refinery feedstock, supplied only 14 per cent in

1985. Liftings recovered in 1987, but only because the introduction of netback pricing formulas made purchases of Saudi crude especially attractive. The netback contracts - Elf and Total in late 1985 arranged liftings of 50,000 barrels a day - have now been phased out. Besides, the French government is discreetly urging those two oil companies to boost Iraqi crude purchases, while it has recommended a total halt of Iranian oil purchases in Summer 1987.

b) Franco-algerian gas dispute at deadlock

It is this issue above all that is spelling trouble in Franco-Algerian economic relations. Today, nearly 99 percent of Algeria's exports to France consist of petroleum products and natural gas. Algeria supplies 30 percent of France's gas imports, a volume representing 40 percent of Algeria's gas exports.

The dispute begins in 1979, when Sonatrach, the state hydrocarbons concern, began a campaign to link the price of gas supplies to the calorific value of crude oil. Finally, an agreement using the crude oil index was signed with France in 1982 after president Mitterand intervened personally in the dispute. As a result of this agreement, and following the decrease in oil prices, the Algerian gas was, at about 25 percent above the market price. All this has changed. Gaz de France (GDF) began talks with Sonatrach about revising the price clauses in its natural gas agreement. After several months, negotiations between the two companies have nearly reached a deadlock. Officials at the Ministry of Foreign Affairs in Paris say the new government is unlikely to intervene in the negotiations, as the socialist administration did in 1981, while on the Algerian side, the press is insisting that the government will not make concessions on this issue.

4. Military cooperation or arms exports

Reduced government spending in the Middle East and Arab markets shrinkage, in addition to the completion of major infrastructure work has left French contractors looking at military-related opportunities. But the export slump, that has left many manufacturers in financial difficulties, did not spare French weapons industry, which relied heavily on a few large orders from the Middle-East. In fact, France's share of world weapons sales in 1986 slipped below 10 percent, compared with nearly 18 percent in 1984. It is a worrying trend for a sector that employs 400,000 people and is dependent on overseas markets for more than 40 percent of sales. In the past ten years, an average 60 percent of the country's weapons exports have gone to the Middle-East and North Africa. However, in 1984, order value overstated the general competitiveness of the French arms industry and underlined its dependence on arms sales to the Middle-East, since in that year, only two deals accounted for 77 % of this value : the Thomson-CSF single contract with Saudi Arabia for an air defence system, and the Abu-Dhabi 18 Mirages 2 000 order. In 1985, the French share of the Arab world arms imports accounted for 39 %. In fact, the same year, the aerospace sector suffered a heavy blow, when Saudi Arabia decided to buy Tornado fighter jets from British Aerospace, in preference to the Mirage 2 000 made by Avions Marcel Dassault - Breguet Aviation. In 1986, the arms trade volume continued to fall with the Middle East, given the severe economic regional recession caused by the drastic decline in oil prices, rising foreign debts and the oil-saving measures taken by consumer countries, in combination with increased supplies competition in almost all the equipment areas in which French manufacturers are seeking sales. Reversing

the slide is going to be an uphill task. But the Middle East remains the key market for virtually every major arms exporter and France is still competing strenuously to fill the Arab world's massive orders for military hardware.

Among the 200,000 or so professional visitors to the 1987 air show at Paris Le Bourget airport, top officials from the Middle East make a regular, but unobtrusive presence. Traditionally, they are attracted as much by France's consistently liberal attitudes towards sales to the Third World as by the equipments displayed. This year's visitors included Qatar's Heir Defence Minister, Shaikh Hamed Bin Khalifah al-Thani, who signed a military co-operation agreement with France at the end of his three-day visit on June 18. Another was Egypt's Defence and Military Production Minister, Field Marshal Mohammed Abdel-Halim Abu Ghazala, who reached a rapprochement with executives of France's Avions Marcel Dassault-Breguet Aviation about completion of deliveries of an order for Mirage 2 000 fighters halted because of payments problems.

At all events, France's biggest clients in the region are still Saudi Arabia and Iraq.

Military contracts have boosted sales to the Kingdom in recent years. A \$ 3 500 million order signed in 1980 made of France the main builder of Saudi Arabia's navy where French experts continue to be involved in training. France's aspirations to a similar domination in air defence, enhanced by the 1984 FF 35 million contract, were dashed in September 1985 when the \$ 7,000 million contract to supply fighter and trainer aircraft went to the UK. The balance can be restored if France wins the multimillion dollar contract to

equip the kingdom's navy with submarines and to build two bases for the vessels. Estimates on the value of the contract range from \$ 3 billion to \$ 5 billion. France has figured prominently in speculation about the likely winners, partly because the Saudis are trying to diversify their military purchases, but also because Riyadh has made clear its displeasure at the cool response from British companies to its calls for offset investments.

In any case, despite the increasing anxiety among French industrialists and bankers about Iraq's economic position, French military support to Iraq remains massive. In fact, between 1977 and 1985, France sold more than \$ 11.8 billion worth of high technology weaponry to Iraq, making Iraq the first customer of the French armements industry. The French delivered at least 113 Mirage F1 fighters, in a specially developed version capable of launching the Exocet missile ; they delivered so much Exocets that Iraq accounted for three-quarters of the total French Exocet Production. They trained the Iraqis on the whole panoply of French air-to-air and air-to-surface missiles, including the brand-new AS-301 laser-guided missile, whose sensitive technology is so advanced it has been purchased by the US Defence Department.

By 1983, the French were selling more weapons to Iraq in dollar terms than the Soviet Union. In March 1986, however, the Soviets offered Baghdad some \$ 3 billion worth of tanks, aircrafts, helicopters and anti-aircraft batteries at long-term credit deals no Western country could hope to beat.

B. INDUSTRIAL COOPERATION AND CONSTRUCTION PROJECTS

1. Construction firms narrow their sights

French firms, badly hit by the recession in the Middle East construction sector, are looking increasingly for specialised, high technology projects to combat at once the diminishing opportunities and the fierce competition from local and Asian contractors. Payments delays and projects cancellations, postponements and rebids becoming increasingly common, the need for a change of approach was emphasized furthermore by government figures on new contracts awarded to French contractors in the Arab world in 1986. New contracts slumped to FF 1,559 million (\$ 257 million) in 1986, compared with the previous year's FF 8,019 million (\$ 1,325 million). This represented only around 6 per cent of overseas work signed up by French companies, against about 37 percent in 1984.

France's first quarter results for 1986 show that all non-military exports markets are down, with awards from oil-producing countries at almost half the average quarterly value of 1985 contracts. Building industry and public works projects, traditionally strong areas for French firms, have suffered the hardest hit.

Executives at Campenon Bernard, a firm which has a solid reputation for its work on dams and industrial complexes, reckon that they are facing a lull in new orders, because of Middle East strained economic circumstances. Another French engineering giant, Spie Batignolles is counting on its multi-disciplined approach to maintain its presence in the region. Engineering and construction, which accounted for 61 percent of the group's total turnover

in 1975, represented just 28 percent in 1985, compared with its 44 percent for electricity and nuclear division.

Other major French contractors, including Bouygues and Société Auxiliaire d'Entreprise (SAE), which once took a significant portion of their earnings from the Middle East, have to overcome considerable obstacles in recent projects.

Petrochemical Engineering has been even more affected by oil revenues decrease than public work projects. Thus, Technip whose major outlet was the Middle East, has been forced to reduce its staff in order to cut its losses. Bouygues, the contracting giant, which claims to be the world's largest since the takeover of the SCREG group, expects very little to come from the Middle East and North Africa.

2. Arabsat : First step towards technological cooperation

The Arab World's space communications industry came of age in Kourou, French Guyana, in February 1985. Arabsat 1, the first of two satellites being sent up for the Arab Satellite communication Organisation (ASCO), was launched skywards aboard the European Ariane 3 rocket. When Arabsat 2 went up with a US shuttle, four months later, the stage was set for a system designed to provide the Arab League's 22 member countries with telephone, telex, data and television services. Apart from being an important step forward for the Arab world, the Arabsat 1 launching demonstrates an exchange of technology and a real success for France's Aerospatiale which, for the very first time, has been chosen to be the "master of art" of a satellite system that is not

European. Two stations will control Arabsat during its seven-year orbital life. The main one is in Saudi Arabia and the second in Tunisia. Both are being staffed by France's Aerospatiale which, with the US' Ford Aerospace and Communications, won the \$ 134 million order to build the satellites.

Today several problems are looming. The main one concerns finance, due to the reluctance on the part of those involved to come up with the necessary cash to build the ground stations to transmit traffic to and from the satellites. Whether Saudi Arabia - with its 26 percent investment, the biggest shareholder in ASCO - will be prepared to dig further into its own coffers to compensate for the slow progress of other ASCO members is open to question. Another major financial problem is the high cost both of training Arab engineers and technicians and of employing foreign specialists. In fact, this attempt at co-operation has not always gone smoothly. From the very beginning, the Arabsat project was plagued by disagreement among the partners over the cost sharing of the original \$ 134 million. More serious, the ASCO is apparently suffering from a shortage of customers : in early 1986, only 1,300 of its 9,000 circuits were being used. Problems have also arisen over the incompatibility between various national telecommunications standards.

C. BANKING AND FINANCE

The overflow of petrodollars in the early seventies has enabled Arab banks to play a considerable role in the French banking system. In 1984, the combined overall sheets amounted to 184,9 billion francs. Paris became a key financial center for Middle-East institutions especially for consortium banks as UBAF

and BAII *, based in the capital, and now providing an extensive network of branches and affiliates around the world, stretching as far as China and Japan.

On the other hand, French banks have traditionally played a strong role in the Arab world. Banque Indosuez has a 40 percent stake in the Jeddah based Al Bank al Saudi al Frensi, and its rivals have numerous affiliates and branches around the ME and the Maghreb.

Unfortunately, declining oil revenues in the past couple of years have changed the financial environment beyond recognition, forcing many foreign institutions to review their position in the region, while increasing French officials anxiety about the large government guaranteed debt burden run up by several Arab countries, many of which have been forced to reschedule payments. Apart from Iraq, France has a large exposure in Algeria, Egypt, Morocco and Tunisia.

French banks are concerned at the economic downturn and especially worried by attitudes towards the rising level of non-performing loans in the Gulf: Prominent Saudi entrepreneur Ghaith Pharaon has recently sought to reschedule a \$ 353 million debt owed by his Saudi Research and Development Cooperation. Major creditors include BNP and Indosuez, with exposure of \$ 19 million and \$ 14 million respectively. Pharaon has considerable assets in France and the US, but these are unlikely to help his company out.

* Union de Banques Arabo-Françaises and Banque Arabe à Investissements Internationaux.

However, French banks are reluctant to take a short term view . While French trade experts reckon that commercial lending activities are decreasing, they nevertheless call for increased investment banking activities, such as fund management and financial advice. "The Arab market is becoming less important", says Pierre Habib-Deloncle (Vice-President of Indosuez Bank), "but we cannot disappear because things are going wrong. We are here for the long term : the Middle East is not a dead area, it will revive". (MEED, 5/7/86).

Financial massive indebtedness and France's large exposure in many Arab countries remain, above all, the major concern of French officials. In Iraq, aside from the political ties which link Paris to Baghdad, the situation is equally disturbing. French banks have agreed to reschedule Iraq's medium-term commercial debt which is estimated at \$ 1 300 million. Until April 1986, France was the only major creditor receiving payments on time but Iraq, already hard-pressed by the cost of the war against Iran, has been further hit by the collapse of oil prices. The two instalments due in April and October 1986 - first rescheduled in 1983 - have again been deferred. The April payment has been put back to June 1988 and the October payment to July 1989. Military sales are estimated to push total French debt closer to \$ 3 000 million (MEED, 26/9/87) ; but this is not likely to affect the close relationship between banks in the two countries, nor is it likely, for the time being, to dampen France's commitment to Iraq.

In Egypt, difficulties are looming. Although it has been a good market - particularly for trade finance - where the major French banks are all represented and involved in joint-ventures, French officials have been concerned for some time about Cairo's financial position and France's exposure

there. In fact, France is Egypt's second largest creditor after the US. Cairo has been negotiating individual reschedulings with the Paris Club countries throughout the summer 1987. An agreement was reached in September on the FF 10,000 million (\$ 1,652) owed to France - comprising accumulated arrears and service payments between January 1987 and June 1988 on official and government guaranteed civil and military debts. These are to be rescheduled over ten years including a five year grace.

France also has a large exposure in Algeria, Morocco and Tunisia. Longstanding ties between France and Algeria have been highlighted in April 1987 in the fresh trade credits agreement. The French state export guarantee organisation, COFACE, has agreed to back FF 3.000 million (\$ 496 million) of new trade credits from French banks to boost exports to Algeria. The remaining finance will come from Caisse Centrale de Coopération Economique, which organises concessionary loans for developing countries. However, Algeria remains one of France's largest risks worldwide, in exposure terms. Opinion remains divided among bankers and officials about whether the country will have to resort to rescheduling in the coming years.

The financial situation in Morocco is much more alarming. France is by far the largest creditor in Rabat, which overall military and commercial debt amounted to \$ 18 billion. Since 1983, Morocco has been forced to reschedule official and bank debt. Of the latest official rescheduling, agreed by the Paris Club countries in March 1987, around two-thirds of the total \$ 1,000 million was owed to France.

PART TWO : PROSPECTS

After providing an overview of the global political and economic trends and issues in Franco-Arab relations which appear once again at a crossroads, this part aims at bringing out the future prospects of Franco-Arab cooperation and the relevant areas to dig into.

Given the widespread French fears that followed the hostages taking in Beirut and the Paris bombings by Middle-Eastern groups, bringing back home to many the spectre of conquering Islam about to destabilize democratic European societies, the first step to be taken in order to lay the foundations of a fruitful Franco-Arab dialogue is to improve the image of the Arab world in French public opinion. This objective can only be sought within the framework of an active cultural cooperation.

I. FRANCO-ARAB CULTURAL COOPERATION

To project a positive image of the Arab world and its civilisation is indeed mostly needed as a counter to prejudices and passions from which stems a distorted and confused image of the Arabs and the Muslims sometimes hastily classed, in French (and European) public mind, as threatening terrorists and fanatics. Besides, the presence in France of a large immigrant population from the Maghrib countries, in these times of economic crisis, is felt as an additional threat to the security and the cohesion of French society.

On the other side of the Mediterranean shore, preconceived unfavourable opinions about Western culture are not absent. This unfortunate situation emphasizes the urge to fill the gap of ignorance which is the chief obstacle

to mutual understanding and dialogue between the Arabs and the French. Today, the primary objective of a significant dialogue is to reach a wider audience on both sides of the Mediterranean, i.e. to promote a French cultural action guided towards the Arab masses and to bring Arab culture to French masses at large, and not to be confined to intellectual or artistic exchanges or periodical encounters between elites.

A. CULTURAL AND EDUCATIONAL FRENCH POLICY IN THE ARAB WORLD

For historical reasons which have been developed in the first political part of this report, France's cultural and educational presence is much more significant in the Maghrib than in the Machrik.

French cultural policy towards North Africa, within the colonial framework, has been a policy of "Arabic wearing away". At the time, the Maghribi political elites' education was moulded according to the French pattern. The French colonial administration would not acknowledge the reality of an Arab culture. In fact, the only choice to be made was between assimilation or inferior "Islamic" status.

The situation was quite different in the Machrik where French direct colonization did not exist. Cultural policy was carried on through the education of the bourgeoisie elites mainly among religious minorities but not exclusively. However, in the long run, France's political ambitions were to undermine its cultural influence, except for Lebanese Christian minorities who still hold on to France's cultural values. Besides, in Lebanon, French cultural involvement is illustrated through a centralized and integrated

educational system which is considered as a central medium of France's cultural presence.

Besides Lebanon, France also exerted a gallicizing policy over Egypt and Syria, also through the teaching system thanks to French schools and missions. However, this presence already reduced, has lessened furthermore following the 1956 Suez crisis which deprived France of its cultural device in those countries. Today, French influence there is more and more undermined by the overwhelming success of the Anglo-Saxon educational system.

Thus, North Africa, being more largely and deeply francophone, is a better recipient to French cultural goods. Moreover, it is easier to reach Maghribi masses in order to keep up one of the solid strongholds of Frenchspeaking areas. It is undoubtedly in Morocco that France's cultural presence and influence is the most important, given its 29 schools which welcome nearly 10,000 Moroccan pupils, its seven cultural centers, its 600 scholarships per year and so forth.

In the Machrik, the main problem is to find the way to reach the Arab middle-classes. It has been De Gaulle's concern in the sixties to rebuild France's cultural device in the Middle East. This challenge calls for an intensive use of audio-visual systems. For instance, the setting up of Radio Monte Carlo in Cyprus had proved to be a profitable business. The same experience could be tried within a television policy using a live broadcasting satellite to show cultural programs, promote teaching of French, music, news while still using mainly Arabic. Such a gigantic hypothetical endeavour however, stands a chance of winning only if it turns into a common European venture.

B. AWI : FRANCO-ARAB CULTURAL PARTNERSHIP

Late 1987 should see the inauguration, after some delay, of permanent premises in Paris for the Arab World Institute (AWI), an ambitious cultural partnership between France and 20 Arab countries. The ultra-modern complex, on the banks of the Seine opposite Notre Dame Cathedral, will house a museum of Arab and Islamic art and civilisation, a library, exhibition halls and an auditorium. It was designed by France's Jean Nouvel and Architecture Studio, in consultation with Saudi architect Ziad Zaïdan, and is estimated to have cost some FF 400 million (\$ 57 million).

The institute has been described by its supporters, perhaps hopefully, as the "Arab Pompidou Centre". It shares with that once controversial and now immensely popular modern Paris museum a typically French gigantism and an ambition to bring Arab culture to the masses. The building itself is a blend of Islamic and Western architectural themes.

The project originated in 1974 when the full economic potential of the Middle East first struck the consciousness of the West. The time seemed ripe to establish a showcase for the Arab world, underlining the Arabs' past contribution to civilisation and their determination to be full partners in the modern international community.

With a sense of cultural mission and a political will to make its mark independently of the two superpowers, France was keen to be a partner of this

endeavour. French governments have changed several times since, but the AWI continues to receive the enthusiastic support of officials.

On the Arab side, economic difficulties have to some extent undermined enthusiasm for the project. A change of construction site led to building delays, and costs have mounted steadily. The initial agreement was that France would donate the land for the building, while the Arab states would pay for construction ; day-to-day running costs were to be shared on a 50/50 basis. France has in fact absorbed a good deal of the increased construction costs and agreed to raise its share of the administrative budget to 60 percent. Delays in contribution to the annual working budget, and the prospect of the prosperous Arab states becoming hard-pressed for funds, have led AWI administrators to look for new means of generating income that would make the institute at least partly independent of government donations. This may involve creating a profit-making subsidiary.

Two issues that have bogged other pan-Arab institutions have also affected planning at the AWI, insiders say. They arise from the wide range of Arab interests represented. The Arab world today is in fact both less unified and more international than it was in the immediate aftermath of the 1973 war and the oil boycott. A number of Arab states have invested heavily in information outlets in the West including cultural centres, radio stations and newspapers. A joint institution like the AWI has correspondingly less appeal.

A further difficulty lies in the diversity of the target public. The project must cater for students and for the Arab expatriates community, but the primary aim is to reach a wider audience.

Moreover, the main problem of the AWI current crisis stems from the contradictory viewpoints between the Quai d'Orsay and the Arab governments concerning both the status and the cultural mission of the Institute. While the Arabs favour an international status comparable to that of UNESCO, the French still hold on to the present status, i.e. that of a French foundation.

In fact, this crisis reveals the lack of confidence which clouded many Franco-Arab attempts to promote a framework for dialogue. Within an atmosphere laden with suspicion, the French fear to see the Institute converted into an Arab propaganda center while the Arabs dread seeing that organism transformed into a French center aimed at teaching the Arabs their own culture.

However, in spite of all those gloomy prospects, the institute exists, even if, according to AWI supporters, it is going through a "growth crisis". The Institute has already sponsored or participated in a variety of external activities since its foundation, including film and music festivals, art exhibitions and publishing ventures. It has provided consultancy services to France's Education Ministry and supplied technical know how for several cultural projects in Arab countries.

C. ARABIC TEACHING IN FRANCE

In France, Arabic enjoys a "privileged language " status : the secondary education's pupils have the right to choose Arabic as their main foreign language. Thanks to the discreet and efficient action of "Inspection Générale de l'enseignement de l'Arabe en France", much progress has been made in recent

years : in the secondary, the pupils' number learning Arabic have increased from 714 in 1972 to 11,536 in 1986 while the teachers' number went from 49 to around 200, practising in 189 high schools spread out over the French territory.

In the universities, Arabic is accepted as a degree course while in most "specialized schools" (Grandes Ecoles) it is often chosen as a foreign language. The major audience is that of the Maghribi immigrants' children for whom learning their mother tongue is a way of safeguarding their cultural patrimony. On the other hand, Arabic has turned out to be for the French young people a professional asset - Arab countries being France's second economic partner.

In the long run, the future of Arabic in France does not depend solely on the presence of an important Arab community but is subordinate to its ability to become a communication language used also in commercial and scientific international exchanges.

II. OVERALL FUTURE PROSPECTS OF FRANCO-ARAB RELATIONS

What are the future prospects for Franco-Arab relations in both economic and political areas ? Will France's historical commitment in the Arab world lessen ? Things are moving quickly both in the Machrik and in the Maghrib and France has to cope with this highly volatile situation and readjust its objectives according to its means, interests and friendships.

A. ECONOMIC TURNING POINT

First, on the economic level, if exports are proving to be less and less profitable, the time has come for reviving investments. All the more since France's major trading partners do not accept any longer to be mere oil suppliers and wish to turn into industrial nations. They thus favour joint ventures and technology transfers.

French contractors should attach more importance to the private sector and not rely exclusively on the big state projects. Interesting and qualified firms and contractors willing to take part as partners in joint ventures do exist in the Gulf countries, as well as in Morocco or in North-Yemen.

Thus, given the imports shrinkage and the changing nature of the markets - less and less big construction projects and more opportunities in the services field - except for arms and telecommunications sectors, France cannot contemplate anymore the prospects of its economic relations with the Arab world simply in terms of exports : it has to maintain a commercial presence through joint investments.

However, the easiest markets for French construction firms are proving to be those countries - often relatively poor - to which the government in Paris is prepared to offer mixed credits to back construction tenders. Egypt, Morocco and Tunisia are the largest recipients - they benefit from annual financial protocols to back development projects and imports.

While the dramatic decline in oil revenues and the regional recession that

ensued had badly hit Franco-Arab trade relations, one could however wish that this turning point will permit to lay down the foundations of a new approach in economic cooperation between the Arab world on one hand and France within the EEC framework on the other. It should be directed towards a more positive EEC contribution to the development prospects of the Mashrik and the Maghrib as well. In this prospect, France is to play a major role, given its central position inside the EEC, and its privileged relations with the Arab world.

B. POLITICAL PROSPECTS

On a political level, as it has been pointed out, France's policy towards the Arab world has been characterised by continuity rather than new options, despite outwards contradictions and a certain amount of ambiguousness, especially in Middle-Eastern affairs.

In fact, France's policy in the Machrik looked sometimes rather obscure for two main reasons. First, the numerous levels of decision makers : theoretically, François Mitterand as President retains overall control on main foreing policy issues. However, with the special situation of political "cohabitation", most of the Arab policy issues are falling within the scope of the Prime Minister's prerogatives, edging out furthermore the Quai d'Orsay experts. Besides, major stakes such as the French hostages or Middle-Eastern terrorism in Paris, in addition to the increasingly unpopular presence in France of an Arab community are tightly linked in French public mind and are experienced as strong domestic issues ; which brings in the Ministry of Interior to intervene as well. The second reason is the absence of a general debate about France's commitments in this region. In fact, secrecy happens to

be a strong political tradition in the Arab countries, while French leaders prefer to avoid touching on the hotly debated Arab issues at home, as they have become intertwined, at least in public opinion's mind, with a major concern, i.e. security.

Despite the pressures exerted on the French government all at once by public opinion, by some political leaders and even by industrialists and bankers, an imminent and complete French withdrawal from the Middle East, is not conceivable for the following reasons.

For geo-strategic reasons : if South America, the far East and South-East Asia are far away from France and Europe, the Arab world is at their doorstep. Therefore, France's security is tightly linked to that of this highly geo-strategic region.

For economic reasons : despite the exports slump, the Mediterranean basin is still an important outlet for France's products and one of its major sources of oil supplies. France's dependence on energy imports will remain a strong motive for continued diplomatic involvement in the region.

For political reasons, largely expressed by J. Chirac in his interview to the Washington Times. Paris regards Islamic fundamentalism as "a time bomb", one that risks going off throughout the whole Arab world. The secular Arab governments and the moderate rulers of Saudi Arabia, the Emirates, Jordan, Egypt and the Maghreb countries have to be supported to resist fundamentalism and assured that they have reliable friends in the Western world.

Some Arab governments remain convinced that the EEC has an important role to play in promoting Palestinian self-determination. In fact, a revival of European interest in devising a joint Middle-Eastern policy has been made all the more needed by the Arab world's disillusionment with US policy towards the region in the wake of American arms shipments to Iran.

Yet, a sustained common diplomatic effort by the EEC remains too difficult to reach. The maximum that has been done so far was to agree on a common statement such as the 1980 Venice declaration. But besides the marginal influence Europe can exert on US policy or on any peace process, it seems there are less ambitious but more workable aims on which the EEC members can reach a common stand.

One example is the October 1986 Community's decision to provide the occupied territories directly with financial aid and customs preferences in the trading field to Palestinian products. Despite fierce opposition from Israel, such measures, if they materialize, have obvious political implications which go far beyond their economic impact. By concluding such agreements with Palestinian institutions directly (chambers of commerce, universities administrations), the EEC seems to encourage the emergence of local interlocutors that will enable it to bypass progressively Israeli authorities in dealing with the occupied territories.

Thus, while the European Community remains a weak actor in international policy, due to the lack of coordination between its members and conflicting national interests, it is as an economic superpower that it stands a better chance of exerting greater influence in the Middle East, by offering assistance or pressuring one party or the other when needed.

It is also within this European framework that France can hope to make its voice heard and weigh more significantly on developments in the Arab world at large.

APPENDIX

Appendix I : Contracts dispute

Saudi Arabia remained in 1985 the leading market, with FF 2,338 million worth awards. Algeria is in second place, with FF 1,800 million only, compared with FF 17,000 million in the peak year of 1983. Third was Morocco (FF 751 million), and fourth Iráq (FF 704.2 million).

As far as Saudi Arabia is concerned, France is already involved in seven joint industrial ventures capitalised at a total of SR 409 million (\$ 109 million). In April 1986, Etude & Promotion des Investissements Français en Arabie Saoudite was set up to identify opportunities for French investors in the Kingdom. In the construction sector, aggressive selling and strong government support have benefited French companies including Bouygues, Dumez and Thinet. In 1986, Dumez picked up a substantial contract - \$ 48.4 million order for the second phase of the Gulf Co-operation Council's Riyadh headquarters. Campenon Bernard, a group which has built its reputation in the Gulf essentially in the security and military sectors, is nevertheless carrying out a number of civil works there. These projects include the SR 60 million French embassy and associated residential housing in Riyadh's diplomatic quarter. Campenon is also working on a FF 1,000 million section of Kuwait's Jahra-Ghazali expressway, where construction of a viaduct and two diamond interchanges is scheduled for completion in 1989.

Several French companies were hit by payment delays in Saudi Arabia last year, as the sudden slump in the country's export revenue threw budget into chaos - the only major dispute concerns surrounds SAE's two housing contracts

totalling around \$ 200 million. The disagreement relates to additional work demanded by the Saudi client. SAE set aside \$ 11,2 million in its 1986 accounts to cover possible losses on the project.

In Iraq, Bouygues was awarded the \$ 74.3 million contract in November 1984 to build Baghdad's Adhimiya bridge approach roads complex ; the client is the State Organisation for Roads & Bridges, for which Bouygues first worked in 1979 when it was awarded the Nasiriya bridge contract.

Spie-Capag, Spie Batignolles' pipeline subsidiary, recently completed the Iraqi section of the IPSA-1 crude pipeline, which runs from Southern Iraq to pumping station three on Saudi Arabia's east-west line. Iraq has produced its share of contract disputes : SAE is nearing completion of new towns at Aana and Rawa, but has had "long and difficult discussions about final payments for the work".

In Egypt, Cairo's most ambitious infrastructure project - the costly and controversial metro - opened on September 27. The result is a 4.5 kilometre metro line which should dramatically reduce congestion in the city center when it becomes fully operational. The event marks the first stage of a project which cost has nearly quadrupled in the six years it took to complete. The project was initially estimated at FF 1,000 million (\$ 160 million). In the end, it has drawn on FF 3,789 million (\$ 622 million) - secured through a series of French protocols - and most of the repayments have been rescheduled.

In North Africa, despite the exceptionnally difficult economic situation, Campenon expects no interruptions in the large projects already under way

which include Algeria's Ravin Blanc dam, Tunisia's La Skhira super phosphate complex and Rades thermal power plant, and 13 fertiliser depots in Morocco.

However, prospects there are equally gloomy. Algeria - where in 1985 France had its first surplus for several years - will offer fewer opportunities for French construction firms to offset their reduced Gulf-based earnings.

Several projects under way have been postponed or cancelled by the Algerians. The Algiers metro - originally planned as an FF 8,000 million development project, to be built and supplied entirely by French firms - has been postponed indefinitely, contractors believe.

SAE understood it was close to winning an estimated AD 2,000 million (\$ 420 million) contract in early 1985 for construction of a new terminal at Algiers airport, but the project was scaled down and retendered later 1986.

Algerian public-sector clients are notorious for refusing to countenance revisions to contracts once they have been signed. For example, Fougerolle is claiming FF 46 million for contract revisions and FF 2.5 million for supplementary work on its order in 1983 to build 4,000 homes in Guelma wilaya. The company is not bidding for any new work in Algeria until this matter is resolved. Bouygues has had to resort to international arbitration to press its claim for increased payments on its FF 3,400 million contract to build a railway between Jijel and Ramdane Djamel.

In any case, Bouygues and Dumez had finished the new housing development by the end of 1985, and had begun to repatriate plant and material used on the projects - a sign that they do not expect large new orders in the near future:

Appendix 2

Les dix premiers fournisseurs de brut de la France

Voici les dix premiers fournisseurs en pétrole brut de la France de janvier à avril 1987, avec les tonnages importés et les variations en pourcentage par rapport à la même période de 1986

1. Grande-Bretagne	4,94 millions de tonnes	+ 70,5 %
2. Arabie Saoudite	3,08 millions de tonnes	- 42,5 %
3. Nigeria	1,90 million de tonnes	- 30,3 %
4. Mexique	1,84 million de tonnes	+ 20,6 %
5. Iran	1,80 million de tonnes	+ 40,0 %
6. Norvège	1,63 million de tonnes	+ 26,2 %
7. URSS	1,01 million de tonnes	+ 104,2 %
8. Algérie	801.781 tonnes	- 45,2 %
9. Irak	734.257 tonnes	- 54,9 %
10. Gabon	712.670 tonnes	- 38,9 %

(AFP)

Les principaux fournisseurs de la France en 1986

Voici les dix premiers fournisseurs de pétrole brut de la France en 1986 avec dans l'ordre, le volume de leurs exportations en millions de tonnes, les variations par rapport à 1985 et leur part du marché français :

Arabie saoudite	14,33	+ 173,9 %	20,7 %
Grande-Bretagne	8,07	- 45,8 %	11,7 %
Nigéria	6,41	- 20,6 %	9,3 %
Union soviétique	5,09	+ 71,4 %	7,4 %
Irak	4,71	- 22,5 %	5,8 %
Norvège	3,89	- 7,1 %	5,6 %
Gabon	3,25	+ 53,2 %	4,7 %
Iran	2,92	- 28,3 %	4,2 %
Mexique	2,89	+ 9,2 %	4,2 %

Appendix 3

France: trade with the Middle East, 1983-87 (FF million)

	Exports						Imports					
	1983	1984	1985	1986	1986*	1987*	1983	1984	1985	1986	1986*	1987*
Arab countries	78,754	92,796	81,516	59,874	33,162	24,348	80,766	88,823	77,970	48,955	30,383	19,354
\$ million equivalent	10,334	10,619	9,072	8,645	4,621	4,007	11,648	10,164	8,678	7,068	4,233	3,185
% of world	11.3	11.4	9.4	7.25	7.9	5.8	11.1	9.8	8.1	5.5	6.5	4.1
Algeria	18,591	23,633	21,832	15,899	9,011	5,596	23,447	24,809	20,737	11,717	7,883	4,270
Bahrain	188	336	322	235	119	134	188	53	32	126	73	96
Djibouti	534	624	559	343	169	157	7	3	2	7	2	1
Egypt	8,435	8,297	8,967	6,464	3,452	2,625	3,989	5,122	3,827	1,732	1,005	1,304
Iraq	6,158	5,985	6,141	3,400	2,177	964	3,824	6,880	12,211	4,299	3,091	1,921
Jordan	1,205	1,345	978	665	313	1,114	111	96	147	190	119	64
Kuwait	3,443	6,260	2,276	2,022	1,146	782	1,549	1,613	2,714	1,071	683	598
Lebanon	2,758	2,138	1,758	1,523	823	371	24	34	43	75	32	66
Libya	2,556	1,837	2,181	1,561	830	822	6,457	7,136	6,890	2,461	1,528	1,227
Mauretania	635	644	880	801	449	296	322	372	439	376	244	130
Morocco	6,264	6,985	9,201	7,303	3,971	3,290	4,477	5,207	6,055	5,750	3,166	3,411
Oman	408	637	974	620	355	230	1,577	244	228	67	50	5
Qatar	812	876	986	538	282	203	1,600	4,437	3,159	1,204	543	22
Saudi Arabia	13,752	19,944	10,965	8,290	4,344	3,554	26,603	18,707	10,823	14,750	9,307	3,976
Somalia	72	157	51	65	25	33	3	10	19	7	3	3
Sudan	770	829	742	246	131	162	258	276	153	166	121	70
Syria	1,554	1,906	1,915	1,510	947	466	1,406	1,951	1,193	537	333	182
Tunisia	6,553	6,613	6,480	5,525	3,025	2,519	2,957	3,680	3,748	3,270	1,863	1,781
UAE	2,971	2,464	3,348	2,284	1,257	863	9,658	8,132	5,206	1,120	325	201
Yemen (Aden)	203	324	291	134	76	30	281	60	306	23	11	26
Yemen (Sanaa)	892	964	669	446	260	137	28	1	38	7	1	—
Israel	2,857	2,615	2,755	2,833	1,340	1,605	2,208	2,394	2,814	2,499	1,383	1,630
\$ million equivalent	376	299	307	409	187	264	290	274	313	367	193	268
% of world	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Other non-Arab countries	6,477	6,873	9,424	6,845	3,987	3,196	10,082	10,271	10,890	6,236	3,620	4,409
\$ million equivalent	850	786	1,049	988	556	526	1,323	1,175	1,213	900	504	726
% of world	0.9	0.8	1.1	0.8	0.9	0.8	1.3	1.1	1.1	0.7	0.8	0.9
Afghanistan	55	87	107	90	48	39	29	31	32	27	16	13
Cyprus	505	1,596	1,148	631	351	255	108	90	149	105	74	91
Ethiopia	321	343	513	216	79	56	271	280	198	268	166	80
Iran	2,803	1,582	1,420	680	361	518	7,343	6,799	6,981	2,533	1,750	2,319
Pakistan	1,174	1,043	1,233	1,492	680	544	537	645	785	835	451	464
Turkey	1,588	2,227	5,003	3,737	2,468	1,784	1,794	2,426	2,751	2,464	1,163	1,442
Middle East total	88,098	102,284	93,595	69,553	38,489	29,149	101,056	101,488	91,680	57,690	35,386	25,393
\$ million equivalent	11,560	11,704	10,428	10,042	5,363	4,797	13,260	11,613	10,204	8,329	4,930	4,179
World total	694,659	813,830	871,641	826,036	421,587	417,211	799,754	904,119	962,722	891,784	464,783	468,502
\$ million equivalent	91,151	93,126	97,011	119,266	58,741	68,654	104,941	103,458	107,148	128,759	64,760	77,094
Middle East % of world	12.7	12.6	10.8	8.4	9.1	7.0	12.6	11.2	9.5	6.5	7.6	5.4

* January-June

Exchangerates \$1=FF 7.621 (1983); FF 8.739 (1984); FF 8.985 (1985); FF 6.926 (1986); FF 7.177 (January-June 1986); FF 6.077 (January-June 1987)

Source: French Customs

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ARAB THOUGHT FORUM
AMMAN



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BILATERAL RELATIONS BETWEEN
BRITAIN AND THE ARAB WORLD

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Politics and Public Opinion

1. Britain is without doubt the European country that has played the biggest role in the Arab world in this century and, mainly for that reason, is still the one with which the majority of Arab states have the closest political and cultural relations. This does not, of course, mean that relations are necessarily harmonious.

Arab Views of Britain

2. The legacy of feeling left by the earlier British role in many parts of the Arab world is mixed, to put it at its best. Although in a strictly formal sense Aden and Somaliland were the only British colonies in the Arab world, British power in the Middle East generally was of a quasi-colonial nature, especially between 1918 and the 1950s. Egypt was occupied by British troops from 1882. Sudan was an Anglo-Egyptian Condominium from 1914. Iraq, Palestine and Transjordan were conquered by Britain during the First World War and subsequently governed by Britain under League of Nations mandate. Libya and Somalia (and Eritrea) also came under British rule during the Second world War, and remained so for a few years thereafter. Much of the Arabian littoral was under British "protection", in various forms, from the nineteenth century until 1960s or early 70s.
3. It is hardly surprising that in some, at least, of those countries British rule became the object of nationalist

resentment. This was particularly true in Egypt, Palestine, Iraq and Aden, and to a lesser extent in Sudan.

- 3a. What is surprising is how little trace of that resentment is to be found in Egypt today, especially when one remembers Britain's role in the tripartite invasion barely 30 years ago. It is as though Egyptian resentment had been exorcised by Britain's humiliation after that event, and by the rapid decline of British power in the ensuing decade. The memory of the anti-British struggle seems to have been effaced by the more recent trauma of the wars with Israel in 1967 and 1973, and by the intense and difficult relationship Egypt has since had successively with each of the two superpowers.

4. In Iraq too other animosities - especially, of course, in recent years, the war with Iran - have by and large eclipsed anti-British feeling, but echoes of it can still be noticed occasionally in the discourse of the ruling Baath party, or at least of some of its leaders, Anglo-Iraqi relations have been bedeviled by such incidents as the assassination in London in 1978 of a former Iraqi minister, the arrest and imprisonment in Britain for this of an Iraqi national, and the prolonged detention in Iraq of two British businessmen. Britain has been reluctant to give wholehearted support to Iraq in the war with Iran. It is definitely France, not Britain, which has been the European state enjoying privileged relations with Iraq in the last ten to fifteen years.

5. But it is of course the British role in Palestine which has left the most enduring shadow on Anglo-Arab relations generally. The Balfour Declaration is etched very deep into the Arab collective memory. It must be almost literally true that "every Arab schoolchild knows" that Balfour was a British Foreign Secretary and that it was the British Mandate which made possible the mass immigration of Zionist Jews to Palestine and the displacement of Palestine Arabs.

6. Yet alongside those historic nationalist grievances should be set the remarkable fair-mindedness of many Arabs who readily attest to the positive aspect of the British presence: notably a tradition of honest and efficient administration and justice, which in some part of the Arab world is today remembered with nostalgia. In Jordan and in the smaller Gulf states relations with Britain have been continuous and on the whole consistently warm. In Saudi Arabia affectionate memories of Shakespeare and Philby have to be set against the less happy ones of British support for Hashemite power in the Hijaz and of the Buraimi crisis in the 1950s.

7. Thus the historic legacy is mixed. But nowhere in the Arab world today does one encounter the passionate, almost obsessive anti-British sentiment that was so widespread in the 1950s. Britain has long since abandoned her imperial pretensions in the Middle East, and this fact is generally recognised on the Arab side. Arab nationalist sentiment today focuses mainly on Israel, Iran and the United States;

and few Arabs would hold present-day Britain directly responsible for the activities of any of those powers. Many, indeed, believe that Britain, whether through her historical experience or through her geographical position as part of Western Europe (in close proximity to the Arab world) - or even by virtue of her role as an oil producer - has a better understanding of and sympathy for Arab problems than do other powers, particularly the United States; and consequently the most common Arab plea to British interlocutors is for greater British and European involvement in Middle Eastern political issues and, especially, a greater British effort to influence US policy in the region.

British Views of the Arabs

8. On the British side, attitudes to the Arabs have always been mixed, and have also fluctuated over time. Up to the 1950s the mix was similar to that expressed toward other peoples over whom Britain exercised colonial rule. The ruling class was on the whole patronising, though individual members of it become deeply fascinated by this or that variant of Arab culture, while the popular attitude tended to be contemptuous and somewhat racist.

9. Unfortunately the Arab-Israeli conflict, as perceived from Britain, has helped to prolong the life of these attitudes which, in relation to other ex-colonial peoples, tended to fade as new post-imperial generations of British people grew up. For twenty years after the foundation of Israel, sympathy for the Arabs was hardly expressed in Britain except

by a small and ageing elite of people with direct experience of the Arab world - many of them retired soldiers, administrators or diplomats. The popular view was that Arabs were unreasonable or even fanatical people who refused to accept the right of Israel to exist. Israel was seen as a small and vulnerable country, "the only democracy in the Middle East", whose people because of the appalling wrong done to them by Hitler were more than any other entitled to the sympathy and moral support of the rest of the world.

10. That began to change to a small extent after 1967, as some of the traditional British sympathy for the "underdog" shifted to the Arab side. Israel began to be portrayed in the British media less as a beleaguered state and more as an occupying power. US Security Council Resolution 242, sponsored by the British government, reflected a widespread "common sense" view in Britain itself that Israel should be glad to have peace with its pre-1967 borders, while the Arabs should be glad to have the territories occupied in 1967 back and should be prepared to make peace on that basis. In very broad terms this continues to be the British view, and British sympathies have moved back and forth as one or other side in the conflict has seemed to be the obstacle to a solution on those lines. Sympathy for the Arabs was probably strongest in the immediate aftermath of the 1973 and 1982 wars, but tended to evaporate each time as the Arabs seemed unable to agree among themselves on a clear negotiating position. Terrorist attacks by or attributed to Arabs on civilian targets, especially outside the Middle East, have

also had a negative effect; as have violent conflicts within the Arab world, notably in Lebanon.

11. Another factor affecting British attitudes since 1973 has been oil. Only a few specialists in Britain have really understood and accepted the argument that the first oil "shock" (i.e. spectacular price rise) was essentially a belated reaction to the expansion of Western, especially US, demand. The general feeling, at the time and since, was that it was an act of aggressive greed by a small group of producers abusing the privileged position they enjoyed by virtue of the chance concentration of oil reserves in a particular area of the world.

12. That perception was of course encouraged by the fact that the rise followed the use of the "oil weapon" - the imposition of production cuts by Arab producers, and the Arab attempt to impose an embargo on oil supplies to the US and Netherlands - during the October War. The British public by and large identified OPEC with "the Arabs", and believed that the object of the price increase was political "blackmail".

13. While the reaction was common to virtually all Western countries, it was accentuated in Britain because these events coincided with a domestic political and economic crisis - the coalminers' strike - in which they were exploited by both sides. Miners' leaders took advantage of the energy shortage to demand higher wages, and accused Edward Heath's Conservative government of being more willing to make

concessions to Arab oil producers than to its own people. The government in turn used the oil shortage to dramatise the domestic conflict, imposing a three-day working week on industry and then calling a snap election which, in the upshot, it lost. All this has made the winter of 1973-4 a specially traumatic memory for the British people, in which "the Arabs" figure as one of the villains of the peace.

14. The oil price rise did of course bring a great deal of new wealth, very unevenly distributed, into the Arab world. This led, among other things, to an enormous influx of Arab capital and Arab visitors into Britain - especially to London. Many of the newly rich Arab states were ones that had had close ties with Britain in the past. Even beyond those, English was the most widely spoken foreign language in the Arab world, and Britain a more accessible - for some also politically less uncongenial - English-speaking country than the US.

15. The influx of Arabs and Arab money was undoubtedly good for the British balance of payments but, unfortunately, did not elicit a very grateful response from the British public. On the contrary, it tended to reinforce the stereotype of Arabs as people who had abused their good fortune by extorting from the rest of the world vast sums of money which they did not need and indeed were unable to spend in their own countries. They were seen as tastelessly flaunting their new wealth in front of the very people from whom they had extorted it.

16. A more positive result of the oil boom in the Arab world was that a more three-dimensional view of the Arabs became directly available to much larger numbers of British people, through the business and employment opportunities in the region which the new oil wealth opened up. But it is doubtful whether this has done more than nibble at the edges of the widely accepted stereotypes of Arabs - the "greedy sheikh" and the "fanatical terrorist" - among the British population in general. Nor has Britain's own emergence as an oil-producer done much to change this. While economists have vigorously debated whether high oil prices are on balance good or bad for the British economy, the public continues to identify instinctively with other industrial countries, especially those of Western Europe and North America, rather than with OPEC.
17. In the 1980s, the "fanatical" image has been further reinforced by the publicity given to Islamic extremism in various forms throughout the Middle East since the revolution in Iran, and by the apparent sponsorship of terrorist incidents in the UK by two Arab governments - those of Libya and Syria. The Iran-Iraq war has not helped: even if most British feel a more positive antipathy for the Iranian regime, that has not engendered any fellow-feeling with Iraq. Many indeed hold Iraq responsible for starting the war, and also feel resentful of Iraqi attacks on neutral (including British) shipping in the Gulf.

18. It may be true that Arabs are quite as much victims as perpetrators of extreme violence, but this point tends to be lost on the wider British public, many of whom do not even distinguish clearly between Arabs and Iranians. The overriding public impression is of the Middle East as a whole as volatile, dangerous and irrational, at a time when its economic importance seems to be declining. Thus there is little support for major efforts by the British government to help solve the region's political problems, which are seen as intractable and largely uninteresting - although the need for some action to safeguard oil supplies and protect shipping in the Gulf is widely accepted.

British Government Policy

19. Government policy does not necessarily reflect all the attitudes described above, but the government has to take account of them and weigh them against the expert advice it receives from the Foreign and Commonwealth Office, and more informally from businessmen, academics and journalists with knowledge of and interest in the Arab world. It also has to weigh the consequences of its actions and statements on Middle Eastern issues for British interests not only in the region but also elsewhere. Coordination of foreign policy with other European Community members has become an important consideration in recent years. But relations with the US remain a very high priority - often the highest - and while Britain, especially as represented by the present Prime Minister, does have significant influence in Washington, British ministers are understandably reluctant to use up too

much of that influence in urging on the US Administration courses of action in the Middle East which, for reasons of domestic US politics, it is very unlikely to adopt.

20. On the Arab-Israeli conflict successive British governments have taken Resolution 242 as their starting point, and have devoted their diplomatic efforts to seeking ways of accommodating Palestinian aspirations within that framework. A peace settlement must, in the words of Sir Geoffrey Howe, the present Foreign Secretary, "guarantee the security of all states in the region including Israel", but "must also address the legitimate rights and aspirations of the Palestinian people, including their right to self-determination". This right would, it is implied, have to be exercised in the parts of Palestine not incorporated into pre-1967 Israel - i.e. the West Bank and Gaza Strip. British policy stops just short of spelling out the right of Palestinians to set up their own state in these areas if they so wish, although "self-determination" if it means anything must surely include that possibility. It is clear that the British government believes - in line on this point with both American and Jordanian policy - that a Palestinian option for self-government in some form of association with Jordan would have a much better chance of being achieved in practice than a completely separate state.

21. A thornier question for British diplomacy has been the political representation of the Palestinians and the status of the PLO. The latter has had an office in London, within

the premises of the Arab League, since 1972, and meetings between British officials and PLO representatives are quite frequent. In the Venice Declaration of 1980 Britain accepted the need for the PLO to be involved in the negotiation of a settlement of the conflict. But the British government has always been reluctant to raise these contacts to the ministerial level unless the PLO are willing to pay a political price in the form of a joint statement condemning terrorism and recognising Israel's right to exist.

22. Since the failure of the last attempt to arrange a joint PLO-Jordanian visit to Britain in October 1985, and the rupture of the Amman agreement between Jordan and the PLO which it helped to provoke, Britain has largely ignored the issue of the PLO, and may be said to regard that aspect of the Venice Declaration as dormant, if not actually a dead letter. It still regards the participation of representatives of the Palestinians in negotiations as an essential condition of peace, but continues to insist that "those representatives, the PLO or whoever they may be" must "commit themselves unequivocally to repudiate violence and accept Israel's rights".

23. By contrast the British government came round, somewhat ahead of the Americans, to the idea of an international conference as the correct forum for negotiations, and has continued to stress the idea.

Iran-Iraq

24. "The United Kingdom has been strictly impartial in the conflict between Iran and Iraq and has refused to allow the supply of lethal defence equipment to either side." Such has been the consistent response of the British government to questions about its attitude. Britain has certainly been more neutral than France, which has never made any secret of its support for Iraq, and more consistent than the United States, which clandestinely sold weapons to Iran while publicly admonishing those of its allies who were suspected of doing the same. The phrase "lethal equipment" has been interpreted fairly narrowly so as to permit as far as possible the fulfilment of existing contracts and obligations, but in 1984 the government decided it would not in future approve any new orders of "defence equipment which, in our view, would significantly enhance the capability of either side to prolong or exacerbate the conflict". Until September 1987 Iran was allowed to maintain an arms procurement office in London.
25. Britain has also consistently urged both sides to engage in negotiations to end the war, in which - as Sir Geoffrey Howe pointed in June 1987 - "the number of deaths is now about the same as Britain's losses in the trench warfare of the First World War". Sir John Thompson, then Britain's permanent representative at the United Nations, played a prominent part in the autumn of 1986 in initiating and promoting the discussions among the five permanent members of the Security

Council which led eventually to the adoption of Resolution 598 on 20 July 1987. shortly before that, in May 1987, the level of British diplomatic relations with Iran was reduced to a single diplomat on either side, as a result of a series of incidents including the violent abduction by Iranian revolutionary guards of the British No 2 in Iran, Mr Edward Chaplin. Perhaps partly as a consequence of that, Britain since the passage of Resolution has joined the United States in urging that the Security Council proceed swiftly to a second resolution imposing sanctions (notably an arms embargo) on the recalcitrant party, namely Iran - whereas other powers such as the USSR and China have favoured a more cautious approach involving an examination of Iran's reservations about the Resolution and negotiation with Iran of the terms of its implementation.

26. Britain has also maintained a small naval force in the Gulf, "the Armilla patrol", to protect the right of British-flagged merchant ships to free navigation. The government insists that registering or re-registering of Kuwaiti and other foreign ships under the British flag is "purely commercial and procedural arrangement". Such ships, once registered, are entitled to the same protection as other British ships. The protection "does not extend throughout the whole Gulf" but only to the area "in which the majority of British shipping movements take place, and in which the greatest risks are", i.e. the lower Gulf. Unlike the United States, Britain has sought to avoid making a political issue of the reflagging of Kuwaiti oil tankers, and has not

attempted to provide naval protection for ships in the northern Gulf. In spite of this Iran attacked a British vessel, the Gentle Breeze, on September 21, thereby prompting the British Foreign Secretary to speak very harshly of Iran in his speech to the UN General Assembly two days later. Britain continues to urge the imposition of an arms embargo "against whichever combatant fails to comply with the resolution", and on his recent Middle East tour Sir Geoffrey several criticized the Soviet Union for "foot-dragging" on this point. Britain has also joined the United States in resisting Soviet proposals for a UN naval force in the Gulf, an idea which Sir Geoffrey sees as fraught with "political and practical difficulties".

Trade

27. The relative importance of Arab states as trading partners for Britain, as for other countries, has declined in recent years owing to the drop in the price of oil: oil imports in value terms have declined as a proportion of total imports, while Arab countries with less oil revenue to spend have become less important as export markets. Thus Arab states' share of total UK exports was 6.6 per cent in 1986, and further declined to 6.1 per cent in the first half of 1987, compared to an average of 8-9 per cent in the late 1970s and early 1980s, peaking at 9.8 per cent in 1982. Their share of British imports has fallen even more steeply - from 9 per cent in 1976 to only 1.5 per cent in the first six months of 1987 - owing to the increase in UK's own oil output (now

roughly level with that of Saudi Arabia at 2.8m b/d) and its consequent reduced need for Arab oil.

28. Britain, which until about 1980 imported much more from the Arab world than it exported to it, has thus in the last seven years completely reversed this. The surplus on its trade with the region reached a peak of £3.2bn in 1986, when UK exports to Arab states were £4.8bn, while UK imports from Arab states fell by more than one fifth to £1.6bn. (The decline continued in the first half of 1987, but UK exports to Arab states fell even more sharply, causing a slight reduction in the net surplus.)
29. Within the Arab world, UK exports in the last few years have increasingly concentrated on Saudi Arabia, which in the first half of 1987 took 42 per cent of all UK exports to the Arab region - roughly double the proportion it takes of Arab imports from other countries. (One factor in this was the £5bn deal signed in February 1986 for the Saudi purchase of UK-built Tornado aircraft.) By contrast exports to other leading Arab customers, such as the UAE, Egypt, Iraq, Oman, have declined. More than two-thirds of all UK exports to the Arab region now go to the six GCC countries. The main category of UK exports to Arab states is machinery and transport equipment, accounting for almost half the total in 1986.
30. Saudi Arabia has also been for many years Britain's foremost Arab supplier, but lately its exports to the UK have been

declining: in the first half of 1987 they covered only just over 15 per cent of Saudi imports from the UK, leaving Britain with a net surplus of only just over £843m.

Britain's other main Arab suppliers are Iraq (which shot up into second place with a sixfold increase in exports to Britain in the first half of 1987), Egypt (whose exports to Britain dropped by two-thirds in the same period), Algeria (one of the few Arab countries to record a surplus on trade with Britain), Libya and the UAE. Although Arab exports to Britain still consist of oil and gas they do include small quantities of non-oil products - Saudi Arabian wheat being one of the more surprising items.

31. The imbalance in Britain's favour on trade with the region, and with Saudi Arabia in particular, is a source of some resentment on the Arab side - a particular grievance being the tariffs on petrochemical imports which Britain applies as a member of the EEC. These are seen as being in contradiction with the emphasis placed by the IMF and World Bank on the need for Third World countries to boost their export earnings. In defence of the EEC one can point out that Saudi Arabia is hardly a typical Third World country, and certainly not one that needs to increase export earnings in order to service its debts. However, Britain has no particular axe to grind on this point. Leaders of the British petrochemical industry such as Mr John Harvey-Jones of ICE and Mr John Turnbull of BP have spoken out against protectionism. It is believed to be the West German, Italian and Dutch governments that insist on retaining the tariffs,

while Britain and France are more flexible. Mr Paul Channon, then Secretary of State for Trade and Industry, said on a visit to Saudi Arabia in January 1987 that Britain was "not in principle against a reduction of petrochemical tariffs".

31a. A similar grievance is felt about access for farm produce and textiles by the Maghreb countries, whose competitors Spain and Portugal are now inside the Common External Tariff. But there too the British government, however sympathetic it may feel, cannot override the views of other EEC members with a more direct interest.

32. All the above figures refer to "visible" trade, in which Britain ranks only as the Arab world's fourth most important West European trading partner, after West Germany, France and Italy. The picture would certainly be different - and the imbalance in Britain's favour even more acute - if "invisibles", well known to be the area of greatest British commercial strength, were taken into account. Unfortunately UK figures on invisible earnings are not published on a country or regional basis, but it is probably fair to assume that such exports to the Arab region are roughly the same as Britain's visible sales there, i.e. about £5bn a year.

33. This would mean that Arab states account for about a sixth of British invisible earnings worldwide. But in certain sectors, notably consultancy, the proportion is much higher. In 1985, for instance, nearly a third of all new contracts abroad awarded to members of the Association of Consulting Engineers were in the Middle East; and it has been estimated

that as much as half the overseas income of British civil engineering consultants is derived from Arab countries. In the past decade British consultants have worked on many major projects in Arab states, and still hold a large share of contracts there. Major schemes in the region on which UK consulting engineers are currently engaged include two ventures worth £1bn each - the Karkh water supply system in Baghdad and the Cairo wastewater scheme. UK architects have likewise been employed on many key projects - a notable example being the Sultan Qaboos University in Oman, opened in 1986. (Consultants are thought to be less affected than contractors by the drop in oil revenues, as their services continue to be required to oversee the maintenance and servicing of infrastructure projects, as well as the training of personnel, even when no major new projects are being commissioned.)

Cooperation and Training

34. Joint commissions formed by the UK and each of its main Arab trading partners meet annually, alternately in London and in the capital of the country concerned, to work out particular areas where there is scope for cooperation: training, maintenance, technology transfers, export credits etc. In the case of Saudi Arabia, there were already, by January 1987, some 32 Saudi-British joint ventures in the industrial sector valued at SR 870m, and another 116 non-industrial ones valued at SR 968.7m.

35. Some Arab countries are trying to make the award of major contracts conditional on agreement by the supplying country to invest in industrial projects in the purchasing country. Such an obligation to undertake "offset investment" was written into Saudi Arabia's purchase of the Peace shield air defence system from the United States: 35 per cent of the value of orders from the US is to be offset by inward investment. The Tornado deal with Britain does not include formal commitment of this kind, but when the UK-Saudi memorandum of understanding was signed in September 1985 a possible long-term British undertaking was indicated to look into joint-venture cooperation and technology transfers.
36. Mr Channon, on the visit referred to above, confirmed that a British Offset Investment committee comprising government officials and businessmen would be set up to negotiate with its Saudi counterpart, headed by Prince Fahd Bin Abdullah, on the setting up of joint ventures in the high technology sector. "We are anxious", he said, "to press ahead with offset arrangements. We are fully committed to supporting Saudi Arabia's industrialisation. The United Kingdom is not a fair weather trading partner, and British business is determined to maintain a significant presence in the Kingdom." But there seems to be difficulties about matching these fine words with deeds, partly because most British companies outside the oil sector are reluctant to enter equity partnerships - preferring to act merely as suppliers - and partly because such viable high-technology joint-venture

projects as have been identified are already taken up by US companies.

37. Similarly, there have so far been more words than action about transferring technology through training schemes - though a British training mission organised by the Middle East Association did visit Saudi Arabia earlier this year. There are also talks in progress about technology transfers between the Scottish Development Agency and the Royal Scientific Society in Jordan; and the British Council is trying to bring British universities together in a unified scheme to offer places to Arab students.
38. The number of Arab students in Britain was adversely affected by the British government's decision to charge overseas students the full cost of tuition, which came into effect in 1980: it dropped from 10,000 in 1979/80 to 8,000 in 1983/83. By far the largest contingent of Arab students in Britain is from Iraq: over 1,800 following full-time course in British universities, polytechnics and other public-sector education establishments in 1983/84, making Iraq seventh in the world league table of countries sending such students to Britain. But that too was a drop from the 1979/80 figure of 2,457. Numbers of students from Egypt, Algeria, Kuwait, Sudan, Syria and Jordan also fell, while those from Libya, Saudi Arabia, UAE, Bahrain and Oman went up. (Libya, before the break in relations, was eighth in the world league table, immediately behind Iraq.) Saudi Arabia, which had about 500 students in the UK public sector in 1983/84, also had an even higher

number studying at private colleges. Efforts are now being made, under British Council auspices, to tailor British postgraduate courses more specifically to Arab countries' needs - training students not only to carry out detailed research but also to teach undergraduates on a more general level when they return to their home countries.

39. Other areas of Arab-British cooperation include agriculture, where British consultants are working on dams and irrigation schemes and the Overseas Development Administration is providing finance for farm projects in some of the poorer Arab countries, notably Sudan; the oil service and equipment industry, notably offshore; and solar power. All these projects, however, are on a small scale.

Finance

40. A new and important tie between Britain and the Arab world has been provided over the last decade by the rapid growth of the Arab financial community in Britain. Some Arab banks and financial institutions (such as Iraq's Rafidain Bank and the UK-registered United Bank of Kuwait) have had a presence in London for more than 20 years, but most have come in the last decade. By 1986 there were at least 70 Arab banks and financial institutions in London, representing almost every Arab country and providing an enormous range of services. They include several leading national Arab banks, numerous consortia banks (some wholly Arab-owned, some Euro-Arab), at least three Islamic banks and numerous investment companies.

The Arab countries most heavily represented are Saudi Arabia, Kuwait, Bahrain and Lebanon.

41. Many of these banks and financial institutions have recently diversified their activities. For instance, BAII acquired the London stockbroking firm Sheppards & Chase (since renamed Sheppards), thus gaining direct access to the London Stock Exchange. The presence of Arab banks and financial institutions in London has undoubtedly made an important contribution to the British economy, notably by encouraging oil exporting countries to hold a large part of their foreign assets on deposit in London and to channel their foreign investment through the London market.

42. There is also a good deal of direct Arab investment in Britain - the most active Arab countries in this connection being Kuwait, which has an Investment Office in London. Kuwait has invested in both industry and real estate in Britain, and has built up a sizeable portfolio of shares in British companies. (In 1986-87 Kuwait Petroleum International acquired some 1,300 retail points in Britain for its new Q8 brand of petroleum products.) Private investors from Saudi Arabia and some other Arab countries - the Egyptian Al-Fayed brothers being perhaps the best known - have been similarly adventurous, while Saudi official investment has been more orthodox, concentrating on government bonds and other gilt-edged securities.

43. By contrast there is as yet very little direct British investment in the Arab world. Among the few exceptions are a joint venture by Courtauld's in Morocco, and several by British companies in Egypt, mainly in the construction sector. (A razor-blade factory established in Alexandria by Wilkinson Sword, under Sadat's infatih policy, had to close when Libya's Colonel Gaddafi flooded the Egyptian market with cheaper razor-blades imported directly from Britain!)

Culture

44. A striking feature of the London scene in the last ten to twelve years has been the proliferation of Arab newspapers and magazines - in part a consequence of the war in Lebanon, in part reflecting the new oil wealth and the willingness of certain Arab governments and individuals to spend some of it on efforts to influence a broad Arab public opinion. London has to a large extent replaced Beirut as the main meeting-point and market-place of ideas in the Arab world. Regrettably, however, this has had very little effect on British society or British knowledge of Arab culture. Indeed it is probable that the great majority of British people are quite unaware of it.

45. On the other hand, Britain does retain a number of major centres for the academic study of the Arab world: at the School of Oriental and African Studies in London, at St Antony's College in Oxford, and in the universities of Exeter and Durham. Serious and thoughtful treatment of the Arab world can be found in several British newspapers, and in

occasional documentaries on radio and television. Arab cuisine can be found at quite a few London restaurants, but these tend to be patronised mainly by Arabs. Arab literature, music and cinema are likewise known only to a tiny minority even of the educated British public.

46. Presumably some aspects of British culture are rather better known in the Arab world. It may be worth mentioning in this context that the region remains one of the biggest export markets for British publishers, accounting for about a tenth of their global sales - nearly two-thirds of that tenth being school textbooks. English is widely used in almost all Arab states, and taught in most Arab schools as a second language. In the words of one leading British publisher, "fortunes are to be won or lost on the development and adaptation of specially prepared courses in English for the Arab market"; and five British firms - Longman, Oxford University Press, Cambridge University Press, Heinemann and Macmillan - are eagerly competing in this field. Saudi Arabia and the Gulf states, especially, have been willing to pay "Western" prices for English language school and university textbooks.

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ITALY AND THE ARAB WORLD

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ITALY AND THE ARAB WORLD

1. General background

The policy of the Italian State towards what is now the Arab World has focused since its inception on two partially incompatible aims: taking advantage of Italy's unique geographical position in order to develop a sort of special relationship with the whole Mediterranean Basin, and acting in this area in accordance with a pattern set by other European powers. Italy's aggression of Libya in 1911 was a typical albeit belated example of conformity to a European colonial model, while Mussolini's Arab policy of the Twenties and Thirties was a significant manifestation of what used to be called Italy's Mediterranean vocation. The cyclical wavering between the lodestars of integration with Europe, later NATO, on the one hand, and the fostering of a more independent Mediterranean policy on the other, has constantly informed Italian foreign policy since 1861, and some recent parliamentary debates are strikingly reminiscent of similar discussions dating from the 1880's and 1890's. Showing the flag in the Gulf raises the same problems now as it did in the late nineteenth century, and opposition criticism of Italian subservience to US views in this area rests on substantially the same arguments as were voiced about a century ago, when the limits of Italian freedom of action were laid down in Paris, London, Berlin and Vienna rather than in Washington.

1.1. Italy's traditional interests in the Mediterranean

Italy's perception of its economic, as opposed to political, interests in the Southern portion of the Mediterranean Basin has remained substantially

unchanged. About a century ago the area was considered valuable as a source of raw materials and as an export and investment market, rather than as an outlet for Italy's excess population: even when colonization got under way, the number of Italian settlers in Libya was insignificant compared with the volume of emigration to the rest of Europe and the Americas. There were cogent enough reasons why Italy's economic policy should have focused on the Mediterranean: apart from some advantages deriving from its geographical position, Italy's late arrival on the colonialist stage made Italian investments less suspect than involvement with some of our senior European partners. On the whole, however, the opportunity for developing mutually profitable economic relations between Italy and the countries on the southern shores of the Mediterranean was not seized, and Italian economic policy was dominated in the long run by a tendency to concentrate on Europe: a contradiction which still finds expression in the recurring debate on whether we should aim at being the first industrial power among the less developed countries, or be content with our position as the last of the highly industrialized ones.

On the political level the perception of Italy's interest in the Mediterranean has undergone somewhat greater changes. About one hundred years ago we shared, of course, Europe's obsession for colonial lebensraum, and Libya was to Italy what Tunisia and Egypt were to France and Britain. A few decades later, the popularity enjoyed by Fascism among some Arab nationalist circles gave Italy the unprecedented opportunity of exploiting anti-British and anti-French feelings in the Arab World; and some propaganda mileage was indeed achieved at the expense of those who - unlike, for instance, Shakib Arslan - were willing to forget that the self-styled "Defensor of Islam" was the same Mussolini under whose rule Muslims were being oppressed in the Italian colonies. Although this pro-Arab stance was undoubtedly opportunist in origin, it rested on reasonably sound

foundations: some of its elements survived after World War II and contributed to shape Italy's post-war Mediterranean policy.

Both before and after World War II, Italy's Mediterranean policy was not dictated solely by purely Italian interests, and not only because of our policymakers' wavering between the European and Mediterranean lodestars already mentioned. A significant factor in the shaping of Italian policy in the Mediterranean was the religious one connected with the Holy Places, which (in spite of Italy's endorsement of the Balfour Declaration in 1918) determined a striking lack of official sympathy for Zionism, an attitude which was also carried over into the post-war era when a succession of Italian governments seldom went out of their way in support of Israel, except for NATO or rather US constraints.

2. The Arab-Israeli conflict and the evolution of Italian policy.

The Arab-Israeli conflict must rank as the most important single factor in the shaping of Italian foreign policy towards the Arab World in the post-war era, as well as the most conspicuous recent instance of Italy's turning its back on the Mediterranean and following a strictly European pattern of behaviour. There should, apparently, be no doubt about it: immediate recognition of Israel on the one hand, and only a belated and half-hearted recognition of the PLO on the other. And yet, Italy's pro-Israel attitude should be viewed in the context of the immediate post-war years, when a notional Mediterranean policy was too closely identified with Fascism and too embarrassingly reminiscent of Mussolini's imperial ambitions which viewed the Mediterranean as the "mare nostrum". Hence a natural tendency to reject or forget the past, and align Italy's position with the predominantly pro-Zionist trend in Europe and the US, even if this meant

throwing out the baby of good Arab relations with the bath water of Fascist propaganda. This was probably the most effective consideration, as far as Italian public opinion is concerned, and insofar as Italian public opinion was aware of the issue: those were the years of reconstruction, and the problems of survival in Italy itself were so pressing as to obscure those connected with the first Arab-Israeli war. At the policymaking level, however, other influences were at work. It was feared that an anti-Zionist stand would be viewed as anti-Jewish and thus lay upon the new Italian Republic the stigma of antisemitism associated with Fascist Italy and Nazi Germany. There was, moreover, no independent foreign policy in Italy at the time, once the Christian Democrats had ousted the Socialists and the Communists who had shared power with them in the first post-war coalition governments. This was done at the insistence of the US government in order "to ensure democratic stability in Italy" and was accompanied by the injection of over 10 billion dollars into the Italian economy between 1948 and 1952 through the European Recovery Program. The official Italian view on Near Eastern issues thus tended to coincide with Washington's most of the time, the connection being further strengthened when Italy joined NATO in April 1949 and by so doing found herself bound to defend American interests in the Mediterranean; it should be recalled in this connection that Italy was not admitted to the United Nations until the end of 1955, over six years later.

By 1956, then, Italy had recovered the formal attributes of sovereignty, though not effective freedom of action, and reactions to the second Arab-Israeli war were accordingly more diversified. Apart from the Italian Communist Party, which naturally supported Gamal Abd en-Nasser's anti-imperialist stand, some Socialist leaders (including such figures as Basso, Lussu, Vecchietti, Valori, Foa and Pertini, Italy's President from 1978 to 1985) strongly condemned the Anglo-Franco-Israeli aggression of Egypt. More significantly, different positions

emerged within the ruling Christian Democrats, where the left wing led by Gronchi and Fanfani had some sympathy for Nasser's autonomous role, in contrast with the line followed by then Prime Minister Segni and his Foreign Minister, the Liberal Martino, who insisted on justifying France and Britain on the grounds of NATO loyalty. On the whole, however, most of the press and hence of Italian public opinion were still under the influence of the misconceived notion that to oppose Zionism was tantamount to supporting Fascism.

In 1967 the pro-Israel, NATO line was still in the ascendant at the official level, even though the Socialists had been sharing power with the Christian Democrats since 1963. Again, support for the Arab side was voiced by the Communists, the Socialist left wing and the Christian Democrat left led by Moro and Fanfani, who was Foreign Minister at the time and in fact went to some lengths in order to have Italian mediation accepted by the conflicting parties. The pro-Israeli alignment still included most of the Christian Democrats and Socialists, as well as the smaller coalition parties. The majority of Italian public opinion was also in favour of Israel, particularly among the upper and middle classes. This is, on the whole, understandable. Those were the years of Italy's economic boom, when the first positive effects of European integration were being felt, and political alignment with Europe, NATO, and the US, in support of Israel was perceived as a guarantee of acceptance by the leading nations of the West. While the captious identification of Israeli policy with the righting of past wrongs suffered by the Jews of Europe still enjoyed some currency, public opinion at large was suitably impressed with the magnification of Israel's victories by Israeli and Zionist-inspired propaganda. The press, of course, was pro-Israeli in its overwhelming majority, and unabashedly exploited the image of Israel as a bulwark of western civilization in danger of being overrun by the armies of Arab dictators.

This began to backfire, however, in the immediate aftermath of the third Arab-Israeli war, when it became apparent that, far from being in any serious danger of destruction, Israel had proved by its preemptive strike that, thanks in the main to US military and economic aid, it enjoyed overall superiority to her foes. Hence the David and Goliath complex which had played in Israel's favour began to act in the opposite direction, while the Palestinian issue, which had been practically ignored in Italy in 1947-48, came to the forefront as new waves of refugees were driven across the Jordan. The late Sixties were in Italy a time of student and labour unrest, of growing political engagement, and the issue of Palestinian rights shared top popularity with Vietnam.

These components of the pro-Arab front were motivated by the right reasons, but their ranks were swollen in 1973 by a plentiful influx of late converts driven on the whole by the wrong motives: motives of opportunism arising out of the oil embargo and price rises following the fourth Arab-Israeli war. No wonder that these newcomers' support vanished as soon as the oil market became stabilized and new oilfields outside Arab control came on stream. At the official level, some impatience with the pro-Israel US line had in fact emerged before the war of 1973, and differences had been aired among the coalition parties on the matter of solidarity with Israel, which had previously been acritically and almost automatically extended. During the war itself Italy refused to cooperate in the airlifting of military supplies from the US to Israel, and some criticism was voiced at President Nixon's unprecedented step of putting US military bases on alert. The net result of the October War, as far as Italy's foreign policy was concerned, consisted in giving a new lease of life to the Mediterranean alternative which had been lying quiescent since World War II.

2.2. Post-1973 development of Italy's relations with the Arab World

Continuity between the pre-1973 period, when Italy's relations with the Arab World were modest, and in some instances non-existent, and developments after the October War, was stressed mainly for internal policy purposes, in order to allay any suspicion that Italy was about to engage in a more adventurous pattern of dialogue with the Arab countries, independently of NATO or CEE guidelines. Just as Prime Minister Mariano Rumor had stated on April 7, 1970, that "whatever results Italy can achieve in the field of foreign relations, much more can be obtained by acting together with those countries which share our ideals", so Foreign Minister Aldo Moro stressed on October 17, 1973, that Italy had felt impelled by the new Arab-Israeli conflict to call for a joint European meeting "with the object of determining a common policy which would ipso facto be more effective than any expressed by single member states of the Community".

Immediately after that, however, and independently of what became known as the Euro-Arab Dialogue, Moro took steps to develop Italo-Arab cooperation along five main directions: Egypt, viewed as the senior partner in the alignment confronting Israel, and hence the most suitable subject for any political action by Italy aiming at lessening tension in the Near East; Iraq, as an oil-producing country likely to view Italian involvement in its economic development with less suspicion than, say, US investment; Algeria, whose huge gas reserves were seen as an interesting and strategically valuable alternative to Near East oil, at the time the fuel predominantly used by Italian industry; Libya, as a natural trading partner whose relations with Italy had been marred by the expulsion of Italian residents in 1970; and, finally, Saudi Arabia, in recognition of Riyadh's new regional and international role. Economic, as well as strictly political motives were obviously at the roots of Foreign Minister Moro's diplomatic initiative,

whose results were on the whole more impressive in economic than political terms, as they laid the groundwork for construction of the Transmed undersea gas pipeline to Italy and growing economic cooperation with Libya and other Arab countries. While the political results were apparently less tangible on the bilateral level, post-1973 internal developments were in the general direction of a greater awareness and recognition of the Arab view vis-a-vis Israel's.

This was particularly apparent in the ruling majority's position: the Christian Democrats as a whole finally adopted the pro-Arab stand which had formerly been their left wing's prerogative, while the Socialists officially recognized the Palestinians' right to self-determination and called for Israeli withdrawal from the Occupied Territories. The shift in the Christian Democrats' position was presumably encouraged by the recognition that the Vatican, whose coolness towards Israel had not significantly changed since 1948, was becoming increasingly concerned about the Palestinians' plight. A definite preference for Israel continued to be voiced only by some of the minor coalition parties, particularly the Republicans. This resulted in a certain cooling of relations between Italy and Israel: Foreign Minister Medici's visit to Israel in 1973 was returned by Israeli Foreign Minister Moshe Dayan only in 1978.

3. Italy's economic policy in the Near East and North Africa

The EEC used to be characterized as a political dwarf and an economic giant: this cliché could be applied on the whole to Italy's Mediterranean policy at least until 1973, when the need for a less timid approach to foreign policy in the area began to be voiced in Rome. Not that Italian economic policy in the Mediterranean could be described as having gigantic proportions in the pre-1973 era, but it certainly was far ahead of the strictly political variety and in some

instances completely replaced it. Nowhere is this as manifest as in the efforts developed by the State oil agency, ENI, under Enrico Mattei in order to secure Italian participation in the development of North African oil, which were implemented independently of, rather than in coordination with, the Italian Foreign Office. Mattei's pursuit of diversification in oil imports, aimed at securing a reasonable proportion of supplies outside the US-led oil cartel, was in fact occasionally perceived as being in contrast with the general guidelines of Italian foreign policy, and incompatible with the short-term view of the US oil industry's interests in the Near and Middle East: a contrast which was highlighted by US reactions, in 1957, to ENI's well-known joint venture with NIOC, the national oil authority of Iran. Although ENI had already entered into a joint venture with Egypt in 1955, it was the Iranian deal which was seen in the US as real cause for alarm, triggering an immediate response when Mattei tried to duplicate it in Libya. On March 25, 1957, less than a fortnight after signing the Iranian agreement, Mattei was in Tripoli initialling an identical deal, the only difference being that whereas the oil-bearing areas covered by the Iranian concession were marginal, the concession acquired by ENI in Libya directly bordered on the areas in Algeria where extensive oilfields had been discovered in the preceding year by the French. The US oil industry's reaction was correspondingly efficient: pressure was applied by the State Department in Rome and in Tripoli, the Libyan Prime Minister who had initialled the agreement was dismissed, and the ENI concession revoked, while the area covered by it was granted a few months later to American Overseas Petroleum, a Texaco offshoot. Mattei's attempt at securing non-cartel supplies by offering petroleum exporting countries more competitive terms than those which the oil industry considered at the time acceptable was thus checked, but a precedent had been set. ENI became

accepted as a desirable partner in oil prospecting, production and marketing, thus paving the way for extensive and mutually profitable cooperation between the Arab countries and Italian industry. ENI's independent and at times even aggressive stance vis-a-vis the US-led oil industry was about to bear fruit in Algeria itself when Mattei was killed in a plane crash in late 1962, a week before he was due to meet Algeria's leader Ahmed Ben Bella in order to finalize details of a three-cornered cooperation agreement. In 1961 Mattei had been asked to join the oil cartel in exploiting Algeria's desert oilfields; the offer was refused as Mattei felt ENI should have no part in developing Algeria's natural resources while the country was still under French colonial rule, correctly believing that the Italian State corporation would be given preferential treatment after independence. Mattei's friendly relations with Algerian leaders in fact led French president de Gaulle to accept the principle of Franco-Italian cooperation with Algeria in developing Saharan oil. The three-cornered agreement was to involve Italian technical assistance to be paid for by direct ENI ownership of a quota of Algerian crude, as well as by gas deliveries through the pipeline which was finally commissioned over two decades later.

Mattei's death was a blow from which ENI never recovered: its enterprising policy was soon replaced by a more conciliating attitude towards the oil cartel, which led between 1965 and 1970 to a number of agreements with Standard Oil, Gulf and other oil companies. US-owned natural gas from Libya thus replaced the Algerian gas envisaged in 1962 as a major source of fuel for the Italian economy. While this was in accordance with long-term US economic aims as embodied in the Truman Doctrine, the Marshall Plan and the Economic Cooperation Administration (which laid the European market wide open to the US oil industry), it was not necessarily the most effective way of promoting cooperation between Italy and the

Arab World, which in Mattei's view should have been based on direct dealing and, as far as possible, on cutting out the US middleman. After Mattei, however, ENI was in no position to withstand pro-American pressures both by the Italian political establishment and by the international oil industry's local associates, and had to follow a more accommodating line. No wonder, then, that by 1967 ENI activity in the Arab World had not substantially progressed beyond the level reached in 1962, and no further footholds had been gained apart from Egypt, Tunisia, and Libya. The third Arab-Israeli war, in turn, was a further setback for ENI operations in the Arab World, as the joint venture with Egypt lost its most promising assets, the Sinai oilfields. This setback was only partially balanced by the general consequences of the June war: the closure of the Suez Canal, increasing US dependence from Near- and Middle East oil, and overall instability in the area, caused the oil cartel to modify traditional attitudes. As prospection was started in new areas, sharing growing financial burdens and political risks with independent companies, including ENI, became a more palatable option than in the past: such is the context within which, for instance, ENI acquired in 1968 a share of Shell's production from Qatar's offshore fields.

Thus far, then, Italian economic policy towards the Arab World was dominated by a traditional factor, the search for secure and profitable supplies of raw materials, while the region's importance as an export market was not particularly appreciated. Italian trade with the Arab countries conformed on the whole with the general pattern whereby the former colonial power tended to have the lion's share of the former colony's imports. Thus Italy's 25 per cent share of Libya's imports compares with France's 25 to 30 per cent share in the import trade of Algeria, Morocco, and Tunisia. No particular efforts were made to increase

Italy's share of the Arab export market and, not surprisingly, Italy's balance of trade with the Arab countries was in the red.

All this necessarily changed after the fourth Arab-Israeli war of 1973, with its attendant oil embargo and price rises, whose first, immediate, consequence was a substantial increase in Italy's trade deficit with the Arab World, which rose from 1.2 billion dollars in 1970 (when Italian exports stood at 0.5 billion dollars, and imports at 1.7 billion dollars) to 6 billion dollars in 1974 (when exports were worth 2.2, and imports 8.2 billion dollars). A reappraisal of Italy's Arab policy became imperative, and a preference for joint European efforts towards a peaceful settlement of the Arab-Israeli conflict was expressed by Foreign Minister Aldo Moro as early as October 17, 1973. This was followed by the Brussels Declaration of November 6, in which the nine members of the EEC expressed their readiness to negotiate trade and other agreements with the southern and eastern Mediterranean States, within the context of "a global and balanced approach".

In this view, which would have increased economic interdependence between the EEC and the Arab States, with positive long-term effects on political stability in the whole Mediterranean region, relations between oil-producing and oil-consuming countries were to rest on normal commercial incentives and consist, on the whole, in the exchange of oil for technology and know-how. Unfortunately, however, this was not the only option to gain widespread currency after 1973. A second school of thought, led by the US, advocated securing oil supplies not through normal commercial channels and freely negotiated deals, but by exploiting the advantages held by the highly industrialized world vis-a-vis the oil producing countries. In other words, the West was to secure its oil by the threat of economic warfare, of withholding the export of foodstuffs and other strategic

supplies to the Arab World. To this end, the US encouraged protracted instability in the area and contributed to increasing inter-Arab tensions by promoting Egypt's separate peace with Israel and fostering at the same time a renewal of the local arms race. Europe ended by adopting the US option, with its attendant short-term benefits measured in swelling armaments sales, while the Euro-Arab Dialogue, which had been initiated at Europe's initiative in order to explore possible ways of setting up a stable system of exchanges and relations, finally petered out into ritualized and inconclusive verbiage.

This being the overall European trend, it is hardly surprising that Italy's approach to the growing trading deficit with the Arab World should have been piecemeal and generally disorganized. What, if anything, should be viewed as surprising, is the performance of the Italian economy, which in spite of a sixfold increase in the value of imports from the Arab countries between 1972 and 1977, managed to keep the growing commercial deficit down to a fourfold increase, thanks to an eightfold increase in the value of exports; at the same time, the Arab World's share in total Italian exports more than doubled, rising from 5 per cent in 1972 to 11.4 per cent in 1977, while the Arab share of Italian imports rose from 11 to 17.3 per cent. The Arab States were by now not only an essential source of oil supplies, but also an export market of growing importance. This was partly a mechanical consequence of the oil price rises, as a considerable quota of recycled petrodollars would have found in any case its way to Italy, which was somewhat favoured by geographical proximity to the Arab World, as well as by a desirable rate of exchange; in part, however, it was also the consequence of Italian industry's scramble for markets in the aftermath of the first oil shock. The bigger corporations, from both the private and the public sector, were obviously better placed to participate in the export drive, and such household

names as Fiat, Pirelli, Italsider, Ansaldo, various ENI subsidiaries such as Saipem, Agip or Snam Progetti, as well as civil engineering groups like Impresit, Italconsult and Lodigiani, were quick to establish themselves in the Arab States where, particularly in North Africa, they proved to be a match for French and German competition. An interesting development was the growing number of medium and smaller highly specialized firms taking part in the export drive as sub-contractors in deals arranged by major Italian companies with Arab public sector corporations or governments, a typical instance being the case of about twenty firms, each specializing in a particular stage of the textile cycle, which joined forces with Generale Impianti in order to develop the backbone of Algeria's textile industry. At a less impressive level, a myriad small to very small firms jumped on to the petrodollar bandwagon, exporting anything from solid gold bathroom fittings to plastic trees, a remarkable testimony to individual enterprise but not perhaps the best way to promote lasting economic integration between Europe and the Arab World.

Criticism of so haphazard an approach was not lacking, from both the Italian and the Arab side. The need was particularly felt for greater coordination in the whole field of Italian exports, with substantial public backing in view of the pressing need to acquire and keep an adequate share of the Arab market in order to pay for Italy's growing oil bill. What public backing there was sometimes turned out to be of the wrong sort, as when Italian contractors found themselves competing against one another for tenders relating to the erection of industrial plants: in such cases, competitors from the private sector often saw themselves outbid by public corporations operating without the constrictions of strict cost-accounting thanks to their ability to offload any loss onto the taxpayer. Criticism was also voiced at the overall shortcomings of long-term industrial

planning in Italy, as it was felt the government had no clear idea about what was going to happen to the mature sectors of Italian industry once the more go-ahead exporters of high technology had provided the Arab oil producing countries with brand new plants capable of competing on the European market in petrochemicals, fertilizers, or intermediate iron and steel products. On the financial side, Italian exporters regretted the absence of a comprehensive policy of export insurance, as well as the inadequate level of measures adopted to facilitate the recycling of Arab petrodollars through Italy; in this connection it may be recalled that some of the most ambitious schemes aired in the mid- and late Seventies (for instance, using oil revenues to turn Sudan into "the breadbasket of the Arab World" by means of European technology) went the way of the Euro-Arab Dialogue.

Criticism of inadequate government support was also voiced from the Arab side, in connection with the abnormally low level of Arab investments in Italy. Out of about 110 billion dollars in oil revenues accumulated by the Arab oil exporting countries by the end of 1977, direct investments had gone mainly to the US and Canada, to France, West Germany and Switzerland, and to Japan, the only significant direct investment in Italy being the acquisition of 415 million dollars worth of Fiat stock by Libya in 1976. While a general Arab reluctance to invest in Italy may be attributed to the high rate of inflation then current, it was felt that the Government was not doing as much as possible in two closely connected fields: export support and coordination by means of agencies connected with the Foreign Trade Ministry (ICE, SACE, UIC, Mediocredito centrale), and projection of a positive image of Italy's economic and political health. That was a polite way of putting it: throughout the Seventies, Italian governments used to be accused of having no foreign policy or, at best, of having an impact on

Italy's neighbours in the Near East and North Africa that was no more than that of a country half its size.

All this began to change in the early Eighties, when Italy ceased to be little more than a spectator of international events. A more active role was practically thrust upon her by the British withdrawal from Malta in 1979, in whose wake Prime Minister Dom Mintoff called for the island to be guaranteed neutral status by four friendly neighbouring powers, Algeria, Libya, France and Italy. The one to respond most positively was the Italian government, worried about a possible power vacuum on Sicily's doorstep, and a treaty was duly signed, combining financial and technical aid with a commitment to consult with Malta in case of danger to the island's security. Then came a revealing indication that Italian acquiescence to US policy in the Mediterranean could no longer be taken for granted, when a foreign ministry statement was issued immediately after the failure of the US attempt to rescue the Tehran hostages, condemning the use of force on all such occasions; as a precedent, this heralded the confrontation which followed the Achille Lauro affair in 1985, when Italy refused to hand over the hijackers after the Egyptian plane flying them to Algeria had been intercepted by the US and forced to land in Sicily. 1980 also saw an unprecedented number of ministerial visits and official missions between Italy and the Arab countries. This increasingly active attitude towards the Mediterranean area was, to a certain extent, caused by Italy's continuing balance of payments difficulties (in 1980 the commercial account deficit rose nearly tenfold compared with 1979); it was also due, however, to a coherent attempt aimed at bringing political relations up to the excellent level of economic interchange - to paraphrase a statement made by then President Pertini on his visit to Algeria in May 1980. A further factor contributed to Italy's more active

attitude towards the Arab World, namely Italian chairmanship of the EEC during the first half of 1980, when Rome found itself at the helm of Europe's attempts to develop a coherent stand vis-a-vis the Arab-Israeli conflict. The European summit in Venice on June 13 in fact issued a statement in which the nine members declared their willingness "to participate within the framework of a comprehensive settlement in a system of concrete and binding international guarantees", upheld Israel's right to existence and security, but at the same time condemned it for its settlements in occupied Arab territories, rejected its unilateral attempt at changing the status of Jerusalem, and insisted on the association of the PLO with any peace settlement. While this may have fallen short of some Arab expectations, it was a significant advance for which Italian diplomacy was entitled to claim some credit (notably in overcoming some Dutch and Danish pro-Israeli opposition), as for the first time western Europe went beyond mere declarations and laid the groundwork for active diplomacy. Riding on the wave of goodwill generated by the Venice summit, exporters could also count on the fact that, by now, Italy was the biggest provider of export credit among all the OECD countries.

After that, Italian industry continued to be cautiously followed by the government in taking a more pro-Arab stand. In spite of US pressure on Italy to reconsider its attitude toward radical Arab States in the light of the Gulf of Sirte incident in the summer of 1981, nothing was done in Rome to discourage Italian businessmen from carrying on as usual. A few months later, Prime Minister Giovanni Spadolini reaffirmed his commitment to a PLO role in the Near East process as envisaged in the EEC Venice declaration, which was to be held complementary to the Camp David process. While taking a less Washington-oriented stand in the Mediterranean, Italy was apparently hedging its bets, however, by

encouraging a geographically more balanced pattern of oil imports: whereas in 1970 Libya had been the biggest supplier, followed by Iraq, Saudi Arabia and Kuwait, by 1980 the order was Saudi Arabia (supplying about 33 per cent of total Italian oil imports), Libya (14 per cent), Iraq (13 per cent) and Egypt (about 7 per cent).

The falling price of oil imports is - together with the growing importance of Italian aid - one of the main factors influencing Arab-Italian relations in the Eighties. While declining oil revenues curtailed investment plans in most Arab oil producing countries, and some payments to exporters were held up or even suspended, the new situation also helped put trading relations into a clearer perspective. When Italy's commercial deficit was rapidly rising in the Seventies, exporters had been hard pressed to exploit any outlet, while on the Arab side the mounting tide of petrodollars had made almost any investment seem reasonable. In the more balanced conditions of the Eighties both sides had time to sit back and think, and concentrate on those investments which have a greater chance of proving productive in the long run. This is reflected in the shift away from consumer goods towards development-producing technology.

A relatively recent development which gives Italian exporters a certain advantage over many others is Italy's emphasis on foreign aid, which has singled out the Mediterranean Basin area as a priority target for development cooperation, absorbing about one quarter of Italian bilateral and multilateral aid. The area, where Italy's general foreign policy objectives and her development cooperation aims are particularly interconnected, includes six "top priority" countries (Egypt, Jordan, Morocco, Sudan, Tunisia, and North Yemen) where 80 per cent of the area's aid is to be concentrated.

4. Conclusions and prospects

The Arab World's share of Italy's foreign trade, which rose from around five per cent in pre-oil crisis days to 12 per cent of total Italian exports in 1979 and 18 per cent in 1981, to 18 per cent of total Italian imports in 1979 and 22 per cent in 1981, is certainly a more faithful image today than it was, say in 1970, of the Arab countries aggregate weight in international relations and in the world's economy. This was achieved, however, thanks to the resilience of the Italian economy rather than as the result of any long-term bilateral, Italo-Arab planning, and is a testimony to an efficient panic reaction by Italian exporters to Italy's growing balance of payments deficit in the wake of the 1973 oil price rises, rather than to the growing integration between Europe and the Arab World which was advocated by the well-meaning initiators of the Euro-Arab Dialogue.

The spontaneous and contingent nature of Italian efforts towards stronger trading relations with the Arab countries is revealed by the fact that as soon as oil prices stabilized and the share of imports from the Arab countries in Italy's total imports fell to 17 per cent in 1982 and 14 per cent in 1985, Italian exports began to decline even faster, falling to 15 per cent in 1982-83 and less than 11 per cent in 1985. Such short term oscillations in the Arab quota of Italy's international trade are inconsistent with planned integration between the economies on the North and South shores of the Mediterranean; they reflect instead a trend towards the general pattern of international commercial relations, which shows a heavy volume of trade within the main areas and an inadequate level of inter-area exchanges, the heavily industrialized countries.

trading mostly among themselves. Within the generally low level of South-South trade compared with North-South and North-North traffic, the depressingly small volume of inter-Arab commercial exchanges stands out as a major obstacle on the way to balanced economic integration between the Arab countries and Europe.

Direct comparison between the levels of economic and political integration achieved by the EEC and the Arab World respectively is of course unfair, and indeed irrelevant, as there were substantial differences in the initial conditions of the two processes and in the causes which set them in motion, but the low level of inter-Arab trade and interdependence should be viewed as a major factor in the unbalanced nature of Euro-Arab relations. A degree of complementarity between the major European countries, and their overall economic interdependence, were the foundations on which such inspired statesmen as Schuman, De Gasperi and Adenauer laid the political framework for European unity. No such complementarity existed between the Arab States when the first hesitant measures to foster economic integration were taken in the Fifties; neither was there a political impulse to unite comparable to the forces at work in Europe, where the aftermath of two world wars indicated economic and political integration to be the only solution to inter-European tensions. Complementarity between Arab economies cannot be created overnight, but the potential is there, particularly in the Maghreb, and it should be encouraged with greater energy than hitherto. The Arab road to integration is, understandably, more difficult than Europe's, and yet it has no alternative if Euro-Arab relations are to develop into a dialogue between equal partners, rather than continuing on

the present pattern, where the partner with the greater bargaining power dominates the other. Bargaining from strength may win short-term advantages, but is no substitute for cooperation based on common interests.

These may be hard to locate, and European perceptions of Europe's own interests have evolved since 1973 mainly in response to short-term variations in the balance of trade: cooperation was all the rage when deficits soared, but interest in the Euro-Arab Dialogue declined as fast as OPEC supplies were being replaced by non-OPEC oil sources. Perceptions have varied on the Arab side too, but there is a long-term goal which should be pursued by both Europe and the Arab World, and which can be attained only through greater political as well as economic integration within each area, and between them. The EEC and the Arab World should work together towards a reduction of East-West polarization, not merely because reducing tension between the superpowers is a good thing in itself, but also because this would lead to a number of positive effects, from the freeing of economic resources for more productive use than financing the global armaments race and its local varieties, to the development of a Euro-Arab association capable of welding the north and south shores of the Mediterranean into a community comparable with the US and the Soviet Union in economic potential and political weight.

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Report on the
Euro - Arab Dialogue
Issues and Prospects

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Preface

The objective of this report is two-fold: Firstly, to describe the present status of Euro-Arab dialogue identifying the main issues and problems, and secondly, to propose possibilities and avenues of change. Thus, the report is divided into three chapters. Chapter I provides the general political context within which the dialogue was initiated and developed. In particular, it approaches the dialogue as an outcome of an growing complex interdependence that took place in the 1960's and early 1970's. According to this view, the October war and its dramatic events was more of a catalyst and a trigger for the dialogue, rather than its raison d'être. The chapter follows the various stages of the dialogue till its present stalemate and identifies the factors that contributed to such a conclusion.

Chapters II and III present a picture of Euro-Arab economic relations as developed within the Mediterranean policy and the Lome convention. Each provides an analysis of the various aspects of these relations pinpointing problems and suggesting avenues for change.

It is hoped that this report has captured the main issues and problems of present-day Euro-Arab dialogue.

CHAPTER I

THE RISE AND FALL OF THE EURO-ARAB DIALOGUE:
POWER POLITICS OR POLITICS OF INTERDEPENDENCE

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1- Introduction:

As the Franco-British disaster at Suez in 1956 signalled the end of decisive European influence outside Europe, especially in the Arab world, the October 1973 war signalled the beginning of a new relationship between the two regions through what is known as the Euro-Arab Dialogue (EAD). Between the two wars many interactions took place in the Arab World in general and between the Arab States and Israel in particular. The two superpowers had monopolized manipulating the events in the Arab region while Europe had played a marginal political role although it maintained an increasing economic interdependence with the region.

Immediately after the October 1973 War in the Middle East a mechanism for Euro-Arab political and economic cooperation was established through the EAD. A series of contacts between the members of the European Community and the member states of the Arab League took place in different Arab and European capitals (see Annex I). These contacts manifested the political will of both regions and their desire to cooperate in the areas of infrastructure, agriculture, scientific and technical cooperation, trade, finance, transfer of technology and social and cultural cooperation. An elaborate institutional network was established (see Annex II). The EAD, however, was

not to last long. In April 1979 The EAD was suspended because of the Egyptian-Israeli peace treaty. When the dialogue was relaunched again at the end of 1980, it was not to last more than another year. The EAD was dropped from the agenda of Euro-Arab relations. Theories about the EAD have been divided between two schools of thought. The London "Economist" stated that the Arab purpose in the dialogue was to use the EEC as an additional pressure on Israel to pull back from the Arab occupied territories. The European interest in the dialogue "can be measured purely in public relations terms". The European concern was "to make friends as a hedge against the next oil embargo".¹ While this point of view minimized the political interests of the two parties in the dialogue, another point of view maximized these interests to be a new coalition between two world powers: the Arabs who were finally "re-emerging", and Europe which should assume "its rightful role in world politics". The two powers should, thus, stand to the "historical awakening and the new power realities".²

The second school of thought looks at the dialogue in terms of "growing interdependence".³ When the dialogue was faced with Sadat's peace initiative and temporarily interrupted one writer commented:

It is certain that Western Europe and the Arab world need each other in many respects. They are in a profound sense interdependent. Whatever comes of the EAD as an exploratory venture, it is unlikely that we have seen the end of the search for a comprehensive system of Euro-Arab cooperation. (Emphasis added).⁴

The dialogue was, thus, not a product of "new power realities", but was a product of the growing economic interdependence between the two regions. The subject of the matter was not "high politics" of security and survival, it was the politics of social and economic interactions.

The purpose of this chapter is to examine the EAD in terms of both schools of thought to find out the conditions that led to its rise and those that led to its fall.

2- The Power Politics of the EAD:

From a realist point of view, the EAD was a forum to regulate the interactions of two groups of nation states. The subject of those regulations was the national interests of each participant state. The EAD, in that regard, was only one of the means by which European as well as Arab states tried to enhance their security, increase their capabilities, and achieve other political and economic goals.

Geography as well as history demonstrated that an adversarial relationship existed between Arab and European countries. The Arab region represented the southern flank of Europe; and for the Arabs, Europe was their northern flank. The Greeks, the Romans, the Crusaders, the British and the French had marched to conquer, dominate, and colonize Arab countries. It was Europe which supported the plantation of Israel in the heart of the Arab land. Israel is not only separating the Arab East from the Arab West, nor is it only a form of national suppression to the Palestineans, but mainly, it is a continuous security problem to Arab countries.

Other factors added to the adversarial relationship between the two regions. The unequal stage of development created an atmosphere of suspicion and fear. Added to the historical colonial past, a wide range of superiority and inferiority complexes affected the overall perception of each region towards the other. The unequal stage of integration between the two regions was also a factor. While Europe is tied together by the fear of the Soviet Union, the EEC and NATO, Arab countries have less cohesive regional arrangements.

Finally, the cultural make-up of the two regions represented another factor of sensitivity, particularly from the Arab side. Islam and Christianity have been historically on

opposite sides of power relations. One Arab commentator on the EAD demonstrated this sensitivity by stating:

We have only a twenty-year period to transform our societies, intellectually, economically and industrially but such a task should be achieved without losing our basic Islamic values and traditions. (Emphasis added).

In spite of all these factors, the recent history of European-Arab relations witnessed some bases for a limited cooperation between the two regions to enhance, indirectly at least, their political and security goals. For Europe, the Arab region represents two different, though related, kinds of security problems. First, the Arab region is a subject of Soviet desires and ambitions. Second, the Arab-Israeli Conflict has the potential for a superpowers' confrontation in which Europe will be the first to suffer. For the Arabs, two kinds of threats seem eminent: the continuation of the Israeli occupation of Arab land, and the fear of superpower confrontation or condominium over the area.

The October 1973 war manifested these security dilemmas of both regions. The war meant four kinds of threats to European states: 1- the threat for the security of the southern flank of Europe as a result of the military operations between the Arabs and the Israelis, 2- the use of the

oil weapon by the Arab states through several means such as embargo, outbacks, and rising prices, 3- the United States arm supplies to Israel from its military bases located in the European member states of NATO, 4- the U.S. declaration of alerting its strategic forces in Western Europe as a response to a Soviet proposition to send military forces to the Middle East to enforce the Security Council resolutions.

These kinds of threats have confronted Europe with the fact that a war in the Middle East has the potential of dangerous consequences for European security which includes the potential of a nuclear holocaust. The United States alert decision in the height of the war, without prior consultation with the European members of NATO, showed Europe its vulnerability in the case of a superpower confrontation over the Middle East.

The oil weapon represented another type of security threat to Western Europe. First of all NATO's military machine was dependent on the oil supplies of the Middle East. An interruption of oil flow to Western Europe during an East-West confrontation might put European security into jeopardy. Second, there were the political implications of another interruption in oil supplies. Using the oil weapon as a leverage to enhance political goals was always a

potential in the case of a new Arab-Israeli conflict.⁶ Third, the unequal deployment of the oil weapon threatened the cohesiveness of the EEC. While France and The United Kingdom had the position of most favored states, The Netherland was embargoed completely. The other EEC countries suffered from unequal decreases in their oil imports. This, in turn, caused a threat to the solidarity among the EEC member states⁷. Fourth, the oil weapon posed a threat to the internal security, political and economic stability of the European states⁸.

For the Arab states, the October 1973 war with Israel manifested the limitedness of their military capabilities. The massive American arm supplies to Israel and the restrictions on the Soviet arm supplies to the Arab countries during the war showed the necessity of diversification in Arab arm resources. In addition, the American commitment to Israel unequaled with a similar Soviet commitment to the Arab countries showed the Arabs the dangers of dependency on either of the superpowers. The Arabs also realized that in a prolonged struggle with Israel, there was no substitute for building their own industrial base and enhancing their economic capabilities.

In addition to these security dilemmas, the war of 1973 offered the Arab countries new opportunities. The oil weapon

not only enhanced their bargaining power vis-a-vis other powers in the world, it also offered an opportunity to build an industrial and economic base. Most important, the oil weapon was an instrument to change the power structure within the Arab countries. Oil was instrumental in changing radical regimes into conservatives and small countries into regional powers. The increasing reliance by Egypt on the oil money of Saudi Arabia and other Gulf states, not only intensified the deradicalization of Egypt, but finally led to its de-Nasserization.⁹ This, in turn, changed the make-up of leadership within the Arab world from a revolutionary anti-West posture to a conservative, with growing anti-Soviet passion, moderate leadership.

The impact of the October War on both regions created a political bases for the Euro-Arab dialogue. The goals of both groups of nations, however, are different. For Western Europe the EAD seemed to be one of the channels for increasing political as well as economic influence in traditional spheres of influence. The dialogue was also an avenue used to express politically a semi-independent role in world politics which suited the European economic powers. Furthermore, the dialogue would put Europe on friendly relations with Arab countries which would save Europe another oil embargo and probably help in recycling the petrodollars into European banks. Finally, the dialogue was an opening to Arab markets and investments.

For the Arabs the hierarchy of goals was different. For them, "the Palestinian question is the very basis of the dialogue"¹⁰ In November, 1974, Dr. Ahmed Sidqi Al-Dajani, a member of the Arab delegation to the dialogue announced to his European counterparts that "the Palestinian question, the recognition of the legitimate rights of the Palestinian people and the liberation of the occupied Arab territories" were the core of the EAD¹¹. This qualification of the "core" of the dialogue meant not only a European recognition of the Palestinian rights but also a European pressure upon Israel and the United States to solve the Arab-Israel conflict according to the Arab objectives of security and national rights. Further, the Arab countries wanted the dialogue to meet their enhanced world power. A Saudi commentator on the dialogue said:-

...The Arabs are finally re-emerging, but we are still in transit, as all history is. Nevertheless a new era has begun within the last several years, which has been incubating for many decades but is now manifest and real.¹²

This perception of growing power accompanied by a long term coalition with Western Europe might enhance the power position of both regions in world politics. The Saudi commentator reminded the Europeans to bear in mind that their future will depend on "their willingness to orient themselves to the Arab countries....as much as or even more than they do

to the United States".¹³ Arab oil and Arab capital are "essential to Europe in order to meet the technological advances, and to face the economic and commercial expansion of both America and Japan".¹⁴

Finally, the Arab countries wanted European assistance in their development plans. Arab countries were embarking on huge industrial plans, and as such, they needed European technology, machinery, skilled manpower and access to European markets. The dialogue, from the Arab viewpoint, should result in European help for the Arabs in building the infrastructures, schools, hospitals and alternative sources of energy for when their hydrocarbons resource is no longer available.¹⁵

From a "realist" view the different, and sometimes contradictory, objectives of both regions put the political-security issues as top priority in the dialogue. The organization of the dialogue reflected this fact. On the European side, the dialogue was dealt with by the Political Committee, comprised of the foreign offices members, which was an offspring of the Council of Foreign Ministers. This Political Committee was quite deliberately set up outside the established Community framework. The distinction between "political" and "economic" issues, between those within the competence of the Communities and those that went beyond it, was historically

fundamental to the establishment of political cooperation as a separate procedure. "It was to deal with issues of high politics in the traditional Gaullist sense".¹⁶ David Allen described the dialogue as "the most obvious and public manifestation of the European Political Cooperation machinery at work"¹⁷. On the Arab side, the dialogue was conducted under the auspices of the EAD committee, an offspring of the Arab League Council, comprised of the foreign ministers of the Arab League members. Further, the delegations representing the two European and Arab committees were authorized only to make recommendations to the European Council and the League Council where the decisions could be made.

The course of the dialogue also reflected the priority given to the political-security issues. In the Joint Memorandum issued in Cairo on June 14, 1975, the two parties described the dialogue as "a product of a joint political will that emerged at the highest level". The final communique issued in Damascus on December 11, 1978, stated that:

Both sides agreed that the continued Arab-Israeli conflict constitutes a threat to the security and peace in the Middle East and to international peace and security. In this context both sides reaffirmed their conviction that the security of Europe is linked to the security of the Mediterranean region and the Arab region.¹⁸

The Arab side, because of their occupied territories and the persistent lack of solutions of the Palestinian questions, stressed highly the political-security elements of the dialogue in two forms. First, from the beginning of the EAD, the Arab side called for meetings to be held with the highest possible political representation. It took the Arab side seven years to get a promise from the European side to hold in the summer of 1981 a meeting on the level of foreign ministers.¹⁹ It was presumed that this meeting will lead to a meeting at the level of the heads of Arab and European states. Second, the Arab side stressed their demands regarding the occupied Arab territories and the Palestinian question. The Arab side demanded a European denunciation of the Israeli occupation of Arab territories, a European recognition of the Palestinian rights for self-determination and a recognition of the PLO as the sole legitimate representative of the Palestinian people in any comprehensive peaceful settlement of the Arab-Israeli conflict.

The European side was reluctant to meet these demands. While the European states gradually denounced the Israeli occupation of Arab territories and recognized the Palestinian rights for self-determination, they refused to meet the Arab demand for recognition of the PLO as a representative of the Palestinian people. The European side, in addition, refused

to translate their denunciation into voting in the U.N. or into tangible economic pressure on Israel. The Dublin formula, which called for a delegation to represent both sides of the dialogue without relation to nationalities, was a means for the European side not to recognize the PLO. In the meantime, the EEC-Israeli economic relations continue to grow. Approximately one month before the start of the EAD, on May 11, 1975, a new agreement between the EEC and Israel was signed. The object of this agreement was the establishment of a free-trade area between the EEC and Israel.²⁰

The European response to the Arab side was a reflection of a security constraint on European behavior. While a positive European response to Arab demands might lead to increasing political European influence in Arab countries, the European side did not like the EAD to be a defection from the Euro-American alliance. The United States maintained a critical position toward the EAD. The United States wanted to get the lion's share of influence in the Middle East through its position in the settlement of the Arab-Israeli conflict. Consequently, American officials continued to criticize the "political concessions" made by the EEC to Arab countries.²¹ The United States, in addition, was against any kind of preferential trade treatment by the EEC outside Europe.²² It maintained that any special trade arrangements between

Europe and the Mediterranean and Arab countries would constitute a real discrimination against American trade.²³

In the economic field, the course of the EAD reflected the different objectives of the two parties. Serious differences existed between the two sides in such important areas as industrialization, transfer of technology, trade, and finance. The Arab states assigned a high priority to industrialization. For the European community, however, this presented "what is viewed as a serious economic disadvantage".²⁴ Over 80 percent of the EEC exports to the Arab world were industrial products, and a radical increase in Arab industrial capacity would undermine an important market for Western Europe. Regarding the transfer of technology "the Europeans seek to maintain certain limits on Arab technological development", while the Arabs wanted unrestricted growth in that field.²⁵ In regard to trade, the Arabs were anxious to conclude region-to-region preferential agreements while Europe was willing only to negotiate such agreements with individual Arab countries, but not with all of them as a group. Financially, the EEC was interested in stimulating the investment of Arab petrodollars in Western Europe, and there was a corresponding desire to do so in the oil producing states. However, the Arab side asked that such investments be guaranteed against inflation, a condition which none of the EEC members was even willing to consider.²⁶

The essence of these differences in the economic field was related to the structural balance of power in the dialogue. The Arab side, which is the inferior partner in the dialogue, was trying to enhance its power capabilities by negotiating as a bloc with the superior European countries. The European side was trying to keep the Arab development plans from being competitive, even in the long run, with European industry and technology. Consequently, European countries would like to continue the EAD so far as it did not irritate the European-American alliance which has had more security implications than did cooperation with the Arab States. During the 1970s The EC countries tried to have both. While engaging themselves in the EAD, they excluded oil from it and joined The International Energy Agency. And while supporting the Camp David accords, they in June 1980 in Venice-under the pressure of the second oil shock-called for a comprehensive solution to the Arab-Israeli conflict, The Palestinian right to self-determination, and a PLO association with negotiations about The Middle East conflict. The 1980s, however, were to give the European countries more bargaining powers. The Egyptian-Israeli peace treaty and the Iran-Iraq war, among other things, contributed to the disintegration of the Arab World. The Arabs' power position was further weakened by the glut in the oil market, which deprived the Arab states of a major bargaining asset. Europe, therefore, came closer to the U.S. position in the Middle East. The EAD come to an end.

The EAD, in summation, was one channel by which the national interests of two regions could be regulated through diplomacy. It reflected the structural balance of power between the two regions and was therefore what accounted for the very limited achievements of the dialogue. The Arab side, even with the leverage of oil, is composed of underdeveloped and fragmented states and is unable to exert sufficient pressure on Europe to achieve the Arab objectives. The European side is curbed by its security alliance with the United States. In addition, its economic power is not yet translated into political or military might in world affairs. More important, the economic powers of the European states are increasingly suffering from the growing technological gap between them in one hand and the USA and Japan on the other. The declining powers of both sides led to the practical end of the EAD.

2- The EAD and Complex Interdependence:

According to the model of complex interdependence, the EAD was not a product of political security issues but rather a product of the growth of socio-economic interdependence between the European and Arab regions. The EAD did not start with the October 1973 war in the Middle East, though the war might be a catalyst for the dialogue, but its start was long before the war through the European Mediterranean and Lome Convention agreements.

As a result of these agreements, a growing interdependence between the two regions took place. In the period between 1960 and 1971 a tremendous growth took place in the EEC trade with seven Arab countries south of the Mediterranean. Table I²⁶ shows the rate of that growth.

Table I. Development of the EEC Exports and Imports to Seven Arab Countries, 1960-71 (1960=100)

Trade activity	Algeria	Egypt	Jordan	Lebanon	Libya	Morocco	Tunisia	Syria
Exports	76	99	126	129	403	136	155	132
Imports	119	191	266	167	n.a.	115	122	151

In 1971, the EEC exports to the seven Arab countries constituted 26.8 percent of all exports to Mediterranean countries while its imports reached 49.1 percent of its total imports from the Mediterranean countries.²⁷

Furthermore, the European Community as a commercial entity was the biggest trading partner of the Arab World. In the period between 1970-73, The Arab World's to the EC increased from 43% to 70% of its total exports and its imports to the EC increased from 44% to 48% of its total imports.²⁸ In summarizing the significance of this trade pattern, the Community's Development Commissioner, Claude Cheysson, noted

in 1977 that "in the course of the past three years the Arab World has become the first client of the EEC".²⁹ Table II.³⁶ Compares the shares of the Arab World in The EEC imports and exports with those of the United States and Japan which were the other major partners of the EEC.

Table II: Arab countries, U.S. and Japan Shares of the EEC Imports and Exports Between 1974-79

Trade Activity Year	Imports			Exports		
	U.S.	Japan	Arab	U.S.	Japan	Arab
1974	8.3	1.8	11.8	6.9	1.2	4.5
1975	10.0	1.9	10.3	6.5	.9	6.3
1976	8.2	2.1	10.3	5.6	.9	6.5
1977	7.5	2.2	9.5	6.1	.9	6.9
1978	7.8	2.4	8.1	6.4	1.0	6.8
1979	7.8	2.2	9.2	5.9	1.1	6.9

If counting the Arab share in terms of the EEC's extra-community trade, the Arab countries would account for 13.5 percent of the extra-Community exports (more than the total exports to the U.S. and Japan together), and 20 percent of the extra-Community imports.³¹

Adding the oil factor, the volume of interdependence would be higher. Between 1975 and 1979, the Arab oil producing countries contributed between 46 and 49 percent of the over all EEC fuel products imports. If we counted in terms of extra-Community fuel products imports, this percentage would increase to an approximent average of 60 percent.³² In terms of petroleum only, Arab countries counted for 70 percent of the European imports³⁴.

The oil factor, however, did not count only for the supplies of European countries. It also counted in a wide variety of subjects related to the international monetary system, aid to developing countries, the North-South dialogue³⁵ and other financial and economic issues. The spilling over of interdependence into the fields of trade, finance and energy necessitated the establishment of the EAD as a forum to regulate these fields of cooperation. In this regard the October 1973 war counted only as a catalyst to a process already begun almost a decade before the war.

Consequently, although the EAD started with a political-security content, the dialogue has manifested the complex interdependence between the two regions. In terms of organization while the EAD structure was on the level of political committees on both sides, other actors soon entered into the picture of the dialogue. On the European side, as was mentioned

above, the dialogue was under the auspices of the European Political Committee. However, because of the overlap between the political and non-political matters, the European Commission played an increasing role. Furthermore, the possibility was envisioned, and was indeed the case, that the normal political cooperation practice of meeting only in the capital of the Presidency would be broken, and that a number of the meetings would be held for practical reasons in Brussels. The EAD proved to the European side that the orthodox distinction between "high politics" of security and "low politics" of economics was not valid in the case of complex interdependence. Indeed, the EAD contributed to the establishment of a new and unique relationship between the two European institutional frameworks.³⁶

On the Arab side, the EAD contributed to the development of the Secretariat of the Arab League and its role in integrating the Arab position. We have to keep in mind that the Arab League represented a far less integrated political and economic community than the EEC. The process of the EAD, however, proved beneficial to enhancing the role of the Secretariat of the Arab League in integrating various Arab positions on the issues of the dialogue. One European commentator on the dialogue stated that in the later stages of the dialogue Arab League delegates "appeared to be better prepared than the Europeans".

"Participants have been surprised by the quality of many of the Arab officials and the discipline that the Arabs have been able to maintain putting toward common negotiating stances."³⁷ Essentially, the Arab institutional framework that evolved through the EAD was a mirror image of the European procedures which in turn enhanced the integrative ideals of the Arab League.

In addition to the involvement of the EEC and Arab League bureaucracies as active actors in the dialogue, a large number of technocrats and industrialists were essential to the EAD. Having established seven working groups to deal with Infrastructure, Agriculture, Scientific and Technical Cooperation, Trade, Finance, Transfer of Technology and Social and Cultural Cooperation both organizations had to rely on a large number of Arab and European institutions to handle the complexities of multinational negotiations in these fields.

The EAD agenda was flexible in order to deal with the various subjects of the dialogue. In spite of the priority given to the security issue area regarding the Arab-Israeli conflict and the Palestinian question, particularly from the Arab side, this area did not dominate the agenda of the dialogue. The economic and technical issue areas were soon to surface, according to their significance and the difficulties in dealing with them, as subjects of increasing importance

Indeed, these issue areas kept the dialogue going for eight years in spite of several political interruptions such as the American objections, the PLO representation, European Israeli relations, and Sadat's peace initiative. Each time any of these political areas seem to hinder the continuation of the EAD, the parties came to a compromise, like the Dublin Formula or depolitization of the issue and continued to investigate other areas of cooperation.

Moreover, the EAD has managed to achieve certain results in the non-political issue areas. These results, though limited, were a manifestation of the interdependence forces between the two regions. Some progress was made on projects for the improvement of infrastructure and agriculture in the Arab countries; and feasibility studies were under way in connection with port development in Syria, an irrigation scheme in Somalia, meat production in Sudan, and potato farming in Iraq. Another list of feasibility studies were to be done in fields of industrialization, culture and social questions, and scientific and technological cooperation.³⁸

The prospects of going beyond this feasibility stage was to be seen as needing long-range development plans, particularly in the more sensitive areas of industrialization, finance, trade and technology transfer. There was always the

logic that putting the various EAD projects into action would create a competitive Arab economic power which, in turn, would deprive Europe from its markets. There was, however, the other logic of interdependence which maintained that the issues at stake were not a zero-sum-game by which one of the parties wins and the other loses. The industrialization of Arab countries with Arab capital will give Europe the possibilities both for an initial export of European technology and capital goods and eventually for long term advantages of new consumer-oriented markets. Claude Cheysson summarized this view in a speech at the Conference on Europe and the Arab World in 1976:

As we help those countries industrialize, we are going to build up competition for our own markets as we open these to developing countries and help the latter begin to penetrate them, but the rate of development grows much faster than this competition. Already now...our exports of steel to developing countries are increasing, although the latter's capacity to produce steel is also increasing. For this expansion is happening less rapidly than their requirements demand.³⁹

From the complex interdependence point of view the difficulties that faced the EAD were temporary. One of the EC publications stated in assessing the Dialogue: "Time must be given time to do its work", goes the old adage and this why the Euro-Arab Dialogue...is only having teething troubles

and holds out great hopes.⁴⁰ Interdependence between the two regions continued to be substantial, and time will give this fact its political and institutional expressions whether in the form of the EAD or other forms. The EEC share of total Arab exports was 29% in 1984. Although that was a decline of 10% since 1975, it marked an increase in absolute terms from 29197 million dollars in 1975 to 36449 million dollars in 1984. In terms of Arab imports we witness the same phenomenon. The EEC share of total Arab imports was 38% in 1984; a decline of 3% since 1975 and 5% since 1980. However in absolute terms, EEC imports marked an increase in absolute terms from 17188 million dollars in 1975 to 45153 in 1984. For the EEC, the trade with the Arab World is no less in importance. In 1980s the Arab shares in the EEC exports for the years 1980, 1981, 1983, 1984 are: 6.9%, 8.7%, 9.5%, 8.8%, 7.7%. For EEC imports, the Arab shares for the same period are: 11%, 11.2%, 8.4%, 6.7%, 6.1%. Although statistics show a relative decline in the Arab shares in both accounts, they continue to be a significant percentage in the over all trade of the EEC and in comparison with its major trading partners. There is, however, another important difference. The EEC starting from 1982 achieved a significant surplus in its balance of trade with Arab World: 7 billion dollars in 1982, 11 billion dollars in 1983 and 9 billion dollars in 1984.⁴¹ In terms of oil, the ECC countries continue to depend on the Arab production. Consequently,

Euro-Arab cooperation will continue. In 1984 a mini-dialogue started between the EEC and the Gulf Cooperation Council (GCC). Although up to 1987 the dialogue did not take off the grounds, it represented a sign of the insistence of both sides in finding ways and means to adapt to changing circumstances.

3- The EAD: Power and Interdependence:

In the previous two sections we discussed the EAD in relation to two prevailing theories of international relations. The "realist" theory highlights the political-security issue areas and emphasizes the rules of a zero-sum-game in the Euro-Arab interactions. The essence of the EAD, accordingly, is the European desire for good public relations with the Arabs in order to avoid another oil embargo until Europe is able to reduce its energy dependence. For the Arabs, the EAD represents an avenue for isolating Israel and creating an international atmosphere more favorable to the Arab cause. Consequently, the EAD is atmospheric more than real cooperation. The geography, history, culture and the balance of their power capabilities makes the cooperation between the two regions temporary and limited.

The theory of complex interdependence stresses the socio-economic issue areas and emphasizes the rules of non-zero-sum

game in the Euro-Arab interactions. In this instance, the essence of the EAD is the growing interdependence between the two regions in the fields of trade, finance and energy. The results of the dialogue are limited only by the sensitivity and vulnerability of each region regarding a specific type of interaction. The security-political issue areas do not represent a top priority in the agenda of the dialogue but rather one of the priorities which will change through time.

From such an examination, we can initially conclude the following: first, neither of the two theories offers a comprehensive interpretation of the EAD and its processes. The "realist" theory does not help us understand the continuation of the EAD for eight years and the emergence of the ECC-GCC dialogue in spite of the conflicting objectives of the two parties, nor does it explain the growing role of the Commission or of the Arab League during the time of the dialogue, nor the absence of European military pressure to achieve European objective. The interdependence theory fails to interpret the limitedness of the EAD achievements and its slow motion nor it gives answer to the question of why the EAD came to an end?. It does not even explain the lack of enthusiasm of the parties to commit themselves to future cooperation.

Second, the examination of the two theories runs against the prevailing simple image of the EAD which pictures the Arabs as primarily interested in a political accord and the Europeans as almost exclusively concerned with reaching advantageous economic agreements. Elements of political and economic incentives for both regions have arisen in the process of the EAD. One of the EEC publications conceived the EAD as "an alternative to a choice between the two superpowers".⁴²

Understanding the EAD requires the comprehension of two types of trends in international relations. First, the trend of power politics stems from the fact that since World War II international politics has been dominated by a bipolar political system. Second, the trend of interdependence stems from the growth in world trade, the independence of the underdeveloped countries and the revolution in communication and technology. Both trends are interrelated in a dialectical manner. In the early 1970s when the Cold War was replaced by detente, the seeds of a multipolar international system was in the making. In such a system, new powers like Western Europe and the Arab region can play a greater role in world politics. The process of interdependence can manifest itself more through the different kinds of dialogues known at that period. We have just to notice the similarities between the EAD and the North-

South dialogue to realize that both stem from the same kind of interdependence. Four Arab countries, Algeria, Iraq, Saudi Arabia, and Egypt, were among the 19 countries representing the Third World in the North-South dialogue.

The EAD's future was tied to the continuation of detente. However, with Russian intervention in Afghanistan, the growing American military presence in the Middle East, and the intensifying of Soviet-American Cold War activities in Europe, Africa and Central America, the forces of interdependence have to lend themselves to the forces of power and security. The EEC will be more inclined to adopt increasingly the American position in world affairs. The polarization in international politics will lead to similar polarization in the Arab world which, in turn, will inhibit a real coordination in the Arab position.

The Arab-Israeli conflict is another determinant of the future of the EAD. The continuation of the occupation of Arab territories by Israel (a faithful Western ally) and the unsolving of the Palestinian question will keep the EAD under severe constraint as is already evidenced in the dialogue's history. The Arab-Israeli conflict does not only upgrade the political-security aspects of the dialogue, but also more often than not fragments the Arabs and European's positions and makes the coordination of policies of each region more difficult.

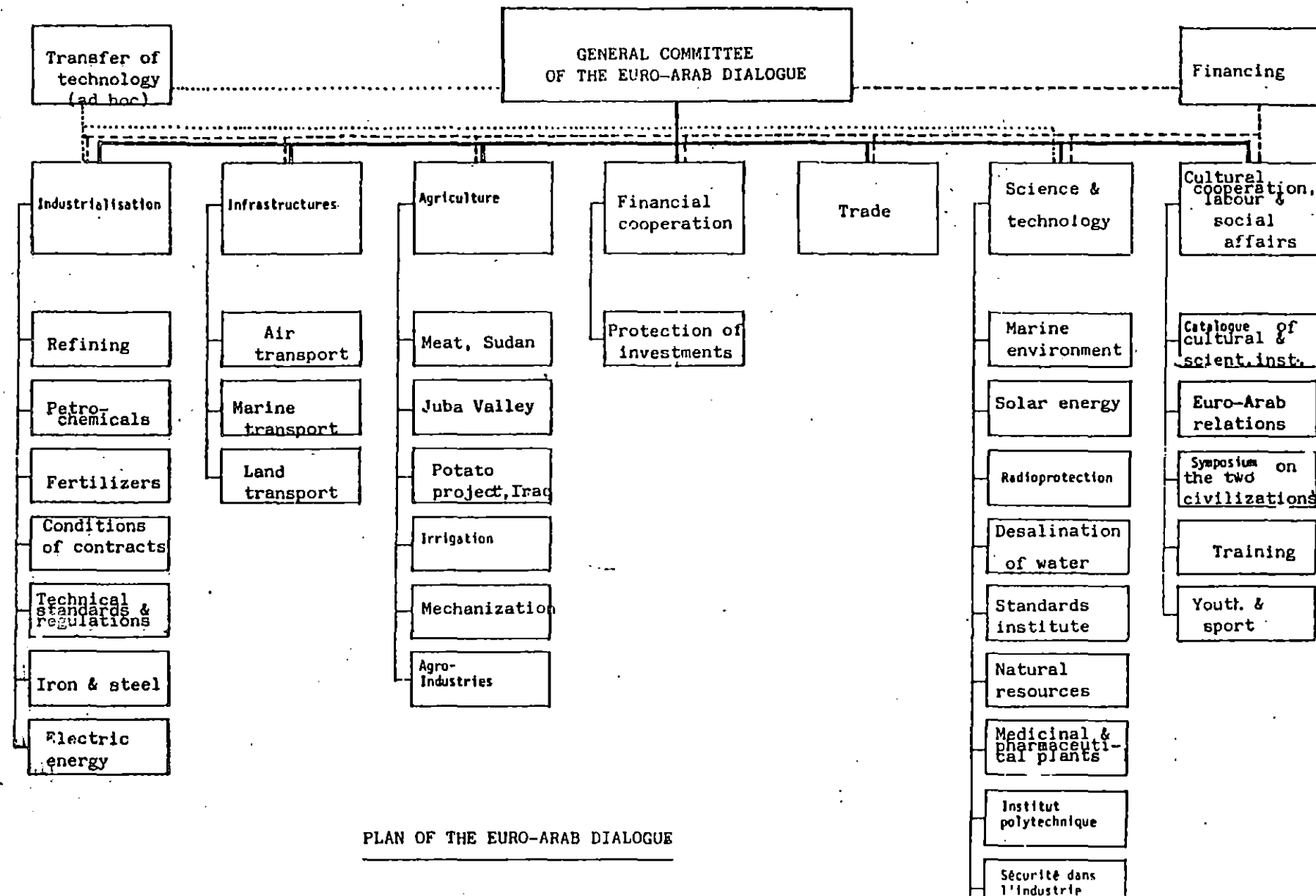
The future of the dialogue, therefore, is dependent on the decrease in international tensions and the re-emergence of detente as well as the solution of the Arab-Israeli conflict. There are, however, two additional factors. The elites in both regions have to believe that the EAD is beneficial to both regions. The EAD demonstrates that the two trends mentioned above exist among the Europeans as well as the Arabs. The belief that the EAD is not a zero-sum-game and the enlargement of the pie as the subject of the dialogue, will give the EAD its necessary intellectual direction. Finally, the more each region accelerates its own internal growth and interdependence, the greater the prospect of success for the EAD. Without increasing the cohesiveness of each region, the EAD will be a subject of manipulation by every single nation-state trying to achieve narrow national goals. The logic of interdependence requires the enlargement and the strength of the participant units. Only then the EAD, like the phoenix, can come out of the ashes.

THE MAIN STAGES IN THE EURO-ARAB DIALOGUE

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- 16 October 1973 The six ministers for oil of the six countries of the Gulf in OPEC decided on unilateral oil price fixing.
- 6 November 1973 The Nine issued a joint declaration on the Middle East.
- 28 November 1973 The sixth Conference of Heads of Arab States (Algiers) made a declaration intended for western Europe.
- 10-14 December 1973 European summit in Copenhagen. Four Arab ministers, delegated by the Arab summit in Algiers, were received by the President in office of the Community. It was decided to develop long-term financial technological, economic and cultural cooperation between the two regions.
- 11 February 1974 The Council of the European Communities took a decision accepting the principle of the Euro-Arab Dialogue and invited its President (together with the Commission for matters within the Communities' jurisdiction) to start talks with the Arab party.
- 10 June 1974 The ministers for foreign affairs of the Nine met in Bonn within the political cooperation framework. They approved a memorandum providing, in particular, for close collaboration on an overall scheme by political cooperation and the Community at all stages.
- 31 July 1974 The first official meeting of ministers in Paris, attended by the Minister for foreign affairs from Kuwait, the Secretary-general of the Arab League, the President of the Commission of the European Communities and the President in office of the Community. They discussed, in particular, the organization of the dialogue (the General Committee, the restricted group and the working parties).
- 16 September 1974 The ministers for foreign affairs of the Nine met within the political cooperation framework and approved a document giving details of the structure of European coordination.

- 28 October 1974. The Arab summit in Rabat accepted the principle of the Euro-Arab Dialogue and agreed it should begin according to the principles that had already been laid down. It also recognized the Palestine Liberation Movement (PLO) as the sole representative of the Palestinian people.
- 14 November 1974. The Arab League asked for the PLO to take part in the first meeting of the General Committee, scheduled for Paris on 26 November.
- 26 November 1974. The meeting of the General Committee failed to take place, as the Nine had not invited the PLO.
- 18 January 1975. Representatives of the Nine and the Arab group met in Cairo to seek ways of continuing with the Dialogue.
- 13 February 1975. The ministers for foreign affairs of the Nine met in Dublin and formulated a proposal whereby a single Arab delegation and a single European delegation would attend Euro-Arab meetings. Each delegation would contain experts, present as such and not as representatives.
- 26 April 1975. The meeting of the Council of the Arab League accepted the Dublin formula. The Council asked the Secretariat general to further contact with the member countries and convene a conference of Arab experts to prepare a joint platform. It asked the Member States and the PLO to appoint their experts.
- 8 June 1975. Arab experts met to prepare the first Euro-Arab meeting.
- 10-14 June 1975. The first meeting of Euro-Arab experts was held in Cairo. A joint memorandum on the principles, aims and scope of the Dialogue was adopted.
- 22-25 July 1975. The second meeting of Euro-Arab experts was held in Rome.
- 20 October 1975. The Council of the Arab League asked its members to meet to draw up joint proposals and to hold preparatory meetings at expert level.
- 22-27 November 1975. The third meeting of Euro-Arab experts was held in Abu Dhabi.
- 18-20 May 1976. The first meeting of the General Committee was

- held in Luxembourg at ambassadorial level and according to the Dublin formula.
- 10-12 February 1977 The second session of the General Committee was held in Tunis.
- 26-28 October 1977 The third session of the General Committee was held in Brussels.
- 3-4 April 1978 The ministers for foreign affairs from Syria, Iraq, Saudi Arabia, Sudan, Algeria and Morocco met in Damascus and announced they were in favour of expanding the Euro-Arab Dialogue. They made recommendations for this to the members of the Arab League.
- May 1978 The General Committee, which ought to have held its fourth session in an Arab capital, was unable to meet.
- 9-11 December 1978 The fourth session of the General Committee was held in Damascus.
- March 1979 Egyptian-Israeli peace treaty was signed. Egypt was suspended from the Arab League and the organizations headquarters moved from Cairo to Tunis.
- April 1979 All EAD activities was suspended upon the request of the Arab League.
- December, 1979-
March 1980 A series of meetings between the secretary general of the Arab League in Tunis and representatives of the President of the European Commission in London, Tunis and Rome.
- June 1980 The Heads of State and Government of the EC met in Venice and renewed the interest in the EAD in a declaration emphasized "The need to develop the political dimensions" and "The advisability of a political meeting between the two parties".
- November 12-13,
1980 The Dialogue was relaunched again in Luxembourg in the meeting at political level held in Luxemburg. It was agreed that a meeting of ministers should be held before the summer of 1981 to discuss political and economic matters
- 1981 The scheduled meeting did not take place. After a series of postponements, the idea was dropped. The EAD came to an end.



PLAN OF THE EURO-ARAB DIALOGUE

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CHAPTER II

ARAB-EEC ECONOMIC RELATIONS
UNDER THE MEDITERRANEAN POLICY

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1. Introduction:

Seven members of the Arab League have entered into agreements with the EEC within the context of its Global Mediterranean policy. The Magreb countries (Algeria, Morocco and Tunisia) and the Mashreq countries (Egypt, Jordan, Lebanon and Syria) signed these agreements in 1976 and 1977 respectively. The agreements were negotiated in accordance with the decision undertaken by the community at the 1972 Paris summit meeting to negotiate cooperation agreements with the Mediterranean countries on the basis of a balanced global approach which would include trade concessions and economic, technical and financial cooperation. (1)

The Mediterranean policy was motivated by a number of strategic, economic and political factors. The increasing Soviet naval presence in the area emphasized the significance of sustaining and expanding European influence in an important transit route for part of the community's oil supplies. Economically the Mediterranean basin is an important outlet for EEC products and one of its sources of oil supplies. The Mediterranean policy can also be regarded as an instrument in promoting the EEC as an economic power in the international system. Such a status entails a number of responsibilities including

active participation in the development of third world countries. Lacking the overall means of influence possessed by the superpowers, the EEC has relied on trade relations in order to expand its sphere of influence within the global system.

The Magreb and Mashreq countries on the other hand, saw in agreements with the EEC a means to overcome some of their economic problems. These countries suffer to varying degrees from over population, youth unemployment, rising food imports, narrow range of industries, small domestic markets, shortage of foreign exchange earnings and dependence on overseas markets. Furthermore the agreements with the EEC provide an alternative for alignment with a new type of great power or at a minimum the possibility of diversifying their relationships with other centres of power besides the two dominant ones.

The purpose of this chapter is to analyze the implications of the Mediterranean policy for the development prospects of the Magreb and Mashreq countries. The impact of core-periphery relations on the development prospects of the latter group has been discussed in

the literature within the context of two approaches. The first emphasizes the positive impact of such interaction, while the second emphasizes its negative impact.

The first approach, which is adopted by the EEC, regards trade and aid as important instruments in the achievement of economic growth in the third world. Such growth, in turn, would result in social progress and the improvement of the educational and health standards in these countries. Since developing countries need to increase and diversify their exports, a preferential system of commercial exchanges would help in this regard. The Lomé convention, the Mediterranean policy and the generalized system of preferences all provided for such preferential treatment. This belief in the positive contribution of foreign trade to development is consistent with the EEC function of encouraging trade between its members and the neo-classical theory's emphasis on the positive effects attained by third world countries through their participation in international trade. The EEC also regards aid as an important asset in improving the infrastructure in third world countries and raising their level of expertise and skill. (2)

The second approach which is advocated by some scholars like Galtung, emphasizes the negative impact of core-periphery relations on the development prospects of the latter groups. In studying the European community as a superpower in the making⁽³⁾ he characterizes the relationship between the EEC and the developing countries as one of domination or imperialism based on three main components: a) exploitation defined as the vertical division of labor. b) Fragmentation whereby the developing countries trade relations are mainly bilateral with core countries, with little or no interactions between the developing countries themselves. c) Penetration whereby elites in developing countries tend to identify and depend on their counterparts in the EEC. Galtung believes that "there is no difference between the EEC policy toward the developing countries and the policies followed by the individual European countries during the colonial era. In both cases these core countries have reaped the benefits of the interaction to the detriment of the developing ones". "On the contrary, the giant size of the EC empire may make the struggle for equity more difficult. Conclusion: trade with the EC is ~~unavoidable~~. But close participation

in this system is not in the interest of the less developed countries and should be avoided."

It is believed that both aforementioned approaches have over extended their cases and cannot be used in isolation to explain the implications of the Mediterranean policy for the development projects of the Magreb and Mashreq countries. The EEC has not been able to live up to the promises it set forth in such a policy. While the EEC committed itself to applying liberal principles, the common commercial policy was not only dictated by principle, but also by self interest. In its efforts to ease the difficulties faced by the member states, it tended to neglect those encountered by the Magreb and Mashreq countries. In other words the EEC's contribution to their development is conditioned by the problems which the community faces and is likely to face in the future.

Galtung's approach would explain the vertical division of labor between the Magreb and Mashreq countries on the one hand and the EEC on the other. The former's exports have been mainly composed of raw material while their imports were predominantly manufactured

or semi-manufactured goods. The Mediterranean policy has not had a significant impact on the direction of the Mashreq and Magreb countries' trade. It has mainly sustained core-periphery trade relations while working to some extent against encouraging trade and cooperation between the Magreb and Mashreq countries. However, such an approach would neglect any positive impact of the Mediterranean policy on these Arab countries. Furthermore, it tends to blame the problems encountered by these countries on the EEC without due regard to the structural economic deficiencies in these economies which might hinder their ability to take advantage of some of the provisions offered by the Mediterranean policy.

In studying the implications of the aforementioned policy for the development prospects of the Magreb and Mashreq countries, the chapter will proceed in two parts. The first outlines the Mediterranean policy in practice and the second deals with available policy options for improving the contribution of the Mediterranean policy to the development of the Magreb and Mashreq countries.

2. The Mediterranean Policy in Practice:

Despite the strategic, economic and political interests of the EEC in the Mediterranean area, its policy until the early seventies developed in a rather piecemeal fashion. The Rome agreement did not provide its members with a framework for developing their relationship with the Mediterranean region as a whole. Partial guiding lines for such a relationship were presented in the annexed declaration. The annex provided for the possibility of an association with countries which had been historically linked to some of the member states. Lacking an agreed overall conception of its own, the EEC reacted to requests from its Mediterranean neighbors for increased cooperation. Cooperation with the Magreb and Mashreq countries, particularly with the latter, cannot be viewed only within the context of these countries interests, but also within the context of increasing cooperation between the EEC and Israel. Ever since the Rome agreement Israel was bent on increasing its relations with the EC. Economically Europe was an important outlet for Israeli products and politically, Israel's isolation in the Middle East necessitated sustaining relations with Europe. During the EEC-Israeli negotiations for the conclusion of a

preferential treaty in 1969, France requested that this progress should be linked to adopting a similar approach towards the Arab countries to assure the EEC's balanced relations with both the Arabs and Israel. In other words the EEC Israeli interactions have accelerated the emphasis on developing closer relations with the Arab countries.⁽⁴⁾ Given this interest in a balanced approach and the prospect of the EEC enlargement to include Britain, Denmark and Ireland a more systematic and coherent approach towards the Mediterranean area was needed. Such an approach crystallized in the 1972 Global Mediterranean policy. However, unlike the Lomé agreements it did not result in a collective agreement. The piecemeal beginning of the cooperation with the Mediterranean countries, the vast differences in their levels of development and political systems and most important the conflicts and tensions in the area, made such a collective agreement highly unlikely. Bilateral agreements with each of the Mediterranean countries within the context of the Global approach would enable the EEC to achieve a kind of balanced relationship, (e.g. with Arabs and Israelis) without having to apply pressure on either side. Actually with its emphasis

on the importance of a balanced approach the EEC has tilted towards the Israelis and was very reluctant to use the leverage it enjoys vis-à-vis Israel in pressuring it to adopt a more flexible approach in its conflict with the Arabs. (5)

The cooperation agreements signed with the Mashreq and Magreb countries were quite similar. They included trade preferences financial and technical cooperation and the establishment of joint institutions between the two parties. Agreements with the Magreb countries also included special provisions on labor in view of the large number of Magreb migrant workers in the EEC countries.

In the following we will analyze the relevance of trade preference, aid and labor migration for the development prospects of the Magreb and Mashreq countries.

A. Trade:

While the Magreb and Mashreq agreements include sections on cooperation and migration (in case of the former) the trade provisions are the most important

part of the agreements. They provide several concessions to these countries on a non-reciprocal basis and for an indefinite period of time. Concluding them for such an indefinite period is an indication of the political importance attributed by the EEC to developing economic relations with these countries. In the agricultural field the concessions include admitting most products to the community markets with tariff reductions ranging between 20%-100%. However certain products were subject to quotas and seasonal limitations. Duty free entry was not granted to agricultural exports since some of them were competitive with EEC products. In the industrial field the agreements granted duty free and in principle quota free entry to EC markets for manufactured products with the exception of refined petroleum and some textiles. However in order to qualify for such preferential treatment, the products had to meet the "origin" requirement stipulated by the EEC. In the case of manufactured products imported material should not exceed a pre set value of the final product. The rationale for such a stipulation from the EEC-point of view is that preferential treatment seeks to encourage industrialization not merely the repackaging of manufactured products.⁽⁶⁾ While this stipulation works to

the encouragement of cooperation between the Magreb countries it might work against increasing their cooperation with the Mashreq and other developing countries. Algeria, Morocco, Tunisia and the community were considered as one zone for the purposes of applying the origin rule. Thus it constituted a positive factor towards increased cooperation between them. But probably hinders increased trade with other Arab countries which represents only about 2% of Algerian exports, 3% of Moroccan exports and 5.5% of Tunisian exports.⁽⁷⁾ The rule of origin works against increased cooperation on a regional level for the Mashreq countries, carrying out the different industrial stages in a number of countries runs counter to benefiting from free entry to EEC markets.

In evaluating the implications of the trade concessions provided by the cooperation agreements for the development of the Magreb and Mashreq countries it is important to consider the extent to which they can be regarded as an asset for increasing and diversifying exports and stimulating the industrialization of these countries. By increasing the Magreb and Mashreq export earnings they could help finance the imports needed for development. Furthermore, the availability

of markets for their exports could encourage local and foreign investors in these countries. Given the availability of raw materials and the relatively low wage levels, this could be an important contribution to their industrialization. A review of the Mediterranean policy in practice reveals that its contribution to the development prospects of the Magreb and Mashreq countries leans more towards being rather modest.

Tables 1 and 2 present the exports and imports of the Magreb and Mashreq countries to the EEC and their percentage to total exports and imports during 1979-1984. The importance of the Magreb and Mashreq countries' exports to the EEC varies from one group of countries to the other. The exports of the three Magreb countries to the EEC (with the exception of Algeria 1979-1981) has ranged between 50% and 70% of their total exports. The importance of the EEC as a market outlet for the Mashreq countries has been quite important for Egypt (ranging between 44% and 64% of its total exports and for Syria (ranging between 31% and 60% of its total exports). This is due to these countries oil exports to the EEC. Jordan and Lebanon's exports to the EEC are very low. They export more to the Gulf and the Mediterranean countries.

Tale (1): Magreb and Mashreq exports to the EEC and its percentage to their total exports
1979-1984 (Million US Dollars)

Country	1979		1980		1981		1982		1983		1984	
	Exports to EEC	%	Exports to EEC	%	Exports to EEC	%	Exports to EEC	%	Exports to EEC	%	Exports to EEC	%
Morocco	1160.8	60	1365.8	56.7	1141.1	49.9	1119.5	54.1	1066.1	52	1071	50.6
Tunisia	1325.5	73.9	1601	71.7	1503	61	1132.4	57.3	1078.2	60.7	1034.4	57.5
Algeria	3625	36.7	6213	39.8	6291	47.3	7922	69	6675	59.8	6333	53.4
Jordan	3.8	1	7	1.4	8.5	1.6	10.2	1.4	22.4	4	37.5	5.4
Syria	987.4	60	1333.4	63.3	1377.1	65.5	992.7	49	598	30.9	730.1	38.1
Lebanon	61	6.7	68.5	6.6	44.2	4.5	60	6.8	38.9	5.3	48.5	7.2
Egypt	985.5	53.6	1389.2	45.4	1354.7	41.9	1360.2	43.6	2424.2	53.2	2763.7	58.4

* Source IMF, Direction of Trade Statistics 1982-1985

Table (2): Magreb and Mashreq Imports from the EEC and its percentage to their total imports 1979-1984* (million US Dollars).

Country	1979		1980		1981		1982		1983		1984	
	Imports from EEC	%	Imports from EEC	%	Imports from EEC	%	Imports from EEC	%	Imports from EEC	%	Imports from EEC	%
Morocco	1783.4	48.7	1895.9	44.8	1765.4	40.5	1790.3	41.5	1365	38	1401.8	34.5
Tunis	1743	61.3	2239.2	63.5	2314	58.8	2143.5	63.6	1994.8	62.9	1939.9	60.9
Algeria	5315	63.3	6611	62.6	6432	57.1	5681	52.9	5677	54.6	6018	58.4
Jordan	736.7	37.8	920.2	38.5	1041.4	32.4	930.9	29.4	908.1	29.9	879	26.8
Syria	1204.6	36.2	1444.7	35.1	1496.7	29.9	1061.9	26.4	1468.5	32.3	747.7	21.3
Lebanon	1321.6	45.3	1642.4	43.1	1528.5	40.3	1597.2	46	1623.2	43.7	1289.7	43
Egypt	1559.5	40.6	1920.4	39.5	3584.6	40.8	3590.2	39.6	5106.8	36.9	5049.2	34.6

* Source IMF, Direction of trade statistics, 1982-1985.

On the import side, we find that the Magreb countries' imports from the EEC have generally been high as a percentage of their total imports. They usually constituted between 40%-60%. In the case of the Mashreq countries, imports from the EEC were much more important for Egypt and Lebanon than for Syria and Jordan.

The data show that most of the Magreb and Mashreq countries are highly dependent on the EEC. Within the context of such dependence they run (with the exception of Algeria) a continuing deficit in their trade with the community. (see table 3).

if we look at the structure of exports and imports between the EEC and the Magreb and Mashreq countries we find that primary products account for a large percentage of their exports to the EEC and the world at large. Manufactured products account for the bulk of their imports in both cases. (See table 4). With the exception of Jordan and Lebanon (where EEC markets are of limited importance) and Tunisia, primary products exceed 70% of exports to the EEC and actually reach 90% in some cases. The relative increase in

Table (3): Magreb and Mashreq, Balance of trade with the EEC 1979-1984* (Million US Dollars)

Country	1979	1980	1981	1982	1983	1984
Morocco	-622.6	-530.1	-624.3	-670.8	-298.9	-330.8
Tunisia	-417.5	-638.2	-811	-1011.1	-916.6	-905.5
Algeria	-1690	-398	-141	2241	998	315
Jord n	-732.9	-913.2	-1032.9	-920.7	-885.7	-841.5
Syria	-217.2	-111.3	-119.6	-69.2	-870.5	-17.6
Lebanon	-1260.6	-1573.9	-1484.3	-1537.2	-1584.3	-1241.2
Egypt	-574	-531.2	-2229.9	-2230	-2682.6	-2285.5

* Source: IMF, Direction of Trade Statistics, 1982-1985.

Table (4): Magreb and Mashreq Import and Export Structure percentages to trade with EEC and the world.

Country	% of primary products to total exports		% of manufactured products to total exports		% of primary products to total imports		% of manufactured products to total imports	
	World	EEC	World	EEC	World	EEC	World	EEC
Morocco 1981	71	75	29	25	59	35	41	65
Tunisa 1981	66	56	34	44	42	26	58	74
Algeria 1980/1981 ^{Ex. Imp.}	99	99	1	1	26	15	74	85
Jordan 1981	58	47	42	53	37	18	63	82
Syria 1979	92	83	8	17	42	25	58	75
Lebanon 1977	21	15	79	85	40	21	60	79
Egypt 1981	90	93	10	7	43	33	57	67

* Source yearbook of Foreign Trade Statistics, Third countries 1974-1981, volume B Mediterranean countries. Luxembourg office for Official Publication of European Communities 1983.

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manufactured exports for Tunisia is due to their export of clothing to the EEC. Tunisia has had processing deals with community companies who send it half finished products to be processed using relatively cheap labor.

The imports of the Magreb and Mashreq countries in general and from the EEC are mostly manufactured goods. Such import concentration is generally more pronounced in the case of Magreb and Mashreq countries trade with the EEC than in their trade with the world at large. The foregoing shows that the trade structure between the EEC and the Magreb and Mashreq countries has the features of relation between core and periphery within the context of the vertical division of labor outlined by Galtung. (8)

However, community expert studies point to the fact that the share of agricultural products in the overall exports of these Arab countries has been in the main falling in recent years and that they have expanded their manufactured exports to the EEC. This is particularly true in the case of textile and clothing. They also point to the fact that while these countries

(with the exception of Algeria) run a continuing deficit, in some cases it has tended to decrease.⁽⁹⁾ Despite these improvements during the years where the trade agreements have been enforced, they are quite modest in comparison to the Mediterranean policy promises.

However, it is important to note here that the deficit experienced by the Magreb and Mashreq countries and the structure of their imports and exports cannot be taken alone as an indication of the limited contribution of the Mediterranean policy to the development of these countries. Tariff preferences are not enough in themselves in increasing the exports and changing the structure of imports and exports. The Magreb and Mashreq countries must have a surplus for export, or at least be in a position to increase production sufficiently to generate a surplus. What is more, their prices must be competitive in comparison to those of other suppliers and they must know how to market their products. Furthermore the policies adopted by the Magreb and Mashreq countries are important in determining their economic capabilities and the structure of their imports and exports. For example the objectives of the three

Magreb countries vary considerably and this is likely to affect their productive structures. In Algeria, the guiding principle of the development plan has been the attainment of economic development and self-sustaining growth. Algeria's natural gas and oil reserves have had an important role in such development and in minimizing its foreign indebtedness. Tunisia and Morocco are more dependent on agriculture and efforts for structural reform have not been very successful.⁽¹⁰⁾

In other words, whether exports rise or fall and whether the structure of imports and exports change or not depends on measures taken in the Magreb and Mashreq countries as on the concessions extended by the EEC as an import destination. Furthermore the level of exports and the ability of these countries to diversify their economic structure is affected by the level of economic activity in the international system. Given the dependence of the Magreb and Mashreq countries on the international economy they are affected by the ups and downs of other economies, particularly the developed ones. Thus without minimizing the negative impact of the economic structures of the Magreb and Mashreq countries on their failure to increase and

diversify their exports and the impact of the international economy in general, a review of the Mediterranean policy in practice reveals that it has had a modest effect on the development prospects of these Arab countries. Such a limited effect can be explained in view of a number of factors. These include extending concessions to other developing countries, the protectionist EEC policy in the industrial sector and the common agricultural policy. The enlargement of the EEC to include Spain and Portugal in 1986 adds further complications for the contribution of the Mediterranean policy in this regards.

The Magreb and Mashreq countries believe that the policy has not lived up to their expectations. By extending concessions to other developing countries, the community has eroded their preferences.⁽¹¹⁾ The Mashreq and Magreb countries account for a small share of the EEC imports from all developing countries. In 1983, for example, their share was less than 12% if Algerian and Egyptian oil and gas exports are included. However, if such exports are excluded their share of community imports declines to 3%. Given the importance of these countries as Markets for EEC products (about

14% of total EEC exports) they feel they deserve a far better treatment from the community.⁽¹²⁾

In the industrial sector the EEC has moved towards increasingly protectionist policies. Recession resulted in setting import limitations on some products like textile and clothing, shipping, steel synthetic fibers, paper, machine tools and motor cars.⁽¹³⁾ Except for textile and clothing these limitations were not of major importance to the Magreb and Mashreq countries. These countries are mostly in the early stages of industrialization and have focused mainly on light industries of which textile and clothing are of particular importance. Given the importance of these industries to countries like Tunisia, Morocco and Egypt, the trade policies of the community towards textile and clothing could have a negative impact on their developmental prospects. Thus it is the very Arab countries which are not rich in oil and who suffer from economic problems which are hit by these measures. The EEC under pressure from its textile lobbies persuaded Tunisia, Morocco and Egypt to accept voluntary export restraints in 1978. Such restraints are still in force and have been emphasized in recent negotiations between the EEC and these three

countries. For example in the agreement initialled between Egypt and the EEC on December 5, 1986, Egypt was asked to agree to temporary and informal restraint arrangement for the years 1987-1989. However such voluntary restrictions were applied for a single product, cotton cloth. Looking into the future, the EEC has indicated its hope that if the present trend of improvement in the textile sector continues, it will be possible to restore full free and unrestricted access for Egyptian textile exports to EEC markets when the community's present textile policy is reviewed in 1990.⁽¹⁴⁾ In other words access to the community is conditioned by its economic problems for which the Arab countries have not been responsible. Thus they have complained that it adopted a protectionist policy towards them without paying due attention to its preferential partners' interest.⁽¹⁵⁾

However, these measures have not resulted in a decline of these countries textile and clothing exports. Actually within the context of the Mediterranean policy, EEC imports from the major Arab textile clothing exporters have been much less severely restricted than imports from the Far East. Thus the advantage the Arab countries

enjoyed were at the expense of other developing countries. (16)

Besides acting as a restraint in the face of future expansion of the textile and clothing industries, the mere existence of restrictions by the EEC as a reaction to its internal economic problems, casts doubts on the seriousness of adhering to free access for Arab exports. Such doubts can have a negative impact on the confidence needed for investment and industrial strategies in the Magreb and Mashreq countries. The doubts may affect the general development plans of these Arab countries when they consider their future industrial strategies. As one study indicates "Experience suggests that whenever an economy which depends on European outlets succeeds sufficiently well to become a real competitor, it is liable to find supposedly free entry whittled away. This casts doubts on the community Mediterranean policy and the development prospects it was supposed to provide." (17)

Thirdly, the common agricultural policy adopted by the EC sets limits on the possibility of increasingly agricultural exports on the part of the Magreb and

Mashreq countries. This is particularly important for Morocco and Tunisia where farm goods constitute a large part of their exports to the EEC. Such exports are not only limited by tariffs, but also in a number of products, by the system of minimum prices established under the CPA. Such a stipulation was included in order to satisfy the interests of local producers, but works to the detriment of the external ones. The system includes manipulation of the price levels of key products according to politically determined criteria and tightly regulates the access of outside producers to the community markets. Within the context of such a system, the rational division of labor based on comparative advantage is not possible. In practice this system has a much stronger impact than tariffs on the level of EEC food imports and is actually the most important practical constraint on Mediterranean food exports. (18)

Finally the accession of Portugal and Spain, particularly the latter poses problems for the future development prospects of the Magreb and Mashreq countries. While it is too early to assess the actual impact of the latest enlargement of the EEC in this regards, several studies point to the negative impact of such an

enlargement particularly in relation to Tunisia and Morocco and to a lesser extent to Egypt and Algeria.⁽¹⁹⁾ The enlargement is likely to pose further problems, in varying degrees, for both the agricultural and industrial sectors.

These countries have been in competition with the new entrants, particularly Spain, for EEC markets. They produce similar agricultural products. Spanish entry secures privileged access for its products and at the same time increases the level of EEC self-sufficiency in Mediterranean type agricultural products. The major vulnerable products for the Magreb and Mashreq countries are citrus fruits, early potatoes, tomatoes, olive oil and wine. Egypt might face some problems in the case of potatoes and Algeria in the case of wine. However such problems would not be vital for their economies and are by far less significant than the problems that might face Morocco and Tunisia. Citrus fruits and tomatoes are important exports for Morocco that will face acute competition from Spain. For Tunisia, olive oil is a vital economic commodity. It has built up its olive groves for exports to the EEC and they provide about 10% of all employment . An enlarged.

community could be about 20% in surplus by late 1980s, if present trends continue.

Both Morocco and Tunisia have a limited scope to find alternative markets for their traditional products or to diversify to new ones. Tunisia for example, expanded olive oil sales to Libya, but this is way below offsetting potential losses in the EEC. Furthermore land used for olive oil or citrus fruits (particularly for the former) is not easily adapted to the agriculture of other products.

Enlargement may also pose some problems in the industrial sector for Morocco and Tunisia and to a lesser extent for Egypt and Algeria. These include textile and clothing, footwear and steel. There is a possibility that enlargement will accentuate Tunisian and Moroccan problems (and to a lesser extent Egypt) in the textile and clothing industry. Footwear is another area where Tunisia and Morocco have expanded their capability. However, within an enlarged community there is a likelihood that major Spanish and Portuguese footwear producers will add their voices to those of Italy and France to prevent

growing footwear imports in the future. In the steel industry the entrance of Spain increases the productive capability of the EEC, which is already high. This risks damage to Egyptian and Algerian plans which aim at producing and exporting.

On the positive side it might be argued that enlargement will make Spanish and Portuguese markets more accessible to products from the Magreb and Mashreq countries. For example in the case of Egypt, agreement has been reached on a new trade protocol. The protocol signed in December 1986 modifies the

EEC-Egyptian cooperation agreement whereby Spain and Portugal will gradually dismantle their customs tariffs for Egyptian industrial goods and provide for a wide range of tariff concessions for agricultural products according to a set timetable. However, increased access to Spanish and Portuguese markets will also probably be conditioned by the problems the EEC is likely to face in the future.

b) Aid:

The cooperation agreements signed with the Magreb and Mashreq countries provide for the EEC to make financial

contributions to the economic development of these countries. The purpose of such aid was to finance wholly or partly projects aimed at:

- Modernizing these countries' infrastructure and agriculture and promoting their industrialization and diversifying their economies.
- Technical cooperation connected with the above mentioned projects as for example, feasibility studies, planning and choice of technology.
- Training of staff to work and later to operate such projects.

The amount of aid is set in the financial protocols negotiated every 5 years. However, aid has not figured prominently in relations between the EEC and the Magreb and Mashreq countries. The aid granted by the first and second protocols was quite small specially if compared with the needs of these countries and their trade deficit with the EEC. The Magreb and Mashreq countries have repeatedly voiced their dissatisfaction

with such amounts. Figure one shows the amounts of aid provided by both protocols. While the amount provided by the 1981 protocol shows an increase of 53% over the first protocol, such a figure should not be taken at face value. The 43% increase in the price index during this period minimizes the significance of such an increase. Furthermore, the breakdown into loans and grants in the second protocol is less favorable than in the first. In other words, the EEC aid has not increased in real terms. (20)

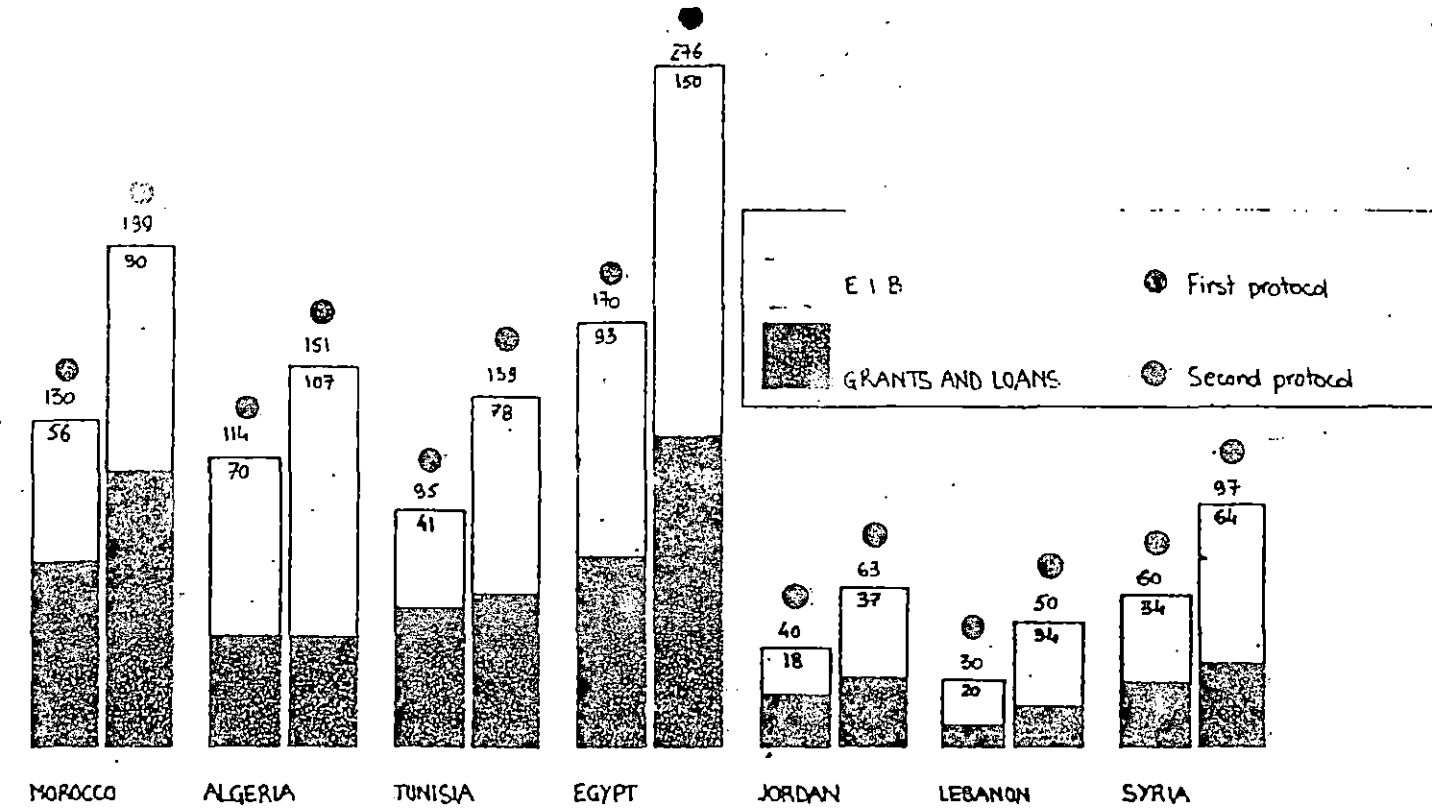
Some community experts believe that despite the small size of such aid it can contribute to encouraging aid from other donors. "The community's involvement in the financing contracts encourages other funders who have confidence in its serious approach. Its presence constitutes a sort of moral guarantee." (21) However, it is not easy to sustain such a sweeping statement empirically.

The EEC has participated in a number of projects in the Magreb and Mashreq countries. as for example:

Figure one

EEC Financial flows to Magreb and Mashreq countries.

(Million ECU)



Source: EEC.

- The ait chourait dam (Morocco)
- the Helwan project (Egypt)
- Training centres (Tunisea)
- The centre for scientific study and research
Damscus (Syria).
- The Industrial Development Bank (Jordan).

While these projects are certainly likely to contribute to the development of the Magreb and Mashreq countries, the limited funds provided by the community decreases the contribution of the Mediterranean policy to the development prospects of these countries.

However, the amount of aid provided to these countries increases in significance if we add to the above mentioned aid, the EEC food aid and the aid provided by the individual European countries. For example, Egypt receives important food aid, during the period 1979-1983 it received 200 million ECU in food aid (compared with 170 million ECU in financial aid it got under the first protocol). Aid provided by both the EEC and the member states in 1981, for example, represented about 45% of all official aid provided to the Magreb and Mashreq countries.⁽²²⁾ Yet, even such aid is not

sufficient to meet the developmental needs of these countries. This limitation in the amount of aid is further complicated by some problems in these countries like those resulting from the waste of resources and complicated administrative procedures.

c) Labor Migration:

Agreements with the Magreb countries include provisions on labor in view of the large numbers of their citizens who work in the EEC countries. A number of principles in the agreement covered the free movement of labor in EEC-Magreb relations. these included:

- Non-discrimination regarding working conditions and pay for the Magreb nationals working in the EEC countries.
- Magreb nationals would enjoy the same social security benefits like community nationals.
- Magreb nationals can add together all periods of insurance, employment or residence accumulated in different member states. This can be used in turn to claim social security benefits.
- Magreb nationals would receive family allowances for members of their families who are resident in the EEC member states.

- Migrants were granted the transfer of pension or security benefits to their home countries.

For the Magreb countries such provisions have two main advantages. The first relates to labor remittances, while the second relates to its impact on unemployment in these countries. In the Magreb countries labor remittances are a source of their foreign exchange. Such remittances are more important for Morocco than for Tunisia and Algeria. In 1982 they constituted 5.7%, 4.5% and 0.6% of the GDP of Morocco, Tunisia and Algeria respectively. Remittances in Morocco, come immediately after exports as a source of hard currency. (23)

Secondly migrant workers can act as a safety valve which could contribute towards stability and smooth political evolution in view of the fact that they reduce unemployment in urban areas.

Yet freedom of movement for labor migrants can pose some disadvantages to the Magreb countries. The attraction of these countries for foreign investors, due to the availability of relatively low wage labor,

might decrease if cheap labor is found elsewhere. Migration can result in creating labor scarcity in certain sectors with the result of raising local wage levels. Thirdly, it is the younger generation which tends to leave, a matter which might have negative repercussions for the demographic structure of the Magreb countries in the future. Finally, the EEC in many cases draws from the limited number of skilled labor which is important for the industrialization process in the Magreb countries. In view of these potential disadvantages along with the probabilities of reduced remittances due to migrant unemployment, it cannot be confidently asserted that in the long run the provision of free movement of labor between the EEC and the Magreb countries definitely serves to promote economic development in these countries. (24)

3. Policy options and conclusion:

The previous section shows that the Mediterranean policy has not lived up to the promises it set forth and consequently to the expectations of the Magreb and Mashreq countries. What are the policy options open to the EEC to improve the positive implications of such a policy to the development of these countries.

There are two broad policy options, the first relates to trade measures and the second to technical and economic cooperation. These options are complementary and not mutually exhaustive, in other words both have to be used if the Mediterranean policy is to achieve its required objectives.

Trade measures include concessions and compensation. Concessions include reducing the current obstacles set by the EEC. The community's import barriers have taken three forms, tariffs, quotas and for agriculture the minimum prices. Tariffs are relatively speaking a minor obstacle, since they are generally low. Further tariff reductions could have little impact on the Magreb and Mashreq countries' exports. Concessions have to relate to quotas and minimum prices for agriculture. One possibility could be to treat certain products like olive oil from Tunisia or tomatoes from Morocco as if they were part of the EEC domestic production. Another would be removing textile restrictions. One of the factors which may help in relaxing the EEC restriction in both agriculture and industry relates to the role the northern EEC countries can play in compensating their southern European partners for some of the losses which can

result from the relaxation of restrictions. The southern EEC countries advocate protectionism due to the effect of relaxing restrictions on their fruit and vegetable produces and their textile and clothing industries. The northern countries on the other hand are much less affected in this matter. However, they regard support for the southern Europeans as expensive for their budget.

The second trade measure includes EEC financial compensation for products that might suffer from loss of EEC markets. Yet, resorting to compensation should not be the primary option for the EEC. It could be regarded as a temporary and last resort measure. Such an option may raise resentment on the part of some Mediterranean countries who feel they have not been adequately compensated. Secondly and more important, compensation cannot be a development strategy. Despite these drawbacks adopting a compensation policy could be important for some products in the Magreb countries, namely Tunisian olive oil. As indicated earlier 10% of the Tunisian labor force is involved in olive oil production and adjustment of production faces difficulties

since olive grows where little else can. Compensation in this case may be the only alternative to doing nothing. (25)

The second broad policy option relates to sustained EEC efforts in economic and technical cooperation. This has been strongly emphasized in recent EEC directives. The guidelines for economic cooperation outlined by the EEC commission in 1985 proposed that the community should narrow the focus, concentrating its resources on just a few target areas with a view to establishing a longer term approach. Future cooperation it suggested should fall under 3 main guidelines. The first relates to reducing the present dependence of the Magreb and Māshreq countries on food imports. In this regards it outlined the EEC interest in supporting countries like Egypt and Algeria to improve domestic food production. The second policy objective was to use industrial, scientific and technical cooperation as a means of bringing about a greater degree of complementarity between the economies of the two sides. The third element is support for regional and multilateral cooperation.

All these activities will need money. The EEC commission hoped that the overall sums to be allocated for the new financial protocol will not only be increased to take account of inflation, but will also allow for the need to improve cooperation along the lines suggested.⁽²⁶⁾ The negotiations for the third financial protocols in 1987 will show how serious the community is actually ready to implement these policy directives.

In conclusion it is important to emphasize that while the Mediterranean policy is not the cause of the economic problems facing the Magreb and Mashreq countries, its contribution has been rather modest in easing them. Efforts for easing the difficulties of the EEC member states have been at the expense of a more positive contribution to the development prospects of the Magreb and Mashreq countries.

FOOTNOTES

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CHAPTER III

ARAB-EEC ECONOMIC RELATIONS UNDER
LOME CONVENTION

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1- Introduction:

Four member states in the Arab League are also members of Lome convention: Somalia, Sudan, Mauritania and Djibouti. Somalia and Mauritania were amongst the 18 African states which initiated Lome system by signing its predecessor Yaounde agreements of 1963 and 1969. Sudan, later on, joined the 45 African, Caribbean and Pacific states (ACP) in signing Lome-I convention in 1975. Djibouti-at last- participated in the broadened Lome-II convention between 64 ACP states and the EEC in 1979.

The purpose of this ~~Chapter~~ is to assess the implications of these four states' involvement in Lome system on their present and future course of development. Lome system is the product of the realities of economic interactions between major economic blocks which engages Third World economies. It also reflected the new forces of change and the new pressures generated by the complex interplay of these forces. It has introduced novel institutions and mechanisms to regulate EEC economic interactions with the majority of Third World countries that fall in Africa, Caribbean region and the Pacific. This system will be described and explained in terms of its constituent programs with view on their pertinence to the four associated Arab states. The consequences of Lome system on the economic

performance of these four Arab states should indicate the drawbacks of this system. This in turn should allow for a careful prospecting of possibilities of improving this system and thinking over alternative models of economic and political interactions between associated Arab states and the European community.

These four states are the poorest and least developed Arab states. With the exception of Sudan, they are also, till now, peripheral to the politics of the Arab region. Their membership in Lome convention is denominated by the fact that they are parts of the African system, not just in terms of location, but also in terms of culture, economics and regional politics.

Moreover, Sudan, Somalia and Djibouti are counted among the 36 states that are considered by the United Nations as the 'Least Developed Countries' in the World Today. This category is defined as these countries which are: a) lowest in per-capita income; b) highest in reliance on agriculture and lowest in levels of industrialization; c) least in their export capacity, and highest in terms of their reliance on imports, and finally; d) least in their rates of economic growth and in their attainment of literacy, adult education and health standards. (1)

This state of affairs is attributed by the U.N. to a variety of factors such as extreme poverty with excessive reliance on agriculture in poorly supplied rural areas, meagre manufacturing, very sluggish growth and in many cases decreasing national income due to high population growth, poor resource endowment, serious geographic barriers and environmental adversities.

Most of these characteristics are shared in common by the four Arab states. But differences in size and economic realities cannot be ignored. Djibouti is an almost a city state with population size estimated at 330,000. Other estimates raise the figure to 450,000 inhabitants, including foreigners and non citizens⁽²⁾. Not much else is known. Statistics on economic and social activities in Djibouti seldom appear in international reports. As to the other states, the following table demonstrates basic differences in economic size and performance.

The most striking feature in this picture is the extremely low capacity of these countries to mobilize sufficient domestic savings. In all of them, domestic savings grew increasingly negative over the past decade. Domestic investment, is consequently far below that recommended by the UN second and third development decades statement as absolutely necessary

Some Indicators of Economic Size and Performance*

	<u>Sudan</u>	<u>Somalia</u>	<u>Mauritania</u>
1- Population (in millions) 1983 (mid year)	20.8	5.1	1.6
2- Gross Domestic Product (in millions of dollars) 1983	6850	1540	700
3- Gross National Product			
- per capita (in millions of dollars) 1983	400	250	480
- Average annual growth rate in per-capita GNP 1965-1983	1.3	-0.8	0.3
4- Structure of Production (Origin of GDP-Percentages) 1983			
- Agriculture	34	50	34
- Industry	15	11	21
- Manufacturing	8	6	-
- Services	51	39	45
5- Indicators of Growth in Production.			
- Gross Domestic Product			
1965-1973	1.0	n.a	2.6
1973-1983	2.4	2.8	2.5
- Agriculture (1973-1983)	n.a	3.5	2.6
- Industry (1973-1983)	n.a	1.1	(0)
- Manufacturing (1973-1983)	n.a	n.a	n.a
- Services (1973-1983)	n.a	2.6	3.9
6- Distribution of Gross National Product) (Percentages)			
- Public consumption			
1965	12	8	19
1983	13	24	23
- Private consumption			
1965	79	84	54
1983	88	78	88
- Domestic Savings			
1965	10	11	14
1983	15	20	18
- Gross Domestic Investment			
1965	9	8	27
1983	-1	-2	-11
- Export of Goods and Services (unrelated to production factors)			
1965	10	17	42
1983	11	-10	47
- Resource balance			
1965	-1	-3	13
1983	-16	-22	-29

* Extracted from the World Bank, World Development Report, 1985.

to achieve 5%-6% rate of growth in national income. Not only that investment is totally financed by external resources, but also a part of consumption is dependent on the flow of resources from abroad. And in the last few years, resource gap has reached a threatening level. External debt jumped between 1970 and 1983 from \$ 77 m. to \$ 1149 m. for Somalia (86.2% of GDP), and from \$ 306 m. to \$ 5726 m. (77.8% of GDP) for Sudan, and from \$ 27 m. to \$ 1171 m. (158.2% of GDP) for Mauritania. Djibouti seems to fall in the same pattern⁽³⁾.

Relatively large tertiary sectors swallow a portion of internal and external resources, leaving little for domestic investment. But limited investments cannot be solely attributed to this factor. Hence, the question appears to be what did Lome convention do to help these countries strengthen their productive structures and mobilize internal and external resources sufficient enough to break the vicious circles of poverty and stagnation.

II- Lome Convention: The Question of Pertinence:

Lome convention series I, II and III are characterized as either a model of European benevolence or a higher stage of imperialist domination of Third World economies.

As propagated by European Newspaper sources, the image of European benevolence is built on a view of Lome which focuses on non-reciprocal trade concessions, aid package and the taking of interest over a wide variety of development issues. Omitted from this view are the benefits which the community derives from the convention.

The image of imperialist domination emphasizes Europe's continued quest for independent World power on the global scale as manifested in the special relationships with Lome ACP partners. In the center of this image is also a description of the enormous difficulties encountered by ACP countries in operating Lome system in their favor. Lome is signified by the proposition that Pan-Africanism is practically excluded in favor of Euro-African linkage ideology⁽⁴⁾.

This image is justified by the fundamental fact that Lome did not alter the colonial character of economic exchange between ACP states and the European Community⁽⁵⁾. It also reflects the soul-searching of Africans for a proper orientation towards self-generated and self-centered development model. In the context however, this view tends to ignore: a) the essential problems of domestic productive systems which are partly responsible for failure to take advantage of concessions accrued to ACP states by Lome, and b) the distinctive characteristics and innovations introduced by Lome which make it

superior to all existing arrangement of North-South interactions in the economic sphere.

Alternatively, Lome convention could be characterized as a defensive undertaking by the European community with the goal of preempting the trend of entropy in the world capitalist system. This trend appeared to spell a double effect of destabilizing economic exchange between the North and the South in general, and to push the South to drift away from Europe's sphere of influence, in particular.

Having appeared in the turbulent years of world economic crisis since mid-seventies which squeezed Europe in favor of U.S., and Japan, Lome convention represented a more positive response by the Europeans basically to the challenges of American hegemony. This response could have hardly been viable without certain concession to Third World countries, especially if these concessions are sustained by a fairly low cost. This character determines the merits as well as the limits of Lome convention series.

This approach to the world economic crisis and to inter-block competition on the world scale was instilled in European thinking by a group of far-sighted men who grasped the centrality of Third world to the future growth of European community system.

In the words of Claude Cheysson "European interests in maintaining cooperation with Third World are far greater than any other major economic power. Importation of base products from Third world is greater in Europe, and reliance on exports to Third world is far heavier for Europe than the U.S., or Japan or the Soviet block (EEC exports to Third world are twice in value of its exports to U.S.)". Other channels of economic exchange are also more hotly pursued by the Europeans than the Americans or even Japanese. Hence, Cheysson concludes 'it is essential to ensure the stability and continuity of relations with Third world. Priorities are listed as the organization of primary materials' market, increase financial flows put at the disposition of development, and the elaboration of a more sophisticated division of labour between the community and Third world regions' (6).

This approach yields to either of two levels of EEC interactions with the Third world in general and ACP states in particular: maximum and minimum involvement in development.

In the maximum involvement alternative, EEC should have taken a major decision to provide resources for a decisive take-off by ACP countries that puts them on the track for sustained growth. This in turn would open a qualitatively new horizon for growth of European economies as compared to the U.S.,

and Japan. Contrariwise, the minimum involvement scenario means only the installation of a package of programs which would prevent the collapse of ACP economies and maintain their levels of interaction with Europe of the ten.

In fact, the European commission was kept inclined to the minimum involvement scenario. And this was reflected in Lome series. Consequently the set of concessions and innovations introduced by Lome was severely limited by the determination of the EEC to lower the cost to the least possible.

Not only the general approach to ACP development was affected by the applications of minimum cost understanding of Lome by the commission, but also the structure and distribution of opportunities opened by it was rigidly designated against the least developed ACP countries; Arab countries included.

The following is a brief-review of the working of the main Lome programs as they affected associated Arab economies.

1- Trade:

a) Volume:

Lome system grants a duty-free access to 99.5% of ACP Commodity exports to EEC market. Manufactured products are

also granted free-duty access to this market if abided to the rules of origin and other international agreements. The rules of origin stipulate that products that qualify for this preferential treatment must 'originate' in the exporting ACP Country, i.e. imported components must not exceed 40%-50% of the value of finished product. This particular clause was a major source of frictions between ACP countries and the EEC commission during Lome II- life span. Lome III- did little to alleviate ACP countries' annoyance over this issue, but it did shift the burden of proof to the commission instead of ACP exporters as was the case under Lome II.

In view of these trade concessions, it is believed that Lome convention has made the EEC "more accessible to developing countries' exports than any other market" And as one of the EEC information bulletins states' it must remain so in its own interest if it wants to continue being the Third world's major supplier as well' (7).

However, ACP countries managed to derive only minimum benefits from these significant trade concession stipulated by Lome. While the convention is covering now about 50 commodities, actual ACP countries' exports to the EEC are concentrated in terms of both commodity structure and country of origin. Only three ACP countries account for 50% of the

community imports: Nigeria, Cote d'Ivoire and Zaire. Likewise, three countries account for about 50% of the community exports to ACP countries: Nigeria, Liberia and Cote d'Ivoire.

Moreover, the share of ACP exports in the EEC market is declining in time to the benefit of other LDC's who do not enjoy equal trade concessions. ACP secretariat and other EEC critics attribute this fact to the application by the commission of non-tariff volitional restrictions against ACP exports⁽⁸⁾. Contrariwise, EEC apologetics explain the phenomenon of declining ACP share in EEC imports by referring only to problems of productive systems in ACP countries.

Hectic and declining export performance of ACP countries in the European market reflected itself on similar behavior for EEC exports to ACP countries.

The following tables demonstrate these phenomena.

Table 2: EEC Imports from Developing Countries 1973, and 1981-83 (in billions ECU and percentages)*

	1973		1981		1982		1983	
	ECU	%	ECU	%	ECU	%	ECU	%
Total:	33.0	100	131.6	100	131.5	100	124.9	100
of which:								
ACP (63 states)	6.2	19	16.7	13	18.2	14	19.8	16
Latin America	5.9	18	18.7	14	20.7	16	22.4	18
Mediterranean basin ++	5.6	17	22.7	17	27.0	21	27.3	22
OPEC	5.5	47	75.4	57	71.8	55	61.9	50
Asia (19)	5.4	16	20.8	16	22.5	17	25.0	20
Asean (5)	1.8	5	6.6	5	7.1	5	7.9	6
Far Eastern NICS ^{oo}	2.1	6	10.1	8	10.4	8	12.2	10

In brackets are number of countries in group
 ++ Developing countries only, including Yugoslavia and excluding Israel.

oo South Korea, Singapore, Taiwan and Hong Kong.

* Source on the following page.

The picture on the EEC export side seems to be no different than the import side, in so far as ACP countries are concerned, as is shown in the following table.

Table 3: EEC exports to developing countries 1973, and 1981-83 (Billion ECU and Percentages)*

Destination	1973		1981		1982		1983	
	ECU	%	ECU	%	ECU	%	ECU	%
Total (Extra.EEC)	23.8	100	114.5	100	119.7	100	119.7	100
ACP (63)	4.5	19	11.8	10	18.7	16	15.9	13
Latin America	4.9	21	18.0	16	16.2	13	14.5	12
Mediterranean	6.6	28	17.6	15	20.2	17	22.3	19
OPEC	6.7	29	53.5	47	55.6	46	52.1	43
Asia (19)	5.0	21	19.4	17	22.6	19	24.6	21
Asean	1.7	7	7.1	6	8.4	7	9.1	8
Far East NSCS's	1.7	7	6.9	6	8.3	7	9.1	8

* Source: Ib-Id., p. 28.

Here again, Nigeria is responsible for over one-third of EEC exports to ACP countries.

From these tables we may conclude that Lome convention is not to be considered an important vehicle for the promotion of trade between EEC and ACP countries. This conclusion is not necessarily true. We ought to remember that the ACP countries include an overwhelming majority of the small and least developed

* Source: Europe Information Development. DE 48. Jan. 1985, p.19. From this table it is easy to notice that the ACP countries share in the EEC market is inflated by the presence of Nigeria in this group-a major oil-exporting country. Without Nigeria ACP's share in EEC imports would fall to 10% in 1983.

countries in the Third World. Hence, we can imagine that without Lome convention, the importance of the ACP countries as destination to EEC exports might have declined farther. ACP's exports to EEC may not have done worse, however, without Lome convention, since a large proportion of these exports consists of energy supplies and raw materials that are vital to EEC productive system. Consequently, the EEC has derived benefits from Lome series much greater than the ACP countries has. For while the EEC imports from the ACP countries rose by 220% between 1973 and 1983, EEC exports to the ACP countries rose by 333% in the same period.

These basic trends in EEC-ACP trade also prevail, albeit with greater intensity, in the EEC trade relations with associated Arab states: Somalia, Sudan, Mauritania and Djibouti.

The following table shows these trends.

Table 4. Sources and Destination of Foreign Trade for Sudan, Somalia, Mauritania and Djibouti
(Millions of Dollars and Percentages).

	SUDAN				SOMALIA				MAURITANIA				DJIBOUTI			
	EXPORTS															
	1977	1979	1981	1983	1977	1979	1981	1983	1977	1979	1981	1983	1977	1979	1981	1983
Total	661.0	534.5	656.8	623.5	62.0	130.8	140.9	163	193.8	201.7	331.1	246.3	59.5	35.2	32.8	40.2
EEC	236	169.0	191.4	154.8	10.5	32.5	12.9	25.8	134.0	153.8	190.2	148.9	1.2	1.2	4.2	7.8
Share of EEC in total exports	35.7	31.6	29.1	24.8	16.9	24.8	9	15.8	69.3	67.2	57.4	60.5	1.7	11.9	4.9	19.4
<u>Percent Distribution</u>																
Industrial countries	44.8	38.7	48.2	32.7	17.9	25.5	9.5	15.5	-	96.6	95.8	94.1	2.7	11.9	4.9	20.6
Oil exporting coun.	6.9	11.2	22.3	26.4	73.0	67.0	78.3	68.9	-	13.3	8.2	-	15.8	4.5	8.2	2.1
Non oil exporting	40.3	37.6	22.3	32.5	4.0	7.5	14.1	15.5	-	-	-	(15.9)	81.5	83.5	86.3	76.6
USSR, East Europe	6.0	8.0	7.0	6.6	3.6	-	-	-	-	-	-	-	-
<u>Annual % Change</u>																
World	19.3	21.6	21.4	9.5	-34.2	22.8	5.6	13.2	-	42.6	41.1	-4.3	97	-16.2	-27.3	28.4
Industrial countries	-4.9	6.6	47.9	6.0	-61.2	250.1	-37.8	8.8	-	53.3	41.3	-4.9	11.1	-23.5	-81.8	418.8
Oil exporting coun.	108.0	37.1	2344	-8.8	-15.8	-7.6	108	10.1	-	-	-	-	59.3	-55.6	170.0	-39.9
Non oil exp. coun.	45.4	27.5	-17.7	29.2	-10.8	366.8	222.2	35.1	-	(-4.4)	(35.6)	(7.4)	117.5	-16.0	-15.8	10.4
USSR, East Europe	32.3	20.0	113.5	10.0	66.5	-5.4	--	8.0	-	n.a	n.a	n.a	-	-	-	-
<u>IMPORTS</u>																
	1977	1979	1981	1983	1977	1979	1981	1983	1977	1979	1981	1983	1977	1979	1981	1983
Total	1,081.2	1,109.2	1,504.8	1,354.4	227.4	421.3	445.1	421.7	374.5	405.8	601.1	497.8	108.8	175.6	264.2	291.9
EEC	236.5	169.0	191.4	154.8	109.6	152.8	217.4	213.1	166.9	155.7	191.5	183.8	56.3	91.4	124.6	128.7
Share of EEC in total imports	21.8	15.2	12.7	11.4	48.2	60	48.9	50.5	44.6	38.4	31.9	36.9	51.7	52	47.2	44.1
<u>Percent Distribution</u>																
Industrial countries	44.8	38.7	48.2	32.7	55.4	71.6	66.4	63.6	-	50.4	53.9	51.9	67.4	68.9	61.5	55.7
Oil exporting coun.	6.9	11.2	22.3	26.4	2.8	9.5	8.8	17.1	-	(13.6)	(18.5)	(19.5)	3.6	-2	1.2	1.1
Non oil exp. coun.	40.3	37.6	22.3	32.5	28.1	18.8	24.1	13.7	-	-	-	-	28.1	30.0	34.7	41.6
USSR, East Europe	6.0	8.0	7.0	6.6	13.6	.1	.5	.3	-	n.a	n.a	n.a	-	-	-	-
<u>Annual % change</u>																
World	19.3	21.6	21.4	9.5	46.1	74.5	28.0	-10.5	-	18.7	40.8	-14.6	-4.0	22.2	1.2	-3.3
Industrial coun.	-4.9	6.6	49.9	6.0	87.3	96.2	18.9	-7.4	-	14.8	25.7	-14.8	15.3	18.3	6.0	.7
Oil exporting coun.	108.0	73.2	23.4	-8.8	-79.7	57.8	43.9	-15.8	-	(36.9)	(118.3)	(-14.4)	-69.5	-20.0	416.7	-11.4
Non oil exp. coun.	45.4	27.5	-17.7	29.2	156.8	30.3	52.5	-20.7	-	-	-	-	29.5	30.4	-10.6	-8.0
USSR, East Europe	32.3	20.0	113.5	10.0	54.9	-71.6	--	-9.9	-	n.a	n.a	n.a	-	-	-	-

The table sheds some light on sources of change in configurations of trade partners of these Arab countries. The general picture appears to be one of violent annual changes in the share of various economic groupings in the exports of associated Arab states; a phenomenon which confirms the high elasticity of demand on the export products of these states, especially Somalia and Sudan. A general trend of decline in EEC share in the exports of these countries is easily recognized, except for Djibouti whose volume of export is partially negligible. Part of this decline can be explained by over-all behavior of exports which shows hectic movements with a tendency towards stagnation or decrease. However, a more important reason could be seen in the diversion of trade effect away from industrial countries towards oil-exporting countries. While the latter seem to be a more dynamic market for exports from Sudan, Somalia and Mauritania, industrial countries, especially the EEC, exhibit more violent changes in their receptivity to these exports, marked by a tendency for long-term decline.

Owing to their small-size economy, these countries do not possess a large exporting capacity. High reliance on a single primary product is noticeable in Sudan and Mauritania. In Sudan cotton accounted for 65% of export value in 1979. But its share declined to 24% in 1982. Reemphasis on cotton plantation and

exports as a result of pressures from World Bank is expected to raise this share to its previous levels. However, Sudan captured only 4% of EEC market of raw cotton in 1983 (as compared to 7% in 1977). In the case of Mauritania, iron ore exports constitute four fifth of total export value. The bulk of ore exports is destined to the EEC market. However, the share of Mauritania in total metalliferous ores' imports of EEC is also decreasing, and EEC's ores' imports are losing importance to other commodity groupings⁽⁹⁾. This means that Mauritania has to face up a situation of shrinking market for its major export product.

An adequate evaluation of Lome convention's impact on export performance of associated Arab states should also include reference to the degree of processing and manufacturing of export raw materials to the EEC. A study conducted by the commission experts concludes that "the Lome convention has had little impact,...., on ACP exports of manufactured products"⁽¹⁰⁾. In fact it seems surprising that while Sudan is an important exporter of raw cotton, its exports of cotton fabrics to the EEC is almost nil. Also, while Mauritania is an important source of iron ore to the EEC market, it touches not at all the huge steel and ferrous metal works market of the community.

b) Stabex:

The institution of stabex is the most vocal innovation brought about by Lome convention. As it stands for "stabilization of export earnings", the aim of this system is to provide at least a partial compensation to ACP countries at the event of a drastic loss of earnings from their product exports, due to sharp decline in prices. The system provides compensation on a country request showing a decline in exports of a particular product equivalent to 6.5% of the previous year's sales to all destinations, and a 6.5% fall in export earnings by comparison with the average for the past four years. Easier terms are set for the least developed, Landlocked or island states, with the thresholds put at 2%. Transfers to these latter are made in the form of grants, while other ACP states receive stabex compensation in the form of interest-free loans payable two years after the exports of the product concerned have recovered⁽¹¹⁾.

This scheme was particularly well received by a majority of people who are concerned about third world trade. However, as Kwame Amon puts it "of all the provisions of Lome convention which was originally signed by 9 EEC members and 46 ACP countries in 1975, none evoked as much initial hope and later disappointment as stabex"⁽¹²⁾.

Stabex did work relatively smoothly throughout the duration of Lome I convention. But the drastic decline of primary commodity prices in early 1980's implicated the scheme in a severe problem of finance. Compensation cuts, delays and frictions over claims marked the operation of the scheme during the five years of Lome II. Critics, on the ACP side, contend that stabex was created financially deficient. By limiting the resources available to this scheme, the EEC did not show sufficient good will as to the purposeful and smooth operation of the scheme. This issue was particularly hot during the negotiations on Lome III-convention. ACP states called for a budget of nearly 15 billion ECU for 1985-1990. But the European commission proved unwilling to go beyond 7.4 billion ECU. The commission, on its part, charged that ACP countries violate the purpose of the scheme by using stabex transfers in areas other than the commodity sector which triggered the transfer. Consequently it demanded that the commission should have a greater say in transfer spending. A compromise was reached whereby both the EEC and ACP have committed themselves to improving the efficiency of transfer uses and a variety of new mechanisms were introduced in Lome III to speed up allocations and spending.

Notwithstanding administrative problems, the fundamental shortcoming of the scheme lies in the fact that stabex was

originally conceived as a cushioning mechanism against cyclical drops in export earnings of ACP states. Meanwhile what these states are really facing is a structural problem originating from long term tendency for commodity exports' prices to fall in conjunction with long term stagnation or decline in the productive capacity of these states.

This general characterization of stabex problems also fits the cases of associated Arab states. Adverse terms of trade hit Mauritania particularly hard in the years 1978, 1979 and again in 1981. It was thus eligible for compensation since the total export earnings of its iron ore severely declined. However, compensation was determined by the agreement which limited transfers to 47.4%. This was considered a drastic cut in comparison with the fact that Mauritania was one of the main beneficiaries of stabex under Lome I (1975-79), with almost 16% of total stabex transfers. Cotton, the major export commodity of Sudan met even harsher conditions in the world market during the last ten years, with the years 1978, 1979 and 1982 witnessing the worst slump. During Lome I convention, cotton received 11% of total stabex transfers and Sudan got about a quarter of these cotton transfers. As one of LUDC's, compensation to Sudan for falls in cotton export earnings during Lome II convention was reduced to only 59.9% of her demands in 1980. Sharp decrease in cotton prices in 1983 was medicated by larger export volume;

which made Sudan non-eligible for compensation. Somalia and Djibouti have a more balanced export commodity structure, with no major export product accounting for more than 40%-50% of its total export value. Somalia did rather well, with exports continuously rising since 1978. Hence, benefits from stabex were generally meagre.

2- Minix (Sysmin):

Sysmin or minix is a special program with the objective of supporting mineral production and exportation in ACP countries. It is widely viewed as the main innovation of Lome II. The program is triggered when a drop, in the order of at least 10%-of production capacity or export capacity; is reported for one of the products covered by it. Six products are covered: copper and cobalt, phosphate, manganese, bauxite and alumina, tin, roasted iron pyrites^e and iron ore. Transfers are made only to these products if they represent more than 15% of the total exports of ACP countries in question (10% in the cases of least developed, landlocked and island countries). but on the condition that no transfer may involve more than 50% of an annual budget allocation.

The introduction of this system was a result of compromise stricken between EEC commission and ACP states during the negotiations for Lome II. The commission was keen to work out a

scheme which ensures the steady supply of essential raw materials to European industry in a manner that moves it relatively independent of American monopoly over minerals and energy sources. ACP countries mineral production can be instrumental in reaching this goal. As Claude Cheysson explains 'the mineral development of ACP countries is in the long term interests of the community which is concerned of avoiding the depletion of one of its supply sources of essential minerals' (13). Specifically, the threat of depletion of ACP sources of raw materials springs from a multitude of technical, political and economic danger. Europe is currently disinvesting in mineral production (now about 5% of world investment). This of course reflects negatively on mineral exploration in Africa because of substantially higher cost of exploration in this continent. Accordingly, the basic demand raised by the commission in the course of negotiation on Lome II, and Lome III was a commitment by ACP states against noneconomic risks incurred by European firms operating in their territories, especially nationalization and sequestration. This demand was rejected by ACP states which argued the need for a comprehensive code of conduct involving both governments and multinationals. ACP states, on the other hand, raised the demand that minerals be included in stabex list; so that they can entertain compensatory finance.

The commission protested this by arguing the cost factor, and by pointing out that the aim of stabex is to compensate for revenue losses due to price fluctuations but not to erosion of productive capacity.

Sysmin appeared as a proper mechanism which combines European interests in sustaining production and exportation of minerals, and ACP interest in gaining compensation for decline in export revenues due to political, economic or technical causes. In return, while Lome II did not include guarantees against non-economic risks incurred by European firms operating in the minerals production in ACP countries, Lome III moved several steps forward in providing against risk of nationalization and other risks of political nature⁽¹⁴⁾.

Hopes hinging on Sysmin were not totally justified, however. It actually did not work as effectively as was thought. By the end of 1983, only a third of the resources available to Sysmin fund under Lome II had been committed (transfers were largely confined to copper). Europe was mainly interested in maintaining existing capacity of mineral production, but not in expanding it to include mineral potentials in ACP countries. The commission has even shown interest in promoting new mineral operations in non-ACP countries to the neglect of similar operations in ACP countries. This is particularly true in cases such as Senegal and Sudan that requested many times the community assistance in this area.

The product coverage of Sysmin is another important issue. Sudan, for example, could have benefited from the scheme if the coverage included products such as chrome, nickel and oil. The mining of chrome by Marubendi and oil exploration and drilling by chevron came into a complete halt by the civil war which erupted again since 1984. Moreover, it is a matter of consensus amongst the experts in this field that Sudan's mineral potential is enormous. The development of infrastructure in Sudan, while an important condition for take-off, is itself conditioned by expansion of mineral investments. The need for sufficient investment and finance is a major reason behind Sudan's outward orientation. However, this need was not met by a scheme such as sysmin. Indeed, the whole spirit and text of Lome convention seem to be of limited relevance to the further development of Sudan, in this regard.

3- The community aid:

a) The over-all philosophy:

In addition to individual state members' aid policy, the EEC commands a limited aid budget at the commission's level, part of which is devoted to ACP countries. The management of this aid was subject to an intense debate between ACP states and the European commission. ACP states emphasize sovereign economic management while the commission develops a special out-look to development problems in ACP states which it wishes

to reflect on the aid management in these states. Lome III provides in clear terms a certain presentation and definition of the responsibilities and duties of the EEC and ACP states. It affirmed the right of all participating states to determine their political, economic and social systems and policy options. The EEC is committed to promote ACP economic development. But the directions and shape of economic priorities lie solely with individual ACP states. Nevertheless, sovereign economic management is undermined, in practice, in favor of greater coordination and consultation between individual ACP states and the European commission, in respect to aid policy and other areas of domestic economic management.

In Lome III, priorities of aid development cooperation are stated as rural development, food security and grass-root participation through emphasis placed on small scale enterprises. The over-all economic development should, according to Lome III, be approached by focusing on grass-root organizations, e.g. small producers and small farmers, in particular. Regional cooperation is also viewed with sympathy and seen as complementary to self-reliance as a governing principle to development process.

This particular philosophy appears to have a warm reception in political and academic circles in the ACP countries. For

during the last decade, momentum was gathering for a development strategy that could be called: evolutionist. The hallmarks of such a strategy are priority for agriculture followed by light industry, satisfaction of basic needs, the leading role of small scale enterprises and emphasis on endogenous and inter-mediate technology. Lome III explicitly endorses this strategic option. However, a good deal of opposition was also voiced⁽¹⁵⁾.

From the community's point of view, the community aid while not any more ineffectual than that from other sources was not instrumental in assisting ACP countries to take off economically, or overcome the disastrous collapse of food production. EEC commission explains this failure by stressing misconceived internal policies and wastes in the present administration of aid. ACP states, on the other hand, focus on the classic problems of aid from developed countries in general. Also, ACP countries complain that the magnitude of the community aid is far from adequate for the fulfillment of the purposes it sets itself to serve. Disputes over aid volume and the cumbersome procedures, long pipelines and delays between commitments and disbursements are characteristic of negotiations on renewing Lome convention.

b) Aid for food and agricultural development:

Lome convention tacitly adopts the distinction between food aid and aid for food. The former is the supply, on concessionary terms, of food to bridge food deficit in the receiving countries. Aid for food, on the other hand, refers to commitments involving activities which contribute directly to the development of agriculture (e.g. irrigation) and more indirectly (e.g. integrated rural development projects, rural infrastructure...agro-food industries, river basin improvements).

The commission pressed hard, during Lome III negotiations on a specific linking of food aid to agricultural development and self-sufficiency in food by what it called food strategy⁽¹⁶⁾. The key factor in declining agricultural productivity, as viewed by Pisani report, is the governments' policy which favored town dwellers and big firms at the expense of small cultivators. (This policy represented a negative incentive to agricultural producers because it kept agricultural prices very low. Consequently, a central element in aid for food strategy, in the community' formulation, is a system of subsidies to producers of agricultural products. Food aid is to be sold in the marketplace, and the proceeds accumulated in 'counterpart funds' would then be used to subsidize local farming. These subsidies would be phased out over a period of years when consumers get accustomed to 'so called' realistic food prices. This should

also be backed up by various measures to promote productive and infrastructure facilities in rural areas.⁽¹⁷⁾ Implied in this strategy is the proposition that implementation is a joint undertaking by the community and individual ACP states. And provided that the ACP country government is committed to the common strategy, in accordance with agreed procedure and timetable, the community will promise to provide agreed resources.

Obviously, the above view failed to gain the consent of the majority of ACP countries. Moreover, these countries cling to various other explanations of their agricultural crises. In modern African thinking, for example, the crisis of agriculture is traced to the encroachment of export, cash crops on Africa's food cultivation⁽¹⁸⁾. An appropriate approach to agricultural development would then be the phased withdrawal of cash crops in favor of food crops in conjunction with a comprehensive program for soil upgrinding and rehabilitation of agricultural facilities and infrastructure. Two other points of contention were also the focus of hot debates. The validity of the commission's attitude towards market-based strategy is questioned in the African context. On the other hand, while many ACP countries wish the community to undertake greater responsibilities in their agricultural development, they are alert and sensitive towards the notion of joint undertaking of food strategy in their sovereign realms.

Not all elements of the commission's formulation of food strategy are dismissed. Emphasis on small scale cultivators is almost unanimously and zealously welcomed by officials and experts in the ACP countries.

C- Industrial Cooperation:

Due to the overarching interest in agricultural development in Lome convention, industrial cooperation was relegated to a low priority.

The community appears, in the public statements, quite aware of the necessity to 'adapt to the industrialization in the Third world', as the comparative advantage in certain branches of manufacturing, shifts to Third world. The concern voiced by certain vested interests over loss of employment in the EEC countries because of increased manufactured exports by Third world countries is no more an established argument in the commission's circles. 'Experience has shown that, by exporting, a developing country gains in purchasing power and this is converted into orders for goods, equipments and services from industrialized countries. These orders create more jobs than imports from developing countries cost. Third world is Europe's major client and more than two-fifth of community exports of goods and equipments go to developing countries⁽¹⁹⁾. What this document failed to mention however

is the fact that The EEC manufactured imports come not from ACP countries but from new industrialized developing countries, especially in South East Asia and Latin America. In other words, the community policy may partially adapts to established forces of industrialization in certain developing countries, but it does not assist in unleashing these forces where momentum is actually needed.

Sympathetic orientation to industrialization is reflected in the texts of Lome II, and Lome III. Articles on industrial cooperation promised to 'promote the development and diversification of industry in ACP states' and to provide these states with the necessary push they need to take off industrially. However, these articles seem to carry no substance. The measures which the convention designates for implimenting these promises stand in dire contrast to the detailed programs and plans on agricultural development and aid policy. A center for industrial cooperation (CID) and a committee on industrial cooperation were inaugurated, but without resources to speak of. On the other hand, the commission's documents were quite explicit as to the pattern of industrialization that is perceived as appropriate to Africa. This pattern recognizes only two forms of industry: a) on-spot processing of raw materials, and b) small scale projects and enterprises. In other words,

industry in ACP countries is promised assistance from the community when it is by and large confined to processing which caters with the mineral interests of European industry.

The over-all trends and structure of EEC aid to ACP countries, while showing itself increasingly reserved, is moulded to the development philosophy of the commission's circles as explained above. The following tables show these general trends.

Table 5: Net Loan and Grant Disbursement (in millions of Dollars) by The EEC to Developing Countries and Multilateral Organization*

	1970	1977	1978	1979	1980	1981	1982
a) Concessional	210	549	805	1124	1013	1440	1143
b) non-conce- ssional	11	49	78	126	257	241	320

* Source: OECD Development Cooperation. OECD. Paris, 1983

Table C.1, pp. 192-193.

Table 6: The flow of ODA from EEC to Developing Countries and Multilateral Agencies in 1982 (in \$ Millions)*

A. Bilateral official assistance	= 1143
1- Grants and grant, like contributions	= 895
- Food aid	= 327
- Administrative cost	= 38
- Other grants	= 530
2- Development lending and Capital	= 248
- New development bending	= 129
- Equities and other bilateral assets.	= 119
B. Contributions to Multilateral Institutions	= 196
- Grants	= 196
- UN agencies	= 113
- Others	= 83

* Source: OECD. Development Cooperation. Ib-Id. Table J-2, pp. 228-229.

The relation of associated Arab countries to EEC assistance is demonstrated by the following measures, taken for 1981-1982.

	Sudan	Somalia	Mauritania	Djibouti
a- Official Development Assistance (ODA) Per Capita (\$)	40	111	129	196
b- Share of EEC in total ODA (percentage)	7	9	8	5
c- Share in total EEC/ ODA (percentage)	4.5	3.4	1.3	n.a

Source: OECD...Ib.Id. Table G-3. P. 220.

Certain facts appear clearly from the table. First EEC assistance, according to Lome convention is quite minimal. This means that Lome has had little pertinence in terms of aid to associated Arab countries. Secondly, in terms of per capita shares in the EEC aid, this assistance is highly unevenly distributed, with Sudan as a most unfavored nation in aid terms.

III- Approaches to Improvements and change in Lome system:

Lome convention continues to be the best institution that is operating in the realm of North-South economic interactions. Nevertheless, the high tide of hope that had been stimulated especially by Lome II is now broken, this fact has opened the way for various attitudes searching for solutions and improvements.

De-linking as many radical scientists and thinkers in ACP countries was not viewed by the majority of officials and experts as an appropriate or realistic option. To the contrary interests in maintaining Lome framework and improving on it are rising and spreading. Approaches to improvement, however, varied widely in philosophy and specific proposals. And during the negotiations on Lome III, cross-pressures were mounted on all sides for one or another of open options for change and/or improvisation.

A major difference in approach to EEC-ACP economic interactions exists between the commission on the one hand, and ACP secretariat and officials of individual ACP countries on the other hand.

The core of the commission's approach, as it evolves from official documents, especially Pisani memorandum which formed the negotiating position of the commission during Lome III negotiations, is focused on efficiency of management.

From the vantage point of the European commission there exists no real crisis in Lome framework. To the contrary, Lome series were a major improvement compared to Yaounde agreement, and this series witnessed continuous progress from Lome I through Lome III⁽²⁰⁾. There exists, however, a serious problem of management and efficiency. Increased efficiency in the

management of Lome could be obtained by adapting it to specific situations and needs of individual ACP countries. A proper approach which ensures a proper balance between continuity and adaptability is a convention with unlimited duration coupled with specific protocols on sectoral and country levels of implementation.

In certain respects, the European commission's negotiating position in Lome III (1983) as manifested in Pisani memorandum, carried a view and specific proposals more advanced than that of Lome II. However, the over-all direction and the major proposals in this position were, in my view, a significant retreat from the position of the commission in Lome II. This can easily be explained by the substantial erosion of ACP economic power, and consequently the weakening of negotiating situation of the ACP countries between 1979 (Lome II) and 1983 (Lome III). By 1983, the position of the ACP in world commodity market was vastly declining, and various attempts for groupings of commodity producers decisively hurried. Oil producers seemed by the time to have lost the battle for control over oil market and the trend of declining oil prices most assuredly unfolding. And when famine struck Africa with special brutality, it was genuinely viewed as a scar for the entire humanity, but it also exposed the increased vulnerability of Africa⁽²¹⁾. All these factors

contributed to the formation of European position in regard to ACP countries which focuses on problems of Lome management instead of broadened responsibilities towards the real development of ACP countries.

As to ACP countries' officials' and experts', proposals for improvizing on Lome's framework could be grouped into three categories: budget expansion, increased sectoral inclusiveness and emphasis on Regional reorganization and configuration.

a- The volume of Lome budget (and the budget of various Lome programs) was a matter of dispute between the EEC commission and ACP countries in the negotiations for Lome I, Lome II, and Lome III. Arguments over the resources put at the disposal of stabex were specially heated. The EEC commission was always clearly unwilling to go along with ACP demands for increased resources to stabex and other Lome programs in order to meet their goals properly (22).

b- Product and sectoral inclusiveness constitutes another category of ACP demands. These demands pertain to the commodities that enjoy a duty-free access as well as to the products covered by Stabex and Minix. Lome III has already opened a window of tolerance for these commodity exports which compete with the EEC agricultural products as underlined by the common Agricultural Policy of the community (ACP products) by allowing

off-season entry. This allowance is requested to be broadened and deepened. Another aspect of the same problem is the prohibition of voluntary export restraints clauses' by individual EEC countries. Broadened Stabex product coverage in areas other than CAP was accepted in principle by the European community⁽²³⁾.

Lome convention series, on the other hand, covers a wide domain of ACP-EEC exchange in the economic and cultural spheres. ACP countries, however, continue to call for a greater extension, not only of existing programs, but also, in other potential areas of cooperation such as migrant workers (especially African workers in EEC countries). During negotiations on Lome III, the European commission yielded to some of ACP demands regarding cooperation in fishing industry but not in the area of maritime transportation.

c- Regional cooperation and configuration: The initiation of Lome convention series constituted a break with the old practices and forms of North-South relations in one important dimension: regionalism. ACP states negotiate with the EEC not as individual countries, but as one group or region. However, the regional dimension in Lome bypasses the inter-regional character of the convention. ACP countries were aware of the danger implicit in this character of replacing inter-ACP cooperation with that between ACP countries on the one hand.

and Europe on the other hand. Accordingly ACP countries wished that Lome convention be used to also serve the purpose of strengthening cooperation amongst themselves (i.e. South-South cooperation). In this conjuncture, intra-regional cooperation should gather momentum in the context of managing the ensemble of EEC-ACP programs. The European commission conceded in Lome II a special financial effort (600 millions of ECU) for the stimulation of inter-ACP cooperation schemes in various Lome programs especially in areas of industry and infrastructure⁽²⁴⁾.

Lome III has also stressed the advantages of intra-ACP regional cooperation. Nevertheless, it leaves a lot to be desired in this regard, as noted and recommended by Lagos plan of action and other African development documents (1981).

IV- Conclusions and Recommendations:

Despite all its failings and shortcomings, Lome convention continues to be the best available institution of South-North exchange. No doubt that this convention is benefiting the ACP countries, Arab countries included, especially in the domain of stabilizing export incomes. The ideas and proposals cited above are also instrumental in expanding the real benefits which ACP countries derive from Lome regime.

Nevertheless, the above proposals pursue only additive improvements within the overall pattern of North-South exchange that is set-up by Lome regime. These improvements may increase the benefits of Lome at least to a minority of ACP states but may not change the essential pattern itself. And if Lome regime failed to assist ACP states in generating sufficient momentum for take off, the improvisation approaches will not be of great value for the purpose of economic take off.

For as noted above, Lome convention provides certain means to stabilize the export economies of ACP states and not as much to develop these economies. And in so doing, Lome is not distributionally just since benefits are highly skewed in favor of a few ACP countries. In case of a great number of ACP countries these direct benefits are so meagre to the point that the very pertinence of Lome regime to the problems of these countries is brought to question. Sudan, Mauritania, Somalia and Djibouti are only examples of this category of ACP countries.

The problems of these countries are structural and embedded in their productive systems. These problems involve even the export products. Lome convention is simply far from properly equipped to provide solutions to these problems. This state of affairs is the mixed product of the EEC failure to embark

on a major transformation of its relationships with ACP countries and misconceived emphasis in development strategies of ACP countries themselves.

The EEC faces a choice between two scenarios: maximum and minimum involvement in the development task in ACP countries. The minimum scenario entails basically the type of stabilization programs of Lome regime. And for this purpose, the cost of stabilization and maintenance is kept to its minimum level.

By opting to this scenario, the EEC proved unwilling not only to supply resources but also to break decisively with the established patterns of North-South exchange.

The alternative scenario of maximum involvement in the development task aims at bringing about a structural change in ACP economies as is necessary to break the vicious circles of underdevelopment and stagnation. An argument that can be elaborated at length is that this is the best long term interest of the European community.⁽²⁵⁾ One can even argue that only by involving itself by qualitatively superior forms and resources in ACP development that the European community can usher into a new higher stage of its economic growth as compared to other major economic powers.

ACP countries, on their part, did misconceive the true character of Lomé regime. And they accordingly misplaced their points of emphasis in development strategy. These countries looked at Lomé as an instrument for solving their problems with the world market. This was believed to provide conditions conducive to their development. In fact, the experience with Lomé convention series proves that the problems of development are embedded in their deformed productive systems. These problems could only be solved by social change within these countries and by regional integration approach to development. ACP states are inclined to act within and without in the name of possessive quest for sovereignty.

A truly developmental approach to ACP foreign economic relations should utilize Lomé regime and the like as an instrument for promoting collective self-reliance, and not vice versa. In other words, Lomé could be instrumental in assisting development effort if it is managed within the ensemble of developmental forces on large scale developmental units, i.e. regions, and not small states.

If this view is to materialize, ACP states could generate pressures sufficient to persuade the EEC to shift into a different deal based on involvement in development, not just on underwriting stability of export incomes.

This approach is particularly pertinent to the cases of Sudan, Somalia, Mauritania and Djibouti.

Looked at as isolated individual economic units, these countries lack economic viability for a long time to come. Not only that resources needed to push development are lacking, but also their very natural conditions are difficult to overcome by their individual abilities. Djibouti is a tiny state whose territory is constituted of an arid terrain and volcanic rock-strewn desert wastes, with torrid climate. Two thirds of Mauritania is also desert waste that keeps expanding southward. In Somalia, most of the terrain consists of dry Savana plains where two thirds of the population are leading nomadic life. Only Sudan has a large agricultural potential, but the complete lack of infrastructure and the need for immense investment makes for severe underutilization.

Natural constraints are compounded, in all cases, by social segmentation and primitive technology and social organization of labor. A small modern sector highly tied to the state barely survives on exchange with the outside world and the state's direct and indirect subsidies. The over-all resource balance is highly disequibrated, thus leading to a huge burden of debt.

Under these conditions, take off can hardly be achieved without the incorporation in broader and diverse regions. Improved Lome regime can serve as supplementary channel to resource flows, but not before social change and regional integration are moved significant step forward.

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