

Roberto ALIBONI

Amman



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فريدريش
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رابطة المعاهد والمراكز العربية
للتنمية الاقتصادية والاجتماعية

AICARDES

مؤتمر: "أفاق الشراكة العربية الأوروبية في القرن القادم"

Conference on: "Dimension of the Arab - European Partnership in the Next Century"

(19-20) June 1999

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n° Inv. 19831 2 Lug. 1999
BIBLIOTECA

**DIMENSIONS OF THE ARAB-EUROPEAN PARTNERSHIP
IN THE NEXT CENTURY**

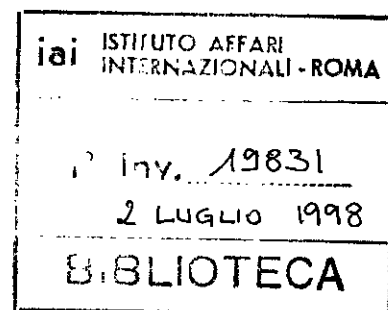
Jordan Institute of Diplomacy

Friedrich-Ebert-Stiftung

Association of Arab Institutes and Centers for Economic and Social Development

Amman, 19-20/VI/1999

- a. Program
- b. List of participants
- c. Rationale
- 1. "Opening speech"/ Kamel S. Abu Jaber
- 2. "Arab perceptions of the Euro-Mediterranean projects"/ Mohammad El-Sayed Selim
- 3. "The charter for peace and stability in the Mediterranean: a view from Italy"/ Roberto Aliboni (IAI9905)
- 4. "Statement"/ Abderraouf Ounaïes
- 5. "Economic aspects of the Arab-European partnership and ways forward : European perspective"/ Umberto Colombo



Under the Patronage of H.R.H. Prince El-Hassan Bin Talal

Conference on
*Dimensions of the Arab-European Partnership
in the Next Century*

Organized by Jordan Institute of Diplomacy in Cooperation with
Friedrich Ebert Foundation and the Association of Arab Institutes
and Centers for Economic and Social Development
Radisson SAS Hotel, June 19 – 20, 1999
Amman – Jordan

PROGRAM

Saturday, June 19, 1999

08.30 - 09.00 **Registration**

09.00-10.00 OPENING CEREMONY

Speakers:

09.00 - 09.20 **Dr. Kamel Abu Jaber**

President, Jordan Institute of Diplomacy / Jordan

09.20 - 09.40 **Mr. Manfred Haack**

Representative, Friedrich Ebert Foundation / Jordan

09.40 - 10.00 **Dr. Sami Al-Shareef**

Secretary General, Association of Arab Institutes for Social
& Economic Development / Tunisia

10.00 - 10.30 Coffee Break

10.30-17.00 Session I

The Arab-European Partnership: Concepts & Perspectives

10.30 - 10.35 Chairperson: **Dr. Michel Marto**, Minister of Finance / Jordan

10.35- 10.50 European Perspective: **Dr. Udo Steinbach**

President, Orient Institute / Germany

10.50 - 11.05 Arab Perspective: **Dr. Mohammad El-Sayed Selim**, Prof. of Political Sc.
Cairo University / Egypt

11.05 – 11.20 Italian Perspective: **Dr. Roberto Aliboni**, Director of Studies
International Affairs Institute / Italy

11.20 – 11.35 Tunisian Perspective: **Amb. (rtd.) Dr. Abderraouf Ounaies**
University of Tunis / Tunisia

11.35 – 12.00 Coffee Break

12.00 – 13.00

Discussion Groups

(Participants are to refer to the bulletin board for details)

Group A : The Political Dimension

Moderator: **Dr. Georges Jabbour**, Advisor

Arab Center for Strategic Studies / Syria

Venue: Ambassador Hall / 1st floor

Group B: The Cultural Dimension

Moderator: **Dr. Mazen Gharaibeh**

Acting Dean, Jordan Institute of Diplomacy

Venue: Petra Hall / Ground Floor

Group C: The Economic Dimension

Moderator: **Dr. Sa'ed Taha Allam**, Consultant

Arab Institute for Planning / Egypt

Venue: Petra Hall / Ground Floor

13.00 - 13.30

Meeting of Moderators & Rapporteurs Only

Venue: Royal Club Meeting Room #2 / 13th floor

13.30 - 15.30

Lunch hosted by the Jordan Institute of Diplomacy

Venue: Radisson SAS Hotel

15.30 – 17.00

Rapporteurs Reports & Open Discussion

Chairperson: **Mr. Syyed Yaseen**, Senior Advisor, Center for Political
& Strategic Studies (Al Ahram) / Egypt

17.00 – 17.30

Coffee Break

17.30 – 17.40

Session II

***Cultural Aspects of the Arab-European Partnership
And Ways Forward***

17.30 – 17.40

Chairperson: **Dr. Ali Attiga**, Secretary General,
Arab Thought Forum / Jordan

17.40 – 18.00

European Perspective: **Dr. Friedemann Buettner**
Free University of Berlin / Germany

18.00 – 18.20

Arab Perspective: **HRH Princess Dr. Wijdan Ali**, Vice President
Jordan Institute of Diplomacy / Jordan

18.20 – 19.30

Open Discussion

20.30 -

Reception / Dinner, hosted by Friedrich Ebert Foundation
Venue: Residence of Mr. Manfred Haack

Sunday, June 20, 1999

09.00 – 11.00	Session III <i>Economic Aspects of the Arab-European Partnership And Ways Forward</i>
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- 09.00 – 09.10 Chairperson: **Dr. Mohammed Al-Halqiqa**, Director General
Ministry of Industry and Trade / Jordan
- 09.10 – 09.30 European Perspective: **Dr. Umberto Colombo**, Chairman,
Leadership for the Environment and Development
(LEAD) – Europe / Italy
- 09.30 – 09.50 Arab Perspective: **Amb. Mohamed Gamal El-Din El-Bayoumi**
Assistant Minister of Foreign Affairs / Egypt
- 09.50 – 10.10 Jordanian Perspective: **Dr. Haidar Freihah**, Director, Technical Support
Unit, Ministry of Planning / Jordan
- 10.10 – 11.00 Open Discussion
- 11.00 – 11.30 Coffee Break
- 11.30 – 15.00 **Visit to the University of Jordan** (Meeting with
Dr. Walid Almaani, President of the University of Jordan, followed by a
Lunch, hosted by Dr. Almaani).

16.00 – 18.00	Roundtable Discussion & Closing Ceremony <i>Towards a Better Arab- European Partnership</i>
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Chairperson: **Dr. Kamel Abu Jaber / Jordan**
Main Speakers: **Amb. Francesco Cerulli / Italy**
Dr. Nassif Hitti / Egypt
Dr. Tareq Ismael / Canada
Amb. Peter Mende / Germany
Mr. Abdeljalil Al-Tamimi / Tunisia

Recommendations

Monday, June 21, 1999

Post Conference Tour (Tour to Jerash, including lunch at the Lebanese House & a drive back through the city's main sites)
Departure of Delegates

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June 19 - 20, 1999

Radisson SAS Hotel

Amman – Jordan

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n° Inv. 19831

2 Lug. 1999

BIBLIOTECA

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*Dimensions of the Arab-European Partnership
in the Next Century*

Amman, June 19-20, 1999

RATIONALE

The Arab-European Partnership is the core of an enhanced spirit of cooperation, initiated by the Barcelona Process in 1995, to reflect both sides' determination to encourage forward-looking policies, and cooperative arrangements. What prompted this initiative is the realization that the Mediterranean, a great divide in the past, must somehow offer a more dynamic model for interaction and cooperation. Relations between countries on different ends of the Mediterranean have therefore been enhanced to accommodate closer links between the partner countries. The scope and depth of partnership activities are also expanding to reflect an understanding that a more lasting and productive relationship is truly at hand.

Based on reciprocity, the Partnership is making great headway since its creation. Its acknowledgment of the importance of long-term stability and security in the region, has encouraged it to forge exchanges on a range of political, social, and economic issues. In its core, the Partnership aims to encourage respect for human rights, democratization, and economic prosperity.

Individually, each cooperative mechanism is breaking ground to bring people closer to one vision. To this end, the Jordan Institute of Diplomacy, the Association of Arab Institutes and Centers for Social and Economic Development, and the Freidrich Ebert Foundation, are holding a conference to explore the policies of the Arab-European Partnership, and their viability as workable instruments. Arab and European experts will gather to address various issues relating to the Partnership with a particular emphasis on Euro-Jordanian relations. Other Arab case studies will be discussed to identify difficulties hindering the full implementation of cooperative programs. The scope of discussions is also to cover expectations and obstacles facing a potentially stronger partnership in the future.

Making the Arab-European Partnership a reality will be of paramount importance for both Arab and European Communities. This in itself is a challenge that requires broad vision and the capacity for detailed implementation. The next century is unlikely to see a subsidence of economic, social and political hardships, and such initiatives like the Arab-European Partnership should be strengthened to meet such old and new demands.

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n° Inv. 19831
2 LUG. 1999

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CONFERENCE ON
DIMENSIONS OF THE ARAB-EUROPEAN
PARTNERSHIP IN THE NEXT CENTURY

Opening Speech
Professor Kamel S. Abu Jaber

President
Jordan Institute of Diplomacy

Amman-Jordan
June 19-20, 1999

**Distinguished Guests,
Excellencies,
Ladies and Gentlemen,**

It is my pleasure and honor to welcome you on behalf of HRH Prince El-Hassan Bin Talal Chairman of Jordan Institute of Diplomacy's Board of Trustees and who honored me by deputizing me to extend to you his greetings respects and best wishes.

We are looking forward to your participation in this timely and important conference which is held with the support of the Fredriech–Ebert Foundation and the personal input of HE. Dr. Manfred Haack which we appreciate and thank. Please allow me to welcome our guests from the Association of Arab Institutes and Centers of Social Development and also our guests from Europe and abroad. We are looking forward to benefit from your experience, insight and wisdom. As I look around this meeting hall I see many old and new friends. And I hope that while sharing some of your ideas with us, you will enjoy your stay in Jordan.

Friends,

Between the North and the South of the Mediterranean we are turning a new leaf which

requires that we address each other frankly and respectfully. Our country; our region, are seeking peace as a strategic objective; which, to be meaningful and permanent, must be preceded by social peace and an improvement in the region's economic situation. Our Prime Minister, a few days ago painted a painful portrait before our parliament of the economic situation in Jordan. It shook many, but his words could have been pertinent for the whole region.

The theme of the conference is indeed a timely one. The world is changing in ways that all of us must pay attention to in considering the dimensions of a new partnership at this historical juncture; now that the Arab-Israeli peace process is hopefully to be resumed in earnest soon; that the Balkan Crisis is resolved or at least on the way to resolution, and that we are on the threshold of a new millenium. Our region needs peace. The Iraqi situation should not continue to be locked in the freezer of violence and ways should be explored to normalize the situation. The entire region should become peaceful if we are genuinely to begin thinking in regional terms whether on political, economic or security matters.

It is here that I and our Institute of Diplomacy are very proud and are aware of the tireless efforts and

the inspired leadership of H.M. King Abdullah Ibn al-Hussein who is working on the domestic front to bring prosperity to our over burdened country and on the international front to bring peace to the region.

**Distinguished Guest,
Ladies and Gentlemen,**

Until just a very short time ago the Arabs and the Europeans viewed each other with suspicion, even hate. For the past 15 centuries and since the advent of Islam the two great civilizations met more often on the battlefield than on the cultural or civic level. The memory of the colonial legacy is fading away and the two earlier adversaries are exploring ways on the socio-economic, religious, and political security levels as to how to adjust to each other and how to replace the old mutual negative images, the demonizing and the fear, with a new relationship based on mutual respect and appreciation of each other.

It is not that the two civilizations have lost their vitality or are fatigued. On the contrary both remain amazingly resilient and full of vitality. Both comprise within their womb vast energies that can still be easily agitated in a xenophobic fashion. Yet the majority of the peoples and leaders on both

sides of the Mediterranean have finally come to grips with the latent and potential power in each. More importantly, both sides have come to appreciate the texture, the lure and wonder of each other. The once exotic Orient sung about in ballads by the European troubadours of the Middle ages and later times are today replaced by equal appreciation and fascination of the Arabs by the accomplishments of the Occident. Not only the material but the cultural ones too.

Today, the once uncomfortable neighbors are jostling, trying to adjust to each other. Each side is discovering that the areas of cooperation and appreciation are far too important and must replace the old relationship with a new one. Both sides realize the time has come to settle the old disputes however important these maybe. The future must be more important than the past. Europe which has been on the ascendancy over the past five centuries, bubbling and boiling over with new ideas, technologies and methodologies has come to understand that its expansion should not; indeed cannot be territorial but in ideas, trade, commerce and mutual security. Over the past three decades the neighbors have been discovering their geostrategic positions and appreciating Bismark's remark that the only constant in politics is geography which explains why the dialogue is

carried on in earnest. For the Arabs Europe is the closest fountain of modernization. For Europe the partnership should give it not only markets but also an added weight in the power balance configurations of the future.

Today European Western culture is a fact of life acknowledged and consumed globally. Few Arabs have quarrel with its superior technology or knowledge. And while some may complain of the so-called cultural invasion, very few are willing to resist it seriously. All recognize that ideas, especially good ones, can be resisted or that a wall can keep them out.

How can we cooperate so that the coming century will be unlike the twentieth or the two centuries preceding it? For, over these last few centuries more energies were wasted in conflict, denomization, hatred and cultural assassination than one cares to recall. The atmosphere was polluted with mutual venom.

For us Arabs we should take pride that Western Civilization is a success. After all the Arab-Islamic contribution is one of it's major pillars. Today it is said that Western Civilization which was once termed Graeco-Roman or Christian is called now Judeo-Christian. The historical reconciliation

between the Jewish and Christian branches of the same Abrahamic tree should become a prelude to a reconciliation with the third Abrahamic branch and perhaps the most important pillar of Western Civilization, which is its Arab-Islamic dimension. In an issue of the New York Times Magazine (April 18, 1999) devoted to explore the greatest ideas contributing to contemporary civilization in the last one thousand years, the researcher-author Richard Powers declares that the greatest idea of the period and to which he credits the vitality and dynamism of today's Western Civilization, is one advanced by an Arab scientist whose life spans the tenth and eleventh centuries. Abu Ali Al-Hassan Ibn al-Haytham, born in Basra in 965 and known to the West as Al-hazen introduced to the world of knowledge the experimental method. His contribution concerned his explanation by observation and repeated experimentation of the hitherto mystery of vision. Two contradictory theories of Greek origin attempted to explain the phenomenon. Euclid and Ptolemy and other mathematicians maintained that light travels from the eye to the observed object, while Aristotle and other philosophers assumed the reverse. Ibn al-Haytham demonstrated that light is independent and proved his theory by appeal to empirical data. He asked observers to stare at the sun or any bright object which burned the eye. Repeating the

experiment under the same conditions meant that a truth; knowledge can be obtained and sometimes proven through the scientific method without recourse either to divine or philosophical sources.

**Distinguished Guests,
Ladies and Gentlemen,**

But then we have to ask the question how can a partnership be built with the South of the Mediterranean remaining in the grips of the economics and politics of despair? How can the slogan "Trade not Aid" become a reality until and unless Europe takes a genuine interest in a process of reconstruction of the societies to its south. For the past few centuries and since 1492 Europe has been attracted to the Atlantic and the New World. We are pleased that attention now is being paid to the Mediterranean.

The past few centuries have not been merciful or gentle for the Arab World. And now in the post colonial era, the new nation states remain overwhelmed with both their internal problems and the external challenges. At best the development efforts remain incomplete, and uneven with the result that in most countries of the region the economies are either faltering, frail or failed. And while the search to build civil societies is a sincere

one, it is challenged on a daily basis by the economic problems of rising populations, unemployment and poverty: hot house breeding grounds for radicalism and extremism. Such is the most important factor lying behind the continuing flow of legal and sometimes illegal migration to the North. Political reform, liberalization and human rights wither very quickly in the seething heat of the radical ideological challenges promising a shorter road to prosperity and social justice.

Europe's concern with security is indeed very legitimate. Yet security must go beyond the classical dimensions of the military and police, to encompass the socio economic factors which alone can bring social peace and stability, necessary ingredients for development.

That is why both the northern and southern regions must immediately embark on structuring a long term strategy to build a zone of peace and stability around the Mediterranean. For how can a true partnership be forged when the two sides are so unbalanced and unequal. This is especially important at this historical moment when the peace process between the Arabs and Israel continues along its difficult path. Peace and security should be for the entire region and not to the benefit of one country alone. The comprehensivity of peace

to include Lebanon and Syria is the guarantee of security. Also Israel's security in the long run is in regional development and prosperity. What is needed is not conflict management but resolution: resolution that is just and equitable, if the once intractable conflict which exhausted much of the resources of the region over the past fifty years is to be genuinely resolved. The central question is how can we bring balance to the region especially now that the peace seems to be promising.

**Distinguished Guests,
Ladies and Gentlemen,**

Jordan's role has been an honorable and a peaceful one based on the principles of international law and United Nation's resolutions. The late King Hussein spent almost the last thirty years of his life in pursuit of a meaningful settlement to achieve peace and not merely to pacify the region. Our King Abdullah II has also proved his genuine desire to bring about an honorable and durable peace. His efforts over the past few months since he commenced his reign indicate that the achievement of an equitable solution to the Arab-Israeli and the Palestinian-Israeli conflict, is a major concern of his life.

The European Summit which just ended in Cologne (June 2-3, 1999) is thinking of the sum of \$16 billion to reconstruct the Balkan's. Perhaps we can hope that similar thoughts can be entertained for the reconstruction of the Middle East. The last five decades of this century with debilitating insecurity, rising expectations and geometrically rising populations, in addition to the Arab-Israeli conflict have left deep scars on the economies and the psychologies of the region: poor and under developed to start with. According to reliable sources, the 1994 population of the Arab countries, members of the Arab League, was 232.5 million souls with a combined total GNP of only \$ 530 billion about equal to that of Spain with a population of 39.5 million souls and a GNP of \$ 525 billion. Italy with a population of only about 57 million souls had a GNP of \$ 1.1 trillion almost double that all of the Arab countries, including the falsely fabled Arab Oil wealth. If these facts are shocking they are also at the same time telling.

The historical moment is right. A change of mood is in the air and we of the South Mediterranean welcome the hand of dialogue and cooperation extended by Europe now. The future will depend on what can be done now. For now there is recognition by both potential partners that they no longer pose as a threat to each other. More over

there is the welcome realization that eventually all of us are in the same boat and that prosperity and security are mutual matters concerning both. The question is how to proceed ahead.

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Arab Perceptions of the Euro-Mediterranean Projects

By

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Paper prepared for presentation at the conference on "Dimensions of Arab-European Partnership in the Next Century," sponsored by the Jordanian Institute of Diplomacy in cooperation with Friedrich Ebert Stiftung and Association of Arab Institutes and Centers for Economic and Social development, Amman, Jordan, 19-20 June 1999.

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In October 1994 the EU presented a proposal to establish an Euro-Mediterranean Partnership (EMP). According to this proposal the Partnership was directed towards "support for establishing a zone of stability and security and creating conditions for lasting and sustainable rapid economic development in the Mediterranean countries". The Proposal reiterated two main dimensions of the Partnership, namely, (i) Establishing an Euro-Mediterranean Zone of Political Stability, and Security, and (ii) establishing an Euro-Mediterranean Economic Area. The objective was to establish a free trade area in all manufactured products between the EU and the southern Mediterranean countries with preferential and reciprocal access for agricultural products and a free trade area among Mediterranean countries themselves. "The Euro-Mediterranean free trade zone would constitute the biggest free trade area in the world covering 600-800 million people in some 30-40 countries". The EU Proposal also promised financial support of ECU 5.5bn for the period 1995-1999 to help Mediterranean non-member states to realize these objectives. It also called for holding an Euro-Mediterranean conference to be held in November 1995 in Barcelona.

The projected Euro-Mediterranean ministerial conference was held on 27-28 November 1995 in Barcelona. The conference witnessed heated debates between the EU and non-member Mediterranean countries on the elements of the partnership. However, the final declaration issued by the conference, the Barcelona Declaration, reflected to a large extent the European viewpoint as far as the nature of peace and stability, and the free trade area, which will be established by the year 2010.

The EU drafted model "association agreement" with the southern Mediterranean countries to serve as the starting base of the partnership negotiations. Negotiations were conducted separately between the EU and would-be Mediterranean partners. So far they resulted in signing partnerships agreements with Morocco, Tunisia, Jordan, and Israel. Negotiations are under way between the EU and Egypt, Syria, and Lebanon.

Each of the Mediterranean partners was handed a model draft agreement and negotiations evolved around this draft. The final agreements were more or less modifications of the draft agreements. The draft agreements and the agreements contained three main items, namely, (i) political dialogue. The establishment of a regular political dialogue between Egypt and the EU. The dialogue would cover all issues of common interest and would be held at regular intervals and whenever necessary at ministerial and senior official levels and through all diplomatic channels, (ii) Free Movement of Goods. The establishment of a free trade area over a transitional period lasting a maximum of 12 years starting from the date of the entry into force of the agreement. Custom duties on industrial products exported by the EU to Mediterranean countries, would be progressively abolished, but industrial products originating in these countries shall be imported into the EU free of customs duties and charges as soon as the agreement was finalized without quantitative restrictions or measures. Agricultural and fishery exports of each party would be allowed access to the other party's markets free of customs duties within a pre-set quota and in specific seasons, (iii) Rights of Establishment and Services. The exchange of the right of establishment of one's party's firms on the territory of the other and the liberalization of the provision of services by one's party's firms to consumers of service of the other; (iv) Competition and other economic provisions. The elimination of all agreements and practices which restrict or distort competition. However, certain concessions were given to Mediterranean countries for a limited time period such as the right to continue state aid to their firms but such aid would be limited to what was necessary in order to maintain and restore the viability of firms. Further, the parties shall provide suitable and effective protection of intellectual and commercial property rights in line with the highest international standards. The parties would promote the use by Mediterranean countries of the EU's technical rules and European standards for industrial and agricultural products and certification procedures, and would also conclude agreements for the mutual recognition of certifications. The EU would also assist in areas of activity suffering the effects of

internal constraints and difficulties or affected by the process of liberalizing its economy and foreign trade, (v) Cooperation in the areas of education and training, science and technology, and environment. Special emphasis was put on industrial cooperation with a view of modernizing and restructuring the industrial sector including the agri-food industry in Mediterranean countries. The draft agreements and agreements also referred to the promotion and protection of investment, cooperation in standardization and conformity assessment, financial services, agriculture and fisheries, transport, telecommunications and information technology, energy, tourism, and cooperation in customs matters, statistics, combating money laundering and drug use and trafficking, (vi) Cooperation in Social and cultural matters. These included reciprocal treatment of the workers of each party in the territory of the others. The EU and the Mediterranean countries will also enter a dialogue on any social matters which were of interest to them such as migration and the conditions of migrant workers, the promotion of the role of woman, family planning, the promotion of human rights, and cooperation in the area of the strengthening mutual understanding, (vii) Financial Cooperation. This would include financial support by the EU to facilitate reforms aimed at modernizing the economy, updating economic infrastructure, and promoting private investment and job creation activities and alleviating the effects on the Mediterranean economies of the progressive introduction of the free trade area(1).

Arab countries reacted differently to the EU proposal. Whereas Tunisia summarily concluded an association agreement with the EU even before the convening of the Barcelona Conference, to be followed later by Morocco, and Jordan, Egypt, Syria, Algeria, and Lebanon have not signed association agreements yet. Within each country there were also different reactions by various political and economic groups. The objective of this paper is to review the perceptions of Arab Mediterranean countries of the projected EMP; and to assess the policy implications of these perceptions to projected partnership.

I

Arab Perceptions of the need to join the EMP

Arab Mediterranean countries acknowledged the need to respond positively to the European proposal to establish the EMP. None of them rejected it in principle, and they all expressed interest in joining it provided that certain conditions are met. This was reflected in the signing of association agreements between the EU and Tunisia, Morocco, Jordan, and the Palestinian Authority. Egypt will sign its agreement in 1999, negotiations are underway with Syria, and Lebanon, and exploratory talks have begun with Algeria.

The Tunisians perceived the EMP as urgently needed to ensure better utilization of resources, achieve co-development in the Mediterranean, and ensure the process of democratization. Ben-Yehia, Tunisia's former Foreign Minister, argued in his address at the Forum of the Constitutional Democratic Party in November 1995 that the EMP "provided the Mediterranean with a historic opportunity, which could enable the area to formulate a comprehensive strategy for development." In fact, the Tunisians were the most supportive of the EMP and as a result were the first to sign an association agreement with the UEU on 16 July 1995.

Likewise, the Moroccans and the Jordanians approached the EMP from the same perspective. Waloulou, a Moroccan analyst, asserted that the EMP was more comprehensive than the Middle East and North Africa (MENA) project, as "it aims at creating a permanent partnership relationship between the EU and the southern Mediterranean countries with a view of creating a greater free trade area financed by allocation from the EU, and activating the flow of European private investments with a view of raising the standard of living of southern and Eastern Mediterranean countries."⁽²⁾ As a result of these positive perception, Morocco signed an association agreement with the EU

on 26 February 1996 thereby becoming the second Arab country to sign such agreement. The Jordanians also endorsed the EMP. It was argued that it would result in certain major gains such as new exportation opportunities to the European markets with the effect of bringing about an equilibrium in the balance of trade, and the upgrading of the Jordanian exports as a result of need to conform to the European standards. Al-Ahmad, a Jordanian economist listed twelve positive gains for Jordan from the Euro-Jordanian association agreement. He referred to gains such as technology transfer from Europe, increased European investments in Jordan, preparing Jordan to join the World Trade Organization, upgrading cooperation in the area of combating organized crime and drug-trafficking, etc. He argued that the negative consequences were "challenges" which Jordan had to cope with (3). On 24 November 1997, Jordan formally signed the association agreement with the EU.

Egypt's official response to the projected partnership was also positive. This response was articulated in the public debate, which was initiated after the Barcelona conference, and in other statements and documents of the Egyptian Foreign Ministry. A concept paper circulated by the Egyptian Foreign Ministry endorsing the EMP argued that the European proposal would create an Euro-Mediterranean economic area which would generate certain major benefits, such as (i) increasing the efficiency of Egyptian exports by exposing it to external competition, (ii) increasing the flow of European investments into Egypt as an outcome of the preferential treatment which such investment would be granted, (iii) controlling inflation as a result of the reduction of the cost of importation after eliminating tariffs, (iv) increasing financial flows from the EU to Egypt. The Concept Paper asserted that there is a tacit understanding that Egypt would be granted almost one third of the European financial allocation to the Mediterranean partners, (v) increasing employment in industries in which Egypt enjoys a relative advantage; and (vi) increasing Egypt's exports to the EU. The concept Paper warned that projected Euro-Egyptian association agreement would bring

about certain negative aspects such as (i) increasing the level of unemployment in certain industries, (ii) loss of major custom duties, (iii) exposing Egyptian industries to major external competition; and (iv) increasing the balance of trade deficit in the short-run. At the end it was concluded that the balance sheet of the projected agreement was generally positive provided that certain issues were resolved (4).

Egypt's Foreign and Industry Ministries were the most outspoken advocates of the establishing an Egyptian-European Partnership (EEP). They defended the agreement mainly on grounds of market expansion, job creation; and increased foreign investment. Egyptian manufactured products would get free access to the huge European market. This would lead to industry expansion, the generation of job opportunities. Foreign investors would also be tempted to manufacture in Egypt in order to benefit from the customs duty free European market. According to Egypt's chief negotiator with the EU, the EEP conformed to the goal of Egyptian economic development. It would generate more job opportunities, and open a huge market of 800 million to Egyptian. The EEP provides Egypt with privileges such as the progressive reduction of customs duties over 12 years. (5) Ibrahim Fawzy, Minister of Industry in 1995, was almost deterministic in presenting the case of EEP to the Egyptian business community. He contended that the post-Cold War era was the era of grand economic blocs. Egypt, was a small country and, as a result, it had to join a large bloc or it would risk marginalization. Consequently, the EEP was "a compulsory option". The EU was not out to control the Egyptian market, because Egypt's import potential was limited. The EU's goal, according to Dr. Fawzy, was to "develop Egypt" and to "create an economic bloc to confront the American bloc and the East Asian bloc." Egypt would also gain access to the huge European market, which would generate 1.4 million job opportunities annually. That the projected agreement does not include the freedom of labor movement into its provisions, was not a disadvantage. This would serve to stop the "brain drain" from Egypt to Europe. The choice for Egypt, he added, was not

the USA or East Asia, it was the European Union (6). Egypt is about to sign an association agreement with the EU. This will most likely occur before the end of 1999

Despite their serious misgivings about the EMP, the Syrians joined the EMP negotiations in 1997 arguing that it could bring about certain gains. The Libyans too have clearly expressed their desire to join the EMP (7).

How do we account for the Arab endorsement of the basic idea of the EMP despite their major reservations, which will be outlined at a later section? Arab desire to join the EMP is an outcome of Arab tremendous economic linkages with the EU. The EU is the major trade partner for all Arab Med countries. It is also a major donor of economic aid and technology. The Arabs fear that these interests will be jeopardized if they did not join. Further, the Arabs perceive the EMP as a mechanism to counterbalance American economic hegemony in the Middle East. They would like to see a more active European role in the Middle East as Europe is perceived to be less biased towards Israel than the US. Finally, the Arabs hope that through negotiations they will be able to persuade the EU to give them more concessions than have been already offered in the draft association agreements.

II

Arab Perceptions of the Comprehensiveness, Structure of the EMP and its Impact on Arab Regional Integration

In 1992, European countries suspended all forms of multi-lateral co-operation in which Libya was involved. The rationale of the decision was that such co-operation would only be resumed after Libya hands over two Libyans suspected of being involved in the downing of an American airplane. In this context, the 5+5 formula was suspended and Libya was not invited to participate in the negotiations to build an EMP. Although Arab countries began negotiations without Libya, most of them contended that Libya

should be brought into the Euro-Med process. On two different occasions, the Egyptian Foreign Ministry and the Moroccan Prime Minister argued that Libya should be brought into the process (8). However, Arab countries were not ready to sacrifice any expected gains by insisting on Libya's inclusion into the EMP. None of them presented a strong stand on the urgency to include Libya into the EMP.

The exclusion of Libya from the EMP on grounds of Anglo-American charges and the Security Council resolution requesting Libya to handover two Libyan suspects had no legal basis and ran against the Euro-Mediterranean projected political paradigm. Libya was confronted with a "charge" rather than a legal verdict. However, the EU found it fit to penalize Libya on the basis of the unproven charge at the time in which it was rewarding Israel by signing an association agreement with her which granted Israel concessions that were never given to any other Mediterranean partner. This was despite, Israel's obstruction of the peace process by failing to implement the agreements it had voluntarily signed with the Palestinian Authority and violation of various UN resolutions on the Palestine Question. Further, the penalization of Libya ran against the spirit of the concept of Confidence-Building Measures (CBMs) which the EU has been promoting since the end of the Cold War as the major mechanism for conflict resolution and peace building in the Mediterranean. The EU refused to initiate any CBMs with Libya and resorted to a "compliance" strategy, which, in turn, put the concept of CBMs into question.

The issue of the exclusion of Libya is a part of the overall question of the comprehensiveness of the EMP from an Arab perspective. Some Arab analysts argued that the Mediterranean region should be defined so as to include all Arab countries. By virtue of their horizontal relations no Arab country should have been excluded from the EMP (9). Further, there was a concern that the EMP would establish a system of vertical cooperation between each Arab country and the EU, and would divide the Arabs into Mediterraneanists and non-Mediterraneanists thereby

jeopardizing the prospects of inter-Arab cooperation. This was exacerbated as the EU entered into two different partnerships with Arab countries, the first with eight Arab Mediterranean actors and the second with the six actors of the Gulf Cooperation Council (GCC)(10). Further Maghreb analysts expressed strong concerns that the establishment of the EMP before creating the Maghreb free trade area would result in the indefinite postponement of the latter (11). Although the League of Arab States (LAS) welcomed the EMP and viewed it as more beneficial to the Arabs compared with the MENA project, it criticized the EMP on grounds of the exclusion of the non-Mediterranean Arab actors. The GCC countries also contended that the EMP and the Euro-GCC partnerships should be inter-linked (12).

In response to these concerns LAS decided to launch an Arab free trade area beginning January 1998. Tariffs on inter-Arab trade would be reduced by 10% annually until they are removed in ten years.

The third major issue was related to the structure of the Euro-Mediterranean negotiations. Although the EU accepted to negotiate collectively with the Association of South East Asian Nations (ASEAN), the Latin American countries represented by the MERCUSOR, and the Arab Gulf countries represented by the GCC, it insisted on negotiating with each Arab Mediterranean country separately. Each Arab Mediterranean country was required to negotiate with the 15 EU countries represented by the European Commission. This formula was criticized as being unbalanced (13). The EU entered the negotiations backed by the elements of power of 15 European states with each single Arab State. Although a single body, the European Commission represented the EU, sometimes-Arab negotiating partners were asked to lobby the 15 European countries in order to defend its case in the negotiations. One should also add that the EU exercised a great deal of control over the negotiating process as it handed each Arab country a uniform draft text of the association agreement and the negotiations were restricted to this draft text.

In order to deal with this situation, the Arab Mediterranean partners initiated a system of ad hoc consultation. The objective of this system was to exchange information concerning the European stands in the various tracks, and to benefit from the cumulation of the rules of origins to cement inter-Arab cooperation. LAS mostly coordinated these meetings. However, no permanent institution was created.

III

Arab Perceptions of the Linkages between the "Baskets" of Euro-Mediterranean Cooperation

We have indicated earlier that the EMP as suggested by the EU contained three "baskets" of cooperation: security-political, economic, and social-cultural. The Barcelona Declaration did not spell out the linkages between the baskets. It referred in the preamble to the potential positive impact of the Barcelona process on the Madrid Arab-Israeli peace process. However, the EU tended to compartmentalize the baskets. The tacit assumption was that progress can be achieved on one basket regardless of the stagnation of the others. A free trade area comprising the Europeans, the Arabs, and the Israelis could be created, and an Euro-Mediterranean cultural dialogue could be initiated even though the Arab-Israeli security and territorial issues were not resolved. It was argued that functional cooperation would spillover other area of cooperation at a later stage as had happened in the European experience. Further, the EU also tended to compartmentalize security issues. It focused on issues related to the impact of the Mediterranean on European security, rather than the other way around and in dealing with the issue of weapons of mass destruction, it focused on chemical and biological weapons leaving aside nuclear weapons.

The Arabs had a different view of the linkages between the three baskets. They argued that one of the assumptions underlying their endorsement of the Barcelona process was to support the Arab-Israeli peace process launched in Madrid in 1991. Consequently, if the Madrid process stagnated, the Barcelona process would also suffer. This was clearly spelled out by Egypt's ambassador to Brussels when he contended "no Madrid, no Barcelona." (14) This explains the failure of the second Euro-Mediterranean ministerial conference held in Malta in 1997 to agree on an Euro-Mediterranean charter for peace and security. The Arabs argued that as Israel had reneged on its territorial commitments, no Mediterranean security cooperation could be achieved (15). Recently, there has been a change in the Arab strategy in the direction of de-linking the Arab-Israeli track from the Euro-Arab track. It is argued that Israel's obstructionist policies should not prevent the Arabs from pursuing partnership policies with the EU, especially if such policies were to benefit the Arabs rather than the Israelis. In a recent statement, Fathi Al-Shazli, Egypt's Assistant Foreign Minister for European Affairs, contended that "we cannot allow the Barcelona process to be hostage to the Madrid process, because this entails the loss of numerous strategic interests in Euro-Arab relations" (16).

IV

Arab perceptions of the EU's differential Treatment to the Arab and Israeli Partners

There is a strong resentment among the Arabs over the EU's policy of granting Israel privileges, exemptions, and concessions which it was not willing to extend to its Arab partners. Amr Moussa, Egypt's foreign Minister, took an issue with this policy asserting that the argument that Israel should be treated differently because it is " a special case" is untenable (17). A Qatari analyst also argued that the EU-Israeli association agreement granted Israel privileges and preferential concessions in the areas of agriculture, industry, and trade at the time in which the EU's association agreement with Tunisia excluded the agricultural component of the manufactured goods from the free trade area. Further, whereas the EU-Israel association agreement provides Israel with the right to participate in the technological programs of the EU, the EU agreements with Tunisia and Morocco denied these countries the same right. In fact, Israel is the only non-European actor granted this status (18). In March 1999, and despite Arab protestations, the EU extended its technological cooperation with Israel for five more years. The Arabs contended that such extension would be considered as a reward to the Netanyahu government obstructionist policy (19).

Arab Perceptions of the Conceptual Aspects of the EMP

Arab positive responses to the EMP should be obscure Arab strong concerns over the its conceptual foundations. Such concerns were articulated not only by the governments, but also by the institutions of civil society especially business groups and professional associations.

Perhaps the major conceptual Arab concern relates to the philosophy of the EMP. The EMP evolved around the notion of the liberalization of trade as a strategy of development. It was argued that historical experience of European countries and the present experience of the East Asian tigers show that development was not achieved because of trade liberalization. In fact, development was achieved under the strictest conditions of local market protection. In the case of East Asia, it was technological transfer that had contributed tremendously to development rather than trade liberalization. However, we have seen that the EU was reluctant to include technology in its partnership with Arab countries. An Egyptian analyst pleaded to the Europeans to re-focus the philosophy of the EMP toward technology transfer rather than trade liberalization if it were sincere in its developmental strategy in the Mediterranean (20).

The second major Arab concern relates to the mutuality of commitments in the EMP. There is a strong concern that the EU is interested in establishing a partnership only in the areas in which it enjoys a relative advantage. The EU does not reciprocate Arab commitments within the EMP. For example, the EU insists that the free trade area should be restricted to industrial goods. Agricultural commodities are explicitly excluded from the free trade area unless the EU agrees on certain concessions. In the EU-GCC trade negotiations, the EU suggested to restrict the free trade

area to industrial goods and exclude oil. Nassif Hitti, a Lebanese analyst, noted the imbalances of the EU approach in two areas, namely: while the north is telling the south to open its markets for northern industrial goods, it is telling the same south that it cannot open its own markets for the southern agricultural products, and the north calls for the barriers in the south to be brought down, but it acts as a fortress against human movement from the south by means of active discrimination in permitting travel,"(21).

The EU is charged of being oblivious to the long-term negative economic and social consequences of the EMP. Critics of the agreements contended that providing the European industrial products with full access to the Arab market would result in the destruction of indigenous industrial production. Arab industries would not be able to compete with European ones even after the transitional period which was viewed as not sufficient to re-structure Egyptian industries. (22). Nabil Al-Gaja, the representative of the Syrian private sector in the Euro-Syrian negotiations argued that Syrian industries will be destroyed and that the Syrian treasury will lose US\$220 million annually as a result of the loss of customs duties (23). Waloulo, a Moroccan analyst, also asserted that the Euro-Maghreb agreements would not result in a significant increase in the industrial exports of the Maghreb countries to the EU (24). Further, the critics argued that the destruction of Arab industries resulting from the EMP would lead to the loss of job opportunities. The integration into the European economy would also result in rising social expectations without real economic development. All of this would lead to various forms of social instabilities and dislocations.

Finally, the critics contend that the EU has not in fact given any concessions which are substantially different from those granted to different Arab actors under the Euro-Arab protocols signed in the 1970s, and under the 1994 Uruguay Agreements, and whatever is given is insufficient to answer the challenges resulting from the EMP. Although the amount of economic aid promised to the Arab countries was the largest in the history of EU-Mediterranean relations, the critics contended that such aid, if

compared with what has been promised to Eastern Europe, was insufficient. EU promised Eastern European countries, whose total population was 96 million, an aid of US\$ 8.8bn. But, it offered the Mediterranean countries, whose total population was 203 million, only US\$ 6bn. If one recalls that the Mediterranean countries were less developed than their Eastern European counterparts, one would comprehend the limitedness of the aid promised under the EMP (25).

VI

Arab Perceptions of the Economic Aspects of the EMP

Of all the dimensions of the EMP, the economic ones were the most severely and widely criticized by Arabs. This is understandable given the expected strong impact of the EMP on Arab economic security. The most widely debated economic items were:

(I) The agricultural sector:

The issue of the Arab agricultural exports to the EU was the major stumbling block in the ongoing negotiations. In the case of Egypt, whereas the draft agreement exempted European industrial exports to Egypt from all Egyptian tariff and non-tariff barriers, it put restrictions on Egypt's agricultural exports to the EU. The EU offered limited increases in the quotas of Egyptian agricultural exports, extensions of the importation seasons, and granting more agricultural products entry to the EU market. The Egyptians rejected this offer. They argued that the association agreement must maintain a balance between the liberalization of industrial trade and agricultural trade. Each party was entitled to benefit from the areas in which it enjoyed a relative advantage. The liberalization of Egypt's agricultural trade with the EU would not

hurt European agriculture as such trade represented a small fraction of the EU's total agricultural production and importation. Further, Egypt was a net importer of European agricultural goods. The EU's agricultural exports to Egypt were almost five times Egypt's agricultural exports to the EU. According to the 1995 statistics, Egypt's agricultural exports to the EU were US\$ 154m, and its total exports from the EU were US\$ 840m. The association agreement must address itself to this trade imbalance, if the philosophy of the association was based upon the economic development of Egypt and reciprocal commitments. The strategy of the 1977 Egyptian-European protocol which restricted Egyptian agricultural exports to the EU was no longer a viable one, not only because of the new association philosophy, but also because of Egypt's growing exportation potential and the centrality of the agricultural sector to its economy. Almost 56% of the Egyptians depended upon this sector (26). Waloulo also argued that the EU-Morocco association agreement have excluded the agricultural sector from the free trade area, and as a result will be denied free access to the European market (27)

(ii) The Rules of Socio-Economic Conduct

The association agreements contained four main controversial items, which govern socio-economic transitions between the EU, and its Mediterranean partners. These items were related to Standards and Specifications, Rules of Origin, Intellectual Property Rights, and Competition Policy. Arab businessmen argued that these items would act as non-tariff barriers hindering the flow of Arab exports to the EU. However, Egypt's chief negotiator for the agreement, Ambassador Gamal Bayoumi, introduced the term "the Four Ghosts" of the agreement, to describe these items. In his judgment, business apprehensions about these items were not justified. These items were like ghosts. Once you open up the light, they would disappear.

With regard to Standards and Specifications, the EU proposed to approximate the European rules governing them and to achieve mutual recognition of certificates within this field. Arab

exporters would have to conform to the EU norms and specifications, which were tailored to the needs and tastes of European consumers. Arab exports would find it difficult to adapt to these rules in 12 years. According to Farid Khamis, the head of the Egyptian Industries Union, it took Europe 200 year to reach these standards, and it was not fair to force Egypt to conform to them in 12 years (28)

The second item was the Rules of Origin. The EU proposed a Unified Protocol on this item to all its Mediterranean partners, to be annexed to each agreement. The critics of the proposed agreement argued that the Unified Protocol would impose a ceiling on the value of the non-originating materials as a percentage of the total cost of the final product. This was in contradiction with the Uruguay Round Agreements, which required a minimum local added value. According to the EU proposed formula, as the total cost of the final product diminishes, the value of the non-originating materials should also diminish. As Arab countries had a relative advantage in the area of the cost of labor, which means lower final cost, the Arabs can only use a limited amount of non-originating materials. Farid Khamis argued that this was a non-tariff barrier imposed by the EU and would result in the destruction of Egyptian industries. However, Bayoumi pointed out to the principle of multi-lateral and bilateral cumulation in the agreement as a major advantage to Egyptian economy. Such principle would promote regional cooperation.

In the field of Intellectual Property Rights (IPRs), the EU asked the Arab partners to accede to seven international treaties relating to IPRs. IPRs would be applied three years after the finalization of the agreement. Under the Uruguay Round agreements, the Arab countries enjoyed a five year grace period extending to ten year in the case of the pharmaceutical industry. Whereas some Egyptian academics argued that IPRs would have a positive effect on the flow of foreign direct investments to Egypt, others contended they would constrain Egypt's ability to use modern technology and would negatively influence the

pharmaceutical industry and the availability of medicine at reasonable prices.

The fourth item was the rules governing competition. The EU proposed that its rules of competition should be used as a reference point. It argued that the harmonization of competition legislation was vital for the smooth functioning of economic relations between both sides. This approach would require Arab businessmen in the case of any future trade dispute concerning rules of competition, to resort to European and international law firm, within the territories of the EU which would entail high costs (29).

IV

Arab Perceptions of the Politico-Security Aspects of the EMP

Europe is generally perceived as more balanced than the USA in dealing with the Middle East peace process. This is one of the factors, which account for the Arab preference of the EMP compared with the MENA project. However, the Arabs have expressed certain criticisms of the European approach to the political-security issues in the Mediterranean. We will single out the major ones for a brief review.

Perhaps the main criticism relates to the EU's over-emphasis on CBMs as the main approach to the resolution of the Middle Eastern conflicts. CBMs are a status-quo oriented concept. It has been introduced in the European experience in the 1970s within the context of the Helsinki process to reinforce and stabilize the

political East-West political understanding. This understanding evolved around two major notions: the stabilization of the territorial status quo in Europe and east-West strategic equilibrium which was, in turn, reinforced through numerous arms control agreements. Such political understanding is lacking in the Middle East. In this region there are major territorial disputes and no arms control agreements have been reached. Consequently, the EU over-emphasis on CBMs means in reality the normalization of the status quo, which means for the Arab the perpetuation of the Israeli occupation of the Arab territories. Further, the EU has been applying the concept of CBMs selectively. It preached a CBMs approach in the Arab-Israeli conflict. However, it rejected the introduction of any CBMs in its conflicts with Libya and Iraq, without informing its Arab partners about the criteria of selection (30).

Further, the Arabs resented the reluctance of the EU to discuss the issue of nuclear weapons in the Middle East. Although the Barcelona Declaration referred to the elimination of Weapons of Mass Destruction from the Middle East, the EU tended to focus on chemical and biological weapons leaving the Israeli nuclear arsenal untouched, and on the non-proliferation of missile technology. These approaches have been understood in the Arab world as a European attempt to disarm the Arabs and to prevent them from possessing missile technology with no regard to the Israeli missile technology.

Further, the EU has been reluctant to play an active role in the Middle East peace process, and preferred to leave the negotiating process to the Americans. The EU's financial support to the Palestinian Authority is viewed as a positive step. However, the EU has been reluctant to take a strong stand on the issue of the Palestinian state. The May 1999 statement by the EU on the declaration of a Palestinian state made such declaration conditional upon Israel's approval. A Palestinian analyst contended that when the Americans announced the Declaration of Independence from Britain, they did not want for Britain's approval.

Finally, the establishment by four EU countries of the European Rapid Operational force (EUROFOR) and the European Maritime Force (EUROMARFOR) added to Arab apprehensions about Europe's sincerity about meaningful consultation with its Arab Mediterranean neighbors. The European countries did not consult the Arabs. Many Arab analysts concluded that Europe has not ruled out the use of force if it was necessary to achieve its goals.

Conclusion:

Although Arab countries have accepted the principle of establishing an EMP, they have expressed deep misgivings about its likely impact on their economies and the outcomes of the peace process in the Middle East. The arguments of Egypt, Syria, Tunisia, and Morocco seem to be the same. Arab industries would be destroyed and Europe was a reluctant partner in the Middle East peace process. As a result, as long as the EU insisted on its unidirectional approach, the Arabs would be ambivalent partners in the Barcelona process. This is evident in the case of Tunisia and Morocco. Although the two countries have signed partnership agreements with the EU, they are now having second thoughts about the viability of this process. In Egypt, there is a deep concern about the potential impact of the EMP on Egyptian agriculture. Further, the unilateral military actions of some EU countries in the Mediterranean will only serve to reinforce Arab suspicions.

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n° Inv. 19831
2 LUG. 1999

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The Charter for Peace and Stability in the Mediterranean: A view from Italy¹

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After three years of existence, the balance sheet of the Euro-Mediterranean Partnership (EMP) with respect to the political and security partnership is rather disappointing. The third chapter of the Declaration, related in many respects to soft security, has not seen any significant progress. With regard to the first chapter, only a few CBMs have been approved, whereas talks on the Charter, the instrument that is meant to regulate political and security and relations, have proved inconclusive.

Why have Partners failed to approve the Charter despite long and dedicated negotiations?---

The argument developed in this paper is that they have failed because (1) the priorities and contents assumed by the political and security partnership are incongruous with respect to objective political conditions; and (2) the organisational and institutional structure of the Partnership is unbalanced, thus preventing non-EU Partners from being fully and more actively involved. The paper makes some suggestions to reset priorities and contents, on the one hand, and to reform structures, on the other.

The Charter is intended to establish a set of principles and instruments that would enable Partners to make and implement common decisions. However, while the EU and its Partners want to attain the highest possible level of commonality during enlargement towards the European East, in the EMP, the Euro-Mediterranean Partners seem unable to identify the desired and congruous level of commonality. This difficulty is due to significant differences in the Euro-Mediterranean Partners' agendas and their respective rationales for participating in the endeavour.

Furthermore, whereas it makes sense in a perspective of integration for Eastern Europeans to be pegged to a mechanism operated by other countries, the same may not be true or fully comfortable for the Mediterranean countries which are not nor want to be in an integrative perspective with respect to the Union.

For the Charter to become acceptable, the security and political dimension of EMP must take these differences into consideration and be re-set accordingly. This would concern two main aspects: the structure of political dialogue and decision-making, and the objectives or contents of the Partnership.

In comparison with the ample literature on the objectives and contents of the Partnership, structural/institutional analyses of its decision-making have been very few. Those that have been made come to an important conclusion, however: The name "Partnership" does not reflect the substance of the actual relationship. It is in fact not really a partnership (i.e. a relationship between equal parties), but the aggregation of the non-EU Mediterranean Partners to the Union's institutions of political co-operation in a satellite status.

¹ An earlier version of this paper was presented to the meeting on "Euro-Mediterranean Political and Security Partnership", organised by the Federal Ministry for Foreign Affairs of Germany in Bonn, 19-20 March 1999, between the Senior Officials of the Barcelona process and the EuroMeSCo Steering Committee.

The EMP cannot be regarded as a distinctive organisation in which the EU participates. Rather it has to be seen as a multilateral and holistic extension of the Union's longstanding pluri-bilateral Mediterranean policy. In the Partnership, the Union gives non-EU Mediterranean countries nothing more than a limited co-management of its Mediterranean policy. In practice, all the non-EU Partners can do is either corroborate or oppose EU decisions. Their initiative is limited in that it is strongly conditioned by EU mechanisms for reaching consensus or otherwise making decisions in the framework of its CFSP.

In the beginning, Partners (like Algeria) sought unsuccessfully to contain and limit this trend, trying to direct the role of the Euro-Med Committee more toward that of a common political body rather than that of a notary which it has today. To correct this situation, some European governments are now proposing to reinforce the Euro-Med Committee by giving it full competence over initiatives and policies related to all three pillars of the EMP, in particular, the initiatives pertaining to the security and political partnership, presently rather secluded in the Senior Officials Committee. This would bring more consistency to the work of the Euro-Med Committee and the role of the non-EU Partners in it. In addition, there is the concern of making EU decision-making with respect to the EMP more flexible and rational by establishing "common actions" in the general affairs Council pursuant to the European constitution.

These reforms look very helpful and may even prove enough of a balancing act. The central knot, however, is that unless the EMP is provided with more relevant political autonomy, it will not be able to proceed to the establishment of a reinforced mechanism for political dialogue (the Charter itself) and materialise the collective political set down in the Barcelona Declaration. By limiting the political impact and role of the non-EU Mediterranean Partners, the current version of the EMP makes them reluctant to take part in decisions to which, in the end, they are only secondary parties. For the Charter to be accepted, the essential condition is a more balanced partnership.

All this does not imply a revolution in EMP structures. Along with the reforms pointed out above, however, some pivotal changes seem in order:

- (a) there should be one institutional layer under the Conference of Ministers (the Euro-Med Committee) in which the substance of the Partnership is secured by giving all Partners similar capacities of initiative, decision and control; to that purpose, the work of the Euro-Med Committee should be more regular and extensive - similarly to the OSCE's Permanent Committee - and should be supported by a Secretariat of its own, as light as it may be;
- (b) the chair of the Senior Officials Committee should revolve among all Partners;
- (c) there should be areas related to the political and security partnership in which the EMP is able to implement its own decisions (e.g. CBMs, conciliation procedures, etc.); or, were this prove unfeasible, to retain a collegial possibility of directing and monitoring implementation by EU bodies;
- (d) some measures (such as those just mentioned), should be financed by making the necessary MEDA funds available to the EMP's (or Senior Officials') Presidency and the latter accountable to the Commission for their use.

The reinforced mechanism of common political co-operation the Charter is expected to introduce should include these reforms.

Whether or not the structure of the Partnership changes, reform would only work if the priorities and contents of the political and security partnership were significantly shared by all Partners. These

priorities should be stressed by the Charter (as in fact is planned by the various projects worked out so far). What could these priorities be?

To single them out realistically, the rationale for the priorities should be less that of the minimum common denominator than that of minimum respective interests. Accordingly, it seems that the following priorities should be retained (and enshrined) in the Charter:

The EMP must principally have the openly declared task of preventing conflict in the middle term. This principal task must be assumed by the EMP without prejudice to the possibility of taking action to prevent conflict in the shorter term, manage conflict or engage in other kinds of joint intervention. The possibility of setting up "round tables" to deal with specific crises, as envisaged by the early Malta project for the Charter, should be retained.

Consequently, by going back to its more authentic inspiration, the EMP must primarily pursue sustainable socio-economic development in southern areas; it must contribute to reducing income gaps between North and South; it must help the various sides of the Euro-Mediterranean area to deepen cultural dialogue.

The EMP, though ready to accept and monitor alternative paths to liberalisation and development, must remain unequivocally predicated on the implementation of the model of open regionalism clearly adopted by the Barcelona Declaration.

The EMP must confirm in the Charter its strategic objective of democratic reform and respect for human rights. There is a need for more flexibility and less one-sided attitudes on the part of the EU on this point. More attention should be devoted to anti-terrorist co-operation and to the movement of people throughout the area. However, this aim must be fully stated by the Charter as it is the heart of European security concerns and purposes.

Finally, given the clearly soft security profile it would assume by adopting the priorities pointed out above, the EMP should eliminate the incongruities which the Euro-Mediterranean format otherwise generates from the point of view of hard security. Consequently, it should strengthen the geopolitical rationale of the Mediterranean area and make it viable and legitimate, for instance, independently of policies towards the Middle East or South-eastern Europe.

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n° Inv. 19831
2 LUG. 1999

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Dimensions of the Arab-European Partnership in the next Century
Amman – June 19 – 20, 1999,
Statement by Ambassador A. Ounaies (Tunisia)

What are the factors which determined the Euro – Med initiative ? Let's recall that the Common Market founding Acts signed on March 25th, 1957 have set up some special ties with the Maghreb countries, particularly the « Declaration of Intent » and the Protocol annexed to the Treaty of Rome. Since then, the Community has had a balanced policy in relation with the Maghreb countries. Later on, this concern ^{was} extended to the other Arab countries and, since 1981, with the enlargement to the South, to the wider Mediterranean area. A fourth factor was raised since 1990 : the standing out of Central and Eastern Europe. In response to the European common approach, neither the Maghreb countries nor the other Arab-Mediterranean countries have succeeded in building up a common interdependent platform.

At the turn of the 1990s, the new international realities have offered the possibility of a stronger Community policy towards the Mediterranean region as a whole. Because of this extended theatre, the European strategy has become more precise and possibly more demanding. Four elements can explain the new approach.

1- First, the restriction of the Maghreb to the three central countries, excluding Libya and Mauritania, was just circumstantial. This restriction, allegedly based on the past ties of the two countries with the Community, is not acceptable for a long term relationship. The Maghreb countries are eager to lay the ground for the future unified Maghreb within the Euro-Mediterranean architecture and to claim an equal eligibility for each of the five members.

In this regard, the EU has responded with flexibility. Mauritania was invited as a full member to the South Mediterranean Dialogues initiated by NATO and WEU and Libya was invited to the Stuttgart Ministerial Conference of last April. Moreover, in its formal Conclusion, the Conference has acknowledged Libya's eligibility to the Barcelona Process.

2- Second, the Maghreb is a secure, dynamic and steadily growing market. The Community can neither loose nor waste its market share in a world of fierce competition for market control. The EU represents 70% of the Maghreb trade exchange. As far as Tunisia is concerned, the EU has achieved in the 1990s an average annual surplus of \$1Billion. In fact, the Euro-Maghreb ties, far from being hurt, have rather benefitted from the ailing Maghreb process.

3- Third factor : the Maghreb geopolitical status. In its Lisbon and Copenhagen sessions, the European Council has considered the issue of the future relationship with the Maghreb countries and concluded by recommending (quote) « to set up with the Maghreb countries a new contractual framework, partnership-oriented and including the objective of free trade. This determination bears witness that only a political and economic anchorage of the Maghreb countries to the Community can secure the stability and prosperity of the Mediterranean region » (unquote).

This political will, based on the concern for security and stability, was stated in the Communiqué issued by the Commission in Brussels on November 24th, 1993, at the end of the 4th Exploratory Talks with Tunisia. The Communiqué further states (quote) « The new status which would be given to the relationship between the Community and the Maghreb countries is intended to echo the bonds forged by neighborhood and history as well as by the new social and political challenges on both sides of the Mediterranean »(unquote). As regards Tunisia, the Communiqué concludes that « Only a close economic and political anchorage of Tunisia to Europe, together with the lifting of barriers between the Maghreb countries, would help Tunisia achieve the socio-economic changes it is undergoing »(unquote).

- 4- Fourthly : the EU has had to reassess the South – Mediterranean relationship, taking into account the new unavoidable ties with Central and Eastern Europe, and set up a comprehensive and balanced strategy towards these two axes, which would be acceptable to both neighboring and equally sensitive sub-regions.

In this context, the strategic breakthrough was the European design to set up, out of the three distinct components EU / CEEs / MNMC, a common space (15 + 10 + 12) which will be gradually reshaped and integrated into *one region*. In short, the European purpose is to build a new regional set up with its economic and strategic weight. Enlargement and Partnership are the two instrumental means to help materialize the coming out of this new entity.

It is quite clear that Enlargement was a historic priority. It is quite clear also that the past Agreements concluded during the last 30 years with most of the Mediterranean countries are no longer in a position to respond to the new economic, political and security challenges within the European arena. The Renovated Mediterranean Policy and later the Barcelona Process are designed to substitute the Partnership approach to the previous regime of Cooperation through Association. The emergence of a new Euro-Mediterranean set up reconciles all these concerns. Hence Europe is taking an option on the new regional order.

Is this vision accepted by all the regional actors ? Is it accepted by the other Powers who have their own claims upon the region ? The divergent strategic projections raise the stakes and make the Partnership challenge even more acute. Let's clarify, in this context, the concept of Partnership.

1 - THE CONCEPT OF PARTNERSHIP

In fact, the new concept of Partnership is designed to deal with both the Mediterranean Non Member Countries and the Central and Eastern Europeans. As it appears in the new western thinking, within NATO and the European Community, it means that the West acknowledges that the confrontational structure is over and that, in the new context, it is ready to have a new type of relationship with the new partners, in both East-West and North-South directions. With this in mind, the Partnership becomes more than a mere economic means.

Thus Partnership first means dismissing the principle of exclusion which is inherent to the system of coexistence, and instauring openness with multiple forms of harmonization which we could qualify as a *logic of integration*. Unlike cooperation, Partnership implies efforts from both parties but also some sacrifice from each, even though sacrifices are not symmetrical. Partnership has also a connotation with alliance, admitting a context of risk and uncertainty, of hardship and rivalry. Partnership implies taking risk, sharing responsibility and a sense of solidarity.

As regards Europe, the approach is quite clear since the Central and Eastern Europeans have undeniably decided for their future : adherence to parliamentary democracy and to the Western Institutions. The EU has endorsed and eagerly supported their option through a deliberate policy, both generous and demanding. The criterias for membership and the means of assistance (EBRD, Partnership for the Peace, budgets of pre-accession) are evidence that the concept of the future Europe is quite clear and deeply shared. The Kosovo war shows how far this concept was consistent and demanding. Naturally, the financial contributions are commensurate with the common vision.

As regards the South-Mediterranean region, the Partnership encompasses a Free Trade Area plus something more. Something involving three tracks : Political and security Dialogue ; Economic and financial Cooperation ; Social, cultural and humanitarian Cooperation. The twelve potential partners are also pre-organized : two eligible for membership (Cyprus and Malta), one for Customs Union (Turkey) and the other nine for Free Trade. The apparently global approach is, in fact, cautious, differentiated and carefully planned.

Why ? Because the South Mediterranean actors, while accepting stronger ties with Europe, have however divergent interests and ~~goals~~ ^{goals}. Only Turkey, Malta and Cyprus are quite clear in their option. The other nine, the Arab countries and Israel, have controversial relationships with Europe. Moreover, they have various conflicts between them, with the world and with themselves. With these countries, Europe moves cautiously, expressing its wishes and openness... but also waiting for them to make a clear choice, provided that it were compatible with the principles and values of our times and therefore acceptable to the new Europe.

Ultimately, these European prospects are developing within a new world reality. One cannot ignore the reality of globalisation, affecting the world markets of commodities, services, technologies and investments. The regions, whatever their size and resources, are not fortresses, safe from third parties competition. If the regions will continue to be a reality in the world economic system, they will have to dispose at short term of the preferential practices and endorse the free trade inside and outside their borders. In fact, the real benefit of the region lies in the membership, not in a mere gravitation in its orbit. For us, assessing the Partnership means analyzing the merits of this organized gravitation around the core of the EU.

II - THE PARTNERSHIP TODAY

On this basis, we believe however that Tunisia^{has} achieved important and sustainable progress in four fields which are decisive for our common future.

1 - THE FREE TRADE AREA - The creation of a FTA represents for Tunisia and for the Maghreb a crucial step in our foreign policy, a strong encroachment on our independence, a formal link with Western Europe, and a first step in the globalisation of our economy. It is also a new opportunity for growth, speeding up the process of openness, liberalization and democratization. The Free Trade requires serious accompanying measures : a macro-economic non recessive policy, a substantive increase in foreign investment and economic improved competitiveness. In all these fields, the implementation of the Partnership agreement, yet perfectible, is actually positive. As it is developing since 1996, the economic and financial cooperation, one of the three pillars of the agreement, is evidence that the Partnership is far more than the Free Trade and that the programmes of investment, industrial upgrading and financial services reforms are developing and highly promising.

Moreover, if the Tunisian Trade Balance with the European internal Market has a deficit, the Balance of Payments has been recording a steady surplus since 1986. The Partnership is expected to further improve the structural indicators.

The Free Trade Area also requires South-South multilateral relationship. The year 1998 marks the coming into force of a second free trade agreement, the « Agreement of Development and Facilitation of Trade between the Arab States », signed in Tunis on February 27th, 1981, ratified by 19 Arab countries and entered into force on January 1st, 1998 for 12 countries, including six out of eight Euro-Med Arab partners. Algeria and Palestine are today the only partners non member of the new Arab Free Trade Area. The agreement implies a yearly general reduction of 10% of all import taxes, as of January 1st. For these countries, the reductions fixed at the uniform rate of 10% per year will end up on December 2007 with the definitive setting up of full free trade between them. By that time, the Arab partners will enter into plain multilateral free trade among themselves and with the European internal market. For Tunisia, the two groups of countries represent 80% of imports and 87% of exports for the year 1998.

2 – GLOBALISATION – The European internal market, which is the largest industrial market, endorses the multilateral as well as the usual norms of the most rigorous markets : it is the Tunisian gateway to globalization. *Technically*, the Tunisian economy was exposed for more than 20 years to forms of modernity and to timing, quality and diversification constraints which have forged its competitive capacity. As regards *volume*, the European market represents 75% of imports and 80,2% of Tunisian exports for the year 1998. Finally, the Partnership Agreement, signed on July 17th, 1995, has entered into force on March 1st, 1998. Tunisia however anticipated since January 1st, 1996 the tariff dismantling programme for non agricultural products, in order to alleviate the cost of the Tunisian products and help them improve competitiveness. Semi-products of European origin constitute a large component of the Tunisian export products. For us, the free trade regime with Europe is the easiest way to free access to the world market.

3 – THE ECONOMIC RELATIONSHIP – Building the regional Mediterranean order is one of the strategic stakes in the Euro – US rivalry. The United States is eager to have leverage in the Mediterranean in order to enforce its own strategy, including within the Euro-Med relationship. Various American initiatives respond to this policy : * Keeping the NATO Commander in Chief South Europe whereas France has been claiming it for a European ; * Keeping the 6th Fleet in the Mediterranean ; * Assuming the major role in the Middle East Peace Process ; * The unilateral harassment against Irak ; * The economic initiatives targeting the Mashrek and the Maghreb ; * The paradoxical financial assistance to Israel and Egypt, the two most developed local economies, which are yet bearing the least of the burden of refugees and of defense policy.

Against this background, the European policy towards the Mashrek and the Maghreb has been, during the last ten years, developing in a tense relationship with the United States, being partly the expression of a Euro-Atlantic consensus, and partly the expression of the exclusive European strategy. The Barcelona Process, excluding the United States, seems to set the limits of the two overlapping poles. The underlying tension means that while the United States worldwide role is accepted in all reason by all, its regional role could raise tension or rejection by local or regional actors. Let's first consider the economic aspect.

In the Maghreb, the international relationship picture shows the central role played by Europe in trade, migration, investment and also as tourism export for Tunisia and Morocco.

The airlines are focussing on Europe with one exception : the Moroccan Airline extension to North America ; on the other way, the American^{ab} lines do not have any stop over in the Maghreb. As for energy, two gas pipelines connect the Maghreb to Europe via Tunisia and Italy and via Morocco and Spain. A 3rd pipeline is under consideration between Libya and Italy. The present pipelines provide 10% of the European demand. This economic anchorage illustrates the real Euro-Maghreb interdependence in the field of energy, in time of peace and war. The trans-Med pipelines are as strategic today as the Suez Canal during the first half of the century.

In all these domains, the relative position of the United States is marginal. The MENA Summit has been a first attempt of a pan-regional economic penetration, in the wake of the Peace Process and against the ~~advice~~^{will} of the EU. The freezing of the MENA initiative shows the failing steering up of the Process itself. Afterwards, a second US initiative was launched, targeting the three central countries of the Maghreb.

In June 1998, Tunisia, Algeria and Morocco have received a common offer of economic partnership from the United States, formally presented by M. Stuart Eizenstat, Under Secretary of State for Business, Trade and Agriculture. This project of Partnership is based on the intensification of the commercial exchanges and investment between the United States and the three Maghreb countries, provided that these partners lift all trade barriers between themselves and form a common commercial space. This offer is under discussion, but no progress was recorded on the multilateral level. Consequently, the Maghreb-US exchanges cannot increase significantly in the coming years.

4 - PEACE – The Middle-East Peace Process is driving the region to a historic turning point, with huge consequences, both economic and strategic. However the European Union limited role in the Process is far from reflecting its real weigh. The G-8 Powers, all of them involved in the Process, look forward to acquire dominant position in the region, in view of the peace prospects. But they cannot claim equal influence, since they are not equally ensured of real and durable sympathy in the region. The EU has strong assets : it is a regional, not extra-regional Power ; it has unique historic and structural ties in the Mashrek as well as in the Maghreb. It is the first Israel's trade partner in the world, with twice the total exchanges between Israel and the United States. These assets have indeed their weigh when assessing the Partnership, all the more as the European Union enhances them with far-sighted political dynamism. We shall mention four examples.

* The Barcelona Process – The President of the Palestinian Authority is invited to the Conference as a full member. The Interim Agreement with the Palestinian Authority is finalized without delay and signed through the same ceremonial arrangements as used for other Partners. Moreover, we find in the Barcelona Declaration these simple answers to the regional peace and security dilemma (quote) « The Participants undertake to :

- respect their sovereign equality as well as the rights inherent to their sovereignty ;
- respect the equal rights of peoples and their right to self-determination ;
- respect the territorial integrity and the unity of each of the other partners ;
- respect human rights and fundamental freedoms, and guarantee the effective legitimate exercise of such rights and freedoms... »(unquote)

* At the Berlin Summit on March 25th, 1999, the European Union stated (quote) «the permanent and unrestricted right of the Palestinians for self-determination, including the possibility of a State ; the achievement of this right could not be subjected to any veto ; the 15 are ready to consider the recognition of the Palestinian State in the right time » (unquote).

* In the Security Council, the European Union clearly determined in January 1998 the illegal character of the confiscation of Palestinian land in Jerusalem as well as in any other place of the occupied territories. The unanimous vote of the Europeans cut short any speculation, allegation or excuse. The European Union has also warned against the import of Israeli products originating from confiscated land. Law enforcement prevailing over strength policy, that is the whole difference.

* Lastly, the EU deemed it unacceptable that the State of Yugoslavia deprives the moslem people of Kossovo of its rights, for the benefit of the Serbian people, for the only reason that it is Serbian and christian. This colonial and racist policy is set today as *casus belli*. The persecution of the Kossovar people has been considered as crime so as to indict the civil and military leaders before the International Criminal Court. The terms set for the restoration of peace are clearly defined : return of the refugees back to their homeland ; total withdrawal of the Serbian forces guilty of atrocities and destruction of the Kossovars properties and dwellings; interposition of an impartial security force so as to give confidence to the refugees and guarantee the faithful implementation of the political Agreements. This development in the Balkans is of decisive importance in the building of a regional Mediterranean order, as well as for the future peace balance in the world.

III - THE PARTNERSHIP TOMORROW

What ^{could} both parties, European and Arab, do tomorrow ? As regards the European Partner, we can see three directions:

* First, to speed up the conclusion and implementation of Partnership Agreements being presently discussed, as well as the adoption of the Charter for Peace and Stability. Any delay in this program is detrimental for the Partners, due to the necessary commitment and responsibilities of each and all, and also due to the transitional period ending up at a fixed term.

* On the other hand, to steer up the regional building policy on two levels. *Economically*, the two areas of Enlargement and of Free Trade should keep equal and balanced chances for fair competition. The paramount merit of this endeavour is to set up a prosperous, peaceful and coherent regional entity, bound by a rationale of reciprocity, not by a strategy of domination or regional hegemony of a new kind. *Strategically*, to establish peace on the prevalence of the rule of law and not on the use of force and war blackmailing. The region should not accept any more areas of barbarism, colonialism and racism which can only generate instability and perpetuation of violence. Conflicts of this nature can only breed legitimate resistance and just wars.

* Lastly, to enhance the care for culture, environment and dialogue between peoples, religions and civilizations. The Mediterranean can ultimately look for an era of harmony and fraternity. It has to stop the archaic culture of domination and self-exaltation yielding to the vertigo of superiority of race, religion or people, whatever it may be.

For the Arab Partner, the continuity and intelligibility of the European policy as well as the absence of double standard are fundamental elements for assessing the Partnership. The European initiative better fulfils the high interests of the region, unrivaled since the European Declaration of Venice of June 13th, 1980. The European Power is a factor of peace and shared prosperity, together with political courage. Being multilateral, it evades the inhibiting effect of the lobbies. On this basis, we can see also three directions:

* The EU ^{is indeed} entitled to a bigger role in the Peace Process. We should acknowledge the credit of its policy and act accordingly.

* On the other hand, the Arab Partner could benefit from the Euro-Mediterranean potential within the limits set by the European Partner, but he won't be able to influence the future of the Euro-Mediterranean project, unless he undertakes a change at three levels. *Primo*, giving priority to civil values over military ones and overcoming the Arab conflicts and contentions : territorial, political rivalries, overt and covert wars ; *Secundo*, speeding up the building of credible sub-regional entities in the Maghreb and the Mashrek in order to better balance the economic and strategic challenges at stake in our environnement ; *Tertio*, adjusting the management of the global arab resources, setting a balance between mere consumption and investment for the future. It is neither legitimate nor just that Europe assumes completely the investments required by the economic and social development of the Arab-Mediterranean countries, while available Arab resources are invested in adverse or futile strategies.

These three priorities are essential prerequisites for getting in the civilization of our time and for acceding to an active role, not any longer as a client but as a real actor. The experiences of Western Europe and the Americas bear witness that such reforms can renovate the status of the region and influence the strategic plannings of the Powers.

* Finally, Europe has undertaken and completed the civil revolution which led to separate the respective fields of politics and religion, helping both to preserve their respective integrity and vesting the individual with the final say in private and social life. As regards this crucial point, the Arab and Israeli communities have been late to come to a decision. This delay affects their social and political balance and is often a source of malaise in their dialogue with Europe. It constitutes understandably the breaking point of the *logic of integration* that the EU is striving to extend to its Euro-Mediterranean vision.

Ambassador A. OUNAIES—Amman, 19 June 1999

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n° Inv. 19831

2 LUG. 1999

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Conference on
*Dimensions of the Arab-European Partnership
in the Next Century*

*Economic Aspects of the Arab-European Partnership
and Ways Forward*

(European Perspective)

By

Professor Umberto Colombo
The Club of Rome

Amman, Jordan
19-20 June 1999

Dimension of the Arab-European Partnership in the Next Century
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Plenary Session II, Topic Two
Economic Aspects of the Arab-European partnership and Ways Forward
European Perspective

by
Umberto Colombo, The Club of Rome

My role here is to give a European perspective of the reasons militating for an effective Arab-European partnership and of the ways to bring this forward, concentrating my remarks on some of the economic aspects. I do this, both as a European who has, for many years, tried to contribute to strengthening links between the peoples of the Northern and Southern shores, and as an active member of the Club of Rome, a small but, I believe, influential organisation which has devoted much effort over the past 30 years in inspiring us to think about the long term future of our Planet.

Let me start with a few general considerations. Since the industrial revolution in Western Europe in the early 1800s, world population has grown from about one billion to some six billion people. By the year 2030, it is expected to reach eight billion. An overwhelming portion of the additional population between now and 2030 will live in urban areas in developing countries, subject to increasing poverty, deprivation, malnutrition, prey to bad sanitation, environmental decay and water pollution. Most of these people are probably destined to be functionally illiterate, a fact in turn leading poorer countries inescapably to jobless economic growth. How to achieve a job-led growth strategy is therefore of vital importance for sustainable development. Jobless growth is in fact the main cause of the chaotic migration of the rural poor to the urban slums.

Meanwhile, on the global level the rich-poor divide is continuously widening. Today, about 1.3 billion people barely survive on a per capita daily income of less than US\$1, and another 2 billion live on a daily income of US\$2. For the richer economies, and those trying to join their ranks, globalisation and regionalisation are two of the most visible developments in recent decades. World trade in goods and, even more so, in services, is expanding rapidly, while financial flows have reached unimaginable dimensions. If it is true that globalisation has often helped growth in the stronger developing countries that were able initially to combine low wages with high technology skills, it has bypassed the weakest countries and left behind even the middle range developing economies, many of which in this region. In fact, the border line between the North and the South of the world - between the industrialised and the developing countries, cuts in half the Mediterranean basin. Demographic and economic processes have polarised the forces of development in the area.

Over the last five decades, the population of Mediterranean region has more than doubled, passing from 210 million in 1950 to the present 430 million. The countries on the Southern and Eastern shores of the basin are those where population increased most. These accounted for a third of total population in 1950, they represent now over 55%, and in the year 2020 are likely to rise to 70%. Of the non-European Mediterranean

countries, the 22 Arab states account for the majority of population. What is also very important, age distribution leans towards the young, in contrast with an ageing Europe. Greater prosperity bringing in its train a trend to smaller families and wider use of birth control will eventually soothe this diverging trend, but it will take decades before any big effect on the labour market.

This is the crux. In fact, throughout the last four thousand years, human resources, their quantity and quality, have been a fundamental factor in the development of this region. The picture has not changed. Today's technological progress still rests on the skills of the available human resources. Achievement of the desirable combination of these skills is conditioned by whether the success of a range of policies, including those aiming at demographic control, educational policies (especially in the vocational and technical education system), industrial policies, research and development policies, can be assured. It is on these skills that sustainable development will rest.

Mediterranean countries have had, and continue to have, common problems. The share waterways, trade routes, resources, the environment - and its pollution. The substantial similarity of climate and of soil mark the character of Mediterranean agriculture and its products. The most striking contrast, only evident in relatively modern times, is industrial development. Here the European Mediterranean countries have left those from the Eastern and Southern shores of the basin behind. Yet, as new paths of development emerge for the South, even this relatively recent divergence in the life of the Mediterranean is expected eventually to close.

At present, the GDP of European Mediterranean countries constitutes 87% of the total GDP of the basin, that of the Arab Mediterranean countries less than 8%. Per capita income of the Arab population is about 10% that of the European. In the absence of suitable policies, this gap is destined to widen over the decades to come, thus increasing the socio-economic unsustainability of development in the area. Much, however, can be done - starting with agriculture. Water scarcity, soil degradation and the reduction of the extension of cultivated land, often go together with outmoded cultivation techniques and poor penetration of foreign markets, the stimulus of which raises quality standards. New innovative solutions have to be sought, involving biotechnology, information technologies and advanced agricultural practices. Advances in genetic engineering of staple crops such as cotton can be one partial answer.

A critical problem in the region is the limited availability of fresh water, not only for agriculture, but also for domestic and industrial uses. Rational utilisation of existing water resources is the key. More efficient distribution systems, advanced recycling and desalination technologies, full cost pricing policies for a scarce resource: all these can help, along with modern irrigation techniques in agriculture and more rigorous crop selection. Given its geography, water pollution is a shared problem in the Mediterranean basin, being particularly acute in coastal areas where population tends to concentrate. This results from industrial activity, including oil spills from tankers, urban wastes and an often careless use of agrochemicals. The progressive and dramatic impoverishment of fish stocks is a major economic impact, unfairly discounted by policy-makers on both North and South shores. Tackling pollution at source, and not just attempting to mitigate its consequences, has to become the norm.

Meanwhile, substantially greater prosperity is essential and this implies closer trade, closer integration of the economies North and South. The Euro-Mediterranean partnership approved by the Governments of the region at the Barcelona Conference four years ago foresees the establishment of a full-fledged Mediterranean free-trade area by 2010. This can only be successfully achieved if all actors get involved, including in the first place the business sector and civil society if we are to see the generation of the sort of flexible economies able to compete in globalisation.

Governments are called upon to provide a sound, internationally comparable, institutional infrastructure of guarantees. Let us make no mistake: only this will ensure the climate of confidence needed for potential investors. It means appropriate laws, non-discriminatory, transparent regulations and non-arbitrary and predictable taxes. The private sector, both domestic and FDI financed, will increasingly be the most important engine of growth throughout the region. This engine functions best in those countries in which the institutional infrastructure facilitates sustainable investment, with the possibility of repatriation of profits, long term investor commitment, the workings of the market, efficient allocation of resources. The long term benefits of such a scenario are proven world-wide; the short term transition to it does not need to be as painful as many believe. It can be managed, provided that the policy framework is sound enough and civil society participates in the goals and objectives, appreciating both as being realistic and attainable.

The policy framework has to put in place the physical, as well as the institutional, infrastructure - specifically in transport, energy and telecommunications. In energy, in which the Southern shore is uniquely rich, priority areas for the Euro-Mediterranean Partnership include the exploration and exploitation of oil and gas fields, and the development of natural gas and electricity networks integrated to the whole region, to cope with the growing demand of the Southern Mediterranean countries and to get ready for their access to the European Energy Charter. The demand for natural gas in the non-European Mediterranean countries is expected to treble over the next 20 years, reaching 200 million toe (tons of oil equivalent), making gas the most important primary source in the region. Equally important will be the role of electricity in the socio-economic development of the Mediterranean region. Electricity generation accounted for only 19% of total consumption of primary energy in 1972, it has since increased to 37%, and is expected to reach 42% by 2020. In non-European Mediterranean countries, electricity demand has increased from 34 billion kWh in 1972 to 266 billion in 1996, and should be higher than 1100 billion kWh in 2020, with a rate of growth of over 6% annually. This extraordinary increase can best be achieved in both economic and environmental terms by recourse to modern gas-based electricity generation technologies. High conversion-efficiency and environment-friendly power plants offer considerable capital savings. They can be built even in urban areas, in a modular pattern, as electricity demand rises. Much of the technology is European, which most Mediterranean countries can easily access out of the revenues from the gas they export.

Just as interesting are the renewable energy sources and technologies, for which the region is particularly suited. These are an essential component of the long term energy scenarios in both sides of the Mediterranean and many applications are of immediate interest, for instance electrification of isolated villages, drying and other processing for agricultural products and water purification and desalination. The relatively high labour

intensity and the excellent environmental performance of most renewable energies and technologies are both plusses. Furthermore, the technologies are at a phase in which the Southern shore can take a pioneering role in co-development of both applications and manufacture.

Of the other physical infrastructures, telecommunications is particularly important. Cheap, efficient, broadly accessible, telecommunications provide the life blood of modern economies. These technologies are evolving fast and prices are falling. This too is an area in which existing gaps between the Northern and Southern shores can close relatively quickly and painlessly. It is also quintessentially an area in which private investment and FDI play ever increasing roles, the influx of foreign capital and know-how propelling local economies into a new phase of development and increasing job opportunities as they expand.

I should like to remark that the South is not obliged to develop following the historical track of today's industrialised economies. The changes in the technological paradigm upon which sustainable development rests, finally uncouple rising prosperity from human and environmental exploitation. Growth policies based on heavy industrialisation generate both, besides devouring scarce financial and skill resources. Alternative paths have, at last, become practical, before too much mis-investment has been made, before too much irreversible damage to the Mediterranean environment has been done. And the Mediterranean environment is now the most precious resource.

These alternatives focus on a pattern of industrial development targeting primarily the needs of local populations, both in terms of products and processes (labour intensive, non-intrusive, and so on). Development that can be grafted onto the cultures and traditions of each country concerned, building in the first place on the small and medium size enterprises (SMEs) and artisan activities of all kinds that already exist. In fact, SMEs and their aggregation to form specialised industrial districts, have demonstrated in my own country, Italy, to be capable of sustaining a remarkable evolution and expansion of economic activity. It is plain that the Italian industrial districts, which have grown throughout the country especially in traditional manufacturing sectors, such as textiles, garments, leather goods, footwear, furniture, ceramics and the like, have become the main pillar on which the strength of Italy in the global market is based. The result of the extraordinary development of industrial districts (over 200 of them exist in the country) is a manufacturing system that, at first sight, may appear highly fragmented and uncoordinated, but in reality, as it acquires confidence and experience at the level of the individual component firm, is closely integrated in the form of a far-flung web of long-standing inter company and interpersonal relationships. This configuration allows a notable degree of flexibility in the production cycle, which can adapt readily to changing market needs, to demand for new products, and to new opportunities thanks also to the capability of diffusing innovation through the intelligent absorption of new technology. Thus, Italian industrial districts have evolved from being centred on traditional manufacturing sectors (in general, consumer goods) to coupling this with the production of related machinery and equipment, to the generation of new products and services, ever more based on excellence in design, creativity, technological upgrading and innovation. Now the industrial districts have embarked a phase of internationalisation, through direct investment, joint ventures and alliances of different kinds. While so far this process has

involved mainly Central-Eastern European countries, there is no reason why cross-Mediterranean alliances of small and medium size enterprises should not become one of the components of the Euro-Arab Mediterranean partnership.

The Italian case is an example that can be followed by the Southern Mediterranean countries, not so much by attempting to replicate a model, but rather through realisation of the cultural and societal similarities which our joint Mediterranean heritage entails and which can be harnessed to generate a new style of development. Greater contact will help: information exchange, training, joint projects and other forms of co-operation can now be expanded, and opportunities for foreign direct investment also on the part of smaller entrepreneurs explored. For the Southern Mediterranean countries, adopting this pattern of decentralised development could offer the best solution to the problem of the millions of young, often skilled, people constantly denied entry into the labour force who, are unemployed or underemployed, are sucked into what we Italians call the "esercito dei disperati". Their sense of lack of prospects, of unfair denial of their talents and of their desire to work, feeds discontent and both social and political malaise.

My main message is therefore that people are at the centre. People and their culture. The diversification of our cultures is the most important resource on which our region can count, along with the professional competencies that go with it. Today's governments are better aware of this importance. This alone is not enough: the need is to strengthen our cultural heritage, not isolate it, while backing skills and competencies by funding appropriate research and training programmes. In a parallel way, more incisive conservation efforts to protect and better utilise the region's immense artistic and cultural resources of historic value can provide a more sustainable, higher return, basis for tourism and educational activities. Here again, there is a great commonality of interest and experience throughout the Mediterranean region. The incalculable importance of historical and artistic treasures may appear now to be more appreciated in the North, yet the enormous wealth they represent is almost equally distributed. If economic appreciation of the wonders of the Arab world is less than the European, this is due in almost equal measure to lack of awareness on the one side, and to inadequate promotion and tutelage on the other.

A common response to the challenges posed by the ever more global scale of the world economy would be a demonstration of our new-found awareness of once more the common destiny of the peoples living around the Mediterranean basin.

7/10

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