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ECONOMIC INTEGRATION IN THE MEDITERRANEAN AND EUROPE: THE POLITICAL CONTEXT

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Paper presented at the conference on "The Experience of Economic Integration
in the Arab World and Western Europe", *Alexandria 22-23 February 1999*

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After the Second World War, international economic integration has successfully emerged within the non-communist world as a strong and diffuse trend steered by the International Economic Organisations, namely the International Monetary Fund, the Bank for International Reconstruction and Development (which later on became the present World Bank), and the tiny but important Secretariat of the General Agreement on Tariffs and Trade (GATT) in Geneva. In the following decades, this process of integration has been implemented most essentially in two fields: (a) the liberalisation of trade relations, international direct investments and technology transfers; (b) the integration of financial markets. Integration in these varying dimensions reflects different levels of intensity and geographical diffusion. While financial integration is extremely intense and diffuse, commercial integration is somewhat less important and unevenly distributed geographically (very intense in some areas and extremely modest in other areas). International direct investments and technology transfers are very diffuse among industrialised countries and much less so towards undeveloped areas. Still, there is no doubt, especially after the demise of Communism and the disintegration of the Soviet Union, that integrative tendencies in the international economy have increased and enlarged to a tremendous extent and that “globalism” is a dominating trends in today’s international economic relations.

It should be noted that globalism is not only extending its reach by gradually including areas and countries previously belonging to the realm of command and state economy. Globalism is also a process of intensification of economic relations thanks to the extension of liberalisation to new fields, like services and intellectual properties (in tune with the de-materialisation of advanced economies).

In the years after the Second World War as well as during the Cold War era, trends towards economic internationalisation were not linear in their character, nor so are trends related to today’s globalisation. The general rule of thumb since the GATT’s inception, i.e. the Most Favoured Nation clause, has - so to speak - suffered important “regional” exceptions. In fact, in the GATT regime, international economic integration is provided by the interplay of a broad and uniform processes of liberalisation, on one hand, and particular preferential regimes geographically limited, like the regime of preferences for the less developed countries and, more significantly, free trade areas and common markets. Appropriate preferential regimes have been included in the GATT as legitimate and helpful processes of liberalisation, complementary to the general process. This two tracks process is going on even today: the advent of globalism being accompanied by the advent of so called “open regionalism”.

The economic rationale for this two-tracks process is the argument that preferential regional regimes bring about effects of trade creation that are more important than those of trade diversion. For this reason, a particular and local discrimination may be regarded as conducive to an increase in global liberalisation. This argument has been contested on many grounds from the point of view of theory. Nevertheless, it remains a

cornerstone of the process of economic international integration started after the end of the Second World War within the GATT and pursued today within the World Trade Organisation (WTO).

One important reason for adopting the “regional exception”, despite it may be controversial among economists, is that economic regional integration must be considered as a strategic factor in bringing about and solidifying political alliances and coalitions. Without going into a historical overview, the post-Second World War experience shows in a fairly clear way that successful processes of economic regional integration or co-operation have strongly backed up the existence of successful political alliances or coalitions, be they the looser EFTA or the more intimate North Atlantic and Western European brands of integration.

One can assume that regional trends of integration and co-operation are fundamentally sustained by political factors. Hardly can nations accept to integrate significantly their economic relations, unless they have some special political motive to do so.

The topic of this paper concerns the political context of the economic integration and co-operation processes going on today in Western Europe and the Arab World/Middle East as well between them. The broad topic of the paper is thus whether the political processes presently backing up ongoing or planned agendas for regional economic integration can sustain these very agendas (or to what extent). In other words, the question is whether ongoing agendas for regional economic integration are politically sustainable.

The global context

In his book on the post-Cold War’s geopolitics, Zbigniew Brzezinski¹ points out that, despite the fundamental changes that took place in the last decade of the 20th century, the central challenge of world politics to the US remains Eurasia. He says that the US can retain its world power only contingent to its ability to dominate the Eurasian balance of power and prevent Eurasian powers from establishing coalitions against the US. In order to control the Eurasian balance of power, the United States must control the three key-areas in which, in fact, they have already established their principal alliances: Western Europe, the Middle East (i.e. the Levant plus the Gulf) and a set of countries in the Far East, like Japan and South Korea.

In this perspective, the United States, as the sole world superpower left, is interested in promoting political cohesion and economic growth in these three individual areas and making them mutually supportive. Exceptions to global rules (in the shape of preferential regional economic links) may well be allowed if they help strengthening the global geopolitical posture of the US and its regional alliances.

It must be stressed that this has been the constant policy of the US with respect to Western European integration. For sure, European integration may have not been without costs to the US, but there is no doubt that the latter have been outweighed by strategic and political benefits. On the other hand, these costs must have not been that high, because the relations between the Industrialised allies (the G-Seven) have always been framed by

¹ *The Great Chessboard*, Basic Books, New York, 1997.

a strong institutional networks in which they have been able to negotiate and eventually mitigate such costs, even by making linkages between political and economic issues.

In principle, the same policy has been envisaged and, whenever possible, carried out towards the Middle East. In this area, however, regional conflict and international (even inter-Arab) tensions and differences have prevented the same policy from being conducted and sometime even proposed. A significant change was introduced by the beginning of the Middle East Peace Process, when the outlook for a conflictless region made it possible to initiate the Peace-Process-related multilateral track of negotiations; to set up the Regional Economic Development Working Group; and to start the process of the MENA Economic Summits, in the perspective of what Shimon Peres had called the “New Middle East”. Because of the standstill the Middle East Peace Process is suffering, this perspective is presently on hold, to say the least. Nevertheless, there is no doubt that the coherence of the global political setting which prevails today would require a more cohesive regional standing and that the US as well as the EU keep on being interested in pursuing regional integration.

In fact, the European Union has partly taken up the aim of fostering Southern regional integration by putting forward the Euro-Mediterranean Partnership (EMP). The latter, however, is not coinciding but only overlapping with the US geopolitical agenda in the south-western approaches of Eurasia. First, the EMP is not related to the Middle East but to Mediterranean, an area which from a strategic point of view doesn’t make much sense for the Middle Eastern countries and the US (nor - this author is guessing - for the EU). Second, there are differences between the EU and the US agendas with respect to Middle Eastern and Mediterranean issues.

To sum up this brief analysis, it must be pointed out that the global political framework, as dominated as it is by the US and its alliances, is favourable and conducive to exceptions to global economic trends in the form of regional economic integration. For sure, regional economic integration must comply with the rules and expectations of “open” regionalism and cannot amount to no-return discrimination. If it complies, regionalism is regarded as complementary to global trends. Despite this large consistency between global and regional realms, however, the specific trends of regional co-operation and integration suffer many difficulties and contradictions in the European and Mediterranean areas as well as in their mutual relations which deserve attention and concern.

Regional processes of integration around the Mediterranean

The most relevant processes of regional integration presently at work around the Mediterranean basin are three: (a) the process of European integration which, further to its chances to be deepened, is certainly characterised by its enlargement to the countries of Central-eastern Europe; (b) the attempts and the different projects of co-operation and integration on the Southern and Eastern shores of the Mediterranean basin; (c) the process initiated by the Euro-Mediterranean Partnership between the member states of the EU and twelve Arab and non-Arab countries lying on the Mediterranean sea shores. What is the political dynamics started by these three processes in their respective interplay?

The process geared to furthering European integration has been designed by a document called “2000 Agenda”, This document envisages a set of policies and negotiations with respect to three aims: (i) the deepening of the European integration,

especially in the fields of foreign and defence policy and the freedom of movement inside the European space (and its important political and institutional implications in relation to immigration, political asylum, citizenship etc.); (ii) the enlargement of the European Union, primarily to a set of central-eastern European countries and then to some countries in the Balkans; (iii) the adjustment required as a consequence of the enlargement to about thirty countries in the political institutions and the basic economic frame of the Union.

The outlook for this process are good, in the sense that there is no doubt that the area of European integration will be enlarged and reinforced. This will remain true even if the Agenda will not be implemented fully. The weakest perspective of implementation concerns the strengthening of the Common Foreign and Security Policy , that can hardly become stronger than the weak CFSP currently being implemented in application of the Amsterdam Treaty. Despite this and other limitations, the results of the process will be impressive, at least in economic terms. It must also be stressed that the enlargement of the European integrated area is part of a wider trans-Atlantic process of integration, for many countries involved in the European enlargement are also involved in NATO enlargement and in the Partnership for Peace created by the Atlantic Alliance to help solidifying the Alliance's links at the western extreme of Eurasia. To conclude on this point, it must be pointed out that, in the end, the US and the EU may well manage to combine the cohesion of the Alliance with the emergence of the so-called European Security and Defence Identity within the Alliance. In this case, the result will be a stronger and considerably compact Euro-Atlantic area of integration.

These European developments are confirming the Eastern bias of the European Union after the end of the Cold War. There is no doubt that the EU, within or without the wider framework of the Atlantic Alliance, is concentrating its political destiny on the reinforcement and enlargement of Europe itself and becoming somehow narcissistic and inward-looking.

This trend is not completely and satisfactorily consistent with the requirements of the global setting the US and the constellation of US-led alliances are pursuing. The geopolitics so well described by Brzezinski demands for the reinforcement of the Gulf area, and the Gulf area cannot in turn be reinforced unless it is backed by a stronger a viable Levant. Despite differences between the US and Europe, there is a fundamental agreement on the necessity to strengthen the Middle East/Gulf area by making it more economically viable and politically stable (disagreements are about ways and means to do it; not about goals). But to that purpose the EU must grow less isolanist.

The Euro-Mediterranean Partnership was born at the end of 1995 to balance the exceedingly eastern orientation of the European Union. How did it work?

The Euro-Mediterranean Partnership

In its three years of existence, the Euro-Mediterranean Partnership has duly progressed in implementing its agenda of economic co-operation. Less so in fleshing out the various aspects of the security co-operation envisaged by the first and third chapter of the Barcelona Declaration, that is, "hard" and "soft" security, respectively.²

² Hard security includes co-operation in a number of political, military and military-related fields aimed at preventing conflict, establishing confidence-building measures (CBMs), limiting and controlling conventional armaments as well as weapons of mass destruction (WMD) and inhumane weapons. Soft

The balance sheet, after the second ministerial meeting in Malta (15-16 April 1997) and the *ad hoc* ministerial meeting in Palermo (4-5 June 1998) is somehow disappointing. Co-operation in the field of soft security has not seen any significant progress. As for hard security, only few CBMs have been approved. At the Palermo meeting, the Presidency's concluding remarks pointed out the parties' intention to pursue talks on the Charter, the instrument that is meant to regulate security relations, but no significant change in the South's negative or reluctant attitudes to the approval of such an instrument seems in sight.

Apparently, the factor that hinders progress in the EMP's "area of peace and stability" is the standstill in the Middle East Peace Process. The connection was very clear and obvious at the time of the Malta ministerial meeting. Though there can be no doubt that a success in the MEPP would allow the EMP to proceed towards a more or less significant implementation of its "area of peace and stability", it must be pointed out that the Middle East Peace Process standstill is but a proximate cause of EMP difficulties, notably in relation to "hard security" co-operation. In fact, there are structural causes hindering EMP's implementation above and beyond the fact that a final resolution of the conflict in the Middle East still is slow in coming.

The EMP's ambition to establish an "area of peace and stability" based on co-operation is exposed to a number of challenges of a strategic as well as of a political and institutional character. From a strategic point of view, the "Mediterranean" area is fragmented into a number of diverse disputes and conflicts which are only loosely or not at all linked to one another. On the other hand, it does not make sense to talk about a "Mediterranean" Islamism or a "Mediterranean" arms proliferation. Furthermore, South-South threats come from a range of countries that lie beyond the area contemplated by the EMP (e.g. threats from Iran and Iraq). With respect to this fragmented reality, the multilateral co-operative security scheme put forward by the EMP may look incongruous.

From a political perspective, it must be pointed out that the Arab countries see the EMP primarily as an instrument for upgrading their political and, above all, economic relations with the European Union. They do not conceive of it as a tool for solving the most important outstanding disputes in the area, such as the Arab-Israeli conflict or the Western Sahara issue. This limitation is embedded in the Barcelona Declaration, which states that the EMP as a security initiative "is not intended to replace the other activities or initiatives undertaken in the interest of the peace" in the area.

Finally, there are institutional challenges to EMP's congruity with Mediterranean security: do EMP institutions fit with its security agenda? The first such challenge concerns the EU-centric character of EMP. The EMP has not been endowed with its own secretariat; it is the Commission that acts as the *de facto* secretariat of the EMP. Besides, the Senior Officials' Committee is chaired by the six-month revolving EU presidency. Such arrangements exacerbate the southern partners' sense of estrangement from EMP by confirming that it is less attuned to their security needs than to those of the EU.

Another crucial institutional challenge concerns the EU institutional capacities themselves, rather than EMP. The EU is not regarded by its southern Mediterranean partners as a credible political and military power. It is perceived mostly as a "civilian power", with no inclination and means to get involved in "hard" security policies in the area. The southern partners are fully aware of the weaknesses of the CFSP as well as of the weaknesses and ambiguities of the role of the Western European Union (WEU) as the

security refers to co-operation in the struggle against terrorism, international organised crime, drug trafficking and illegal migration.

EU's military arm. Political power still resides in the European national capitals; as for military power, it is shared by the European capitals, the United States and NATO. In conclusion, EMP's difficulties may be ascribed less to its broad goals of co-operation than to the European insistence on developing a security partnership inside the EMP which objective circumstances cannot allow. There are indications that the EMP is going to adopt a less security- and more developmental orientation, like the positive attitude of the Partners to enlarge the EMP to the Balkan countries lying on the Adriatic. This move, by diluting the Euro-Middle Eastern character of today's EMP, would bring about a more workable format. If European insistence on security will be dropped at next Ministerial EMP's Council in Stuttgart (April 1999), the Partnership will thus have an opportunity to work. This would ease regional economic co-operation across the Mediterranean Sea and reinforce the global trends at work.

Would a more effective Euro-Mediterranean Partnership be consistent with political and economic processes at work on the Southern and Eastern sides of the Mediterranean?

Integration and fragmentation in the Middle East and North Africa

Trends of integration in the Middle East and North Africa are rather weak, both politically and economically. Still, the issue is presently tabled in many quarters and lively debated. What political pulling force may foster more integration in these areas? Three scenarios have been set out in recent times: economic integration and co-operation (i) driven by pan-Arabism; (ii) pursued within the framework of what has been called "New-Middle-Easternism"; (iii) or supported by "Mediterraneanism", i.e. the Euro-Mediterranean Partnership³.

First of all, it must be pointed out that Mediterraneanism is not an alternative to pan-Arabism or New Middle-Easternism. In principle, it can cohabit with both of them. In fact, one can aptly argue that the EMP, by including both Arab countries and Israel, has superseded the Euro-Arab Dialogue scenario, in which the Europeans seemed to envisage separated approaches to the Arab World, on one hand (De Gaulle's "politique arabe"), and to Israel, on the other hand. There is no doubt that the EU and a number of European countries proved annoyed by the MENA Economic Summits process (which can be considered as the implementation of the "New Middle East" ideology). But this was due mostly to European fears about the likelihood of a competition between the MENA process and the incipient Barcelona process. It was not due to a EU perception that the two processes were mutually opposed.

With the standstill in the Middle East Peace Process, more and more most Arab countries are rejecting "New-Middle -Easternism" and supporting inter-Arab economic integration predicated on pan-Arabism or whichever "Arab-first" option. In fact, one can distinguish between two different attitudes: one is sharply against co-operation with Israel; another recognises the strong limits (that have been pointed out even by the

³ See Mohammed El-Sayed Selim, *Mediterraneanism: A New Dimension in Egypt's Foreign Policy*, Al-Ahram Centre for Political and Strategic Studies, Strategic Papers No 27, March 1995, Cairo; Saad Eddin Ibrahim, "Future Visions of the Arab Middle East", *Security Dialogue*, Vol. 27, No. 4, December 1996, pp. 425-436.

international economic community⁴) but is arguing in favour of a fair and expedient policy of “proximity”. The political evolution, after the Netanyahu government has been sworn in, is making even a policy of “proximity” (e.g. some common infrastructure) impossible. However, no progress seems in sight on the pan-Arab or Arab side either. The Arab Maghreb Union (which was the heir of a Comité Consultatif du Maghreb, disrupted by the Algerians’ decision to go their way at the end of the sixties) is in a sort of recess due to the political crisis in Algeria and to the international isolation imposed on Libya. The Damascus Pact has not worked the way it was supposed to. The Arab League has never been provided by its members with a modicum of independence and cannot be the political driver of Arab integration.

The EMP cannot be a substitute for Arab or New Middle Eastern political will. In the middle-long term, it can help gradually modifying the political landscape. Most of all, it can influence economic co-operation and integration in a positive way. A greater degree of economic integration might in turn help political cohesion to emerge. In the shorter term, however, the EMP is an important political factor for it secures across the Mediterranean a strong link between the Middle East, North Africa and the important integration trend at work in Europe and in the trans-Atlantic circle. By securing this link it prevents the Middle East and North Africa from being marginalised with respect to global political and economic tendencies.

Conclusions

The global political context, despite limitations, is conducive to regional economic integration in the European and Mediterranean/Middle Eastern areas, for such integration is consistent with the global geopolitical project pursued by the constellation of alliances between the US and varying regional powers in Europe and the Middle East/Gulf.

Local political conditions vary considerably, however. The European context is developing apt conditions for an enlarged and strengthened integration, within the European as well within the Atlantic framework, by including Central-eastern European countries.

This European trend towards Central-eastern Europe and a broad focus on Europe itself can be compensated by the reinforcement of the Euro-Mediterranean Partnership. The latter, however, has been misdirected by the European Partners by attempting to attain a security partnership that seems not ripe in the present political context. The resetting of the EMP towards its broad co-operative aims in the social, economic and cultural fields might put the Partnership again on track and provide the Euro-Mediterranean regions with positive political stimuli towards regional economic integration.

In North Africa and the Middle East -comprising the Gulf - trends towards political cohesion are very weak and, as a consequence, trends towards economic integration are weak as well. The alternative between Arab integration and New Middle Easternism is not really there. Even if peace will be established in the region, there will be no integration between Arab countries and Israel. Though, a reasonable neighbourhood should become possible and act as a developmental catalyzer. Meanwhile, the development of Mediterraneanism cannot replace regional integration in the Arab World. It can, however, be helpful.

⁴ Stanley Fischer, Dani Rodrick, Elias Tuma (eds.), *The Economics of Middle East Peace. Views from the Region*, London & Cambridge (Ma): MIT Press, 1993.