

Some Considerations About Europe's Mediterranean Policy and Turkey on the Eve of the Barcelona Conference*

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I wish to express my sincere thanks, especially to Prof. Dr. Ünal Tekinalp, for inviting me to talk about a subject that is most timely (although overshadowed in Turkey by the overriding theme of the Customs Union) at your prestigious Istanbul University.

Indeed, Istanbul University is not only an ancient and brilliant institution of higher learning, matching with Bologna, Salamanca, Louvain and other historic universities. It has, from a European Union standpoint, a very special, practical and academic significance since it is also an outstanding EU documentation center which provides valuable material to every student, faculty member, researcher, businessman or politician in this immense and vibrating Istanbul area.

The subject to be discussed today goes beyond the other crucial theme which makes headlines in Turkey lately, the Customs Union. Yet, the two issues are obviously related: Indeed Turkey is, in the Mediterranean context, an economic giant which will inevitably play a major role in whatever European Mediterranean policy will emerge from "Barcelona". The success of the Turkish-EU Customs Union will certainly have a spillover effect –another positive effect– on the realisation of the ambitious "Barcelona Vision" of a vast Euro-Mediterranean Free Trade Area or Euro-Mediterranean Economic Space.

"Barcelona" has become a Euro-jargon, an expression, which refers to the Conference to take place on the 27-28th of November this year between the EU Member States and the Mediterranean countries.

Until a year ago, the whole Mediterranean area was perceived in Europe (and only vaguely) as a field for a few economists sitting at some specialised and competent desks of the European Commission or a few Member States. The Mediterranean was not enjoying much attention from Europe's political, economic or academic elites, nor from the media.

In this respect, a remarkable change occurred from October 1994 onwards, i.e., after the European Commission presented its communication to the Council and to the European Parliament on the Mediterranean Policy of the European Union. Since then, a genuine momentum of European interest towards its "southern flank" developed in surprisingly few months.

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What caused this sudden rediscovery of Europe's Mediterranean dimension?

First, a growing realization among European leaders that the EU had little chance to remain intact as an island of peace, stability and relative prosperity with poverty, turbulence and turmoil developing at its eastern and southern flanks.

To the 1989-90 avalanche of events in east and central Europe and to the implosion of the Soviet Union, the EU was quick to respond with PHARE and TACIS Programs, with "European Association Agreements" and, more recently, by engaging in a "pre-adhesion" strategy.

The EU's approach to the Mediterranean under went less spectacular, less sudden developments. In a sense, this Mediterranean approach was characterized by a great deal of continuity. It was rooted in a set of cooperation agreements with most of the Union's Mediterranean neighbours.

These agreements all included a trade dimension and were mostly concluded 20 years ago and seemed to be in need of updating, essentially for three reasons:

- 1) Need to make them compatible with the GATT (now the World Trade Organization) and the Uruguay Round;
- 2) Create improved conditions of stability on its southern flank (particularly vis a vis migration pressures);
- 3) Need to include the whole Mediterranean area in its own economic sphere if it wanted to keep up with the economic size of comparable economic areas such as (N)AFTA or APEC (Asian-Pacific Economic Cooperation).

Furthermore, in the EU, a coincidental succession of "Mediterranean" Council Presidents would help to create a favourable political climate to launch the strengthened Mediterranean policy and the establishment of a Euro-Mediterranean partnership. Indeed, France, Spain and Italy are the successive presidents of the Council of the European Union between 1 January 1995 until June 1996.

1994-95 was probably the time when a number of developments in the Mediterranean area opened up new perspectives:

- 1) Peace was finally at hand between Israel and its Arab neighbours, which provided new windows of opportunities to redefine Europe's relations with the Middle East.
- 2) Consequently, a European-Maghreb type of relations which the Union had successfully experimented with Tunisia and Morocco could become conceivable for the Mashrek countries. Indeed, Egypt, the largest of the Arab countries in the area, asked to be included in exploratory talks in what it rightly considered to be a strategic move from the part of the EU.
- 3) Finally, the Customs Union negotiations with Turkey were well under way to be fruitfully concluded.

Faced with an impressive palette of linkages with almost every one of its Mediterranean partners, it took the European Commission only a modest conceptual step to propose a vast Euro-Mediterranean Free Trade Area pattern which, within 15 years, could extend from Cape North to the Sahara, from Casablanca to Mount Ararat. That is what the Commission came up with in its daring Euro-Mediterranean project.

The 14 October 1994 Commission communication to the European Parliament and to the Council actually triggered the Barcelona Conference to be held on 27-28th November 1995 and includes three chapters:

- 1) Political/security issues;
- 2) Economic and trade matters;
- 3) Cultural dimension.

The political and security outlook is based on the fact that the nature of security risks in the Mediterranean, are very different from the security risks Europe coped with during the Cold War. There is no major, clearly perceivable threat to territorial integrity anywhere in the Mediterranean. There are only a few remaining hangovers from faulty historical settlements on which Europe will neither impose a solution, nor let itself be directly involved in an armed conflict.

The risks of conflict in the Mediterranean are stemming essentially from internal sources of a socio-economic nature. They are the conflicts of societies in transition, of millions of people being uprooted economically, socially and ideologically and of governments which grapple with or respond too slowly to pressing needs of a demographic explosion of impatient populations such as employment, housing, schooling and health services.

Hence, transforming the Mediterranean area into a "zone of shared peace and prosperity" means improving the socio-economic situation within each of the countries concerned.

There is no quick fix nor miraculous formula to achieve such improvement. The EU is proposing a two-pronged strategy to its Mediterranean partners in order to help them tackle their political and economic woes.

1) The negotiation of Association Agreements with each of the Mediterranean countries is expected to act as a powerful catalyst for opening the economies, for introducing free market systems and necessary legislative reforms.

This should give spur to economic development, job creation, less corruption, more transparency and accountability and should contribute to the easing of social tensions within societies.

In parallel, governments participating in the Barcelona Conference are expected to take commitments to respect democratic principles and human rights as part of the Barcelona Conference declaration.

The EU should not enter into a moralising fit against political regimes in place. Such pressure often proves to be counter productive. Discreet political and economic dialogue is probably the right approach here.

In short, if Europe wants to feel more secure at its southern flank, it will have to concentrate its efforts on improving the political and socio-economic framework throughout the Mediterranean and thereby accelerate economic development in what remains a fragile region, which is not only a bucolic summer paradise for tourists.

What are the chances for this project to be successful?

- With Turkey, the Union's most important trading partner, free trade is about to become a fact of life.

- Tunisia signed its new "partnership" agreement with the Union last July, and Morocco should do the same very soon.

- With Jordan, Egypt and Lebanon, EU negotiations should be concluded by next summer.

- Algeria, Syria and Libya each form a special case; they too should one day become part of the Euro-Mediterranean free trade network when conditions will allow.

- Things also seem to be moving in directions other than the traditional North - South free trade flow. The need to develop a better South - South trade is gradually gaining free trade with Jordan, Morocco is seriously considering the extension of free trade to Tunisia and other Mediterranean countries.

- Finally we notice that Poland, Hungary and the Czech Republic talk about free trade with Turkey and Israel. Non-EU members such as Norway and Switzerland are seriously thinking about joining the movement.

What are the obstacles on the way to the realisation of a Euro-Mediterranean economic space?

1) Technically, there are two major problems:

The pace of reducing customs protection (the length of a transitional period, which for the EU should not exceed 12 years).

The free trade in agriculture: the perspective of free trade in agriculture remains possible but will only be realistically contemplated at the turn of the century.

2) From a more general economic standpoint, the challenge will not just consist in setting up a Free Trade Area but in managing the success of a genuine opening of the Mediterranean economies. Will some of the Mediterranean countries not be confronted with a double crisis situation: the collapse of their fragile small -medium industries and craftsmen on the one hand, and the creation of colossal balance of payment deficits on the other hand? How to trigger the necessary export driven growth process which is indispensable for success in economic opening?

Nobody in the Commission or in the Member States dares to pronounce that this daring experiment will succeed. The task is enormous. Colossal efforts will be required from the Mediterranean governments and peoples (Turkey has gone through this process and plays a model function for that reason) to adopt legislation, modernise production, achieve effective distribution of goods and services, open banks, create and secure the climate which is attractive for investments from within and from outside.

The Commission is conscious of the challenge and insists on the necessary financial cooperation to the tune of 2,000 Million ECUs a year (less than half of which has been approved by the Member States).

The other delicate task will consist of carefully sorting out what, in this very process, will be the state responsibility and what should be private sector responsibility.

Privatisation will have to remain the main principle. Public authorities should concentrate on a political, financial, legal and administrative environment which will help the small-medium enterprises take off.

What can Europe's contribution be in this enormous deregulation

process?

- Technical and financial assistance, especially to small-medium enterprises;

- Making the Mediterranean area an economically more attractive place for investors from the world.

Europe is beginning to understand that the Mediterranean countries' challenge is also its own challenge. Indeed, the consequence of failure would inevitably be shared politically and economically.

Of course, an economic scheme of such magnitude can only succeed if it falls on a receptive political and cultural context.

That is why the Barcelona agenda also comprises a cultural chapter.

In this respect, I personally see the main problem in the fact that the entire "strengthening of the EU-Mediterranean policy through a Euro-Mediterranean partnership" rests on the assumption that certain economic rationality will prevail in the Mediterranean. Whereas we notice in the Mediterranean sphere (as well as elsewhere) a generalised state of economic ignorance, if not economic "anti-culture". The most elementary economic rules and mechanisms are neglected. Economic rationale is far from being the only engine which moves people, societies and individuals.

Hence, the reinvigorated Mediterranean policy should be conceived and implemented with the proper mix of modesty, pragmatism and determination.

Succinctly put, the follow-up to Barcelona is conceivable around the following points:

1) Vigorous pursuit of the planned political and macro-economic actions:

- Modernising laws and regulations which still inhibit commerce, investment, exports;

- Harmonizing competition rules, intellectual property protection;

- Correcting balance of payment and public debt problems.

2) At the same time, Barcelona should provide the necessary impulse to a number of "mobilising projects", projects which develop the economic and psychologic fabric of mutual interdependence, projects which can mobilise imagination without being affected by ideologic prejudice:

- Water management,

- Reforestation,

- Protecting or cleaning the Mediterranean,

- Transportation infrastructure.

3) Educational and cultural efforts in the area of history and literature, but also in the plain, prosaic economic domaine which should help us understand the elementary mechanisms upon which our common economic well-being rests.

4) Public (state) responsibility will be considerable in the launching of such an ambitious project. But the catalytic role of "civil society" will be essential and should be supported.

I can think of dynamic impulses that came from a purely private, high-powered body of business people, such as the "European Business Round Table", when the 1992 Single European Market was launched.

There is also the "Vienna Club," of economic operators in West - East Europe. Obviously, there is room for a Europe-Mediterranean Business Round Table, which could have a decisive influence on the creation and the flourishing of the Euro-Mediterranean economic space.