

## **EU Policies towards the Middle East**

### **Introduction**

In general, the first aspect people think of when mentioning the Middle East in relation to EU foreign policies is the Arab-Israeli conflict, and the low impact the EU has (had) in shaping the Middle East Peace Process. However, if one analyses relevant data, another conclusion may be drawn. Ginsberg (2001) provides an overview of EU's impact, which, admitted, may be not directly related to the peace process itself, but more focussed on development policies in the region (especially policies related to the Palestinian Authority), thereby facilitating necessary preconditions to make a peace process possible. It is this approach I take in this essay, by analysing development efforts initiated via the Barcelona Declaration (Anon, 1995) signed by the 12 Mediterranean and Middle Eastern countries in 1995, comparing the effects on Israel, Lebanon, Jordan, Syria and the 'West Bank and Gaza Strip' (Palestinian Authority) from an EU perspective, and highlighting the difficult transitions that were required by Lebanon, as an example, from a Lebanese perspective.

### **Comparison of policies resulting from the Barcelona Process**

The Barcelona Declaration (Anon, 1995) marked an important step towards closer political, economical and social cooperation between the EU and aforementioned countries, superseding previous agreements, established in the 1970s, with the resulting bilateral Association Agreements that were signed between 1995 and 2002. The so-called three-pillar approach concerns with:

- Political & security partnership: Establishing a common area of peace & stability.
- Economic & financial partnership: Creating an area of shared prosperity.
- Partnership in social, cultural and human affairs: Developing human resources, promoting understanding between cultures & exchanges between civil societies.

However, The Declaration tars all countries with the same brush and a similar approach is taken with the Country Strategy Papers (CSP)<sup>1</sup>, containing implementation details of a bilateral Association Agreement. A comparison of basic economic data from the EU website (Franchetti, 2000, 2003a, 2003b, 2003c, 2003d) reveals certain essential differences between the nations (see *Appendix A*), of which the most important ones are GDP per capita (and per capita income), where, if one doesn't include Israel, differences are about 5 times as much for

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<sup>1</sup> Available for Jordan, Syria and Lebanon. The web page devoted to Israel contains extensive information, see Franchetti (2003a).

Lebanon compared with Syria, trade differences vary as widely as a positive current account balance (Syria), to a trade deficit of over 7 billion in the case of Lebanon. Similar discrepancies exist for (estimated) unemployment figures.

All EU information takes a positive stance towards the country specific information, though it is possible to argue about reading between the lines, like Jordan's "average life span of governments has been less than one year since the country's existence, [that several government reshuffles where key ministers have kept their portfolios] is a stabilising element", Lebanon's "domestic political agenda is strongly influenced by Syria" (Syria appoints (prime) ministers<sup>2</sup>) and "[Lebanon] nonetheless underlines the legitimacy of resistance to foreign occupation", and Syria's "human rights situation ... has not developed as positively as was hoped when Bashar Al-Assad took over in 2000".

Israel receives particular attention on advances in scientific and technological cooperation and 'counter-terrorism' measures and being a "parliamentary democracy", besides economic relations and projects (Franchetti, 2003a); information on the other countries has an emphasis on economical and public administration reforms (mainly trade liberalisation), human rights and democratisation efforts, as well as the need to help in curtailing terrorist activities. Refer to *Appendix B* for an overview of the listed policies for Lebanon, Syria and Jordan.

One quote on cooperation with the Palestinian Authority is directly addressed in the risk assessments of progress in implementing policies outlined in the CSPs of the countries, albeit in different wordings:

"To date the implementation of the agreement has been very low, mainly due to Israeli impediments to Palestinian trade, but also because of insufficient capacity of the Palestinian economy. Moreover, the *sensitive political situation* has not allowed yet negotiations for a full Association Agreement." (emphasis added) (Franchetti, 2000)

Though at the moment of writing, potential 'spill over' from the war on Iraq is perceived to pose a greater danger<sup>3</sup>.

The countries differ in their economic, social and human rights characteristics, have relatively comparative 'Barcelona' policies, except for Israel where bilateral agreements and projects are in a stage of closer cooperation<sup>4</sup>, but what ties the successfulness of the policies of all countries together is the attempts to achieve political stability and security of the whole region.

<sup>2</sup> Personal communication with former Prime Minister of Lebanon Salim Hoss.

<sup>3</sup> Personal communications with, a.o., Salim Hoss, Mr Al-Amine, UNIFIL Force Commander Lalit Tewari and UNIFIL spokesperson Timur Goksel (Anon, 2003).

<sup>4</sup> Whereas Israel had signed up their first agreement with the EU in 1970 and the Association Agreement resulting from the Barcelona Process in 1995, other Middle East countries signed their first agreements in the late 1970s and their respective Association Agreements in the 21<sup>st</sup> century. This 'delay' in cooperation is reflected in the breadth and depth of the present development programs.

Despite the current climate, the EU continues to implement their development policies together with the Middle East countries as their main approach to achieve peace, stability and prosperity in the whole Arab region.

### **EU policies from a Lebanese perspective**

The EU web pages provide, generally, a positive view of the bilateral cooperation, only occasionally mentioning the huge efforts the Middle Eastern countries had, and continue, to undertake to comply with EU requirements. Viewed from a Middle Eastern country, Lebanon, the picture is quite different, even though they recognise the benefits of the Association Agreement<sup>5</sup>. Problems that have arisen, and are suspect of arising, fall broadly into three categories:

1. The negotiation process;
2. Adjustments in Lebanese law and their policies;
3. Possible risks in the international sphere.

The negotiation process had been stalled between May 1998 to July 2000 due to differences of opinion on fiscal matters, where high customs duties imposed by Lebanon as an important source of government revenue was a major obstacle (Hariri, 2002; Witting, 1998). Eventually, the outstanding issues about tariff dismantlement were resolved, and the EU “warmly welcome[s] the introduction of VAT” (Anon (2002) quoting Catherine Day). So does the Lebanese government: despite reforming the fiscal administration, it now charges both customs duties and VAT on import products (Habib, 2003), to dissatisfaction of the Lebanese. On top of this, the Lebanese have to cope with privatisation introduced by Prime Minister Rafic Hariri on electricity and telecommunications sector (Hariri, 2001) as measures to ‘improve liberalisation’ and efficiency.

Another thorn in the eye during the negotiation process were EU comments on (re)migration policies:

“Some bordered on the hysterical and the irrational, such as the persistence of some Europeans in seeing a threat to national security in each and every penniless and shoeless illegal immigrant” (Shehadi, 1997:2)

which was, eventually, reluctantly agreed upon, because the EU as trading partner is too important for the country<sup>6</sup> to ignore.

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<sup>5</sup> Refer to Winters (1997) and Diwan (1997) for more detail on respectively the ‘Possible dynamic effects’ and how Lebanon can benefit from the agreements.

<sup>6</sup> Roughly 50% (Witting, 1998).

*Pathways to integration* discusses more hurdles (including fiscal and constitutional changes) for the industrial and agricultural sector, which were largely overcome during the negotiation process, but none of the wide range of development policies addresses the most important aspect in the social dimension (Hamdan, 1997:274): sectarianism<sup>7</sup>. Nor does it address deficits in democracy<sup>8</sup>, though I have to mention the recent government position on the War on Iraq, that “the Lebanese official stand rejecting the war was consistent with the popular position in the country” (Kawas, Nafez and Fleihan, Khalil, (2003)), which is a better representation of the population than some EU Member States.

With regard to the international dimension of the Barcelona Process, two issues deserve attention, because it likely will affect Lebanon directly by potentially destabilizing the whole Arab region. First, the water policies, where the Barcelona Declaration dedicates only a single line to it:

“recognize that water supply together with suitable management and development of resources are priority issues for all Mediterranean partners and that cooperation should be developed in these areas;”

This is a thornier issue, which the EU may not fully realise. The EU uses, on average, 12900 m<sup>3</sup> water annually per capita, contrasting with the Mediterranean usage of 1400 m<sup>3</sup>. The Great Anatolian project on the Euphrates and Tigris in Turkey, when finished, will reduce Syria’s water supply by 40% and Iraqi’s supply by 80%. Similar problems are on the horizon with the Jordan River, affecting Jordan, Israel and the West Bank (Assaf, 1997:282-283), and there is the longstanding issue fuelling the protracted conflict over a water-rich area, the Sheba Farms, between Lebanon and Israel<sup>9</sup>.

Last, on a world scale, the constructive development efforts of the EU in the Middle East region

“demonstrates Western European boldness in setting out a policy independent from that of its American partner” (Assaf, 1997:284)

which has aroused US, and to a certain extent Israeli, suspicions because it can be interpreted as a threat to American interests in the region (Assaf, 1997:284).

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<sup>7</sup> Opinions vary, but there are about 17 different sects. Each major sect has a representation in parliament based on the 1964 estimate, which in turn relied on the latest held census of 1937. When you make career within your own sect, you have a chance to enter the political arena.

<sup>8</sup> The last elections allowed vote rigging, and a government being appointed by Syria (personal communication with Salim Hoss). An example of the close ties is Mr Al-Amine, who is a former Lebanese Minister of Labour *and* former Secretary General of the Syrian Ba’ath Party.

<sup>9</sup> UNIFIL claims the Sheba Farms belong to Syria, Lebanon and Syria agree it belongs to the Lebanese, Israel is occupying the water-rich area and Hizbollah is fighting for its liberation.

Overall, in absence of a well functioning Greater Arab Free Trade Area (GAFTA), Lebanon has, when working together with the EU,

“[d]espite internal weakness and many obstacles, ... the necessary qualifications which would appear to be useful for achieving an economic take-off.” (Assaf, 1997:286)

The Association Agreement was signed in 2002 and will take effect from 1 April 2003; the future will tell if the envisaged benefits will materialise, outweigh the difficulties and improve political development, stability and security.

## **Conclusion**

With the Barcelona Declaration and following bilateral Association Agreements with Middle Eastern countries, the EU attempts what it does best: trying to improve situations fostering peace and stability by initiating mainly economic development in the region in line with EU practices, tied to the social dimension of human rights and democratisation. Although the approach is, roughly, of ‘one size fits all’ in having to comply with EU standards *coûte que coûte*, and for example Lebanon had to make huge efforts to comply with EU requirements, the outlook seems favourable for both the EU and the Middle Eastern countries.

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## Appendix A – Country specific data

Table A-1. Basic country data of Middle Eastern countries involved in the Euro-Mediterranean Partnership.

	Syria	Lebanon	Jordan	Israel	West Bank and Gaza Strip
<b>Population (mln)</b>	16.6	4.4 ('01 est.)	5.0	6.1	2.92 ('98),
<b>Surface (km<sup>2</sup>)</b>	185,180	10,452	91,860	21,500	5,997
<b>Unemployment (%)</b>	20 (est.)	8.5 ('97)	15 ('99), unofficially at 25	10.5 ('02)	14.5 ('98)
<b>GDP</b>	\$ 17.9 mln ('01)	N/A	N/A	N/A	N/A
<b>Annual growth (%)</b>	2.8 ('96 – '00)	-0.4 ('00), 0 ('01), 2 ('02 est)	4.2 ('01)	- 1 ('02)	7 ('98)
<b>GDP per capita</b>	\$ 1080 ('01)	€5,000 (est. '02)	\$ 1680 ('00)	€15,600 (per capita income '02)	N/A
<b>Foreign Currency Reserves (bln)</b>	\$ 2.525	€3 (assets excl. gold; '02)	\$ 1.836 ('99)	€ 23.6	N/A
<b>Inflation rate</b>	+ 2,4% ('01)	N/A	N/A	N/A	N/A
<b>Head of State</b>	Bashar al-Assad	Emile Lahoud	King Abdullah II Ben Al Hussein	N/A	N/A
<b>Prime Minister / Head Govt. / Head Assembly</b>	Mohammed Mustafa Miro	Rafik Hariri	Ali Abul Ragheb	Ariel Sharon	Yasser Arafat
<b>Total External Debt/GDP</b>	116.2	\$ 31 billion (total, est.)	N/A	N/A	N/A
<b>Current Account Balance</b>	+ \$ 481 mln ('01)	N/A	N/A	N/A	N/A
<b>Trade deficit (bln)</b>	N/A	€7.124 ('01)	\$ 2.703 ('00)	€ 4.77	\$ 1.775 ('97)

Source: Data from EU websites, navigable via

[http://europa.eu.int/comm/external\\_relations/euromed/bilateral\\_relations.htm](http://europa.eu.int/comm/external_relations/euromed/bilateral_relations.htm).

## **Appendix B - Summary of policy measures**

Based on the Country Strategy Papers and the Israel and West Bank & Gaza Strip EU-website (verbatim).

### **Jordan**

- Trade enhancement,
- institution-building, and
- regional integration;
- Support for a stable macro-economic framework and broad economic reform;
- Social reforms and human resources development;
- Development of infrastructure, including regional co-operation;
- Strengthening of pluralism, civil society, and the rule of law.

For example, for 2003 these activities are planned:

- Support for the implementation of a comprehensive social development/poverty reduction strategy (EUR 17.5 million);
- Support for enhanced private participation in water infrastructure (EUR 5 million);
- Participation in TEMPUS III, the higher education programme (EUR 1.5 million).

### **Lebanon**

The cost of rebuilding highways, schools, airports, seaports, housing, power stations, and government buildings pushed public debt to 160% of GDP (179% according to Habib (2003)) and led to chronic budgetary problems: spending outstripped revenues by over 50%. GDP per person, estimated at 5200 euro, is below pre-war levels.

- The tax system will need to replace revenues lost as customs tariffs fall (they traditionally contributed half of all budget revenues) with VAT, and with more coherent income and company taxes.
- The second challenge is to tackle poverty and income disparities. The UN estimates that one third of Lebanese lack basic needs. Weak agricultural productivity and a widening gap between rural and urban incomes have led to accelerated urbanisation, environmental degradation, and social imbalance.

The contribution for EC co-operation from MEDA and other grant sources from the Community budget will be around 25 million euro a year over the period covered by this Strategy Paper.

### **Syria**

The programme concentrates on supporting economic reform in Syria through:

- Institution building: modernise and rationalise the health care system, Modernisation of Municipality Administration;
- Industrial modernisation: Industrial Modernisation Programme;

- Human resources development: Tempus Programme, Vocational Education and Training;
- Trade enhancement: Banking Sector, Industrial Modernisation Programme and Modernisation of the Ministry of Finance;

The indicative envelope for these three years is 93 million euro.

### **West Bank and Gaza Strip**

Community assistance to the Palestinians began in 1971, In 1981, in connection with its political support for the Middle East peace process, the EC started to provide direct aid through non-governmental organisations (NGOs).

### **Israel**

- Arrangements for importing Israeli products are more flexible in the new agreement There is to be progressive and reciprocal liberalisation of trade for agricultural products.
- The second Association Committee covers a number of political issues (the Middle East conflict). The main text refers to regular political dialogue at ministerial and senior official levels, and at parliamentary level through contacts between the European Parliament and the Knesset. Emphasis is placed on peace, security and regional co-operation and on the need to contribute to the stability and prosperity of the Mediterranean region, to promote understanding and tolerance.
- A number of economic issues of mutual interest include: transport and energy, education, competition, science and technology. (On 8 March 1999, the "Second Agreement for Scientific and Technical Co-operation between the European Community and Israel" came into force).