

# **Europe and its Southern Neighbors**

## **Interdependence, security and economic development in contemporary EU-MENA relations**

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The paper analyzes European Union – Middle East and North Africa (EU-MENA) relations from the perspective of complex interdependencies. As a theoretical framework, it outlines the application of Barry Buzan’s Security Complex Theory on the Euro-Mediterranean (or EU-MENA) region-pair. This involves the provision of a general overview on the several sectors of interdependence between the two regions, namely the military, political, economic, societal and environmental sectors. The paper then turns towards the deeper elaboration of the economic sector and identifies it as the most potent sector for European activism, where the Union could work most effectively on building a long-term solution for the stabilization of the MENA. As conclusions, the paper argues for a deeper economic integration between the two regions, which would provide opportunities for the MENA’s population to be economically successful “at home”, therefore reducing not only the highly visible migration pressure on the EU, but also other security threats such as civil wars, organized crime and weapon proliferation.

**Keywords:** EU, MENA, Euro-Mediterranean relations, interdependence, economic development

**JEL-codes:** F50, F15

### **1. Introduction**

The core ambition of this paper is to analyze contemporary Euro-Mediterranean relations

through the examination of complex interdependencies that exist between Europe and its southern neighbors. Different sectors of interdependence are studied systematically by the application of the Regional Security Complex Theory (Buzan 2003) in order to get a comprehensive understanding of this complex and far-reaching subject.

The importance of this exercise comes to light with the current migration crisis triggered by the civil war in Syria, but the paper's ambition is to go much deeper into the causality-relations than it is possible based on the information provided by the daily news-cycle. However, the actuality of the topic strengthens the main arguments outlined here: the recognition of the strong network of interdependence between the two regions and the emphasis on the EU's soft-power capabilities (especially economic incentives) to potentially stabilize the MENA region<sup>1</sup> is as actual as ever.

Starting with the general description of the Regional Security Complex Theory, then applying it to contemporary Euro-Mediterranean relations, the paper provides a solid overview of the military, political, economic, societal and environmental sectors of interdependence. Elaborating in more detail on the economic sector, the paper aims to provide insights on the existing economic dependence of the MENA on EU trade and resources, therefore building a case for more EU activism in this sector. This suggested economic activism can be considered as the main policy-relevant suggestion of the paper, promoting deeper economic integration between the two regions in parallel with building economic opportunities for the MENA, which would reduce the different security-related pressures on the EU in the long term.

## **2. Theoretical Background**

Euro-Mediterranean relations are analyzed by the contemporary international relations (IR) literature from several different theoretical angles. From the institutional framework (N. Rózsa 2010), to centrum-periphery patterns (Marchetti 2009) and regional state identities (Del Sarto 2006), there is a widening stream of Euro-Mediterranean subjects being analyzed by different

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<sup>1</sup> The designation "MENA" will be used throughout this work to describe the EU's southern neighbors including Morocco, Algeria, Tunisia, Libya, Egypt, Israel, Jordan, Occupied Palestinian Territories, Lebanon, and Syria but excluding Turkey, Iraq, Iran and the Gulf states, therefore the expressions "Euro-Mediterranean" and "EU-MENA" will be used as synonyms.

experts. Also, closely related to this, there is a rapidly expanding line of analysis which deals with EU activism in the MENA region, analyzing different European external policies and their effects on the MENA. From the Normative Power Europe concept (Manners 2002) to the different external governance approaches (Balzacq 2009) and the Market Power Europe concept (Damro 2012 and 2015), several different interpretations of the subject came to light in the literature.

Complementing these, the paper aims to analyze Euro-Mediterranean relations from the perspective of complex interdependencies. Best serving this purpose is the Regional Security Complex Theory, developed by the Copenhagen School of IR (Buzan et al., 2003), which analyzes interdependencies through a comprehensive framework of sectors and levels.

The contribution of Buzan and the Copenhagen School manifested itself in several books during the last three decades, amongst which three are especially significant for the purpose of this paper: *The Logic of Anarchy: Neorealism to Structural Realism* (1993) is the book where Buzan set out the complete “renovation” of Waltzian neorealism (Waltz 1979), updating the notion of the international structure to a more complex level, giving it therefore much more explanatory power. This update meant also the incorporation of some liberal-theory elements. The second step was *Security: A New Framework for Analysis* (Buzan et al. 1998), where the field of security and securitization becomes the main focal point, to culminate in the third step, *Regions and Powers: The Structure of International Security* (Buzan – Waever 2003) where the Regional Security Complex Theory is laid down and applied to several geographical regions of the World, basically covering the whole planet.

In *The Logic of Anarchy: Neorealism to Structural Realism*, Buzan (1993) sets out several updates to neorealism with the following main points: 1) The Waltzian static IR structure becomes dynamic, in which the actors and the structure continuously form each other, creating a dynamic international environment; 2) To the structure/actors duality, a third new level is added, interactions. With this move Buzan incorporates some liberal theoretical points. 3) The black box of the state is opened up and the Waltzian homogenous notion of power is deconstructed to its layers, making each state a special type of power holder (e.g. the USSR as mainly a military power while the EU as mainly an economic power). These three reform developments in realism already make a strong base for further theoretical progress towards the Regional Security

Complex Theory (RSCT).

The next step, *Security: A New Framework for Analysis*, Buzan et al. (1997) put security in focus, and set out the sectors/levels duality of analysis using the three levels set out in the previous work in parallel with the concept of sectors referring to different arenas where we speak of security. The list of sectors is set out as the following: military, political, societal, economic, and environmental; therefore this theory can be regarded as a widening of traditional materialist security studies by looking at security in these new sectors as well. Securitization is probably the most prominent concept of the book: it is argued that security is a speech act with distinct consequences in the context over international politics. By talking about security, an actor tries to move a topic away from politics into an area of security concerns, thereby legitimating extraordinary measures against the socially constructed threat. The process of securitization is inter-subjective meaning that it is neither a question of an objective threat or a subjective perception of a threat. Instead, securitization of a subject depends on an audience accepting the securitization speech act.

As a third step in, *Regions and Powers: The Structure of International Security*, Buzan and Waever (2003) set out the concept of regional security complexes and present how security is clustered in geographically shaped regions. The book shows that security concerns do not travel well over distances and threats are therefore most likely to occur at the regional level and that the security of each actor in a region interacts with the security of the other actors. There is often intense security interdependence within a region, but not between regions, which is what defines a region and what makes regional security an interesting area of study. Buffer states sometimes isolate regions, such as Afghanistan's location between the Middle East and South Asia. Regions should be regarded as mini systems where all other IR theories can be applied, such as polarity, interdependence, alliance systems, etc. This book sets out the Regional Security Complex Theory (RSCT), which will be used as the main theoretical base of this paper, but which will also be contested here by a bi-regional approach.

Finally, Buzan's contemporary neorealism (RSTC) is connected and partially applied to Euro-Mediterranean relations by the works of Astrid Boening, whose publications serve as a strong starting point for the current work. In her work (Boening 2008), the Buzanian approach is applied to the Euro-Mediterranean area for the first time. Following through the path of applying

the Regional Security Complex Theory (RSCT) to the two studied regions (Europe and the MENA), she created the Euro-Mediterranean Regional Security Super Complex (EMRSSC) as new terminology describing complex Euro-Mediterranean interdependencies. Giving further leverage to Boening's work and proving the existence of an EMRSSC on Buzanian terms with the utilization of the Regional Security Complex Theory is one of the key objectives of this paper.

### **3. Levels and sectors of interdependence**

RSCT uses sectors and levels as core analytical units to explain interdependence in international relations. Sectors are the different "competencies" of states, such as military, political, societal, economic, and environmental capabilities and policies. Levels refer to the different geographical arenas where states function: domestic, regional, inter-regional and global levels. The interplay of this sectors/levels duality gives the core analytical background for the RSCT, and the chosen level by Buzan is the regional arena where most of the "fieldwork" is carried out. To justify the selection of the regional level as the core interest, Buzan argues that between individual states and the global arena there is an intermediate analytical level, the regions through which we are capable of avoiding both the extreme oversimplifications of the unipolar view, and the extreme de-territorialisation of many globalist visions of a new world disorder. The regional framework brings out the radical diversity of security dynamics in different parts of the world and in the same time reflects the fact that most of the regular security issues are local and threats are therefore most likely to occur on the regional level. As states within a region are integrated into the structure of their given region and play their roles according to the unique rules of that, regions are also integrated into the global structure which is therefore capable of forming them from the outside.

The current paper's exclusive focus on the Euro-Mediterranean dual-region determines the two RSCs of its interest: the European RSC covering the area of the present day EU plus the EU candidate ex-Yugoslavian states on one hand and the Middle Eastern RSC on the other hand covering the Middle East and North Africa (MENA). This exclusive focus on Euro-Mediterranean research somewhat "overwrites" Buzan's original map regarding the split between regions and treats the Euro-Mediterranean area itself as an independent RSC instead of

separate European and Middle Eastern RSCs, recognizing with this the complex interdependencies between the two regions and the international cooperation forms binding together the two shores of the Mediterranean Sea. The Euro-Mediterranean RSC would geographically look like the combination of the two RSCs with a little modification: it would include the whole European RSC and the Middle Eastern RSC but without the Gulf states. To verify the existence of a Euro-Mediterranean RSC is one of the key concerns of this paper.

When using Buzan and Waever's RSCT and applying it to the Euro-Mediterranean space, the first thing to consider is the core structure of the theory itself, namely the notion of sectors and levels. Looking at the levels, one can assume that the Euro-Mediterranean area has global, inter-regional, intra-regional, and sub-state levels of importance. Without collecting all security-related issues on all levels, it is still worth to set out a few examples for each. Global importance can be assumed for several cases related to this geographical area, like the Israel-Palestinian conflict, global oil supply and transnational (global) terrorism or the emergence of the euro as the second global currency on the European side. Intra-regional issues are several to choose from, with the most important of them being the European integration itself on the northern side, and the permanent security conflicts generated amongst the MENA states on the southern side. On sub-state level security issues of societal stability, water and food supply, and environmental threats can be highlighted amongst many others.

Finally, but most importantly, the inter-regional level needs to be studied as well, which was missing from the list above with a purpose: as the paper's focus is set mainly on the interactions between two regions (namely Europe and the MENA), the inter-regional level will be analyzed in more depth, with the help of the other ingredient of the RSC theory: sectors.

Buzan and Waever name five important sectors of security: (1) military, (2) political, (3) societal, (4) economic, and (5) environmental, all of which have serious inter-regional importance in Euro-Mediterranean relations. A more detailed examination of these sectors is provided below.

The military sector on the inter-regional level has a special importance in the Euro-Mediterranean space. As the over-armed but under-governed southern neighbors of the EU pose a constant threat to each other's stability, they also threaten European security. This perceived threat led to several EU missions being sent to the MENA with the purpose of maintaining

stability in the neighborhood. Destabilization in the southern neighborhood can lead to security threats for the EU like migration, arms proliferation and the spread of terrorist organizations, therefore its well-maintained presence. The peak of European military involvement in MENA affairs came in 2011 with the Arab revolutions, one of which – the Libyan – triggered direct European military action. Some military action in Syria is also ongoing with European involvement. All of this leads to the observation of a growing EU military involvement in MENA affairs, strengthening the case for a Euro-Mediterranean common military sector which has formally already materialized in NATO's Mediterranean Dialogue.

The political sector of Euro-Mediterranean relations is even more obviously present. From the colonial times through all kinds of different cooperation forms during post-colonial times, until the Barcelona declaration in 1995 one can observe several cases of political interactions culminating in the complex network of institutional cooperation of today. Direct forms of political cooperation can be found in the minister's conferences of the Union for the Mediterranean or in the Euro-Mediterranean Parliamentary Assembly as well. This paper will not deal with a detailed examination of institutional political cooperation in the Euro-Mediterranean space, but will rather analyze the European Neighbourhood Policy (ENP), showing another important level of interactions in the political sector. A detailed examination of the political cooperation forms can be found in several papers, for example N. Rózsa (2010).

The societal sector – although far less observed by experts than the others – is equally important in Euro-Mediterranean relations. Beyond the Anna Lindh Foundation, which is the official main tool of the EU aimed to the development of societal connections between the two regions, there are several individual projects funded by the Commission and other agencies with the same goal. These projects cover several areas of inter-regional societal cooperation with the involvement of local civic organizations and NGOs. The work of these groups should not be undervalued, as they provide one of the best vehicles of EU value projection towards the MENA, and the common projects of European and Arab organizations are the best tools of improving cultural understanding.

The economic sector of Euro-Mediterranean relations can be considered as the most important sector amongst the five. As the EU being a soft power cannot rely on hard power solutions, like for example the US in Iraq. Its main tools of “coercion” left are its economic policies toward its

southern partners. It cannot be overestimated how important the economic motivating tools (carrots) are for the EU when it comes to terms of cooperation agreements with its southern neighbors. Development contributions and other kinds of financial support along with prospects of admission to the huge European markets can be the core motivators for Arab neighbor states to comply with EU policies. On the other hand the economic sector is also significant in the opposite direction: a stable and prosperous southern neighborhood could provide external security towards the EU as well reducing the flow of immigrants and other societal and security threats to the north.

Finally, the environmental sector in the context of Euro-Mediterranean security needs to be understood as well. Beyond their own environmental problems of both regions (like deforestation, climate change, water scarcity, air pollution, etc.) there is also a common environmental problem: the pollution of the Mediterranean Sea. This common problem can be seen also as a symbolic one: the sea should not divide, but should connect the people on its two shores, and environmentally it does so. The pollution emerging from one area can be disseminated in the whole sea, traveling with sea currents, therefore posing problems for all coastal states both north and south. The wide recognition of this problem led to the incorporation of the Depollution of the Mediterranean Sea project to the body of the Union of the Mediterranean.

This sectoral analysis of Euro-Mediterranean inter-regional security interdependencies strengthens the arguments of Boening (2008) in her assumption that the two separate RSCs of Europe and the MENA should be analyzed together and merged into a single Euro-Mediterranean Regional Security Complex (EMRSC):

In a world which is in greater political and socio-economic transformation than ever before, I propose an adjustment to the Regional Security Complex Theory delineated by Buzan and Waever (2003) with respect to the Middle East Regional Security Complex in favor of a Euro-Mediterranean Regional Security Complex (EMRSC) to more accurately represent the complex socio-economic and political inter-linkages and dynamics in fact observed. (Boening 2008: 5)

As a summary, the theoretical angle of this paper is largely built on Buzan and Waever's RSCT, because of the theory's well-structured and elegant way of dealing with a complex set of inter-regional interdependencies. The original research framework of Buzan and Waever is closely

followed, but applied on only one geographical level (inter-regional) and examined deeper in the economic sector. This sector will get far bigger attention than the others due to its importance, therefore the following part of the paper will exclusively focus on the interdependence in the economic sector and the policy-oriented implications of this special and asymmetric relationship. Table 1 provides a summary of the described system of analysis.

Table 1. Analytical sectors of EU-MENA interdependence

Levels	Sectors of EU-MENA interdependence				
Global					
Inter-Regional	<b>Military:</b> - Actors - Objects - Agenda - Threats - Dynamics	<b>Political:</b> - Actors - Objects - Agenda - Threats - Dynamics	<b>Economic:</b> - Trade - Aid - FDI	<b>Societal:</b> - Actors - Objects - Agenda - Threats - Dynamics	<b>Environmental:</b> - Actors - Objects - Agenda - Threats - Dynamics
Intra-Regional					
Sub-State					

Source: author

#### 4. Economic interdependence: trade, FDI and aid

The EU-MENA economic sector of interdependence will be explored through the terms of economic interactions: trade, foreign direct investment (FDI) and aid. While the four other sectors described previously show signs of somewhat “equal” interdependence, the economic sector is expected to show asymmetric relations and MENA dependence on the EU. The existence of this dependence will then drive the analysis further towards the last part of this work, where the “optimal usage” of this economic leverage will be explored from an EU policy-making perspective.

In order to gain deeper insights into the economic dependence of the “South” on EU resources, three different economic “arenas” need to be discovered and quantified: (1) trade relations, (2)

investment relations, and (3) aid. These will all show a seriously imbalanced and asymmetric dependence patterns, giving the EU some leverage on the “South” in economic terms.

The best tool to test economic interdependence between the two examined regions is to draw up the trade relations amongst them, showing how big “slices” they take from each other’s trade activities. As a country’s imports affect the available supply of goods for its population and the exports affect its income, the more engaged two countries are in these transactions, the more they depend on each other. The question of economic interdependence can be therefore partially translated to the examination of relative import/export ratios. Trade relations between the two halves of the Euro-Mediterranean are highly asymmetrical, as shown by trade data taken from The Observatory of Economic Complexity.

EU countries tend to realize most of their trade within Europe. At least 60% of imports and exports of European countries (even non-EU members) come from and go to other European nations. On the other hand, only a small portion of European trade is directed towards the MENA countries, even in the case of the most “MENA-engaged” EU members like France. Trading with the MENA remains low in significance. This means that European economies do not depend on MENA exports or imports. Within the MENA, Maghreb countries realize a significant portion of their trade with Europe. EU states altogether tend to take at least 60% of the Maghreb’s imports and exports, which shows that the EU plays a very important role in the Maghreb sub-region’s economy. On the other hand, in the Mashreq sub-region the EU does not take a leading role in export/import relations, it comes only second or third behind other players like the US and Asia. This sub-region is therefore far less EU-dependent, but even within the Mashreq there are differences: Lebanon and Egypt trades a significant amount with Europe (around 42%), while Israel (32%) focuses mainly on the US and Jordan on the MENA itself.

Another good indicator of EU-MENA economic interdependency is the role of EU Foreign Direct Investment (FDI) inflows to the MENA economies. FDI can be seen as the private economic players’ (firms, banks, investment groups) main external financial contribution to a country’s economic development. Not only does it bring the necessary capital for development to less developed countries, but it plays also a significant role in technological and managerial learning (technology transfer), and therefore facilitates economic progress. In the last decade FDI inflows to the MENA grew steadily compared to the region’s traditionally low levels. On the

other hand, FDI inflows to the MENA were still far lower than to almost any other region of the world with comparable size. Weak economies and business-unfriendly investment regulations have kept global FDI flows away from the region and global investors (EU, USA, Japan) preferred to invest in more stable developing regions with better economic growth potentials. Even the EU, the most engaged player in the MENA economies, invested only a marginal portion of its extra-EU FDI flows in the MENA economies. The main host regions of EU-originated FDI flows are North America (34%) and other European states (25%); the share of MENA countries represents only a marginal 3%. Although comprehensive data is not available on FDI inflows to the MENA countries, the partial datasets indicate that in general around 65% of the region's incoming FDI comes from the EU. This might not be true in the exceptional case of Israel where American investments dominate. In petro-states, the interest of EU oil companies cause huge EU FDI involvement, while the relative openness of Lebanon, Jordan and Tunisia also leads to the dominating presence of EU FDI. One can conclude that contrary to the low (3%) share of global EU investments going to the MENA, this 3% forms around 65% of the MENA's incoming FDI, which shows that relations in this field are very much asymmetrical (data on FDI from EUROSTAT and UNCTAD).

Aid figures further strengthen this asymmetry, although development assistance has a much lower impact on EU-MENA economic interdependencies than the other two areas, trade and FDI. Still, a short examination of EU aid flows towards the MENA can underline the assumption of MENA economic dependence on the EU. Although the financial flows of development assistance will never reach the levels involved in EU-MENA trade and FDI interactions, their impact on political relations is undeniable. From the available datasets we can arrive to the conclusion that the US is the single biggest aid supporter of the MENA, giving around 10 billion dollars annually, while Germany comes second with around 5 billion. If we add other EU-member contributions to Germany's, we can calculate around 13-14 billion dollars of total annual EU assistance to the MENA, with which the EU altogether clearly comes first by giving around 60% of all donations. On the other hand, this number is not that much bigger than the US contribution, therefore we cannot find a clear EU aid dominance similar to the trade and FDI ratios. MENA aid incomes are not monopolized by the EU, rather "duopolized" by the EU-US "team" (aid data is from the OECD Development Assistance Committee.)

Summarizing the findings, the data shows that the EU is vastly dominating the MENA region economically in both trade and FDI, while it also leads in providing development assistance. This provides a serious economic leverage over the region for the EU, which – if smartly used – can serve as a base for coercion regarding several regional EU policies, but mainly for the European Neighbourhood Policy. Table 2 summarizes the findings on economic relations, including the sub-regional differences.

**Table 2. MENA regional data on economic EU-dependency**

Region	Trade (EU export+import ratio)/2	FDI	Aid
Maghreb	60-70%	70%	-
Mashreq	30-40%	60%	-
MENA avg.	50-60%	65%	60%

Source: compiled by the author

Why the EU is currently not using its advantage in the economic sector for playing a more active role in the region effectively is not the subject of the current study. The focus is rather on policy recommendations on how this leverage could be used more effectively in the future. More on the EU’s “capability-expectations gap” (a gap between what the EU member-states are expected to do in the world and what they are actually able to manage) can be found for example in Toje (2008).

## **5. Fragmentation and statism: roots of the MENA’s economic decline**

Before turning the analysis towards Euro-Mediterranean economic cooperation, one has to give a deeper assessment to the MENA’s current economic problems in order to gain an understanding why this cooperation is needed in the first place. This assessment will strengthen the final arguments on economic integration and also give a background for understanding some of the socio-economic dynamisms of the Arab Spring. Furthermore, the assumption that the main

reason behind the Arab Spring was the MENA's economic decline will give support to the idea that the biggest impact that the EU could have in the region comes from enhanced economic cooperation.

To summarize the problems of Arab economies, two deeply rooted phenomena need to be mentioned: the "heavy arm" of the state (statism) which prevents the development of a competitive private sector and the fragmentation of both domestic and regional economic and administrative structures. The domestic side of the problem (statism) can effectively be understood as the economic heritage of the monolithic state form which historically developed in the Middle East and North Africa. The different generations of leaders and ideologies that governed the post-Ottoman MENA had one common denominator: they treated not only political but also economic activity as a threat to their systems if it was not controlled by the state. This long-running policy pattern persisted throughout the last century well into today's. As Adeel Malik and Bassem Awadallah (2011) observed:

The state in most Arab economies is the most important economic actor, eclipsing all independent productive sectors. When it comes to essentials of life, such as food, energy, jobs, shelter and other public services, the state is often the provider of both first and last resort....While a centralized, bureaucratic system has worked well for ruling elites....it has failed to deliver prosperity and social justice for ordinary citizens.

Even the last wave of reforms, the neo-liberal opening of the 1990s did not ease centralization, as IMF-advised policies on privatization were implemented by MENA elites with the view of enriching themselves with the privatized state assets. One can agree with Ibrahim Saif's (2011) conclusion on the MENA's neo-liberal "miracle":

Looking back at the growth levels achieved over the past decade before the outbreak of protest movements, economic growth in the Middle East seemed high by all standard measures [but] rather than stabilize, growth benefited only specific groups - becoming a source of tension that increased the frustration of those not reaping the benefits. What was missing from these growth estimates was an assessment of the economic expansion's impact on overall prosperity, the parity of basic services, and the effectiveness of social expenditures.

Neo-liberal reforms therefore only amplified, rather than weakened the social polarization of the MENA and even helped to strengthen the ruling elite and its semi-private economic interests against the truly private domestic small and medium enterprises (SMEs). The absence and

weakness of these enterprises (the number of SMEs per person in the Arab world is only the quarter of the global average) gives direct way to the lack of economic competitiveness, which in turn produces low GDP and high unemployment levels. This polarization of wealth and lack of economic opportunity gave fuel to the Arab revolutions and in this sense the neo-liberal “opening” led indirectly to some kind of political liberalization, although not the kind that either the IMF or the ruling elites imagined.

The other big obstacle to economic growth, fragmentation can be described best as the lack of regional economic cooperation within the MENA, which is especially interesting in the light of the fact that the Arab people were historically one of the greatest traders of the world:

the Middle East remains one of the most fragmented regions of the world in terms of production, trade and economic linkages. With a population of 350 million people that share a common language, culture and a rich trading civilization, the Arab world doesn't function as one economic market [which makes them] playing the role of bystander rather than an active participant in the role of globalization. (Malik and Awadallah 2011)

This absence of trans-Arab economic linkages can be also connected to the statist development model of the MENA: as domestically any political or economic “alternative” was regarded as threat to the rule of the elite, so was any external connection. This external danger led to the isolation and autocracy of many MENA states, cutting of traditional routes of trade and investment. This mistrust, rivalry, isolation and fragmentation has several negative economic effects on the Arab economies. The most obvious losses are from the loss of the regional trader role and the loss on the economies of scale that could be realized on a gigantic unified pan-Arab single market. The MENA is perfectly situated for (and was historically involved in) regional trade: between East and West, with long sea coasts and crossing trade routes, it has a real potential to facilitate high scale trade. Also the market which it represents could be one of the biggest in the future as it already has more than 350 million inhabitants and could overtake even the EU in size if current demographic trends continue.

As identified, the two greatest obstacles of economic growth in the MENA are domestic (statism, especially the absence of SMEs) and external, (the economic fragmentation of the region). Correcting these two shortcomings should be on top of the agenda for post-Arab Spring governments together with other initiatives like infrastructure building and institutional reforms,

if they want to meet their constituencies' aims for better economic welfare and more just societies. However, this challenge is complex, and even if we are optimistic about some of the new governments' capabilities, we cannot assume that they are fully capable of delivering positive results alone. This is where a supportive EU could play a significant role in the region's development, helping to solve both external and domestic obstacles for economic progress and therefore gain legitimacy for asking reforms in other societal sectors as well.

## **6. The future of EU-MENA relations: should economic integration be the way forward?**

As shown above, experts tend to agree that the core question of the Arab upheavals lied in economic progress, or more precisely in the absence of it. But how economic progress could eventually be achieved is a far more complex problem. Beyond infrastructure and institution building and the facilitation of "inclusive growth", the re-unification of the fragmented regional economy and the diversification of the monolithic and statist domestic economies are the key factors. Most of these can be regarded as "domestic MENA issues", but also all of them could be positively affected by appropriate external EU policies. The EU itself has also identified and included these key elements needed for economic progress in some of its different MENA-related official papers.

Infrastructure and institution building needs financial and technical help from the EU. This is recognized well in the previous reform of the European Neighbourhood Policy (European Commission (2011c), which promises more financial aid and development loans from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), while offers several kinds of technical support for institution building as well. This we could label as the "short term answer". More interesting however is the prospect of a long term solution which could offer inclusive growth, the re-unification of the fragmented region and the diversification of domestic economies. These could be earned by promoting SMEs and job creation in the private sector, boosting investments and strengthening South-South economic ties and interactions. This could be a sustainable "long term answer". In a sporadic way, all these short and long term options were already mentioned in different EU communications and summarized in the EC's Spring document (European Commission 2011c) dealing with the

MENA's economic prospects after the Arab uprisings and proposing the following items:

- promote Small and Medium size Enterprises (SMEs) and job creation;
- seek agreement of EU Member States to increase EIB lending;
- work with other shareholders to extend the EBRD mandate to countries of the region;
- promote job creation and training;
- adopt Pan-Euro-Mediterranean preferential rules of origin;
- approve rapidly agreements on agricultural and fisheries products;
- speed up negotiations on trade in services;
- negotiate Deep Free Trade Areas.

However progressive these proposals are, they clearly lack one thing: a comprehensive vision. One-by-one, these steps represent only an incoherent and fragmented “group of policies”, and give no concrete vision for the future. The final argument of this paper is that the EU has to go beyond these single policies and offer something more, namely an effective platform for regional economic integration. This should be understood both as the strengthening of South-South integration (by “opening up” MENA states to each other) and as deepening economic ties with the EU in parallel.

There are experts already advocating deeper EU-MENA economic integration and treating it as the main key to EU-MENA co-development and economic success. One example is Bruno Amoroso (1998), who argues for economic co-development in the Mediterranean Basin with the active support of (at least) the Southern EU-members and for a Mediterranean consensus on commodity specialization, which should be developed in order to make the cooperation and coordination of these industries inter-regional. Another example is the work of Andre Sapir and Georg Zachman (2012), who argue in favor of a bold initiative by the EU to frame economic reform strategies, notably by setting the objective of constituting a vast Euro-Mediterranean Economic Area (EMEA) by 2030, which would draw inspiration from the existing European Economic Area (EEA) that links the EU to Norway, Iceland and Liechtenstein. They imagine the EMEA as the world's largest economic area unifying around 700 million people with controlled South-North circular migration which would solve several economic problems on both sides. As

shown before, the current paper strengthens the arguments of these experts by showing that trade, aid and FDI figures all support a deeper involvement of the EU in MENA economic issues, which could take its first form as a comprehensive Euro-Mediterranean Free Trade Area (EMFTA).

However, official EU communications never go as far as to propose deep economic integration, we only see these “actions of approximation” that are already listed above. Still, in an unofficial Non-Paper from 2006, there’s something extremely interesting: a proposal to “integrate even deeper, into a Neighbourhood Economic Community (NEC).” The argument is quite similar to what was just developed:

Deeper economic integration between the EU and its neighbors is a shared interest of all concerned. It is neither benevolence on the part of the EU, nor an imposition. It will be the result of our shared trade and economic interests and complementarities between the two sides. Fostering greater prosperity will be crucial not only for its own sake, but also to increase stability and security as well as to respond to a globalized economy [...] In the long term, the EU and ENP partners may decide to integrate even deeper, into a Neighbourhood Economic Community (NEC). A NEC would boost trade further among ENP partners via the elimination of both tariffs and non-tariff barriers and by establishing a minimum base of common behind-the-border rules, thereby creating a common regulatory space. This would expand the size of the common market, stimulate growth in all ENP partners, and boost productivity through a better exploitation of economies of scale. A NEC would improve business climates in ENP countries and further boost investment opportunities for all partners. (European Commission 2006)

This means that the EU recognized already in 2006 what needs to be done, but the idea did not reach the official level of policy making. Call it Euro-Mediterranean Economic Area, Neighbourhood Economic Community or EMFTA, the message is the same: there should be a clear and comprehensive plan to form a deeper economic integration between the EU and the MENA. Some steps forward have already happened, and there is now at least a plan to develop bilateral Deep and Comprehensive Free Trade Areas one-by-one with some MENA countries:

In the medium to long term, the common objective which has been agreed in both regional and bilateral discussions with Southern Mediterranean partners is the establishment of Deep and Comprehensive Free Trade Areas, building on the current Euro-Mediterranean Association Agreements and on the European Neighbourhood Policy Action Plans. (European Commission 2011a)

This is a useful idea (and Morocco and Tunisia are already ahead with its implementation), but these bilateral DCFTAs do not reflect correctly the depth of Euro-Mediterranean economic interdependence, and instead a more ambitious multilateral approach is needed. Going back to the idea of the Neighbourhood Economic Community could be a very good start, which could serve the elementary long-term needs both of the EU and the MENA.

## **7. Conclusions**

After examining the five sectors of EU-MENA interdependence (military, political, societal, environmental and economic), a strong level of inter-regional interdependence was discovered in all of these sectors, which transforms the two regions into a single security complex (on Buzanian theoretical terms). Moreover, the detailed examination of the economic sector highlighted that this interdependence is partially asymmetrical and the EU has a clear dominance (or leverage) in the economic sector. Further examination showed that the EU is currently not using this leverage effectively to influence the economic development of the MENA.

The paper argued that the Arab Spring was triggered mainly by the economic decline of the region and the current policy toolbox of the EU did not provide effective answers to the deep-rooted problems of Arab economies. The historically developed statist and fragmented economic build-up of the MENA cannot be effectively healed with the current short-termist and incoherent set of EU policies that are dealing with the region, therefore the redesign of these policies is highly desirable. A much more courageous approach is needed with a coherent vision of the future of EU-MENA economic co-development. Agreeing with other experts, the paper suggested that this vision should be a form of deeper economic integration. This is partially also recognized in the latest update of the European Neighbourhood Policy (Council of the European Union 2015).

Another finding was that differences in sub-regional economic connections point to the necessity of policy differentiation. Especially the geographical differentiation between the Maghreb and Mashreq sub-regions is crucial as suggests the data shown in Table 2. When designing a new neighborhood-agenda, EU officials should be aware of the fact that these two sub-regions are very different in their EU-dependence and that the Mashreq is far less EU-dependent than the

Maghreb. This should imply a differentiated approach towards these sub-regions and even raise the issue of differentiated institutional frameworks. Rather than using the “one size fits all” approach in future institution-building, a separate and narrower agenda could fit the Mashreq region better, while a more ambitious one (“everything except institutions”) fits the Maghreb.

The overlooked necessity for differentiation between the Mediterranean partners was also one of the mayor shortcomings of the previous cooperation initiatives (the Barcelona Process and the Union for the Mediterranean), and it posed a problem in the implementation process of the ENP as well. However, this was recognized in the latest update of the ENP (European Commission, 2015), and more differentiation is promised for the future. Another problem with the complex multilateral approach of the Barcelona Process was the politicized agenda of the cooperation, which brought Arab-Israeli and other regional tensions to the limelight. Avoiding this trap should also be one of the mayor concerns for future cooperation, a possible Neighbourhood Economic Community should foremost be “economized”, rather than politicized.

Based on these findings, the paper suggests that in the light of the discovered interdependence patterns and economic shortcomings, the most promising way forward in EU-MENA relations is the deepening of economic cooperation. The MENA’s economic dependence on the EU, together with its deepening economic problems, point to the direction that this vicious circle of economic degradation can be broken only by an external force, and only Europe is capable of this economic intervention.

This can be a slow and gradual process with many different backdrops and shortcomings, but the goal should be never forgotten: namely that if the EU manages to open up MENA economies and re-integrate them first into the regional and later into the global economy, then, and only then, will it be able to secure prosperity and stability in the region at its immediate borders. And this is exactly the main aim of the European Neighborhood Policy: “to develop a zone of prosperity and a friendly neighbourhood – ‘a ring of friends’ – with whom the EU enjoys close, peaceful and co-operative relations” (European Commission 2003).

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