

EURO-MEDITERRANEAN INTEGRATION AND COOPERATION: PROSPECTS AND CHALLENGES

Katia Adamo and Paolo Garonna ⁴⁷

INTRODUCTION: THE MEDITERRANEAN, A REGION AT THE CROSSROADS OF THREE CONTINENTS



Europe and the Mediterranean countries are bound by history, geography and culture. At the crossroads of the European, African and Asian continents, the Mediterranean region⁴⁸ presents political and economic challenges that have recently re-launched the debate on Euro-Mediterranean integration and cooperation.

The 26 littoral States share geographical features and a past that has been shaped by some of the greatest civilisations of the world. Despite such elements of unity, the Mare Nostrum has remained divided along two main fractures: “north-south” and “east-west”.

Global interdependence has not yet reached all Mediterranean States. While the northern shore enjoys strengthened political and economic integration, deep divisions characterize the relations of southern states. Democratic and rich, the north contrasts with the poverty and political turmoil of the south. The southern region is also plagued by a lack of infrastructure, a poorly-educated workforce and high unemployment. International and internal migration, terrorism, money laundering, organized crime, environmental degradation and human trafficking are but a few of the problems of the region. These impediments to the region’s security and economic growth can neither be confronted independently nor be viewed in isolation from one another. Regional political cooperation failures have been attributed to non-convergent national interests, conflict in the Middle East and various geopolitical factors. Sector-based cooperation and integration, however, provides an opportunity to strengthen the economic governance of the entire region.

⁴⁷ Katia Adamo is the former Special Assistant to the Secretary-General of the Parliamentary Assembly of the Mediterranean (PAM); Paolo Garonna is Deputy Executive Secretary of UNECE. The paper has been written on the basis of Mr. Garonna’s presentation on “Economic Prospects and Challenges for Euro-Mediterranean Economic Cooperation” held in his capacity as representative of UNECE, as special guest and key speaker, at the meeting of the PAM Standing Committee for Economic, Social and Environmental Cooperation in Malta, 13-14 March 2008.

⁴⁸ Hereafter, when referring to the Mediterranean or to the Mediterranean region, we are referring to the 26 littoral States or territories: Albania, Algeria, Bosnia and Herzegovina, Croatia, Cyprus, Egypt, France, Greece, Israel, Italy, Jordan, Lebanon, Libyan Arab Jamahiriya, Malta, Monaco, Montenegro, Morocco, Occupied Palestinian Territory, Portugal, Serbia, Slovenia, Spain, Syrian Arab Republic, the former Yugoslav Republic of Macedonia, Tunisia and Turkey. Even if not quite “littoral” States, Jordan and Portugal are included in the region for historical, political and strategic reasons.

After an overview of current institutional cooperation in the Mediterranean and relevant macroeconomic indicators, this essay investigates the challenges and prospects of regional cooperation and integration within the key sectors of trade, transport, energy and environment. The experience of UNECE in pan-European and sectoral cooperation, combined with the prospects of interregional cooperation among the regional commissions of the United Nations, represents an opportunity to add momentum to economic cooperation and integration in the Mediterranean.

INSTITUTIONAL COOPERATION IN THE MEDITERRANEAN

Various international organizations and forums deal principally with Mediterranean issues. These differ mainly on the basis of their membership and composition. On occasion, membership does not include all countries within the basin, while others extend well beyond its borders. Nevertheless, a characteristic common to all is a limited mandate: each focuses on specific objectives and priorities of regional cooperation. The littoral States also belong to other regional organizations, such as the African Union, the Arab Maghreb Union, the European Union, the League of Arab States and the Organization of the Islamic Conference. Driven by divergent agendas, membership of these organizations has often hindered the establishment of an exclusively Mediterranean Forum. Nevertheless, in the past two decades, numerous initiatives have been put forward to stimulate the concept of Mediterranean regionalism.

The first attempt to include the Mediterranean on the international agenda dates back to 1975. The inclusion of a Mediterranean Chapter in the Helsinki Final Act draws on the assumption that without security in the Mediterranean, there can be no security in Europe; and vice versa. Initiatives in the 1980s aimed to foster both political and economic cooperation. In 1983, French President François Mitterrand launched a security initiative with the goal of creating a Forum to bring together five members of the Arab Maghreb Union⁴⁹ and their northern neighbours.⁵⁰ This led to the establishment in 1990 of the Western Mediterranean Dialogue. The purpose of this initiative was to improve economic cooperation and increase regional interdependence. Two years later, the process came to an abrupt end⁵¹ due to the international sanctions imposed on the Libyan Arab Jamahiriya as well as the paralysis of the Arab Maghreb Union caused by tensions between Algeria and Morocco. A joint proposition of France and Egypt established the Mediterranean Forum in Alexandria, Egypt, in 1994. Eleven member states⁵² have constituted what has evolved to become merely a lobby of like-minded Mediterranean States, directed towards the main Euro-Mediterranean partnership: the Barcelona Process.

The Barcelona Process

The Mediterranean region is of vital strategic importance to the EU in both political and economic terms. Since its launch in November 1995, the Barcelona Process has remained the central instrument for Euro-Mediterranean relations. With the adoption of the Barcelona Declaration, the Process aims to establish a common area of peace, stability and prosperity in the Mediterranean. It represents an innovative alliance based on the principles of joint ownership, dialogue and cooperation between the 27 Members of the EU⁵³ and ten southern Mediterranean States.⁵⁴ The Barcelona Declaration establishes a multilateral partnership built on three key areas of cooperation: the political area, the economic area and the social, human and cultural one.

The first aim of the partnership is to create a zone of peace and stability founded on the principles of democracy and respect for human rights. The intention is to generate an area of shared prosperity through the gradual development of a free trade area between the EU and its Mediterranean partners and among those partners themselves. Financial support from the EU facilitates economic transition and helps to address the accompanying economic challenges. Further steps to developing a mutual understanding among the people of the region have included cultural-exchange programmes, the development of human resources and support to civil society. In 2005 migration was added as a fourth key policy area of the partnership.

To achieve sustainable and balanced socio-economic development in the region, the EU and its partners agreed to establish an economic and financial partnership based on three goals:

⁴⁹ Algeria, the Libyan Arab Jamahiriya, Mauritania, Morocco and Tunisia.

⁵⁰ France, Italy, Malta, Portugal and Spain.

⁵¹ A ministerial conference convened by Portugal relaunched the process in 2001 and since then annual meetings have been held in the Libyan Arab Jamahiriya, France, Algeria, Malta and Morocco.

⁵² Algeria, Egypt, France, Greece, Italy, Malta, Morocco, Portugal, Spain, Tunisia and Turkey.

⁵³ Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

⁵⁴ Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syrian Arab Republic, Tunisia and Turkey.

- Progressive establishment of a free trade area
- Implementation of appropriate economic cooperation and concerted action in the relevant areas
- Substantial increase in the EU's financial assistance to its partners.⁵⁵

The increase in economic cooperation and concerted action between the EU and the southern partners relates primarily to a number of important areas, which include:

- Investment and internal savings
- Industrial cooperation and support for small and medium-sized enterprises
- Environmental cooperation
- Dialogue and cooperation in the energy sector
- Cooperation in the area of water-resource management
- Modernization and reform of agriculture.

The partnership has two instruments at its disposal: the possibility of negotiating association agreements with all Mediterranean countries (containing binding trading rules for all members) and an economic support programme (MEDA) for the allocation of funds to the Mediterranean basin.

In March 2004, a parliamentary dimension, with consultative and advisory functions, was added to the Barcelona Process by the establishment of the Euro-Mediterranean Parliamentary Assembly. The 120 representatives of the European group sit together with their (120) southern counterparts to follow-up on Euro-Mediterranean association agreements and to adopt resolutions for the attention of the Ministerial Conference.

Conflict in the Middle East has challenged the partnership to the limit of its abilities to preserve open channels for dialogue among all partners. Nevertheless, 2007 and 2008 saw a relaunch of dialogue and cooperation in the region. During this period, the Parliamentary Assembly of the Mediterranean (PAM) and the Union of the Mediterranean emerged respectively as the parliamentary and intergovernmental dimension of the process. Despite several attempts to enhance regionalism in the Mediterranean, the organizations established overlap in mission and membership and even extended to include countries not belonging to the region (e.g. the 27 European countries in the Barcelona Process). PAM was established to specifically address common interests and concerns exclusive to the Mediterranean people. The same mission is at the core of the French initiative "Union of the Mediterranean". The original project was conceived as a political union, built on a multilateral and equal-footing partnership involving only the littoral States.

Parliamentary Assembly of the Mediterranean

The Parliamentary Assembly of the Mediterranean held its first plenary session in Amman in September 2006. This parliamentary forum results from the institutionalization of the process of the Conference on Security and Cooperation in the Mediterranean, launched under the auspices of the Inter-Parliamentary Union in 1990.

PAM is a truly Mediterranean forum for parliamentary dialogue, complementing ongoing intergovernmental processes. It is the only international organization where membership is reserved to the littoral States⁵⁶ of the basin. Each member sits and decides on an equal footing. Parliamentary dialogue takes advantage of the vision, freedom of action and multiple relationships that parliamentarians enjoy with parliaments, Governments and the people they represent.

Accordingly to the PAM strategy paper, its mission is to develop cooperation between its Members by promoting political dialogue and understanding.

Three standing committees are central to the functioning and deliberations of the Assembly. Their strategic areas of activity are security and regional stability; economic, social and environmental cooperation; and dialogue among civilizations and human rights. A permanent international Secretariat based in Malta has served the Assembly since September 2007.

⁵⁵ European Commission – Directorate-General for External Relations.

⁵⁶ Albania, Algeria, Bosnia and Herzegovina, Croatia, Cyprus, Egypt, France, Greece, Israel, Italy, Jordan, Lebanon, the Libyan Arab Jamahiriya, Malta, Montenegro, Morocco, Occupied Palestinian Territory, Portugal, Serbia, Slovenia, Spain, Syrian Arab Republic, the former Yugoslav Republic of Macedonia, Tunisia and Turkey.

From the Union of the Mediterranean to the Union for the Mediterranean

Renewed interest in the Mediterranean region was marked by the “Union of the Mediterranean”, an initiative launched by French President Nicolas Sarkozy in autumn 2007. The original project was conceived as a political Union with voluntary membership, reserved exclusively to the littoral States of the Mediterranean basin.⁵⁷ The League of Arab States and the EU could have been members by right. Only at a second stage could EU countries have joined the Union, under the status of non-permanent members, by participating in specific projects. The proposed Union would have been built on a simple structure: the G-MED, comprising Heads of State and Governments and the Agency of the Mediterranean, mandated to implement the Union’s projects.

The Union of the Mediterranean was originally conceived on respect for the following principles:

- Non-duplication of existing institutions
- Relationship with the EU (regulated by a Charter of partnership)
- Equality among its members
- Variable geometry
- Openness towards civil society.

Concrete projects formed the foundation of cooperation. These would have been conceived on the basis of the needs and expectations of the people of the region and agreed on the principle of co-decision. Priority areas identified included water management, environment, and the exchange of knowledge. For the first time, the proposal by President Sarkozy brought together only Mediterranean countries in the establishment of a new intergovernmental organization, the «Union of the Mediterranean».

The pressures of the other EU countries excluded from the new project, especially Germany, determined the relaunch of the initiative under the name “Barcelona Process: Union for the Mediterranean”. The latter was approved by the European Council in March 2008 and at the Paris Summit of 13 July 2008. The new Union for the Mediterranean comprises all EU countries, the European Commission and the EU Mediterranean partners plus Bosnia and Herzegovina, Croatia, Monaco and Montenegro, and so abandoned the idea of a solely Mediterranean political Union. The Union for the Mediterranean is a multilateral partnership that builds on the Barcelona Declaration and its objectives of achieving peace, stability and security. It preserves the *acquis* of the Barcelona Process and reinforces its achievements and successful elements.

The challenge of the new initiative is to enhance multilateral relations (biennial Summit and annual Ministerial meetings), increase co-ownership of the process through the establishment of a co-Presidency and a joint Secretariat, and achieve greater visibility towards the citizens. Under the Union for the Mediterranean, the goals and cooperation areas of the Barcelona declaration therefore remain valid. Three chapters continue to provide the backbone of Euro-Mediterranean relations, under the working principle of consensus and on the basis of equality and mutual respect for each other’s sovereignty.

At the core of the cooperation under the Union for the Mediterranean remains the idea of President Sarkozy’s Union of the Mediterranean: working on concrete projects. Four proposals have already been identified by the European Commission: maritime and land highways; depollution of the Mediterranean and sound environmental governance; civil protection; and solar energy.

The Mediterranean: a Pan-European Perspective

Because of its strategic positioning, the Mediterranean region provides opportunities for cooperation with different subregions within the Wider Europe. Naturally, as members of the EU, south-west European countries (including France, Italy, Spain and Portugal) have strong political and economic ties with their northern and eastern counterparts. At the same time, some countries of Northern Europe, as well as of Central and Eastern Europe, have economic and strategic interests in the Mediterranean and wish to be included within regional processes of integration. Germany demonstrated strong opposition to the creation of the Union of the Mediterranean as an exclusive Mediterranean club. Even the Russian Federation has historically pronounced interests in the Mediterranean basin. For example, it has requested association with the process of the Conferences on Security and Cooperation in the Mediterranean within the Inter-Parliamentary Union since its launch in 1990. More recently, the Russian Federation suggested the restoration of a permanent naval presence in the Mediterranean, through the Syrian naval bases of Tartus as an alternative to the Ukrainian Sevastopol.

⁵⁷ Plus Jordan, Mauritania and Portugal.

The Balkans and Turkey provide a door for cooperation with Romania and Bulgaria, as well as being the bridge of conjunction with the Black Sea. The Mediterranean provides the principal exit from the Black Sea, which, in turn, provides the Mediterranean with access to the Caspian Sea, the Caucasus and the countries of the Commonwealth of Independent States. The Mediterranean is, in fact, geographically part of an extended region that includes two other semi-landlocked and landlocked seas: the Black Sea and the Caspian Sea. The issues of cooperation and the main transboundary challenges and problems to tackle are usually very similar for the littoral States concerned (including trade, transport and environmental sea-protection issues).

We have already mentioned that the Mediterranean countries belong to different regional international organizations and it is worth recalling that the majority of European international organizations⁵⁸ have developed a Mediterranean dimension. At the top of this list appears OSCE.

Building on the Mediterranean Chapter of the Helsinki Final Act, the link between security in Europe and in the Mediterranean has been underscored in the "Istanbul Charter for European Security", as well as in the "Maastricht OSCE Strategy to address threats to security and stability in the twenty-first century". OSCE maintains special relations with six countries in the Mediterranean basin, the Mediterranean Partners for Cooperation: Algeria, Egypt, Israel, Jordan (since 1998), Morocco and Tunisia. During the Budapest Summit in 1994, a contact group was established to facilitate the interchange of information of mutual interest.

In December 2003, by its decision 571, the OSCE Permanent Council decided to explore new avenues of cooperation for sharing OSCE norms, principles and commitments with its Mediterranean partners. The latter participate as observers in various OSCE meetings.⁵⁹ Furthermore, the annual OSCE Mediterranean seminars provide opportunities to exchange views and contribute to the development of the relationship between OSCE and the partner countries.

As a comprehensive approach to security, the domain of cooperation is wide and includes on the OSCE agenda various topics such as confidence-building, platforms for dialogue, new threats to security and stability, migration, the OSCE human dimension commitments and the OSCE economic and environmental commitments. The latter embrace good governance, transport, energy security, sustainable development and the Environment and Security Initiative (ENVSEC).⁶⁰

UNECE is a partner agency of ENVSEC and works closely with the Office of the Coordinator of OSCE Economic and Environmental Activities.⁶¹ UNECE-OSCE cooperation highlights the relationship between security and economic environmental factors in the wider Europe. This inter-agency partnership could therefore represent an opportunity to further extend pan-European cooperation with the Mediterranean partners of OSCE.

MACROECONOMIC OVERVIEW

In macroeconomic terms, the Mediterranean region is characterized by a major fracture that divides the north from the south. Globalization has not bypassed the south of the Mediterranean but its impact is thwarted by an overdependency on Europe and slow integration. A comparative analysis between the trends of the Northern⁶² - Eastern⁶³ shores with those of the South⁶⁴ still indicates a widening divergence.

The major gap identified in terms of north-south divergence is the difference in GDP⁶⁵, which in 2007 was 10.2 times higher in the north⁶⁶ than in the south⁶⁷ and 8.58 times higher in the north than in the east⁶⁸ (according to the World Bank

⁵⁸ For example, the North Atlantic Treaty Organization (NATO) with the NATO's Mediterranean Dialogue/Istanbul Cooperation Initiative and the Mediterranean Special Group of the NATO Parliamentary Assembly; the Council of Europe with the North-South Centre.

⁵⁹ The OSCE Ministerial Council Meetings, Annual Security Review Conference, Economic Forum, Human Dimension Implementation Meeting, Annual Implementation Assessment Meeting, Annual and Winter Session of the OSCE Parliamentary Assembly. The latter also holds annually a Parliamentary Forum on the Mediterranean.

⁶⁰ Established in 2003 by UNEP, UNDP and OSCE, NATO became an associate member in 2004. Since 2006 UNECE and the Regional Environment Center for Central and Eastern Europe have joined the Initiative. Cooperation within ENVSEC includes the issue of water management and the Aarhus Convention.

⁶¹ Cooperation is underpinned by the UNECE-OSCE Memorandum of Understanding and undertaken in the framework of the 2003 OSCE "Maastricht Strategy" document.

⁶² Cyprus, France, Greece, Italy, Portugal, Slovenia, and Spain.

⁶³ Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, and the former Yugoslav Republic of Macedonia.

⁶⁴ Algeria, Egypt, Israel, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Syrian Arab Republic, Tunisia, Turkey, and West Bank and Gaza.

⁶⁵ GDP expressed in current US dollars.

⁶⁶ Cyprus, France, Greece, Italy, Portugal, Slovenia, and Spain.

⁶⁷ Algeria, Egypt, Israel, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Syrian Arab Republic, Tunisia, and West Bank and Gaza.

⁶⁸ Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, the former Yugoslav Republic of Macedonia, and Turkey.

World Economic Indicators). Despite a slightly positive trend of convergence in recent years, population trends identify a major gap in terms of gross national income (GNI) per capita. Population growth is notably higher in the south than in the north: in 2007 it equalled 2 per cent in Egypt, Israel, the Libyan Arab Jamahiraya, Syrian Arab Republic, West Bank and Gaza and 3 per cent in Jordan. Differences in terms of GNI per capita are, therefore, even bigger. The north is on average 3.03 times richer than the south and 2.83 times richer than the east⁶⁹. Furthermore, an ageing north is facing a much younger south. In 2006, five countries of the southern shore registered a fertility rate⁷⁰ of 3, compared with a predominant rate of 1 in the north and 5 in the West Bank and Gaza.⁷¹

Economic growth rates again indicate divergence, but this time in favour of the south. Southern countries maintained an average real growth rate close to 5 per cent in 2007, consolidating a long period of substantial economic growth. On a per capita basis, the region as a whole grew by an average of 3.4 per cent, moderately reducing the gap with incomes observed in the EU. The EU went from 2.5 per cent (2.2 per cent per capita) between 1975 and 2000 to an annual growth rate of 2 per cent in 2000 (1.9 per cent per capita). Southern partners, however, registered an annual growth rate of 4.4 per cent in 2000 (2.8 per cent per capita) opposing the 4.1 per cent (1.7 per cent per capita) from 1975 to 2000.

Overall, economic expansion has benefited labour markets in the region. This is all the more remarkable since the Mediterranean region has the highest rate of labour force growth compared to any other region in the world, excluding sub-Saharan Africa. Accelerating job-creation rates have contributed to falling unemployment rates (2004:13.8 per cent, 2007: 12.3 per cent). However, in 2007 unemployment rates were still relatively high: equal to or above 9 per cent in almost all Mediterranean countries⁷².

To conclude, it is worth mentioning that three other indicators have experienced a positive trend: inflation, deficit and debt. Inflation has fallen from 20 per cent in the 1990s to less than 5 per cent; the public debt decreased from 80 per cent of GDP to 60 per cent and the deficit from 5 per cent of GDP to 3 per cent in 2007. The latter has been much facilitated by external revenues such as tourism, migrants, direct and indirect revenues of petrol and gas, thereby providing the Governments with the possibility of financing big projects in transport and infrastructures.

Finally, the recent increase in foreign direct investment, on a scale second only to China, has proven crucial in directing international attention to the region. According to ANIMA⁷³, the southern and eastern shore of the Mediterranean are now attracting more investments than some emerging economies such as India, MERCOSUR and Southern Africa. Inward investment has grown six-fold in as many years. The main recipients have been Turkey, Israel and Egypt followed by Algeria and Morocco. The main sectors of destination have been energy, banking and industries such as telecommunications, chemicals, metalworking, tourism and automobile parts. Different investor groups have invested in the southern Mediterranean countries. These are primarily offshore investors, attracted by deposits of oil and gas in Algeria, Libyan Arab Jamahiriya, Morocco and Tunisia. Secondly, a European group, led by France and followed by Spain and Italy, focuses on establishing joint ventures or buying local small and medium-sized enterprises. Thirdly, a new group of Gulf investors is increasingly interested in the resort business that is booming on the eastern coast of the Mediterranean. Finally, investors from emerging markets such as India and the Republic of Korea are also seen to be investing in other sectors, including motor manufacturing, outsourced information technology services and the fertilizer industry.

⁶⁹ GNI per capita expressed in PPP in current US dollars.

⁷⁰ Total births per woman.

⁷¹ World Bank World Economic Indicators.

⁷² Unemployment rate (percent): Algeria (14.1), Egypt (9.5), Jordan (13.1), Morocco (9.8), OPT (21.5), Syrian Arab Republic (9), Tunisia (14.1) – European Commission, Directorate-General for Economic and Financial Affairs.

⁷³ ANIMA Investment Network – together for a competitive Mediterranean (<http://www.animaweb.org>).

CHALLENGES AND PROSPECTS FOR EURO – MEDITERRANEAN ECONOMIC INTEGRATION

The south, east and north Mediterranean share transboundary challenges and opportunities offered by globalization, which facilitate a common approach to boosting economic and sectoral cooperation and integration in the region.

Trade

Trade has historically shaped the relations among countries of the region, thus representing a key area of cooperation. Today, the Mediterranean basin remains the world's principal maritime route. Mediterranean countries export 50 per cent of their production to the EU and import 45 per cent of Europe's exports. On average, during the period 2000-2006, total southern Mediterranean exports to the EU grew by 10 per cent annually. The European Commission has identified Algeria and Egypt as the main drivers of this growth (17 per cent), followed by Tunisia, the Syrian Arab Republic and Jordan (6 per cent). During the same period, southern Mediterranean imports from the EU also increased, though at a slower pace (around 4 per cent). Total Euro-Mediterranean trade reached 120 billion euros in 2006, representing more than 5 per cent of the EU's external trade.⁷⁴

The strongest advocates of free trade in the Mediterranean have been the EU and the United States. The latter is promoting the creation of a Middle East Free Trade Area (MEFTA) by 2013 and has signed Free Trade Agreements with Israel, Jordan and Morocco. The EU represents on its side the major actor in the promotion of north-south trade integration.

The Euro-Mediterranean Partnership aims to establish free movement of goods, services, and capital (i.e. a free trade area) by 2010. Bilateral association agreements are the main tool for establishing this free trade area. Each agreement, signed between the EU and each Mediterranean partner, sets out a gradual reduction of tariff and non-tariff barriers for industrial products. The Partnership also anticipates a progressive liberalization of trade in agricultural products by reciprocating preferential access to their respective markets. The EU has concluded and currently implements association agreements with Algeria, Egypt, Israel, Jordan, Lebanon, Morocco and Tunisia.⁷⁵ It has also offered to seven South-East European countries⁷⁶ autonomous trade measures that allow nearly all their exports to enter the Union exempt from duties, irrespective of quantity.⁷⁷

South-south trade integration has been put forward by the implementation of regional free trade agreements among the southern Mediterranean countries themselves. The Agadir Free Trade Agreement concluded by Tunisia, Morocco, Jordan and Egypt was signed in 2007⁷⁸. In addition, a bilateral free trade agreement was signed by Israel and Jordan; and Egypt, Israel, Morocco and Tunisia concluded bilateral free trade agreements with Turkey. It is perhaps interesting to recall that the Arab League has already announced the possible extension of the Agadir Agreement to 22 Arab countries by 2015, with the ultimate goal of signing a comprehensive Arab Free Trade Agreement.

Despite progress in regional integration, trade remains largely limited among southern Mediterranean countries. It accounts for less than 15 per cent of their total trade and is the lowest compared to any other region of this size in the world. Furthermore, the southern Mediterranean countries still display a high level of protection; trade barriers are especially high in several countries including the Syrian Arab Republic, Egypt and Morocco.⁷⁹ The insufficient size of the local markets, a lack of industry diversification and complementarity, poor transport and telecommunication infrastructure, border bureaucracy and high tariffs are some of the major factors limiting trade in the region.

Trade facilitation measures now feature in negotiations that have nevertheless remained bilateral. Major issues have still to be addressed. These include: the liberalization of services, investment, agriculture and fishery goods; the mutual recognition and protection of geographic denominations for agricultural products; the approximation of technical legislation (such as the Agreement on Conformity Assessment and Accreditation); and the establishment of a dispute-settlement mechanism.

⁷⁴ Trade in services and investments remained modest over the same period reflecting a lack of diversification.

⁷⁵ An interim agreement has been concluded with the Palestine Authority of the West Bank and Gaza Strip.

⁷⁶ Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and the United Nations Administered Province of Kosovo.

⁷⁷ In addition, the EU is negotiating and implementing stabilization and association agreements with Albania, Croatia and the former Yugoslav Republic of Macedonia. Negotiations with Bosnia and Herzegovina, Montenegro and Serbia started in late 2005.

⁷⁸ Lebanon and the Syrian Arab Republic have already expressed their interest in joining the agreement.

⁷⁹ They rank respectively 115th, 107th, and 93rd, in an index measuring the prevalence of trade barriers in 128 countries. Arab Competitiveness Report 2007 – World Economic Forum.

Transport

A free trade area in the Mediterranean cannot be established without a major integration of the region's transport networks and facilities.

The Mediterranean has been defined as a "transport surface": a forced passage among the littoral countries and also the transit space of other maritime areas. Nevertheless, this space suffers from several deficiencies, notably a lack of adequate infrastructure and transport- and trade-facilitation measures.

Although the level of integration in the transport sector varies considerably between the western and eastern Mediterranean, the subregions do have in common a number of problems. Most notably, customs procedures and border controls are the main hindrance to fluidity of exchange. Further restrictions on transport derive from customs clearance documentation, complex nomenclature and the lack of reliable, up-to-date and simplified information.

Common challenges and prospects facing the integration of transport systems stem from either maritime transport or cross-border land infrastructure. These issues will now be considered in turn.

Maritime Transport

Ports have always been considered the "lungs" of trade across the Mediterranean. Approximately 30 per cent of the world's container traffic passes through the Mediterranean. The region annually produces some 720 million tons of international maritime freight; 40 per cent of the traffic serves intra-Mediterranean trade and is handled by 45 ports. The importance, therefore, of having adequate infrastructure is eminently clear.

Several ports have emerged in an attempt at rationalization and the need to create transshipment ports: Algeciras on the Straits of Gibraltar; Gioia Tauro and Cagliari in the south of Italy; Marsaxlokk in Malta; Port Said and the new Suez Canal port in Egypt. Morocco is the first country of the south to carry out a significant project. Since 2007 it is operating "Tangier-Mediterranean", a deep-water port where containers and cereals, general cargo and passengers are transhipped. It sees traffic of various descriptions, including tourists, commercial goods, logistic and industrial duty-free zones and is supported by a motorway and railway. The port attracts additional offshore traffic heading to or coming from the Mediterranean basin and operated by shipping lines that connect the American continent with the countries of the Middle and Far East.

Despite the choice of routes through ports on the southern and eastern shores of the Mediterranean, numerous bottlenecks remain. These include increasing traffic among a reduced number of ports; bureaucratic delays; long waits in the roadstead or in dock; conflicts and time-loss due to the involvement of different agents; non-conformity of cranes and plant to international standards, and over-complicated regulations concerning port services. Policy in this sector should, therefore, be regional and cover a variety of specific aspects, including: technical and administrative interoperability; improved control of the entire logistic chain; optimization of supply routes around hubs as well as improved onward connectivity inland.

Land Transport

Road density in the south Mediterranean region is 147 km per 1,000 km², contrasting with the 1,239 km per 1,000 km² in the EU. In terms of length, over 748,000 kilometres of road run across the Middle East and North Africa region⁸⁰, of which Turkey has 57 per cent of the total and Algeria about 14 per cent.

Since its inception, the Barcelona Process has been involved in the development of Mediterranean land networks. The recent European Commission Communication "Barcelona Process: Union for the Mediterranean" has included among the four priority areas the project "motorways of the sea" which comprises the development of coastal motorways, including the connection of ports, and the modernization of the trans-Maghreb train system.

Countries of the Arab Maghreb Union are also working on two major communication routes: the Maghreb unity motorway (which connects the five capitals of the region's countries, from Nouakchott in Mauritania to Tripoli in the Libyan Arab Jamahiriya) and the trans-Maghreb railway, which already connects Morocco, Algeria and Tunisia. The "high-speed railway of the sands", connecting Casablanca and Cairo, is an ambitious project that for various political reasons will take a long time to implement.

Apart from the necessity to develop cross-border land infrastructure, the development of road transport requires common standards and regulations. The current institutional framework in the south Mediterranean is variable and rather fragmented. Many bilateral road transport agreements lead to confusion and conflict. The few multilateral initiatives⁸¹ in place do not cover all countries within a subregion and are therefore of limited value.

⁸⁰ In 2001.

⁸¹ The Arab Transit Agreement promoted by the Arab League, the United Nations Economic and Social Commission for Western Asia (UNESCWA) Agreement on the International Roads in the Arab Mashreq, the Agreement between Jordan, Syrian Arab Republic and Lebanon on the Standard Vehicle Circulation Booklet, and the Road Transport Agreement of the Arab Maghreb Union.

As far as international agreements are concerned, only Morocco has almost always joined international conventions on transport (mainly UNECE conventions)⁸². For example, the TIR (International Road Transport) system has been underused in the Maghreb countries for various reasons. In Morocco TIR carnets are not commonly used, in Tunisia TIR traffic represents a very small percentage of Tunisian transport companies' operations and in Algeria the system has been suspended. In addition, border-crossing barriers are accentuated by the closure of borders between some countries, visa problems for the drivers, long security checks and different working hours of border-control authorities. The overall fragmentation and variability of the institutional framework in the region currently constitutes an obstacle to development of road freight transport in the south-west and south-east Mediterranean.

Energy

Energy is a key sector for the development of the Mediterranean. Although energy-related cooperation started in the region in the 1990s, the first Euro-Mediterranean Energy Ministerial Conference and the first Energy Forum date back to 1997. The year 2003 saw the creation of the Rome Euro-Mediterranean Energy Platform (REMEP)⁸³ and the signature of the declaration Euro-Maghreb⁸⁴ and Euro-Mashrek⁸⁵. The Euro-Mashrek Natural Gas Centre was established in Damascus with the aim of transferring technology and know-how in natural gas. In 2006 MEDREG, a Permanent Mediterranean Working Group on Electricity and Natural Gas Regulation, was created to develop organized regional markets in the southern Mediterranean. At the beginning of 2007, Greece and Italy supported the creation of the Euro-Mediterranean Energy Community⁸⁶. To be built on the model of the Energy Community of South-East Europe, this Community is expected to enhance energy links between the southern Mediterranean countries and the EU.

The southern Mediterranean maintains 5 per cent of the global oil and natural gas reserves, shared among Algeria, Egypt and the Libyan Arab Jamahiriya. According to the Blue Plan⁸⁷ estimations, energy demand in the Mediterranean may increase by 65 per cent before 2025, as a result of the influence of population growth and the increase in demand associated with economic development.

The EU receives 18 per cent of its natural gas imports from Algeria, Libyan Arab Jamahiriya and Egypt. Ensuring energy supply is of primary importance to the EU, and various pipeline projects have been put forward with the aim of safeguarding the transmission of natural gas:

- MEG pipeline, transmitting Algerian natural gas to Spain and Portugal via Morocco (already active)
- Medgaz, a natural gas transmission pipeline under construction between Algeria and Spain
- Transmed, an underwater natural gas pipeline connecting Algeria, through Tunisia, with Italy and Slovenia
- Green Stream, a pipeline between the Libyan Arab Jamahiriya and Italy, operating since October 2004
- Galsi pipeline, an underwater natural gas pipeline to connect Algeria with Northern Italy through Sardinia.

Challenges and prospects for cooperation and integration in the energy sector in the Mediterranean are numerous. The Mediterranean is in fact characterized by three major disparities.

- The energy resources are concentrated in three countries of the south that face richer and more energy consuming countries of the north
- The disparity between the northern and southern Mediterranean is wider if we consider CO₂ emissions: Spain, France, Italy and Greece are responsible for 70 per cent of the total emissions of CO₂ in the region
- Renewable energies (especially wind and solar energy) are under-exploited, representing only 3 per cent of Mediterranean energy consumption. In addition, energy being wasted is estimated to range from 30 to 50 per cent, depending on the country.

⁸² In 2005: Convention on road traffic 1968 (Israel, Morocco, Tunisia); Convention on road signs and signals 1968 (Morocco, Tunisia); TIR Convention 1975 (Algeria, Israel, Jordan, Lebanon, Morocco, Syrian Arab Republic, Tunisia and Turkey); Customs Convention on the temporary importation of commercial road vehicles 1956 (Algeria and Morocco); Convention on the contract for international carriage of goods by road 1956 (Morocco, Tunisia and Turkey); Conventions concerning customs facilities for touring 1954 (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syrian Arab Republic, Tunisia and Turkey); Customs Convention on the temporary importation of private road vehicles 1954 (Algeria, Egypt, Israel, Jordan, Morocco, Syrian Arab Republic, Tunisia and Turkey); Agreement on the international carriage of perishable foodstuffs 1970 (Morocco).


⁸³ With the objective of promoting the necessary initiatives for the development of energy cooperation in the area.

⁸⁴ Declaration for the development of the regional electricity market among Algeria, Morocco and Tunisia.

⁸⁵ Declaration for the development of the natural gas market between Egypt, Lebanon, Jordan, Syrian Arab Republic and Turkey.

⁸⁶ Joint proposal of the former Greek Minister of Development, Dimitris Sioufas, and the former Italian Economics Development Minister, Pierluigi Bersani who followed upon Romano Prodi's initiative in cooperation with the European Commission.

⁸⁷ The Blue Plan – regional activity center (<http://www.planbleu.org>).



The successful implementation of energy-efficiency policies must therefore go together with progress in the renewable energies sector. Likewise, improved cross-sector coordination and cooperation will also be required in order to achieve energy security, integration of internal markets, development of cross border infrastructures, and the promotion of investments in renewable energy, especially solar energy.

Environment

Mediterranean environmental cooperation dates back to 1975, when the Barcelona Convention for the Protection of the Mediterranean Sea against Pollution was adopted.⁸⁸ This regional agreement was then completed by the adoption of the Dumping Protocol and the Emergency Protocol. Nevertheless, the ratification of protocols and of the Revised Barcelona Convention is still a challenge for most countries in the region.

Environmental issues are of particular concern in a rich and fragile ecosystem such as that of the Mediterranean region. Of primary concern is the environmental degradation of the Mediterranean that, according to the UNEP Mediterranean Action Plan (MAP), has accelerated in the last decade. The pollution of sea water is one of the main transboundary challenges facing the basin. Different factors can be considered as the main causes of marine pollution: sewage and urban run off⁸⁹, solid wastes⁹⁰, industrial effluents including oil processing⁹¹, marine transport⁹², uncontrolled exploitation of marine resources as well as urbanization of the coastline. The latter is one of the major problems in the Mediterranean, since it often leads to a loss of biodiversity. Urban standards of living and health are being degraded by traffic congestion, noise, poor air quality and the rapid growth of waste generation. The UNEP/MAP estimates a substantial increase in environmental pressure on coastal regions within the next 20 years as a side effect of demographic trends, economic growth, new energy infrastructure, and a doubling of transport and tourist traffic.

Today, only one per cent of the GDP of southern Mediterranean countries is spent on environmental protection. According to the World Bank, the cost of environmental degradation in the region already accounts for between 3 and 5 per cent of GDP. Global warming and climate change are expected to amplify the effects of environmental degradation with dramatic social, economic and humanitarian consequences. An increase of the annual average temperature in the region of 1-2 °C will lead to a chain of unwelcome events. These include a rising sea level, a decrease of precipitation (up to one fifth in the south and up to 30 per cent in the north Mediterranean) and subsequently a decreasing water quantity and quality and increased risk of forest fires. Expected results from a 3.6°C increase in temperature include reduced agricultural yields (less food security), discouraged tourists (less income) and a loss of over 50 per cent of plant species in the north Mediterranean.

Water is a crucial issue in the Mediterranean region due to its limited nature and unequal distribution. North African States possess only 13 per cent of the total water resources available to the Mediterranean. Most countries of the MENA (Middle East and North Africa) region are experiencing water scarcity, combined with low water-use efficiency in irrigated agriculture⁹³. Furthermore, weak enforcement of environmental legislation leads to groundwater pollution, which further decreases groundwater quality throughout the region.

By 2025, water demand may rise by 25 per cent in the south and east Mediterranean. Today, 30 million people in the Mediterranean region have no access to drinkable water. The situation is becoming worse in rural areas, especially in MENA countries. Conflicts and disputes over water issues are likely to increase in the near future, accentuated by demographic growth and little economic diversification. There is thus an obvious need to improve water resource governance and to maximize water efficiency and productivity for irrigated agriculture.

Algeria, the Libyan Arab Jamahiriya and Tunisia share vast amounts of groundwater but so far there has been little cooperation, and management of the resource has not improved. Recently, cooperation on transboundary groundwater began on a technical level (North Western Sahara Aquifer System). There is now a need to move to cooperation on a political level by establishing joint legal and institutional frameworks. For this reason, the 2006 Málaga-Marrakech Declaration on Groundwater in the Mediterranean, a recent initiative to improve groundwater management in the Mediterranean region, was greatly welcomed.

⁸⁸ Declaration for the development of the regional electricity market among Algeria, Morocco and Tunisia.

⁸⁹ Thirty-one per cent of the 601 coastal towns with more than 10,000 inhabitants do not have any waste water treatment plants.

⁹⁰ Waste generated in towns is often emptied into the sea without any kind of treatment and covers the seabed.

⁹¹ Chemical and mining industries along the coast produce significant amounts of industrial wastes, such as heavy metals or hazardous substances.

⁹² It is estimated that about 220,000 vessels of more than 100 ton each cross the Mediterranean annually, discharging approximately 250,000 ton of oil, in addition to the quantities spilled in accidents (80,000 between 1990-2005).

⁹³ According to FAO, efficiency of water use is about 40 per cent in the region.

THE POSSIBLE ROLE OF THE UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE AND INTERREGIONAL COOPERATION

As a pan-European entity, UNECE has a Mediterranean dimension through its membership. Members include the northern Mediterranean States, as well as the Balkan States and some eastern Mediterranean countries⁹⁴. Since 1947 UNECE has facilitated greater economic integration and cooperation among its members by promoting sustainable development and economic prosperity. It has long been the regional arm of the United Nations for the Millennium Development Goals (MDGs), the economic dimension of security, the transition to market economy, the functionalism of the Jean Monnet approach⁹⁵ through cooperation in key sectors.

Eastern Europe and the south Mediterranean countries are confronted by common challenges. In the long run, population decline and ageing in Eastern and Western Europe face migration pressures in the south Mediterranean. Both regions need to correct the poverty and inequality that have resulted respectively from the transition process and from underdevelopment. Both regions suffer from a lack of infrastructures in transport, energy and environment, as well as needing to enhance good governance and implement public administration reform. In the short run, they are experiencing inflation, depreciating/appreciating currencies and a lack of progress in institutional reform both in the labour market and financial market. Transboundary challenges call for common actions and solutions. A direct approach to interregional cooperation implies a direct answer and response to common problems.

The expertise and experience of UNECE in sectoral cooperation could, therefore, prove instrumental in promoting Mediterranean cooperation and integration in a pan-Euro-Mediterranean perspective.

Cooperation between UNECE and the Mediterranean partners could, for example, be extended to trade in terms of promoting trade facilitation measures and adoption of pan-European standards – UN/CEFACT and UN/EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) – together with a mechanism for dispute resolution (Southeast European Cooperative Initiative).

We have already highlighted the importance for countries to join and fully implement UNECE conventions, in particular the potential benefits of the TIR Convention in the south Mediterranean, as well as the potential of the development of Euro-Mediterranean transport links. Energy efficiency needs to be promoted as a key to climate change mitigation, and is already a top priority for Mediterranean countries. Furthermore, the urgent concern of energy security will make cooperation in energy with Algeria, Egypt and the Libyan Arab Jamahiriya more necessary for the “Wider Europe”. Finally, the expertise and activities of UNECE within the areas of sustainable development, Environment for Europe, and housing and land management will be of great value for all Mediterranean partners.

More than half of the Mediterranean countries are members of UNECE; the remaining countries are members of one or both of the other regional commissions of the United Nations: UNECA⁹⁶ and the Economic and Social Commission for Western Asia (UNESCWA)⁹⁷. Interregional cooperation among the three commissions would therefore also go a long way towards achieving enhanced cooperation and economic integration in the region.


We would like to conclude by recalling a second approach to interregional cooperation: the peer review system. If the direct approach implies direct cooperation on a particular issue or sector among several countries of two or more regions, the indirect approach instead focuses only on a particular country. The country's strategies, policies and tools on a specific issue/sector are reviewed and in a second phase shared with peers for recommendations. The peer review mechanism strengthens cooperation through providing an instrument for sharing expertise, best practices and lessons learned. UNECE has two success stories from the peer review mechanism to share with other regional commissions: the housing country profiles and the Environmental Performance Reviews.

⁹⁴ Albania, Andorra, Bosnia and Herzegovina, Croatia, Cyprus, France, Greece, Israel, Italy, Malta, Monaco, Montenegro, Portugal, San Marino, Serbia, Slovenia, Spain, the former Yugoslav Republic of Macedonia and Turkey.

⁹⁵ The international relations theory of functionalism, sees common interests as a motivating factor for cooperation and integration among states. The initial integration around limited technical and economic domains will gradually have positive spillover and so extend to other areas, to eventually lead to integration at political level. Functional cooperation is also known as the Jean Monnet approach from the name of Jean Monnet (1888-1979), the main inspirer of the “Schuman declaration”, which led to the creation of the European Coal and Steel Community in 1950.

⁹⁶ UNECA: Algeria, Egypt, Libyan Arab Jamahiriya, Morocco and Tunisia.

⁹⁷ UNESCWA: Egypt, Jordan, Lebanon, Occupied Palestinian Territory and Syrian Arab Republic.



At the last retreat (September 2008) of the executive secretaries of the regional commissions, it was agreed to use the peer review approach as the mechanism for interregional cooperation in the Mediterranean. Environment is the first sector chosen for these reviews. Four pilot countries have been selected for the first round. The UNECE Environmental Performance Reviews will therefore be exported to UNECA and UNESCWA and applied to Tunisia and Morocco (UNECA), the Syrian Arab Republic (UNESCWA) and Egypt (UNECA and UNESCWA)⁹⁸.

CONCLUSION

The Mediterranean basin is naturally, politically and strategically linked to the rest of Europe, its neighbours of the Black Sea, the Middle East and the African continent. Rich in variety and complexity, the region presents unique opportunities for littoral States and their neighbours alike. Despite several attempts to revitalise regionalism, however, an intergovernmental organization for the Mediterranean region remains elusive.

Nevertheless, the littoral States are not only bound by geography and glorious ancient civilizations, but also by transboundary challenges that require concerted action. In this essay we have emphasized the importance of cooperation in such key sectors as trade, transport, energy and environment. We believe that sector-based cooperation is the key to economic cooperation and integration and a functional instrument for achieving regional prosperity, stability and security.

In this respect, the experience and expertise of UNECE, as a pan-European economic organization, should prove to be of great value to the Mediterranean. Interregional cooperation in a pan-Euro-Mediterranean perspective could be instrumental in enhancing economic cooperation and integration in the Mediterranean.

⁹⁸ UNESCWA has indicated that since Environment is a programme under the League of Arab States, the latter might act as the Secretariat for the Review.