



## The Political Economy of Governance in the Euro-Mediterranean Partnership

### **Deliverable No. 8**

#### Working Package 6

New Challenges: The Impact of EU Enlargement on the Barcelona Process

### **Working Package Summary: Working Package 6 The Impact of EU Enlargement on the Barcelona Process**

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## 1. Introduction

The single biggest factor to affect the EMP in the next decade may be the ongoing process of EU enlargement. Debate in academic and policymaking circles – perhaps prompted by the ENP – has highlighted questions about the long term commitment of an enlarged EU to solving the problems of the Mediterranean basin. Some analysts have voiced concerns that the EU will focus on internal integration or concentrate on eastern neighbours, leading to the stagnation of the EMP. This debate is already generating new policy ideas such as French president Sarkozy’s proposal for a ‘Mediterranean Union’ comprised of southern European and MENA governments outside the EU foreign policy framework. The key challenge that enlargement poses for the Barcelona Process is, therefore, whether Mediterranean partner countries can remain at the forefront of EU foreign policy priorities given the new weight of central and Eastern European member states in the EU foreign policymaking process. On the other side of the coin, the challenge for the enlarged EU is to maintain influence with countries whose perceptions of Europe may have changed since enlargement, affecting their own policymaking towards the EU.

The recent eastern enlargement has, first of all, changed the proportion of EU member states and MPCs within the decision-making process of the EMP. Before the enlargement, there were 15 EU member states and 12 MPCs; now there are 27 EU member states and 9 MPCs. An interesting point will be to find out if this change in the make-up of the Euro-Mediterranean partnership will also affect its outcomes. Meyer-Resende mentioned on the one hand a direct impact which “relates to the concrete interests that CEEC actors will bring to European institutions and the budgetary process” and on the other hand an indirect impact which relates “to the influences exerted by new members on the identity and foreign policy of the Union”(Meyer-Resende 2004:5)<sup>1</sup>. Other authors argue that due to the size of the EU it is likely that the policy advocacy for the MPCs will be mainly pursued by France and Spain reviving the former 5+5 policy of the early 90s. France for example could, with the arrival in the presidency of Nicolas Sarkozy and his recent proposal of a “Mediterranean Union”, bring the Mediterranean dimension back to the agenda. An analysis of member state preferences, as intended by the Turkish team, will be very useful in working on this issue so that WP 6 gives a clear overview on the preferences within both old and new EU member states. Moreover, a closer examination of the direct and indirect channels of influence of the new member states mentioned by Handoussa could be important. To find out if and how the enlargement changes

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<sup>1</sup> Meyer-Resende, Magdalena 2004: The Impact of Eastern Enlargement on the Barcelona Process. EuroMeSCo Paper 38.

policy outcomes it could be helpful to choose one specific policy field as well. Even if several authors suggest that the power of the Mediterranean block will be reduced and that its influence is likely to decrease, none of them show empirical evidence which proves these suggestions. If we have a look at the evolution of the payments transferred by the EU to the MPCs for instance, there has been no decrease since the enlargement but rather a small increase (comparing MEDA II to ENPI Southern budget 2007-2010). To find out if there are changes in other policy fields of the EMP since the enlargement will also be the part of the first paper of our Turkish partners.

Apart from these political impacts of the enlargement, there could also be an economic impact for example in terms of capital inflows, labour movement or trade relations. WP 6 should find out whether the MPCs do benefit from the eastern enlargement and privileged access to 10 additional markets or rather suffer, due to a potential loss of market shares that MPCs may incur in the EU as a result of enlargement. Are there more contrasting effects or more opportunities for the MPCs after the enlargement? Most authors suggested that the EU enlargement will not affect the MPCs economies significantly, but there is also the suggestion that the enlargement could replace MPCs exports into the EU market with exports from the new member states and that it could divert the capital inflows that used to be directed to the MPCs. If we look at agricultural exports, for example, they could be negatively affected because enlargement implies also adoption by more countries of the Common Agricultural Policy which is rather protectionist.

It will also be important to analyse not only the actual trade impacts but also the economic perspectives of the new EU members, the EU candidate countries and the MPCs. This job will be done on the one hand by our Turkish partners in their second paper and on the other hand by the Polish Team.

The EU enlargement has, apart from the impacts mentioned above, also an impact on the perception of the EU in the MPCs and in the whole region. Crawford for example asks “Does the EU’s Mediterranean policy signal a new era of “civilian power” or an enlarged and more powerful Europe whose policy is one of regional domination?”(Crawford 2005:2)<sup>2</sup>. The enlargement’s impact on the EU’s foreign policy and with it the EU’s (new?) role in the Arab-Israeli conflict has to be analysed in WP 6. Moreover it could be interesting to see if and how civil society’s perception of the EU within the MPCs has changed due to the enlargement.

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<sup>2</sup> Crawford, Beverly 2005: The impact of EU Enlargement on the Euro-Med Partnership.

Furthermore an analysis of the influence of the enlargement on the sub-regional cooperation within the MPCs will be important, because some authors (for example Crawford) suggest that there will be a weakening of sub-regional cooperation. To have a closer look on this issue will be the task of our Lebanese Partners.

## **2. Major Findings of Individual Reports:**

The objective of this working package is to perform an in-depth, political economy analysis of the key challenges resulting from enlargement, to encourage debate and to highlight policy solutions.

### **Paper 1, Turkey: “Post Enlargement Trauma of the Euro-Med Partnership: An Analysis of Member State Preferences”**

The political impacts of Enlargement of the EU (2004 and 2007) on the Euro-Mediterranean partnership. The following question is discussed: with the accession of the CEECs , have foreign policy priorities of the EU has changed, and has this resulted in the dilution of the Euro-Mediterranean partnership at the expense of building up a secure, democratic prosperous eastern front?

### **Paper 2, Turkey: “International Competitiveness and Foreign Trade Specialisation after Enlargement of the European Union and a Comparison with MPCs and New members and the EU/15.”**

The main purpose of this research is twofold: Firstly, we intend to find out the foreign trade pattern and the structure of specialisation in foreign trade of the Mediterranean countries included in the Barcelona Euro-Mediterranean Partnership Project (MPCs- Algeria, Egypt, Israel, Jordan Morocco, Syria, Tunisia and the seven new member countries (Bulgaria, Cyprus - Greek part of Cyprus, Hungary, The Czech Republic, Malta, Poland, Romania), candidate country Turkey and the EU/15. Secondly, we will compare the structure of specialisation in foreign trade with each other and the EU/15 by focusing on the years from 1996 to 2005. In other words, we want to examine whether the foreign trade of MPCs has been negatively affected by the sixth and seventh enlargement or not.

### **Paper 3, Poland: “Growth and Institutions: Lessons for the EU Neighbours from the 2004/2007 Enlargement Process”**

The main goal of this study is to assess the macroeconomic performance and institutional development of the countries from the EU Southern Neighbourhood (SN) against the benchmark of the new member states (NMS) and Eastern Neighbourhood (EN) on the basis of selected macroeconomic indicators and their openness, as well as rankings reflecting the countries’ competitiveness, economic perspectives and progress in structural reforms. The main focus is given to the economies of the Mediterranean Partner Countries – Algeria, Egypt, Morocco, Jordan, Lebanon, Tunisia and Syria – which, being the members of the Barcelona Process, were also invited to the European Neighbourhood Policy (ENP) scheme.

### **Paper 4, Lebanon: “The Political Impact of the EU Fifth Enlargement on the Mediterranean Region”**

Assessment of the impacts that Turkish accession negotiations will have in the Mediterranean region. Analysis of the influence of Central and Eastern European members in shaping EU Mediterranean policy during the next 10 years.

## **3. Contribution of each team to Working Package 6**

### **Polish Team**

The main goal of the Polish team’s study is to assess the macroeconomic performance and institutional development of the countries from the EU Southern Neighbourhood (SN) against the benchmark of the new member states (NMS) and Eastern Neighbourhood (EN) on the basis of selected macroeconomic indicators and their openness, as well as rankings reflecting the countries’ competitiveness, economic perspectives and progress in structural reforms. The main focus is given to the economies of the Mediterranean Partner Countries – Algeria, Egypt, Morocco, Jordan, Lebanon, Tunisia and Syria – which, being the members of the Barcelona Process, were also invited to the European Neighbourhood Policy (ENP) scheme.

The paper of Polish team looks at number of issues linked with the economic influence of the enlarged EU on the economies of its Neighbours. A performance- and institution-based SWOT analysis of two regions – Southern Neighbours and Eastern Neighbours – will be prepared and used as a tool to assess the main strengths, weaknesses and major macroeconomic challenges of the countries in question. This analysis is based on different

reports made by International Financial Institutions (IFI) such as the World Bank, International Monetary Fund, UN – WIR, and others. It will examine: Global Competitiveness Indicators (World Economic Forum), Governance Indicators (World Bank), and current economic performance indices (GDP growth, inflation, unemployment, public finance balance and current account balance). We will look also at the instruments of the ENP as it was developed to help the neighbouring countries in their systemic transition, by offering them access to the internal market, EU transfers and rules of the EU economic regime.

The paper seeks to test the following theses:

1. The EU, being economically more developed, stable and influential internationally, can play an important role in transmitting macroeconomic stability and development to other regions if conducive conditions are created. Some preconditions for this were created by the process of deepening and widening through gradual deepening of mutual political and economic ties with third states. Over time, the EU has worked out tools for protecting the interests of partner states (asymmetry in liberalisation, privileged access to its market, export of capital, expertise, development aid, evaluation of progress in reforms declared by a state in its partnership agreement). Mutual relations also embrace advice on building and functioning of administrative institutions. Enlargement of the EU to the East was divided into two unequal phases: the first embracing eight Central and Eastern European states (Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Slovenia, as well as two western small states Malta and Cyprus); the second phase embraces two Central and Eastern European post-communist states, Bulgaria and Romania. The latter have relatively small economies and represent the lowest levels of development in the process of enlargement until now, and this is the main reason why the title concentrates on 2004 enlargement, acknowledging that there was second phase as well. Despite the title, analysis also refers to the two states of 2007 enlargement.

2. Cooperating closer with the EU - Southern and Eastern Neighbours have to be ready to face more intensive competition and be prepared to change the structure of their economies to be able to shoulder development challenges. The impact of the EU 2004/2007 enlargement on the macroeconomic development in the Southern and Eastern Neighbourhoods can be measured mainly by the experience gained in this process, which generally is positive when one measures it by level of rates of growth in the new and old MS. In both cases they have accelerated despite all the fears that accompanied the process.

3. There is no direct competition for the EU funds available for third states: amounts are allocated and have general ceilings; for each state there is also a ceiling defined by its ability to absorb foreign capital without damaging effects on its macro-indicators. Conditionality increases the attractiveness of offered financial aid as it increases effectiveness of use of financial transfers. (This is so despite the fact that often this solution is considered as interference into internal matters of a state. Nevertheless, an external force plays a positive role in conditions designed by the EU, which was proved by all enlargements of the EC with poorer states from South and East). The EU increases allocations for certain purposes when it is necessary and cuts them when they are not needed any longer and can be replaced by money from other sources. Aid/development transfers are designed to build a basis for the market, infrastructure, competitiveness, and in advanced stages they are being replaced consistently by other financial transfers.

4. The positive impact of the enlarged EU on macroeconomic development in Southern and Eastern Neighbourhoods is going to be stronger with the strengthening liberalisation processes in the EU Neighbourhoods.

5. Eastern Neighbours have proportionally more to gain from the ENP scheme than Southern Neighbours if one compares the former (2000-2006) and current (2007-2013) financial perspectives. Nevertheless, the allocations are designed according to absorption abilities of a state/ group of states as well as their declarations concerning plans to use the available money.

The paper ends up with some recommendations both for the European Commission responsible for further cooperation with the ENP countries and for the governments of the EU Neighbours. These recommendations will be based on the experience of NMS in their transformation period and on the different characteristics of the Southern and Eastern Neighbourhoods.

**Conclusions and policy recommendations: The Polish Team draws the following conclusions from their research work:**

All experience of the 2004/2007 enlargement should be considered as supportive and imparting lessons to the Commission, MS, as well as those states who are interested in integration with the EU. All negative opinions, stating that Europe has enough of new MS for a long time after the last enlargement, are mostly exaggerated. The EU has interest in further enlargements, is able to shoulder the costs of further enlargements, and finally the further enlargements are in the interest of countries interested in catching up with EU support.

Demonstration of “*desinterement*” on the side of the EU can be explained by the fact that a country making the decision to join the EU and to use it as a trampoline towards development should be prepared socially for a hard period of negotiations before it starts to reap some benefits. This period requires political will to change, to integrate, to open up, as well as it needs voters’ support. If the offer about membership would be coming from Europe, all the mentioned links would be suspicious where the trick is? When the proposal is coming from a third country, such suspicion is eliminated and the country is following its own path of growth, where the EU is considered as a supporter of changes, supplying a partner country with knowledge how to change, supporting it financially, as well as controlling what has been done from the list a country supplies in its accession strategy.

Despite bilateral relations with the EU, each ENP country should try to liberalise capital flows with third countries as well as with the EU and establish a FTA with remaining partners who in foreseeable future will move the same path towards the EU.

Each ENP country should prepare its own strategy, including some moves different than the others. In the case of preparing for membership it is advisable to reform the tax systems, lowering the level of taxes when they are higher than in the NMS, as well as introducing a flat solution for taxes. In case of services, the ENP countries should liberalise their service sector before coming closer to the EU. Such a solution, together with lower taxes, should be conducive to increasing interest amongst investors in the region.

Those economies who have relatively high labour costs, and whose market is characterised by lack of labour, should open up for immigrants, attracting foreigners to come and work, giving them similar conditions of works as those given to the national labour force. All those moves are listed on top of normal liberalisation of economic contacts with the EU as well as traditional stabilization measures, with the introduction of convertibility and full float of the exchange rate. States who want to slow down the path of appreciation of their currencies should follow the strategy which was applied in Poland (unique solutions).

Generally, there is no competition on the side of the NMS which can be considered as blocking further enlargement. Old MS are also in favour of further moves in that direction; nevertheless, they do not express this fact openly. There is also no competition between Eastern and Mediterranean Neighbours, although both groups of states face different problems. Most of the macro-indicators as well as competitive indicators show that both groups are very similar from the economic point of view and can be dealt together.

Finally, the vision of future model of economic relations in the world economy indicates that the four liberties applied in the internal EU market will become a global solution. Perhaps today, one should think about such solution as something a bit futuristic, nevertheless, such vision helps one accept that liberalisation and integration are solutions which sooner or later will be applied on a world scale. The sooner such a decision is taken, the shorter the time of changes and the better the position in the global, competitive market.

### **Turkish Team:**

The Barcelona Process/ Euro-Mediterranean Partnership (EMP) are foreign policy instruments to handle the southern neighbourhood of the European Union. The EMP aims at creating an area of peace, stability and prosperity in the region. The enlargement waves of the European Union in 2004 and 2007 have brought 12 new member states, ten of which are the ex-Soviet states situated at the Central and Eastern Europe. This massive, eastern-oriented enlargement induced the European Commission to introduce a Wider Europe - European Neighbourhood Policy (ENP) to establish a secure and coherent neighbourhood along its new borders in the east. Although the ENP aims at including both the eastern and southern dimensions of European neighbourhood, empirical data show that the pro-eastern policy preferences of the newly admitted member states along with Germany cause the ENP to move closer to the east at the expense of the South, therefore negatively affecting the present and the future of the EMP. This is because of the increased bargaining power of the new members, shifting the locus of power from Western Europe to *Mittel Europa*. The recent statements of pro-South EU members such as France might be a new impetus for the EMP, although one should be critical towards such individualistic policy proposals.

What we have observed so far is that the European Union's Mediterranean policy has greatly suffered from the 2004 enlargement and, consequently, from the domination of the east. Complementing that ongoing trend in the Union, the year 2007 witnessed the completion of the foreseeable eastern enlargement of European Union by extending accession to Bulgaria and Romania. Moreover, this latest wave of enlargement brought the EU to the shores of the Black Sea, which is yet another region that needs special attention because of its natural resources and critical countries surrounding it such as Russia, Georgia, Armenia, and Azerbaijan. In other words, there emerged another dimension for the ENP to tackle, which in return carries the possibility of devoting less to that of the south. On the other hand, however, 2007 also saw the emergence of a much stronger and determined France with the arrival of

Nicolas Sarkozy to the presidential post in May. Our aim will be to evaluate whether France can really bring the Mediterranean dimension back on the agenda or not.

Sibel Oktay draws the following conclusions from her analysis:

The Club-Med proposal soon received attention by other pro-south members as well as the partners of the EMP, such as Spain, Italy and Israel.<sup>3</sup> Although it is quite a positive development for the future of EU-Mediterranean relations, it still raises questions as to whether this can really be the initiative the Euro-Med partnership so desperately needs.

First of all, as mentioned earlier, Mr. Sarkozy's Union of the Mediterranean is still a vaguely defined proposal. It gives one the feeling that it was uttered in a matter of moments, without thinking about the background conditions upon which such an initiative will be contingent. For instance, if Mr. Sarkozy wants to establish the Union within the EU framework, then he will need to search for a rather large consensus base. Is this possible? Germany, for instance, recently stated: "We must be careful not to inject competition between the one and the other with our policies of neighbourliness."<sup>4</sup> Given the eastern position and the British reluctance toward the possibility of an all-powerful France, it seems unlikely that such a heroic proposal will receive enough support.

Secondly, as some analysts also point out, Mr. Sarkozy's plan does not mention its good old predecessor, the Barcelona Process.<sup>5</sup> Even though his idea is to do exactly what the Barcelona Summit in 1995 set out to do (but could not), only with more attractive carrots this time, him turning a blind eye to the previous efforts signal that Mr. Sarkozy might not be all-benevolent in his endeavours. In other words, the real intention behind the French plan might be to make France a more central and dominant player in the EU even by kicking Spain to the side, rather than a selfless one that tries to channel resources to create an area of "peace, stability and prosperity." Given Mr. Sarkozy's previous statements on France, it is highly likely that the country stands on the former line.<sup>6</sup>

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<sup>3</sup> See the statements made by M. Nicolas Sarkozy, President of the Republic, during his joint press briefing with Mr. Romano Prodi, Italian Prime Minister following their meeting, 28 May 2007. Retrieved from <http://www.diplomatie.gouv.fr>.

<sup>4</sup> "Germany cautious on Sarkozy's Mediterranean bloc plan", *EUbusiness*, 5 July 2007.

<sup>5</sup> Michael Emerson and Nathalie Tocci, "A little clarification, please, on the 'Union of the Mediterranean'", *CEPS Commentary*, 8 June 2007.

<sup>6</sup> In a speech given in July 2007, Sarkozy says: "From time immemorial, France has been herself, France has been great, and France has been strong only when she stood at Europe's centre of gravity..." Nicolas Sarkozy, *Future of Europe*, Strasbourg, 2 July 2007.

Retrieved from [http://www.info-france-usa.org/news/statmnts/2007/sarkozy\\_eu\\_070207.asp](http://www.info-france-usa.org/news/statmnts/2007/sarkozy_eu_070207.asp)

Third, there is the everlasting dilemma of the Middle East – should the Mediterranean Union include the countries of the Middle East or simply turn its back on them? This is, without a doubt, contingent upon the amount of political and economic effort that France is willing to spend in the foreseeable future. Given the state of the French economy today, it seems likely that France will choose to divert its resources to its own population, which suffers from high levels of unemployment, rather than a distant region with which Britain and the United States have been engaged actively. Consequently, however, this reduces the Club Med’s probability of success: as mentioned earlier, it is the inability and unwillingness of the Europeans to include the Middle East in their Mediterranean efforts that contribute to their failure. In other words, any initiative on the Mediterranean that excludes the Middle East is bound to failure. In that sense, the Sarkozy plan will either need to be revised or simply erased off the agenda for it will not add a marginal benefit towards the EU-Mediterranean relations, unless it incorporates a Middle Eastern dimension. In short, although Sarkozy’s ambitious proposal stole the ENP’s thunder and brought it back on Southern and Western Europe again, it seems to be that it will not be the golden instrument that will make France the flagship of Europe – nor will it be that instrument to miraculously change the course of the EU’s relations with its southern neighbours.

“There are fears amongst the Mediterranean countries that our expansion will create new dividing lines to the detriment of relations between us. On the contrary, we believe that enlargement will translate into a renewed European contribution to peace, stability, and prosperity along our common borders”<sup>7</sup>, stated Chris Patten, the then Commissioner for External Relations in his 2003 speech during the Euro-Mediterranean Conference of Foreign Ministers. In a nutshell, this work has defended that Mr. Patten was wrong. The eastern enlargement has eroded the Barcelona Process first by putting substantial emphasis on the European Neighbourhood Policy, thereby leaving the EMP alone and second, by shifting the focus of power in the EU to the east, where the member states are simply not interested in a distant sea. However, we have stated above that a possible French attempt to establish a brand new Mediterranean Union does not help the EMP to grow from its ashes either.

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<sup>7</sup> “The EU, the Mediterranean and the Middle East: A longstanding partnership”, *EUFocus*, May 2004, No. 1, Vol. 1.

What does the EMP need, then? As several experts argue<sup>8</sup>, the EMP needs the differentiation of the ENP. In other words, an EMP that is almost forcefully integrated to the pro-eastern ENP does not, and cannot, work in the context of neighbourliness; for the EU is not only home to diverse policy priorities but also different regions which have different problems to tackle. In exchange for insisting on such an “all inclusive” umbrella, therefore, the EU can have different baskets of instruments to be used for different geographical areas under the ENP setting. This kind of a “diversified umbrella” would contribute greatly to the European Neighbourhood Policy, for it would pave the way for a “multi-speed Europe” that the enlarged Union desperately needs in terms of dealing with external relations with third parties. While all neighbouring countries would be classified as the building blocks of a Wider Europe, they would still get special treatment from the EU – from those according to their capabilities to those according to their needs.

In line with this, the EU has to allocate time, political will and economic benefits even-handedly between the east and the south. As we have mentioned earlier, the amount of funds allocated to the eastern neighbours is significantly higher than that of the southern neighbours. If the EU wants to increase the legitimacy of the ENP in the eyes of its Mediterranean partners, first it has to show that it is economically able and willing to cooperate with them. Furthermore, the fact that the eastern neighbours’ institutional integration to the ENP, (i.e. the adoption of their APs) was much faster than that of the Mediterranean partners also undermines the sustainability and credibility of the ENP. Therefore, what the EU should do is to boost the Mediterranean dimension by engaging intensely with the MPCs to speed up the process for their adoption of the Action Plans. We expect the Portuguese Presidency in the second half of 2007 to initiate such a project. It should be noted, however, that the Mediterranean dimension of the ENP can only be sustainable if the EU takes a united position to bring in the region as a top item in its foreign policy agenda.

Whatever the course of action it chooses to remedy discontent, only time will show whether the EU will be able to become an impartial neighbour to the non-members in question.

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<sup>8</sup> For some examples, see Michael Emerson, Gergana Noutcheva, Nicu Popescu, “European Neighborhood Policy Two Years On: Time indeed for an ‘ENP plus’”, *CEPS Policy Brief*, March 2006, No. 126. Richard Youngs, “Europe’s flawed approach to Arab democracy”, *CER Essays*, October 2006. Heather Grabbe, “How the EU should help its neighbours”, *CER Policy Brief*, June 2004.

## **The Second Turkish Contribution**

In January 2007 the number of full members in the European Union increased from 25 to 27. After Eastern Enlargement in 2004, Bulgaria and Rumania joined the EU-Club. The main purpose of this research is twofold: Firstly, we intend to find out the foreign trade pattern and the structure of specialisation in foreign trade of the Mediterranean countries included in the Barcelona Euro-Mediterranean Partnership Project (MPCs- Algeria, Egypt, Israel, Jordan Morocco, Syria, Tunisia and the seven new member countries (Bulgaria, Cyprus - Greek part of Cyprus, Hungary, The Czech Republic, Malta, Poland, Romania), candidate country Turkey and the EU/15. Secondly, we will compare the structure of specialisation in foreign trade with each other and the EU/15 by focusing on the years from 1996 to 2005. In other words, we want to examine whether the foreign trade of MPCs has been negatively affected by the sixth and seventh enlargement or not. Additionally, we want to find out in which sectors they can compete with each other and where conflicts of interest can arise. Finally, we will draw some lessons and we make fundamental policy recommendations, on how the MPCs can be integrated into the proposed Euro-Free-Trade Zone, which is one of the main pillars of the Barcelona Process to be realised until 2010.

Basic conclusions from the empirical research work are:

This paper aims to analyse the foreign trade patterns and trade specialisations in some of the new EU member countries and MPCs during the years 1995-2005. Five different indices are used: Revealed comparative advantage, comparative export performance, trade overlap export similarity and conformity coefficients.

The results show that MPCs, with the exception of Israel, still have a long way to catch up with the EU/15. New members generally do not share features of developing countries as much as MPCs do. Generally spoken, in terms of labour-intensive and primary products, including agricultural products, MPCs have a comparative advantage whereas EU/15 countries have a disadvantage in these sectors. But most MPCs will compete with the new member countries such as Bulgaria and Rumania which are mainly specialised in the same sectors as the most of MPCs. But in the long-run it is expected that due to the process of export substitution the EU member countries will move over to the production of more sophisticated products and the gap in primary products, research oriented products and labour intensive sectors could be filled by the MPCs.

It is well known that FDI is one of the main driving forces behind the restructuring process and rapid economic growth in the some of the new EU member countries. Besides Israel,

Turkey and partly Morocco which accounted for more than 80% of total FDI to the region, the MPCs are not able attract FDI to their countries because of political and economic instability and the lack of a stable and well-structured investment climate. On the other hand, none of the new member countries have reached the same level of trade structure and specialisation of EU15 yet. The Czech Republic and Hungary are two countries which have done better compared to others concerning trade patterns and, followed by Poland. and Turkey, seem to be in a better position than Romania and Bulgaria in many aspects – however it is still the least similar in terms of trade with EU. In labour-intensive and resource-intensive manufactures production Turkey is in a very strong position. But it should try to move over differentiated products requiring specialised suppliers, scale-based and science-based manufactures. In these areas of production Czech Republic, Hungary and Poland have been performing very well. The results show obviously that CEECs have been benefiting from trade with EU countries. Another fact is that the EU is turning his face to the new members and this makes economic integration with the Mediterranean countries harder. Weakness in trade relations with the EU makes these countries more introverted in terms of trade specialisation as well as less successful in international competitiveness.

### **Lebanese Team**

The purpose of this paper is to assess the political impact of an enlarged Europe on the Southern Mediterranean Countries. It is important to note, however, that the *Fifth EU Enlargement* and its impact on the EU's relationship with Southern Mediterranean Countries are relatively difficult to analyse since the enlargement took place only three years ago. Accordingly, this paper will investigate, in its first part, the two main policies which have framed the relations between the European states and their southern Mediterranean counterparts. These two main policies are the Barcelona Process (EMP) and the European Neighbourhood Policy (ENP). The second part of the paper will draw attention to the EU's political stance towards these countries and the different level of commitment revealed by different EU member states towards these countries (*i.e* Arab – Israeli conflict, Iraq Crisis, Lebanese Crisis). The second part will also shed light on how the Mediterranean countries' perceptions of EU policy in the region have changed post-enlargement. Finally, the paper will highlight the future political in which an enlarged Europe can play in the Mediterranean region.

Jamil Mouawad draws the following conclusion from his research work:

The future of Euro-Mediterranean relations must not be prematurely dismissed as unachievable; however, various outstanding obstacles remain in the face of regional cooperation and effective implementation of political reform. The argument that the EU's expansion would result with a diplomatic power which rivals the United States in developing peace in Middle Eastern, especially in the Israeli-Palestinian conflict, seems highly unlikely. Effects of the Barcelona Process and the European Neighbourhood Policy on development in the Mediterranean region, specifically on civil society, have also been limited at best. The new member states of the EU have grown much quicker than EMP Mediterranean partner countries as the "*combined income of the 10 NMMCs is only one tenth of combined income of the new EU members*"<sup>9</sup>.

Indicators from recent UNDP and EU reports also suggest that there has been almost a complete absence of progress of positive developments in the civil society sector of the Mediterranean region since 1995.<sup>10</sup>

European initiatives to develop a cross-cutting relationship with their Mediterranean neighbourhood should not be abandoned. Greater concentration instead should be placed on working from the bottom up. Attempts to build bridges for regional interdependence by the newly expanded European Union must be very careful not to be "*caught between the language of post-colonialism and the behaviour of neo-colonialism*"<sup>11</sup>.

Establishing an environment of trust, as originally adopted in both the EMP and the ENP, must be grounded in sustained commitment to developing a sense of ownership amongst the underpowered MENA region. The Mediterranean partners and the European Union must both be willing and politically prepared to implement reform in order to offer an adequate chance for successful inter-regional cooperation. This responsibility must be honoured by the European Union as the primary broker capable of establishing regional cooperation. This means that the Union must first work on the integral internal dynamics of the newly enlarged and diversified EU post-enlargement. Only a united European Union can invest in a long term solution, developing a common language that is culturally sensitive to the southern Mediterranean's concerns, as a first step toward compromise and using civil society in the Middle East in order to yield results of sustained development and interregional stability.

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<sup>9</sup> Crawford, 2004

<sup>10</sup> Annual Arab UNDP Human Development Reports since 2002 or the ENP Country Report from 2004.

<sup>11</sup> Crawford, 2004