

SUB-REGIONAL COOPERATION- THE CASE OF THE MIDDLE EAST

A VIEW FROM PALESTINE

- DRAFT -

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BACKGROUND

The Euro-Mediterranean Conference held in Barcelona in November 1995, where the Foreign Ministers of all EU member states as well as officials from the EU Commission met with the Foreign Ministers of 12 Mediterranean countries to discuss the Mediterranean Partnership Program, established a framework for future partnership focussing on the following three principal fields of cooperation:

1. Political-security dimension: working towards peaceful coexistence and stability.
2. Economic-financial dimension: working towards shared prosperity, envisioning a free trade area by 2010.
3. Social-cultural-human dimension: supporting civil society in the widest sense; development of culture, media, education, and human resources

The envisioned partnership represents one of the many regional groupings that have become the order of the day, at a time when globalism has become the mainstay of international relations. This ongoing trend bears far-reaching implications for players in the Middle East, not least as far as the newly emerging Europe and Mediterranean region is concerned.

Europe has often been referred to as a model for the future Middle East but the factors that have contributed to effective regional cooperation in Europe - economic growth, good governance, political stability, and strong institutions - are either underdeveloped or not present at all in the Middle East - a region that is more than anything else destabilized due to complex conflicts and socioeconomic risks.

In the following I will first discuss the main factors obstructing sub-regional cooperation (I) as well as the prerequisites (II) for its success with regard to the aforementioned three principal fields of EU-Mediterranean cooperation. The third part (III) will look at the possible mechanisms for sub-regional cooperation, followed by a brief discussion of the possible contribution of sub-regional cooperation to the Euro-Med process (IV) as well as of the EU/EMP's potential role in assisting sub-regional cooperation (V).

I. MAIN FACTORS OBSTRUCTING SUB-REGIONAL COOPERATION

Political-security-stability dimension:

The problems accumulated under the *political-security-stability* dimension are multifaceted and affect the various states to different degrees; what they have in common, though, is the potential threats they pose to the wider MENA region - due to geographic proximity – as well as to the European-Mediterranean region – not least due to massive emigration from the south.

First and foremost, one must consider the manifold territorial and border disputes (e.g., Israel and Palestine, Israel and Syria, Israel and Lebanon, Greece and Turkey, Turkey and Syria, Egypt and Sudan) as well as ethnic and religious rivalries (Cyprus question, Kurdish question, Algerian civil strife and atrocities, etc.). Each of these – aggravated by weapons proliferation and general political instability, at times bearing the threat of violent civil wars caused by nationalism and fundamentalism - have contributed to the region's image as a permanent crisis area with missile technological capacity and the potential for massive migratory movements.

From a regional cooperation perspective, it should also be noted that Israel is in all regards more oriented to the West than to the East or the wider MENA region. Being a child of Europe rather than a member of the Middle East family, Israel is reluctant to participate in a process that would be somewhat incompatible with its exclusive security ties with the US. At the same time, its involvement would be seen as meeting America's interest in having an indirect say in the Mediterranean security framework.

From a Palestinian point of view, the notion of sub-regional cooperation is somewhat amusing, taking into consideration that the Palestinians' most immediate neighbor - Israel - does everything to frustrate any opportunities for meaningful (joint) development, while refusing to implement what has been agreed upon and signed over the years.

As long as the current stalemate in the peace process - the future of which seems to be at the mercy of internal Israeli politics - continues, the prospects for future sub-regional cooperation appear gloomy.

Although there has been no 'official' normalization with Israel, certain bilateral relations with Arab states are ongoing, often at the expense of Palestinian interests or aspirations, since, paradoxically, the same Arab states are often reluctant or even refuse to enter the Palestinian Territories and participate in conferences, seminars and other events, thus contributing to the Palestinian 'isolation' in the region.

Another serious obstacle for sub-regional cooperation is the lack of a proper regional infrastructure (including road networks, border crossings, etc.). For example, for most citizens in the MENA region it is easier and faster to travel to the US or somewhere in Europe than to a

neighboring MENA state. In addition, one must not forget the additional hardships faced by the Palestinians, who have to struggle through a jungle of Israeli-imposed, discriminatory administrative hurdles.

A further obstructing factor is the absence among the regional states of a political culture that is based on cooperation and joint efforts to achieve shared political goals. A problem all countries face and could work on jointly, for example, is the high population growth and the need to create millions of new jobs to absorb the new generations entering the labor market and to help reduce the possibility of further social unrest and migratory pressures.

The economic-financial dimension:

There are great numbers of obstacles in the way of establishing some kind of a MENA common market. The regional economies are not really complementary as was the case in Europe, for example, when the European Community was first established. MENA states have relatively poor economies that do not produce the goods their markets need and are characterized by a low level of joint production. In addition, the contrasts in terms of population, per capita income, the availability of natural resources, industrial growth capacities, etc., are huge.

Another related feature is the relatively weak participation of MENA economies in global export markets if one excludes oil. Most of the regional exports – and these are mostly limited to raw materials - go to the EU, the US and Japan, from where most of the imports – to a huge extent consumer and capital goods to meet local demand - come, while inter-Arab trade relations hardly reach 10 percent of total Arab foreign trade. Linking factors such as joint institutions are few and usually governed by political considerations and relations. In addition, there is a dire need to improve the communication and information sectors as well as the facilitation of travel and trade so as to allow for more joint initiatives and markets to better complement others. Currently, unclear terms of references and vague regulatory frameworks add to the general instability that has created an anti-investment climate.

Another major point to be mentioned in this context is the implication of the general demographic development in the region. On 28 April 1999 the United Nations Development Program (UNDP) estimated that MENA states would need to create around seven million jobs for newcomers to the labor market by 2015.

With regard to the unique situation of the Palestinian economy, the following should be noted: The separation of the West Bank and Gaza into two isolated (economic) entities and Israel's refusal to operate the safe passage between the two areas has crippled internal and external trade and other relations most severely. Israeli policies in this regard – including the closure of Jerusalem, general movement restrictions, licensing and other bureaucratic measures - are meant to protect the Israeli economy alone and to control the Palestinians' access to international markets. As long as Palestinian economic and other relations with foreign states are dependent on Israel's goodwill, the Palestinians will be prevented from contributing to the development of regional cooperation schemes in a discriminatory manner. It must also be said that Palestine has a weak export capacity due to an underdeveloped industrial base; consequently, while it almost exclusively exports agricultural produce, it must import all kinds of consumer goods and raw materials. Moreover, with relatively high labor and living costs compared to other states in the region, Palestine is a rather expensive place, which is a clear disadvantage when it comes to investment considerations.

Social-cultural-human dimension:

Obstacles for sub-regional cooperation related to the social-cultural-human dimension are mainly of a demographic nature or have to do with differing worldviews and social systems on which the various MENA states are based. The latter point refers to different understandings of the role and responsibilities of 'civil society', rivalries between the public and the NGO sectors, different degrees of democratization and readiness to democratize, and the violation of human rights. Great cultural and religious diversity leads sometimes to difficult encounters and ethnic tensions. The most eminent threat, however, may be demographic trends and poverty, both of which carry the potential for fundamentalism and, thus, for further instability. The rapid population growth rate is expected to continue in the MENA region, where young people under 15 years of age already make up the vast majority, placing severe pressure on any political system. This trend is not matched by socioeconomic measures and unemployment is on the rise (with recent ILO estimates suggesting that in order to accommodate those who join the labor force every year, at least 30,000 new jobs must be created on an annual basis!)

II. THE PREREQUISITES, POLITICAL OR OTHER, FOR SUB-REGIONAL COOPERATION IN THE MEDITERRANEAN:

Political-security-stability dimension:

Any future attempt to nurture sub-regional cooperation must be based on recognition of the fact that the MENA region can only become a competitive area if the peace process continues with clear goals (including a Palestinian state) and tangible results (peace dividends) so that people can formulate a realistic vision of how the region can develop. In addition to the full and immediate implementation of already signed agreements this requires an end to (cross-border) movement restrictions, infrastructure measures to alleviate regional travel and cooperation, and confidence-building measures on various levels, including the possibility of an international troop presence. It goes without saying that security considerations must acknowledge that every state in the region – including that of the Palestinians - has its own security concerns, which must be dealt with in a fair and unbiased manner. The elimination of major imbalances and injustices in the region must be pre-empted by timely social, economic, and political policies in order to prevent further conflicts and stabilize the region. This is especially true in light of the fact that the MENA region remains one of the areas of the world where the struggle over resources - oil and water - continues, and where, as a result, war can still pay, so that external security and the effort to secure adequate resources will remain a key issue on domestic agendas.

The keyword here may be integration, which would require strong institutional capacities at the regional and the national levels, including strong links between the two. As part of such efforts to coordinate national agendas with the actions and objectives of regional cooperation, the Arab states must begin to rethink their reluctance to enter the Palestinian Territories on political-ideological grounds and realize that they harm the Palestinian cause by 'boycotting' activities there rather than help it.

The economic-financial dimension:

Looking at the prospects of sub-regional cooperation from the economic-financial angle, one of the priorities is clearly the enforcement of legislation to end both the legal vacuum and a

situation in which unclear terms of reference prevail. Stabilizing and possibly even adjusting the regulatory frameworks is a precondition for an overall improved investment climate in the region. Other issues to be dealt with are the clarification of borders lines (not least to facilitate trade agreements, labor mobility, etc.) and measures to develop the regional infrastructure, including fair access to water resources for all and logistic facilities such as easing border crossings to allow for a better – and in the future possibly free - transfer of goods, people, knowledge, and capital.

From a Palestinian point of view, one of the main prerequisites for even the mere consideration of sub-regional cooperation is the guaranteeing of the territorial integrity of the West Bank and Gaza, including free movement and the opening of the safe passage between both areas along with an immediate end to land confiscation as well as to the closure (which has been proven as having nothing to do with security). It should be noted that the above issues are by no means new inventions but have been stipulated in the agreements already signed. Furthermore, with regard to Israel, fair trade and other agreements must be negotiated, access to international ports of entry must be facilitated and there must be an end to a policy that subjects products destined to the Palestinian market to Israeli standards and goodwill.

Due to the region's demographic developments job creation programs should be high on the agenda of every state in the region. In light of the general water shortage there should also be an orientation away from agriculture and towards more industrialization and technology. In the long run, the MENA states should develop a vision of some kind of division of labor in the region according to their respective national cost advantages. This could also form an important basis for a future competitive free trade area in the region.

Besides the abovementioned political and economic prerequisites, the setting up of an indigenous institutional capacity is essential. Without strong and effective institutions – both at the national and regional levels - regional cooperation will not last beyond the signing of agreements.

Social-cultural-human dimension:

A precondition to cooperation in the social, cultural and human dimensions is the acceptance and respect of cultural and religious diversities, which entails recognizing and emphasizing their potentials rather than their dividing lines. The promotion of intercultural dialogue and activities (student exchanges, joint exhibitions, developing common approaches, etc.) should be stressed, not least as the involvement of all kinds of economic and civil society actors is important - regional cooperation cannot be imposed from above, but instead, should be desired and supported by the general public.

Taking into consideration the cultural division between modernism and traditionalism that is evident in the MENA region, the various state actors should ensure that citizens receive educational instruction that helps counter intolerance, prejudice and hatred based on religion, race or ethnic grouping.

There is also a dire need to match the demographic developments - which suggest further impoverishment among large parts of the MENA population and thus an unprecedented potential for fundamentalism – with socioeconomic measures and job creation schemes. In facilitating this matching process, the overall goal should be to develop a skilled and flexible workforce through an putting an emphasis on technical and vocational training.

Finally, MENA states must bear in mind that international markets are becoming increasingly competitive and that in the long run, political reforms and democratization will become indispensable for the successful integration of developing countries into the global political economy.

III. POSSIBLE MECHANISMS FOR SUB-REGIONAL COOPERATION

There is much work required in order to reform the Middle East economic and political environment and make it more favorable for both foreign investors and regional cooperation initiatives. The biggest challenge for future sub-regional cooperation in the MENA area will be to move from setting goals to implementing them, something that requires a serious commitment and the will for cooperation, determined, in part, by the anticipated benefits. The effective implementation of regional cooperation frameworks will only succeed in a stable environment that provides for both transparency and accountability.

Schemes such as that of the European Union can thereby serve as a model though it should be stressed here that 'model' does not imply introducing a copied system into the regional context - the specific environment must be carefully considered in order to adapt any system to local needs and realities. Among the lessons to be learned from the EU example is that institutional set-ups at the national levels – such as (inter-)ministerial committees, chambers of commerce, trade unions, and other interest groups - are essential for regional cooperation. As for MENA, the establishment of multinational bodies (e.g., along the lines of the previously established multilateral working groups of the peace process), could be a good starting point, guided by the notion of 'sharing the regional responsibilities'. Other regional bodies could be a common Development Bank, and trade-encouraging infrastructure projects, such as a common railroad network and electricity grid, joint environment protection measures, and joint undertakings of feasibility studies and other research projects (e.g., Middle East Desalination Research Center).

Another important pillar for effective future cooperation is the availability and regular update of a database containing information on procedures and regulations implemented in MENA countries. Currently, there is a huge lack of awareness regarding what other states can offer as substitutes for the products presently being imported from developed countries.

Interregional trade must be encouraged, not least as a venue to create jobs and ease the tension posed by the demographic development with some 50 percent of the MENA population being under the age of 15 years. However, new employment strategies must start with the states' educational systems; here, reforms will be necessary to prepare the coming generations for a competitive labor market that will increasingly focus on tertiary sector services and necessitate the adjustment and making compatible of standards within the region. A young and dynamic population can – after all - be an asset, taking into consideration that the MENA working population will not have to support a large aging population, as will the workers in Europe and Japan, but will be able to concentrate instead on production and development. In addition, there are no cultural or language barriers such as those that exist amongst other regional networks in the world. This constitutes part of the MENA region's potential to become a 'neighborhood' that investors find attractive.

Another aspect of the approach to 'sharing the regional responsibilities' could apply to political and security cooperation. Among the mechanisms that could be employed in this context are the joint elaboration of possible confidence- and security-building measures, common crisis

management and dispute settlement, and engagement in common peacekeeping operations (e.g., the participation of Egyptian and Jordanian troops in former Yugoslavia). As part of such efforts, the various MENA states could also try to find ways to adjust the processes of economic and democratic reform and reduce possible tensions between modernity and fundamentalism to a minimum. This issue should not be underestimated, taking into consideration that the MENA states will find it increasingly difficult to contain their internal pressures as new information technology begins to transform the relationship between governments and people in the region, as elsewhere, and lead, irrevocably, to greater transparency. This, along with a more literate and informed populace will unavoidably have profound consequences for governments, which should not regard these developments as a threat but as an opportunity, especially as the ability of the developed countries to use their technological advantage to dominate the less developed countries is rapidly declining.

A common security agenda should also consider an integrated command on a regional basis, which could, besides monitoring and controlling armament and weapon transfers, also be responsible for civil emergency planning, disaster relief, and related military tasks. Finally, a 'charter' of commitment to act according to the principle of no harm to others (e.g., no trade agreements to the disadvantage of third parties in the region) should be signed by all parties in the region.

Other joint initiatives to accompany or strengthen sub-regional cooperation could include the exchange of cultural works (music/film festivals, exhibitions, book fairs, etc.), youth and sports activities, cooperation among universities (exchanges, scholarships, joint programs and the development of teaching material/curricula) and the creation of a joint news broadcasting center (like EuroNews).

As for the Palestinian case, there is a whole range of specific policy changes that are required in order to foster economic growth in spite of the existing political difficulties. This includes first and foremost the opening of markets abroad through new trade channels and the possibility of the Palestinians being able to nurture their own trade and other foreign relations independently of the disproportionate reliance on Israel. Any successful future development strategy for Palestine will have to provide for the ability to purchase from countries in the region other than Israel (which will be cheaper), a better infrastructure (i.e., port, airport, safe passages, new roads, etc.), and improved trade agreements. The Palestinians must be given the chance to take advantage of their dynamic civil society with skilled manpower ('social capital') and resourceful NGOs, which have proven their efficiency in the delivery of health, education, welfare, and infrastructure services over the years. Internally, the Palestinians will have to provide for a sound legal framework in order to attract private sector investment.

IV. POSSIBLE CONTRIBUTION OF SUB-REGIONAL COOPERATION TO THE EURO-MED PROCESS

Promotion of self-reliance in the countries of the MENA sub-region will eventually lead to greater stability, which is a key concern of the EU and Mediterranean countries, mainly because of the geographical proximity and the threat posed by increased (illegal) migration with all its socioeconomic and political connotations, including the influx of antidemocratic forces. Improving the employment situation and the local standards of living will hold back both social unrest and migratory flows - thus contributing to an improvement in the overall security and stability situation - and promote cooperation over competition and hostility.

Effective sub-regional cooperation – with large parts of the population feeling the benefits - and a strengthened south-south dimension is a precondition for peaceful coexistence in the region, where governments are likely to face stronger opposition and fundamentalism should the enactment of political reforms fail. This will deter foreign investments, further weakening the economic status of the region in the international political economy. Functioning mechanisms of sub-regional cooperation will thus reflect positively on the Euro-Med process, give it more credibility and widen its scope from the currently limited north-south track towards a more integrative approach.

V. POSSIBLE ROLE OF EMP/EU IN ACHIEVING SUB-REGIONAL COOPERATION

The first and foremost task of the EMP/EU in promoting sub-regional cooperation is ensuring international donor support, including the transfer of expertise, to supplement the national efforts, especially in light of the manifold problems and limited resources characteristic of the countries in the MENA region. EMP/EU policies vis-à-vis the Middle East should be clear and coordinated, with financial and other resources made available being channeled to support projects that have a regional character and bear a significant potential for common development, such as funding joint proposals/initiatives in the spheres of tourism, transportation, trade, energy, water (desalination), environment (fighting desertification, anti-pollution), development of data banks, institution building and communications. Furthermore, the EMP/EU could contribute by increasing institutional and economic links between sub-regional bodies (MENA) with their European counterparts.

As mentioned above, the EU can also offer many 'lessons' from its own experience of developing into today's EU but should avoid imposing ideas and strategies. Besides assisting in the setting up of institutions that facilitate the free movement of commodities, labor and capital, and the establishment of some kind of a customs union, this should include providing ideas concerning the means and ways to promote tolerance and respect for diversity and pluralism.

Regarding the peace process, the EU should strengthen its credibility by adopting a more active role and a firm, unified stand on the matters in question. The Arab-Israeli conflict remains a source of tension in the region and any partial or otherwise unsatisfactory agreement between the Palestinians and the Israelis will lead to political violence, which could periodically spill over into Jordan, Lebanon and Syria. As far as the Palestinian case is concerned, the EU should assist the emergence of a coherent Palestinian citizenry under the given conditions of geographical and social dispersal and put pressure on parties that are responsible for a lack of progress in the negotiations and the implementation of already agreed upon accords.