

# The Mediterranean Partners and the New EU Boundaries

**Slimane Bedrani**

Centre de Recherche en Économie Appliquée  
pour le Développement (CREAD)  
Algiers

The year 2004 is a historic time for Europe owing to the admission of ten new members into the European Union, an act that will completely alter its current structure. However, this enlargement process and the tracing of the new EU boundaries will of course also have an impact on other countries. The Mediterranean partners will have to face the challenge of the EU enlargement and the changes it may bring about in their relations with the EU Twenty-Five. What can the Mediterranean community expect from the enlargement of the EU? Is their economic and social situation at risk of deterioration, or, on the contrary, will the new circumstances bring improvements?

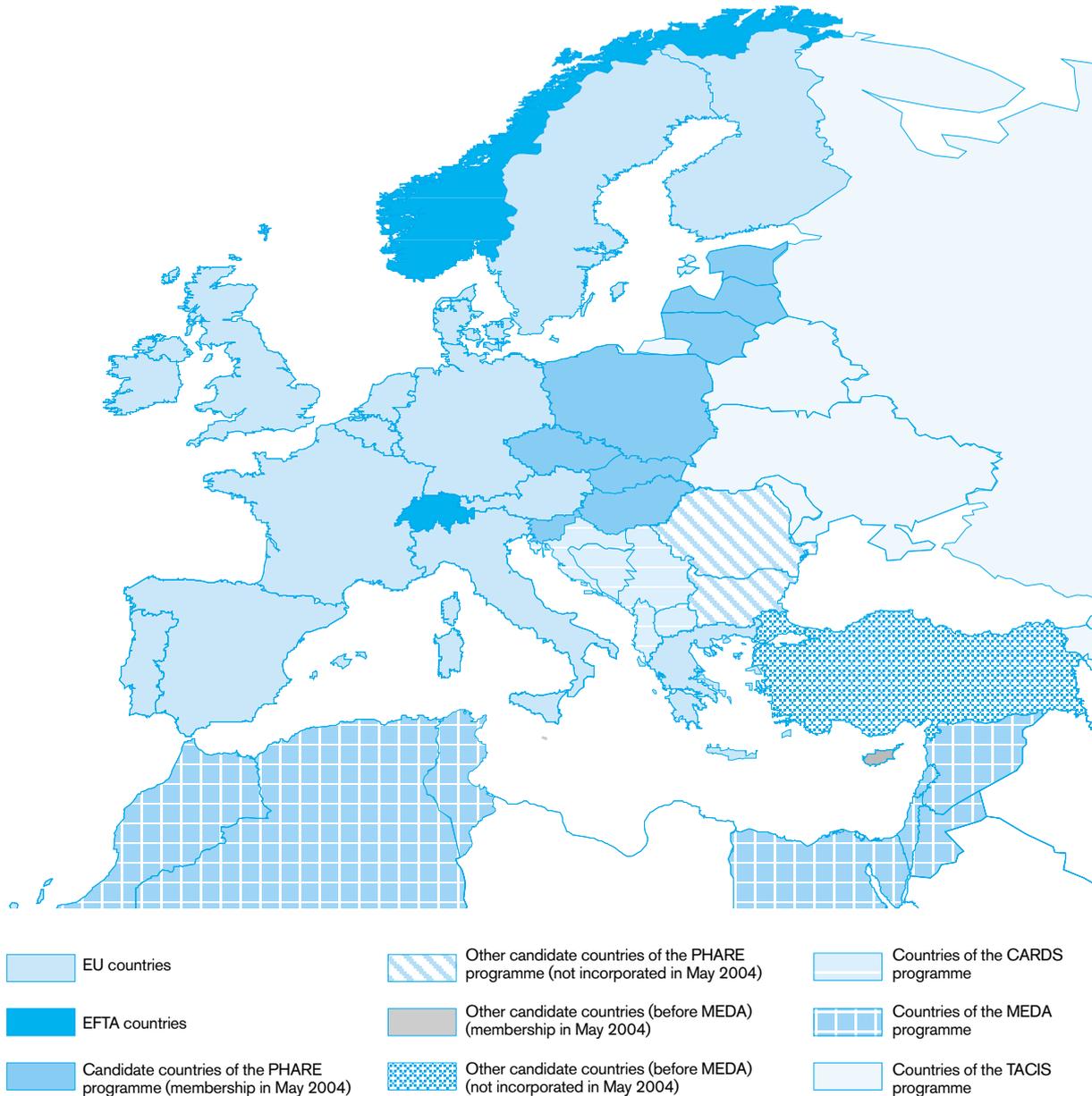
The fundamental economic wager of the countries of the southern shore of the Mediterranean in the Euro-Mediterranean venture is that it will increase the pace of economic growth. In effect, the primordial question that economists and decision-makers in these countries ask themselves – openly or otherwise, is whether Europe, with its multiform policies on co-operation and aid, has the resolution to steadily tow their own countries in its wake toward rapid and long-lasting development. This is the principal angle from which they view a European enlargement.

From this perspective, enlargement may be perceived by countries in the southern Mediterranean as a disadvantage both in the short and mid-term, though in the long term they hope it will become advantageous for them.

In the short to mid-term, the Europe Twenty-Five can be seen as economically and financially inconvenient for various reasons. Firstly, the European en-

largement could mean that the countries in the south are supplanted in at least some of their outlets in the EU, as a result of preference being given to Community members. Secondly, they are right to fear the possible repetition of the phenomena that occurred when Spain, Portugal and Greece joined the EU. In effect the enlargement itself will alter relations between the new members of the EU and the countries of the southern Mediterranean, at the cost of these southern countries, for two reasons: firstly, the new members will acquire far greater negotiating power than they currently have with the southern Mediterranean countries; and secondly, the massive aid they will receive from the EU will make their products and services more competitive than those of southern countries, which of course will be unable to call on the same level of resources to enable them to modernise their economies.

Thirdly, countries in the south of the Mediterranean region fear the accession of the ten new member countries in 2004 for financial reasons. Certain Mediterranean nations worry that their co-operation with the EU, already meagre in comparison to their needs, will suffer as a result of the enlargement due to the fact that the EU's resources will be increasingly taken by the new members. Between 1995 and 1999, the countries of Central and Eastern Europe (CCEEs) were already receiving 59% of the foreign aid granted to them by the EU and the southern and eastern Mediterranean countries (SEM) combined, even though the CCEEs only accounted for 31% of the total population (Boudhiaf, 1999). In the period of the years 2004 to 2006, the ten accession countries will receive 40.4 billion euros in Community subsidies; in the period 1992 to 1998, the SEM received 753 million euros by way of aid for structural adjustments. If we look at this in terms of population numbers, the south receives half a euro per head of population, while the east gets 185 euros.



Source: J.F. Deuret «Europe: les fonds communaires et l'élargissement», *Futuribles*, n. 282.

Nevertheless, when regarded in the long term, the countries in the south Mediterranean region could see enlargement as beneficial, inasmuch as that an enlarged Europe will constitute a bigger, and hence more prosperous market that will stimulate a higher demand for Mediterranean products. In the medium to long term, it is also to be supposed that an enlarged Europe, as a result of its greater prosperity, will invest more in the countries of the southern Mediterranean, which, after all, constitute its natural southward expansion.

For this to take place, the countries in the south will

of course have to meet a number of conditions, by unifying their markets and improving the governance of their companies, states and economies. And for this to occur, the enlarged Europe will in turn have to assist the southern Mediterranean countries in reaching higher levels of growth by facilitating the accumulation of capital. This is of course in Europe's own interest and is an aim that will need to be achieved through various mechanisms.

Firstly, the EU will need to encourage its companies to invest further in these countries of the southern Mediterranean region, and without appropriate en-

couragement, direct foreign investment from Europe will not take off. Furthermore, lines of long-term credit at low interest rates will have to be made available in order to inspire entrepreneurs in the south to invest in their own countries. The problem of agriculture is also a vital issue for other Mediterranean countries. It is clear that an appropriate solution must be found to the issue of the exclusion of agriculture from free trade agreements.

Regarding this matter and that of agriculture and foodstuffs, it will be noted that due to their demographic growth, the countries on the southern shore of the Mediterranean suffer and will for structural reasons continue to face severe shortages in staple produce such as cereals, milk, oils and sugar. There are two things principally at stake in this matter. For an enlarged Europe, the challenge would be to maintain its market shares in the southern Mediterranean countries, while for those countries in the south, it is a question of buying supplies at the lowest possible cost and of exporting fruit and vegetables, goods with which they have, or could potentially have, a comparative advantage.

With regard to agricultural output, the countries in the south Mediterranean region believe it is iniqui-

tous that Europe should impose the exclusion of agriculture from free-trade agreements. They find it all the more shocking because they are unable to obtain the currency they need to acquire equipment, knowledge and staple foodstuffs. The export of their labour force, as a result of European laws on immigration, prevents them from obtaining this currency. Moreover, direct foreign investment – considered in some circles to be the key to economic growth – is not a particularly positive option either in this case, given that there is very little of it. The industrial goods of the southern Mediterranean regions are not competitive, and hence exporting them cannot be considered a solution to the lack of currency. Lastly, it is obvious that public aid for development, of which the quantities available are laughable, will not resolve the problem.

These circumstances and conditions lead us to the conclusion that goodwill will be the key to optimising future relations between the EU and the countries on the southern shores of the Mediterranean in order to bring about a harmonious co-operation that will be beneficial to all parties and which will at last reflect the image of the Mediterranean as a «lake of peace and prosperity».