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Policy Study

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research dialogue advocacy

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POLICY STUDY

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Content

Executive Summary

The Barcelona Process, launched three decades ago, aimed to establish a shared space of peace and prosperity including Europe and its Southern and Eastern Mediterranean neighbours. The European Union (EU) primarily facilitates trade relations with Southern Mediterranean Countries (SMCs) through Euro-Mediterranean Association Agreements (AA), which promote economic integration across the Euro-Mediterranean region. After three decades of cooperation, however, the outcome of the partnership remains relatively modest. With a few country- and sector-specific exceptions, the partnership has not substantially helped SMCs upgrade their trade structures, move beyond traditional sectors, or undergo structural transformation. More importantly, Euro-Mediterranean trade is not always resilient to crises and shocks. This is because (1) trade remains relatively low, and (2) the agreements are not always designed to accommodate flexibility and crisis response. Specifically, EU-Mediterranean agreements have not evolved substantially beyond traditional trade liberalisation. These agreements recreate the "core and periphery" model, in which multiple bilateral agreements connect the EU as a bloc with individual SMCs. Furthermore, these agreements are relatively shallow in terms of both sectoral coverage and trade policy. They largely focus on liberalising trade in manufactured goods, employing tariff reduction as the primary trade policy instrument. Critical sectors, such as agriculture and services, are largely excluded, and policy coordination in non-trade-related areas is generally missing.

More importantly, these trade frameworks overlooked local conditions and alternative models of integration, failing to promote structural transformation and to increase resilience to global and regional shocks. For example, regional trade integration was not always sufficiently deep to respond to global supply chain disruptions in critical sectors. The escalation of the war in Gaza and neighbouring countries had adverse repercussions in terms of food and energy security, and political and economic stability.

While EU trade relations have increased trade volumes, they have also entrenched persistent trade imbalances and dependency on imports. Foreign direct investment (FDI) has remained modest and uneven, often concentrating in sectors that generate limited employment or value added. Technical and financial assistance is often coupled with increasingly conditional migration policies and had a limited outcome in terms of structural transformation. For instance, manufacturing sectors in Tunisia and

Lebanon have stagnated or declined, and efforts at export diversification have produced only modest results. In Jordan, the trade agreement failed to increase firms' integration in regional value chains due to burdensome compliance procedures and limited firm capacity. Morocco's more advanced engagement brought visible trade gains and investment inflows. However, with the exception of some sectoral gains, it did not lead to a more comprehensive industrial transformation. Meanwhile, Lebanon's trade agreement failed to prevent the country's descent into economic collapse. The design of these agreements has constrained not only their developmental impact but also their ability to promote resilience in the face of regional and global crises and conflicts. Clearly, there is a need to reframe EU trade policy with SMCs around the concept of economic resilience, which is defined not only as the capacity to maintain trade flows but also as the ability to adapt, absorb shocks, and ensure inclusive growth.

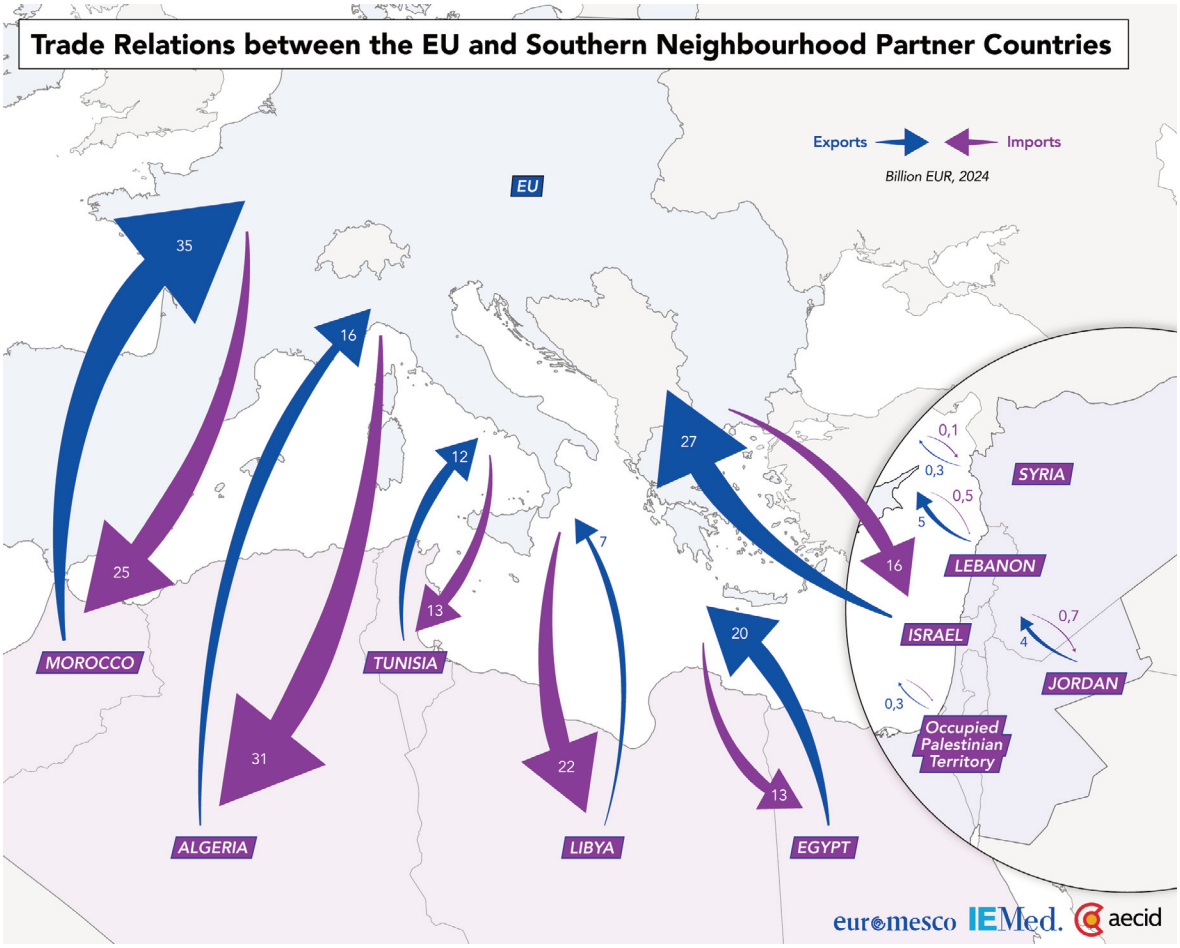
The role of EU trade in crisis alleviation in SMCs tends to be rather determined by the depth of trade relations. Libya, for example, does not have institutionalised trade arrangements with the EU, yet it is one of the EU's main hydrocarbon exporters. As Libya's top trade partner, the EU should be in a position to use trade to alleviate crises in the country and contribute to political stability. However, the evidence points to negligible levels of success in achieving this policy goal. The fact that the majority of Libya's exports are hydrocarbons, and that Libyan elites control these resources, offers little incentive to diversify the country's economy. On the other hand, the EU's vested economic interests in Libya's fuel exports make it difficult for the Union to negotiate conditional trade liberalisation or incentives for political or economic reforms.

In critical sectors such as agri-food and energy, the depth of trade agreements and the scope of cooperation are essential for trade resilience for both the EU and the SMCs. In the agri-food sector, deeper trade agreements lead to more resilient trade flows and better responses to crises. During times of food crisis, the EU did not implement new protectionist barriers against Morocco or Lebanon, for example, helping to sustain trade volumes. Due to Lebanon's shallow trade agreement with the EU, agri-food exports decreased, leaving the EU with humanitarian aid as the main crisis response tool. Conversely, the depth of the EU-Morocco trade agreement allowed for sustained and increased trade during the crisis thanks to built-in flexibility regarding non-tariff measures such as quotas and sanitary and phytosanitary (SPS) measures.

In the energy sector, trade flows from SMCs to the EU helped the latter alleviate its domestic energy crisis by securing access to alternative energy sources and

diversifying away from Russian gas. Fuel exports from the SMCs to the EU were maintained and even increased in 2022 to meet the growing EU demand. In the medium to long term, however, the EU's new energy policies could threaten the economic (and political) stability of net energy exporting countries in the Southern Neighbourhood. The EU being the main destination for fuel exports for a number of SMCs, accelerating the energy transition without integrating these partners, may lead to adverse consequences from the loss of fuel export revenues. In this regard, deep energy cooperation is important for future transitions. Morocco's proactive energy policy and regulatory harmonisation with the EU present a success story and pave the way for future sustainable partnerships focused on renewable energy and green hydrogen.

In summary, increasing trade between the EU and SMCs can enhance resilience to crises and conflicts while promoting structural transformation in the Southern Neighbourhood. However, this will require a shift in the design of trade agreements. Deepening these agreements is necessary. This means moving beyond reducing tariffs on selected goods to comprehensively liberalising trade flows, harmonising non-tariff measures, and increasing trade facilitation. Second, cooperation in areas beyond trade is important. This should include regulatory convergence, spread of know-how, and fostering innovation, among others. It is also important to include crisis response measures under trade policy frameworks to allow for a swift and timely regional cooperation. Most importantly, the agreements should focus on priority areas for the structural transformation of SMCs, such as job creation, export diversification and upgrading, green transition, and increased participation in regional and global value chains. Finally, conditionality must extend beyond political alignment and migration control to encompass concrete measures required for structural transformation.


Trade Relations between the EU and Southern Neighbourhood Partner Countries
Exports
Imports
Billion EUR, 2024
EU
35
25
16
31
12
13
7
22
27
16
20
13
0,1
0,3
0,5
5
0,7
4
0,3
MOROCCO
ALGERIA
TUNISIA
LIBYA
EGYPT
SYRIA
LEBANON
ISRAEL
JORDAN
Occupied Palestinian Territory
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List of Acronyms and Abbreviations

AA	Association Agreement
ACLED	Armed Conflict Location and Event Data Project
ASEAN	Association of South-East Asian Nations
CBAM	Carbon Border Adjustment Mechanism
CAP	Common Agricultural Policy
CCP	Common Commercial Policy
CFSP	Common Foreign and Security Policy
CGE	Computable General Equilibrium
CJEU	Court of Justice of the European Union
COP22	22nd Conference of the Parties to the United Nations Framework Convention on Climate Change
COP27	27th Conference of the Parties to the United Nations Framework Convention on Climate Change
COVID-19	COronaVIrus Disease 2019
CSDP	Common Security and Defence Policy
DCFTA	Deep and Comprehensive Free Trade Areas
EEAS	European Union External Action Service
EMFTA	Euro-Mediterranean Free Trade Area
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
ESCWA	United Nations Economic and Social Commission for Western Asia
EU	European Union
EUBAM	European Union Border Assistance Missions
EUROMED	Euro-Mediterranean Association Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GIs	Geographical Indications
GW	Gigawatt
G7	Group of Seven (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)
ICT	Information and Communication Technology
LNG	Liquefied Natural Gas
MEDRESET	MEditerranean Development RESETtlement Project
MENA	Middle East and North Africa
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NDICI	Neighbourhood, Development and International Cooperation Instrument
NTB	Non-Tariff Barriers
NTMs	Non-Tariff Measures
OCP	Office Chérifien des Phosphates (Moroccan state-owned company)
OECD	Organisation for Economic Co-operation and Development
ONSSA	National Office for the Sanitary Security of Food Products (Morocco)
OPEC	Organization of the Petroleum Exporting Countries
RASFF	Rapid Alert System for Food and Feed
RoO	Rules of Origin

SEMCs	Southern and Eastern Mediterranean Countries
SMCs	Southern Mediterranean Countries
SME	Small and Medium-Sized Enterprises
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TRQs	Tariff-Rate Quotas
UfM	Union for the Mediterranean
UN	United Nations
USD	U.S. Dollar
WTO	World Trade Organization

Introduction

Nora Aboushady
Associate Professor of Economics, Cairo University, and Associate Researcher, German Institute of Development and Sustainability (IDOS)

Euro-Mediterranean trade relations were institutionalised with the launch of the Barcelona Process three decades ago. The ultimate goal was to "create a space of shared peace and prosperity." EU trade relations with Southern Mediterranean Countries (SMCs) are primarily facilitated through Euro-Mediterranean Association Agreements (AA). These agreements aim to promote economic integration across the Euro-Mediterranean area by removing barriers to trade and investment, as well as by providing SMCs with substantial technical and financial support to help them achieve the intended objectives. However, the partnership's outcome remains relatively modest. Regional integration remains weak, and regional value chains and production networks are underdeveloped. With a few country- and sector-specific exceptions, the partnership did not substantially help SMCs upgrade their trade structures or pave the way for broader structural transformation. While the modest outcome of the agreements cannot be fully attributed to the partnership itself, the design and content of the agreements are key contributing factors.

More importantly, Euro-Mediterranean trade is not always resilient to crises and shocks. This is because (1) trade remains relatively low, and (2) the agreements are relatively shallow, which impedes an effective and flexible response to crises. The design of EU-Mediterranean agreements has not evolved substantially beyond traditional trade liberalisation. The agreements recreate the "core and periphery" model, with multiple bilateral agreements connecting the EU as a bloc with individual SMCs. Additionally, most of the agreements exclude agriculture and services from mutual liberalisation and restrict liberalisation to tariff reduction. They also overlook the importance of harmonising standards and facilitating trade in deepening regional integration. Most importantly, these frameworks overlooked local conditions and alternative models of integration, failing to promote structural transformation.

This design of the agreements undermines not only the trade outcome but also the ability to respond flexibly, promptly, and effectively to crises and shocks, such as the 2008 financial crisis, the Arab Spring, the pandemic, and current geopolitical disruptions. Political instability and armed conflicts in the region continue to pose a fundamental challenge to successful regional integration and the development of regional value chains. Global shocks, including the COVID-19 pandemic and the Russian invasion of Ukraine revealed that trade integration was not always deep enough to respond to supply chain disruptions in critical sectors. Finally, the escalation of the war in Gaza and neighbouring countries has had adverse repercussions in terms of food and energy security, as well as political and economic stability.

This study aims to critically assess EU-Mediterranean trade relations, explore ways to promote economic stability and cooperation, and increase resilience to regional and global turbulence. The study includes four chapters that offer insights into EU-Mediterranean trade relations during times of crisis and conflict from three different perspectives or dimensions. More specifically, the study aims to answer the following questions:

- How did conflicts and crises in the region and around the world affect trade relations between the EU and its Southern Neighbourhood partners?
- How did partners revise their trade objectives and priorities in light of these issues? What temporary or adaptive measures were implemented to strengthen economic resilience? Which

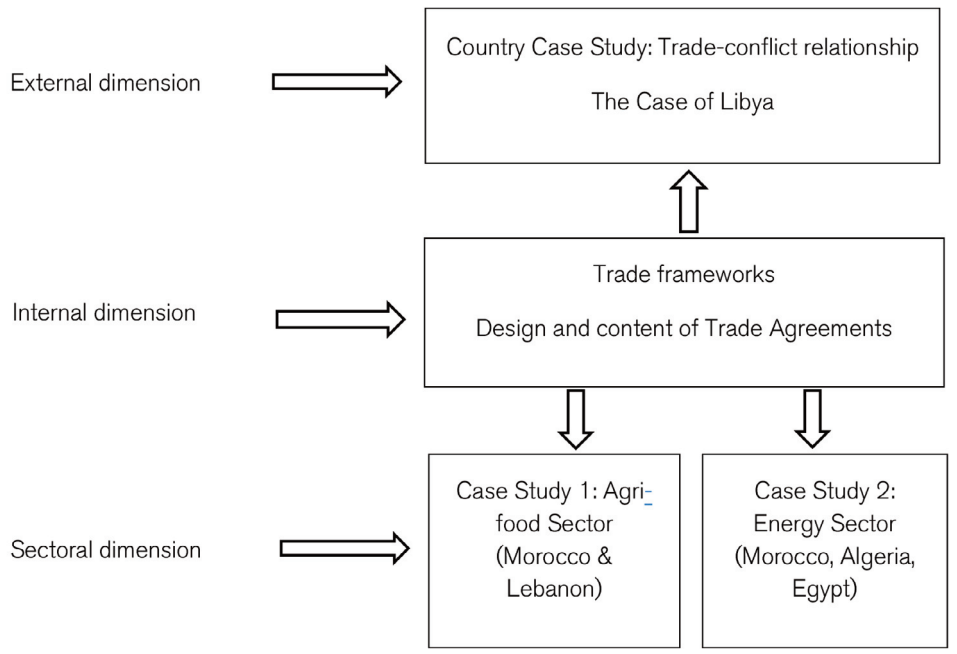
new trends are shaping long-term EU-SMC trade relations?
- What role did the EU play in supporting economic recovery and maintaining trade during times of conflict or crisis?
- What are the limitations of current agreements in adapting to evolving regional crises?
- How can trade relations be redesigned to promote just partnerships?

Chapter 1 sets the stage for this study by mapping the historical evolution, structural limitations, and performance gaps of current Euro-Mediterranean trade frameworks. It also provides a critical assessment of the outcome of these frameworks in terms of enhanced economic resilience of Southern Mediterranean partners during conflicts and crises. Through a comparative analysis of selected country cases, the chapter demonstrates how trade liberalisation has often reinforced dependency and structural vulnerability rather than enabling inclusive development and structural transformation.

Euro-Mediterranean trade is not always resilient to crises and shocks

Chapter 2 explores the nexus between trade and conflict in Libya. Unlike other SMCs, Libya does not have a trade arrangement with the EU, yet it is one of its main hydrocarbon exporters. Libya has experienced long-standing political instability and armed conflict. Therefore, it is crucial to explore the role of the EU trade instrument in alleviating subsequent crises in Libya while accounting for global and regional (i.e., exogenous) shocks. This study acknowledges the importance of external factors in analysing EU-Mediterranean trade relations while focusing on a conflict-affected country.

Figure 1. Design of the Policy Study



Note. Elaborated by the author.

Chapters 3 and 4 focus on EU-Mediterranean trade relations in two critical sectors: agri-food and energy. These chapters complement the policy study by highlighting the importance of sector-specific characteristics in trade resilience during crises and conflicts. We chose these sectors because they are relevant to both the EU and SMCs. Trade in both sectors has been greatly affected by escalating global and regional shocks, particularly since 2020. Disruptions to global supply chains in these sectors has threatened food and energy security in some countries in the region, including in the EU itself. In the agri-food sector, the third chapter compares EU trade relations with two countries, Morocco and Lebanon, and explores how the design and content of the agreements matter for trade resilience. Morocco is a relatively stable trading partner with diversified economic ties and deeper EU integration, while Lebanon is a country experiencing severe economic distress, high food import dependence, and minimal agri-food exports. The fourth chapter explores how EU-Mediterranean energy trade responded to recent turbulence. It examines the trade policy responses of the EU and three SMCs with different energy resources, policies, and trade relations with the EU: Morocco, a net energy importer with ambitious plans for energy diversification and deeper cooperation with Europe in this area; Algeria, a typical rentier state and one of Africa's largest hydrocarbon exporters; and Egypt, a prominent gas exporter facing growing pressure on its resources.

Fragile Gains: Why EU Trade Policy Fails to Deliver Resilience in the Southern Mediterranean

Nancy Ezzeddine
Research Associate- Clingendael's Conflict Research Unit (CRU)

Introduction: a shifting Mediterranean trade landscape

Over the past three decades, the European Union (EU) has constructed an elaborate framework of trade relations with its Southern Neighbourhood partners under the Barcelona Process, the European Neighbourhood Policy (ENP), and successive association and cooperation agreements (European Commission, 1995; EEAS, 2024). These efforts were meant to catalyse shared prosperity, promote regional stability, and support economic development across the Southern and Eastern Mediterranean. More concretely, they aimed to reduce trade barriers, encourage foreign direct investment (FDI), promote structural reforms, enhance regulatory convergence, and support private sector development through aid and technical assistance (European Commission, 2023). The overarching vision was to create a free trade zone and political cooperation to anchor Southern and Eastern Mediterranean Countries (SEMCs)[1] to the EU's normative and economic order. Yet, despite rhetorical commitments and billions in aid and technical cooperation, economic convergence has largely failed to materialise (CIDOB, 2023).

Yet, after nearly three decades of integration efforts, the outcomes remain highly uneven. The EU remains the leading trade partner for most SEMCs, but the region's export profile is skewed toward low value-added goods, and its economies remain heavily reliant on imports, external aid, and remittances. SEMC exports remain heavily concentrated in raw materials and low-value-added sectors, such as textiles and basic agri-food products, with minimal diversification or technological upgrading (Micallef, 2023). Many exporters face persistent non-tariff barriers, burdensome rules of origin (RoO), and institutional constraints that limit their capacity to benefit from trade preferences. FDI has failed to deliver significant structural transformation, and employment creation in tradable sectors has lagged behind expectations. Instead of fostering convergence, the prevailing trade model has deepened structural imbalances and exposed SEMCs to volatility in external demand, commodity markets, and global capital flows (Demertziz, & Biondi, 2017).

This trade fragility is further compounded by recent EU measures, such as the Carbon Border Adjustment Mechanism and migration-linked Memorandum of Understanding (MoU), which impose new compliance costs and conditionalities without addressing underlying developmental deficits (Behr, 2010). The COVID-19 pandemic, the war in Ukraine, food and energy price spikes, and climate-induced stressors have further highlighted the fragility of the region's economic foundations. Despite the language of mutual benefit and sustainable development, EU trade policy has often prioritised regulatory alignment and market access over developmental asymmetries, employment imperatives, or productive resilience.

Against this backdrop, rethinking the EU's trade policy with its Southern Neighbourhood is both urgent and strategic. Chapter 1 sets the stage for this broader rethinking by mapping the historical evolution, structural limitations, and performance gaps of current EU-SEMC trade frameworks. While earlier sections explore the evolution

[1] The Southern and Eastern Mediterranean Countries (SEMCs) typically include: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia, and sometimes Mauritania and Turkey depending on context.

and institutional architecture of Euro-Mediterranean trade policy, the latter half of the chapter assesses whether these frameworks have meaningfully enhanced the economic agency or resilience of SEMCs in the face of escalating crises. Through a comparative analysis of selected country cases, the chapter demonstrates how trade liberalisation has too often reinforced dependency and structural vulnerability rather than enabling inclusive development.

Euro-Mediterranean trade policy: legacy, structural imbalances, and fragmented integration

Origins and architecture of Euro-Mediterranean trade

The Barcelona Declaration of 1995 launched a bold vision for Euro-Mediterranean integration, laying the foundation for a structured partnership based on three interlinked pillars: political dialogue and security cooperation; economic and financial partnership; and social, cultural, and human affairs (European Commission, 1995). Central to this framework was the establishment of a Euro-Mediterranean Free Trade Area (EMFTA), envisioned as a pathway to peace and shared prosperity across the Mediterranean basin. In pursuit of this goal, the EU embarked on a process of negotiating bilateral Association Agreements (AAs) with SEMCs, most of which entered into force between the late 1990s and early 2000s. These agreements liberalised trade in goods, introduced rules on competition and intellectual property, and committed partners to policy harmonisation and regulatory convergence with the EU (European Commission, 1995; Joffé, 2007).

The Barcelona Declaration of 1995 launched a bold vision for Euro-Mediterranean integration, laying the foundation for a Euro-Mediterranean Free Trade Area (EMFTA), envisioned as a pathway to peace and shared prosperity across the Mediterranean basin.

Table 1. Barcelona Declaration and Association Agreements

Country	Year Signed (AA)	Barcelona Pillars Addressed	Focus Areas of AA	Implementation Challenges	Current Status
Morocco	**1996**	Economic Partnership, Political Dialogue, Socio-cultural Exchange	Trade liberalisation, investment, cooperation on migration	Limited diversification, dependence on EU markets, high youth unemployment	Active, part of ENP and Union for the Mediterranean (UfM)
Tunisia	**1995**	Economic Partnership, Political Dialogue, Socio-cultural Exchange	Trade liberalisation, structural reform, governance support	Political instability, trade imbalance, limited FDI	Active, Deep and Comprehensive Free Trade Area (DCFTA) talks started
Egypt	**2001**	Economic Partnership, Political Dialogue	Market access, political cooperation, industrial modernisation	Slow reform pace, market protectionism, political bottlenecks	Active, DCFTA talks started

Jordan	**1997**	Economic Partnership, Political Dialogue	Free trade, investment, customs cooperation	Trade imbalance, lack of local value-added production	Active, further negotiations on DCFTA
Algeria	**2002**	Economic Partnership, Political Dialogue	Tariff reductions, regulatory approximation	State control over economy, political friction with EU	Active but under strain
Lebanon	**2002**	Economic Partnership, Political Dialogue, Sociocultural Exchange	Trade and services, investment, migration cooperation	Security concerns, weak institutional capacity	Active, limited implementation
Israel	**1995**	Economic Partnership, Political Dialogue, Sociocultural Exchange	Trade facilitation, technical cooperation, scientific exchange	Territorial disputes, EU criticism of settlements	Active with reservations
Palestine	**1997**	Economic Partnership, Political Dialogue, Sociocultural Exchange	Interim agreement: trade facilitation, institutional cooperation	Interim nature of agreement, lack of final status resolution	Interim agreement remains in effect

Note. Elaborated by author.

These AAs followed a largely uniform template and imposed a standardised approach to objectives and legal structures, though the depth and scope of implementation varied based on each country's political and economic conditions. Most included provisions for the gradual dismantling of tariffs on industrial goods, measures to facilitate trade, and general commitments to democracy, human rights, and the rule of law. However, the implementation of these frameworks diverged considerably across countries due to weak institutional capacity, varied governance standards, and political instability. The proliferation of overlapping frameworks — including AAs, European Neighbourhood Policy Action Plans, and attempted Deep and Comprehensive Free Trade Areas (DCFTAs) — contributed to fragmentation. With only Morocco and Tunisia advancing DCFTA negotiations to any practical stage, and with implementation lagging even under existing AAs, the promise of deeper integration has remained elusive.

Subsequent initiatives such as the ENP in 2004 and the Union for the Mediterranean (UfM) in 2008 attempted to revitalise the partnership. The ENP introduced Action Plans that linked deeper market access to political and economic reforms, while the UfM aimed to depoliticise cooperation by focusing on regional projects and sectoral dialogue (Del Santo, 2006; Schumacher, 2016). Yet both frameworks struggled to gain traction. The ENP's reform conditionality was inconsistently applied and lacked credibility, particularly as the EU failed to reward reforms with meaningful market access in sensitive sectors such as agriculture. The UfM, meanwhile, remained politically gridlocked,

unable to move beyond declaratory ambitions. As a result, Euro-Mediterranean trade policy remained dominated by bilateralism, characterised by a hub-and-spoke model that reinforced dependency on European markets rather than fostering intra-regional economic integration.

Moreover, these frameworks were shaped by a unidirectional vision of convergence: the idea that SEMCs would gradually adopt EU norms, standards, and institutions. This technocratic paradigm overlooked the local political economy arrangements that shape development outcomes – including institutional weaknesses, the dominance of domestic interest groups, and persistence of rent-seeking networks resistant to market openness. In doing so, it failed to generate endogenous growth or institutional resilience. It also left the region ill-prepared for systemic shocks — from the 2008 financial crisis and the Arab uprisings to the COVID-19 pandemic and current geopolitical disruptions —, which exposed the fragility of trade-dependent growth strategies and the inadequacies of EU policy tools in times of crisis.

Structural constraints and policy mismatches

The structural shortcomings of Euro-Mediterranean trade agreements lie not only in their standardised, top-down design, but also in their persistent failure to account for local capacities, policy priorities, and institutional readiness across SMCs. While the AAs were framed as tools for reform and economic integration, they often lacked the necessary flexibility and contextual awareness to support inclusive development trajectories. By imposing uniform liberalisation and governance models without aligning them with national development strategies or absorbing capacity, these agreements placed the burden of adjustment disproportionately on the weaker partner.

In this context, Egypt and Jordan offer illustrative cases. Both countries signed comprehensive AAs with provisions for investment facilitation, trade liberalisation, and governance reform. Yet implementation was constrained by overlapping and fragmented trade frameworks, the absence of mutual recognition of standards, and a lack of targeted industrial strategies. As liberalisation proceeded without the support of industrial policy, foreign investment flowed largely into low-value-added sectors such as real estate and construction, leaving high-value manufacturing and services underdeveloped. Institutional capacity gaps and fiscal pressures further hindered reform outcomes, resulting in limited trade competitiveness and continued dependence on low-value exports and foreign aid.

Tunisia and Morocco faced similarly mismatched trajectories. In Tunisia, liberalisation of sectors such as textiles and agri-food, undertaken without adequate transitional protections or strategic support, led to the collapse of many local firms under pressure from subsidised EU imports. In Morocco, technical compliance challenges, especially in agricultural exports, undermined the country's ability to take advantage of trade preferences. In both cases, the agreements not only failed to stimulate structural transformation but arguably locked in economic models dependent on EU demand and low-margin exports, without delivering the promised integration or diversification benefits.

Transaction costs and regulatory barriers

One of the most enduring and underestimated obstacles to effective trade inte-

By imposing uniform liberalisation and governance models without aligning them with national development strategies or absorbing capacity, these agreements placed the burden of adjustment disproportionately on the weaker partner.

gration between the EU and SEMCs lies in the persistence of high transaction costs. Chief among these are non-tariff barriers (NTBs) and RoO, which collectively hinder the formation of regional value chains and limit SEMCs' ability to scale their exports beyond low-margin sectors. While tariffs have largely been dismantled under the AAs, these less visible regulatory barriers continue to impose significant costs on SEMC exporters, who face an uneven playing field shaped by technical compliance burdens, procedural delays, and overlapping legal frameworks. These barriers favour EU-based firms with greater technical and institutional capacity, while SEMC exporters often lack the resources to navigate the dense regulatory environment (Augier et al., 2005).

The effects are especially pronounced in countries like Tunisia and Morocco. Tunisia, for instance, faces significant challenges complying with EU technical standards, which limit the country's agricultural and industrial export potential. Despite being a participant in the Pan-Euro-Mediterranean system of cumulation, which was intended to simplify RoO procedures, Tunisian exporters continue to report high costs in meeting product certification and traceability requirements. In Morocco, despite relatively stronger institutional capacity, NTBs in the form of complex phytosanitary and quality control measures continue to reduce the competitiveness of its agri-food exports.

More recently, the EU's introduction of climate-related trade instruments such as the Carbon Border Adjustment Mechanism (CBAM) has introduced a new layer of regulatory asymmetry. The CBAM, currently in its transitional phase, is expected to disproportionately affect SEMCs given their industrial structure and high-carbon production processes. Tunisia faces the highest CBAM exposure-to-GDP ratio in the region (0.47%), while Egypt exported approximately €4.6 billion worth of CBAM-covered goods to the EU in 2022, around 10% of its total exports (World Bank, 2023). Yet despite these risks, SEMCs have received limited technical assistance or transitional financing to meet compliance requirements, deepening the asymmetry of obligations and further entrenching trade imbalances.

Geopolitical risk and trade fragility

While trade integration is often framed in purely economic terms, its success and durability are deeply shaped by geopolitical dynamics. The Southern Mediterranean's vulnerability to external shocks, regional conflicts, and global political realignments has exposed the fragility of its trade relationship with the EU. Rather than shielding trade from geopolitical instability, EU-SEMC frameworks have often been reactive and short-term in focus — frequently leveraging trade and aid instruments to pursue security and migration objectives rather than long-term development goals. This securitised and transactional approach has reduced trade policy to a tool of crisis management, undermining its potential to foster resilience, diversification, or mutual prosperity.

The risks of this trend are evident in multiple cases. Algeria's trade agreement, which focused largely on hydrocarbons, entrenched a mono-export model that left the country vulnerable to global energy shocks. The lack of export diversification and limited manufacturing capacity has rendered the economy highly susceptible to fluctuations in global commodity markets. Meanwhile, disruptions in the Suez Canal and Red Sea trade routes — due to regional conflicts and maritime insecurity

— have had wide-ranging effects on regional logistics. Between late 2023 and early 2024, East Mediterranean ports saw a 12-32% drop in throughput, underscoring the acute exposure of SEMCs to volatility in transit and energy corridors (Fitch Ratings, 2024).

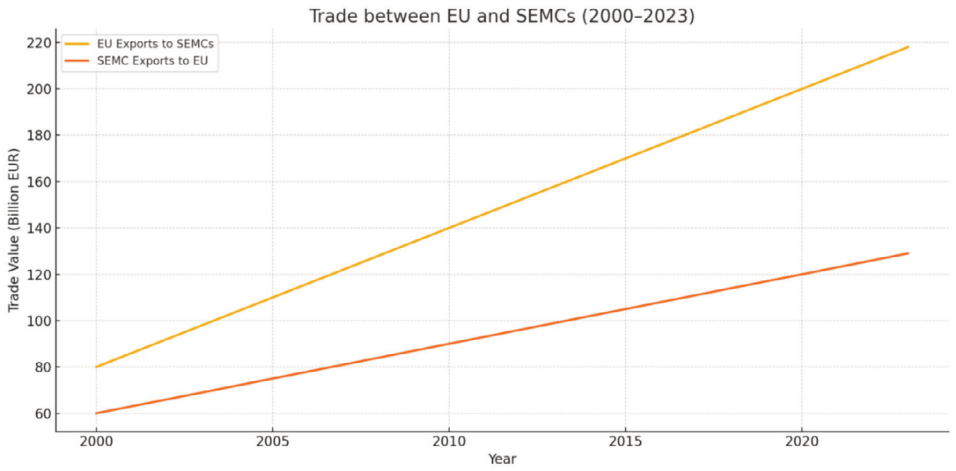
At the policy level, recent EU agreements with Tunisia and Egypt illustrate the shift toward transactionalism. In 2023, the EU signed a €1.1 billion MoU with Tunisia, tying macroeconomic support to migration enforcement commitments. A similar €7.4 billion package was signed with Egypt in 2024, again prioritising border control and security cooperation over inclusive economic reform (Cohen-Hadria, E., 2024). While such agreements provide short-term political wins, they erode the legitimacy and developmental purpose of the EU's trade agenda, entrenching asymmetries and deterring deeper integration.

Trade outcomes and persistent imbalances

The cumulative effect of structural mismatches, regulatory asymmetries, and geopolitical distortions is reflected in the outcomes of the EU-Southern Mediterranean trade relationship. Despite the proliferation of bilateral agreements and sectoral initiatives, the trade regimes have delivered modest benefits to SEMCs in terms of value addition, diversification, or resilience. Instead, several key imbalances and shortcomings persist.

First, the trade balance remains heavily tilted in favour of the EU. In 2023, EU exports to SEMCs totalled approximately €239 billion, compared to €218 billion in imports (European Commission, 2024). This asymmetry has persisted over decades, with EU exports growing more rapidly and encompassing a diverse array of high-value goods, while SEMC exports remain dominated by a narrow set of low-value products such as raw materials, textiles, and basic agricultural goods. For example, EU exports to Lebanon in 2010 totalled €4.7 billion, while Lebanese exports to the EU were just €0.33 billion (Reigeluth, 2012).

Figure 1. EU-SEMCs Trade



Note. Elaborated by author, sourced from European Commission (2024).

Second, the composition of trade flows further underscores the asymmetry. Machinery and transport equipment accounted for over 40% of EU exports to SEMCs in 2022, while SEMC exports to the EU largely comprised agricultural and textile products (Eurostat, 2023; Ayadi et al., 2022). This imbalance reinforces a pattern of dependency, where SEMCs serve as suppliers of low-margin goods and consumers of high-value European products, limiting prospects for domestic upgrading and industrial transformation.

Third, intra-regional trade within the Southern Mediterranean remains exceptionally low, hovering around 10% of total trade, far below the levels seen in the EU (over 60%) or even regions like the Association of Southeast Asian Nations (ASEAN) (25%) (Brugel, 2017; Farshbaf & Nuget, 2014). The lack of regional economic integration is exacerbated by inconsistent application of RoO, regulatory divergence, and limited transport and logistics infrastructure.

Finally, the agreements have yielded little progress in spurring structural reform. Countries such as Algeria remain heavily reliant on hydrocarbon exports, while others like Tunisia and Jordan have struggled to climb the value chain. Limited investment in industrial policy, weak institutional enforcement, and a persistent focus on trade liberalisation over productive capacity-building have constrained the transformative potential of EU trade engagements.

Taken together, these outcomes highlight the gap between the ambitions of the Barcelona Process and the realities of implementation. Rather than generating shared prosperity, the prevailing trade frameworks have contributed to economic dependency, low competitiveness, and developmental stagnation across the Southern Mediterranean.

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As the next section will demonstrate, the limitations of these legacy frameworks are not merely technical but reflect deeper structural constraints and imbalances in the Euro-Mediterranean relationship. Reassessing these legacies is essential to crafting a more equitable, inclusive, and future-oriented trade partnership.

When trade builds or breaks resilience — a data-driven assessment

Introduction: testing trade against turbulence

In the wake of overlapping global and regional crises — ranging from the COVID-19 pandemic to the war in Ukraine and mounting climate and energy disruptions —, the Southern Mediterranean's economic fragilities have been sharply exposed. These crises have served as a real-world stress test for the Euro-Mediterranean trade frameworks discussed in Section 2. Where trade agreements were expected to build structural resilience, diversify exports, and attract investment, outcomes have often diverged significantly across countries.

This section interrogates whether EU trade agreements have, in practice, helped SEMCs withstand systemic shocks and build economic agency. Drawing on trade, investment, and employment data between 2018 and 2022, we assess five countries — Jordan, Tunisia, Morocco, Lebanon, and Iraq (with the Kurdistan region as a subnational lens) — to understand how trade dynamics played out under crisis pressure. These cases, though diverse, represent a spectrum of integration models, structural endowments, and political economies that help us examine not just what outcomes emerged, but why.

Rationale for country selection

The selected countries serve distinct analytical purposes, allowing us to test how different trade arrangements and domestic policy conditions shape resilience outcomes:

- **Jordan:** A case of targeted EU preferences (2016 RoO reform) meant to combine trade and social inclusion (via Syrian refugee employment).
- **Tunisia:** A first-mover in EU association agreements (1995), illustrating long-term liberalisation without structural upgrading.
- **Morocco:** An advanced integration case with deepening ties, testing whether higher cooperation yields more resilience.
- **Lebanon:** A cautionary example of a financialised, service-driven economy with trade dependency but little productive depth.
- **Iraq (KRG):** A control case outside formal EU agreements, relying on informal regional trade to build resilience in a fragmented state.

Table 2. Barcelona Declaration and Association Agreements

Country	Type of Trade Relation with EU	Analytical Role
Jordan	Association Agreement + RoO	Targeted policy test case
Tunisia	Association Agreement (since 1995)	Structural fragility under liberalisation
Morocco	Advanced Association + Sectoral Protocols	Deep integration test
Lebanon	Association Agreement (2006)	Collapse under fragile trade model
Iraq (KRG)	No formal agreement	Informal resilience, control case

Note. Elaborated by author.

Jordan: trade preferences and partial resilience

Jordan's trade engagement with the EU has historically been limited, but it received renewed attention following the 2016 simplification of RoO. This reform — part of the Jordan Compact — was framed not only as a trade policy tool, but also as a means of incentivising refugee employment and migration containment (Sharabi Rosshandler, 2021; US AID & The Hashemite Kingdom of Jordan, 2016). The 2018 amendment expanded its geographic coverage and eased conditions, including reducing the Syrian refugee employment requirement, yet uptake remained limited (US AID & The Hashemite Kingdom of Jordan, 2016).

Between 2018 and 2022, Jordan's total exports to the EU remained modest but showed signs of incremental growth in sectors like garments and chemical products. However, imports from the EU during this same period were consistently high and diversified across sectors, particularly

in machinery, chemicals, and foodstuffs. For example, while machinery imports from the EU peaked near USD 700 million in 2018 and remained elevated, exports in the same category did not surpass USD 60 million, demonstrating a pronounced structural trade imbalance. In textiles, exports gradually increased from 2018 to 2022, yet still fell short of matching import volumes. These trends underscore the asymmetric nature of the trade relationship (US AID & The Hashemite Kingdom of Jordan, 2016).

The EU is Jordan's top trading partner, accounting for 12-15% of Jordan's imports, yet receives only 3-4.4% of Jordan's exports (Sharabi Rosshandler, 2021). This imbalance suggests that while Jordan gained limited preferential access to European markets, EU exporters continued to enjoy broad access to Jordanian markets. The structure of the agreement — focusing on liberalisation without reciprocal institutional or technical support — appears to have deepened trade asymmetries rather than correcting them (Sharabi Rosshandler, 2021).

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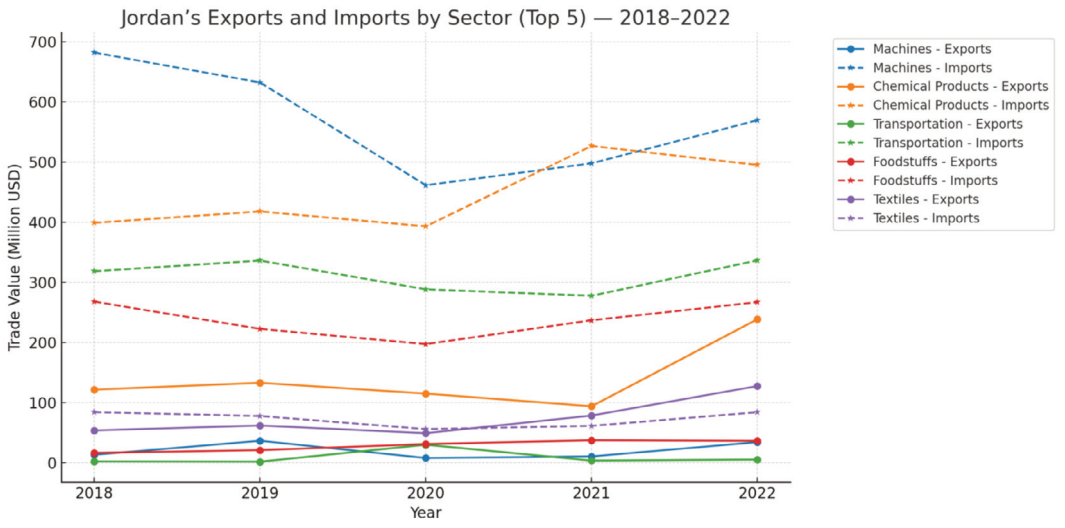
These dynamics are directly linked to the structure and outcome of the EU-Jordan trade agreement: while the agreement provided selective benefits tied to conditions like refugee employment, it failed to establish broader support mechanisms for industrial upgrading, market access simplification, or SME inclusion. Uptake of the RoO initiative was limited to a small number of firms located in designated industrial zones. As of 2019, only 14 firms had registered under the scheme, and just eight exported, primarily in plastics and ready-made garments (US AID & The Hashemite Kingdom of Jordan, 2016). This slow adoption reflected deeper structural issues — limited firm capacity, burdensome compliance procedures, and low integration into EU value chains (Brunelli et al., 2016).

FDI into Jordan remained relatively volatile over the period, averaging below 3% of GDP and showing limited correlation with export performance. Employment in industry accounted for just under 20% of the workforce, with services dominating at over 75%. Manufacturing's contribution to GDP remained stagnant, suggesting that EU

Figure 2. Jordan's Exports and Imports by Sector (Top 5) – 2018-2022



Note. Elaborated by author, sourced from OEC (2025).

trade preferences alone were insufficient to drive industrial upgrading (Sharabi Roshandler, 2021).

Overall, while the RoO reform offered targeted relief and created a modest number of jobs for both Jordanians and Syrian refugees, it did not meaningfully transform Jordan's trade profile. In the context of this section's broader question — whether EU trade agreements have built resilience against shocks —, the case of Jordan reveals clear limitations. Despite being explicitly designed to link trade with economic stability and crisis mitigation, the agreement failed to deliver resilience in the face of regional instability, refugee inflows, and global trade disruptions. Rather than enabling structural upgrading or self-sustained growth, the EU-Jordan agreement functioned primarily as a containment and aid-linked mechanism, with limited long-term economic returns. The case underscores that trade preferences can support resilience only when accompanied by robust industrial policy, institutional capacity, and market access facilitation. Without these, preferential access remains underutilised and structurally constrained (Brunelli et al. 2016).

Tunisia: from first-mover to fractured outcomes

Tunisia holds the distinction of being the first SMC to sign an AA with the EU, which entered into force in 1998. The agreement was expected to anchor Tunisia's integration into European markets and promote economic modernisation through trade liberalisation. Yet, over two decades later, Tunisia's experience illustrates the long-term limitations of liberalisation when unaccompanied by institutional support, industrial upgrading, or inclusive development planning.

Between 2018 and 2022, Tunisia remained highly dependent on the EU, which accounted for over 70% of its exports and 46% of its imports. Yet, this tight integration masked deep imbalances. EU exports to Tunisia, valued at €13.6 billion in 2022, were dominated by machinery, chemicals, and mineral products, while Tunisia's exports to the EU, worth €12.5 billion, were concentrated in labour-intensive goods such as textiles and machinery components (Boughzala, 2023). This structural asymmetry reflects Tunisia's stagnation in low value-added segments, compounded by weak diversification.

Sectorally, Tunisia's export base contracted. Though exports of olive oil and textiles remain significant, both sectors have suffered from EU quota limitations, quality restrictions, and high regulatory compliance costs (Fort et al., 2023; Rudloff & Werenfels, 2018). For example, while the EU is Tunisia's largest market for olive oil, most Tunisian oil enters the EU as bulk product under inward processing arrangements, stripped of national branding, and subject to tight tariff-rate quotas. This not only suppresses value capture but further entrenches Tunisia's subordinate role in EU value chains (Fort et al., 2023).

Meanwhile, FDI has remained volatile, with net inflows declining post-2011 and concentrated in low-employment sectors like energy and extractives. Manufacturing's contribution to GDP hovered around 16%, while employment in trade-linked sectors like industry and agriculture steadily declined (Boughzala, 2023).

Tunisia's current trade fragility has been exacerbated by political instability and EU migration diplomacy. In 2023, the EU signed a controversial MoU with Tunisia tying macro-financial support and sectoral cooperation to increased migration control.

Negotiations over a DCFTA have been met with widespread domestic opposition replicate the pitfalls of the AA—offering access without inclusion, exposing vulnerable sectors to competition without capacity support, and deepening dependence without transformation.

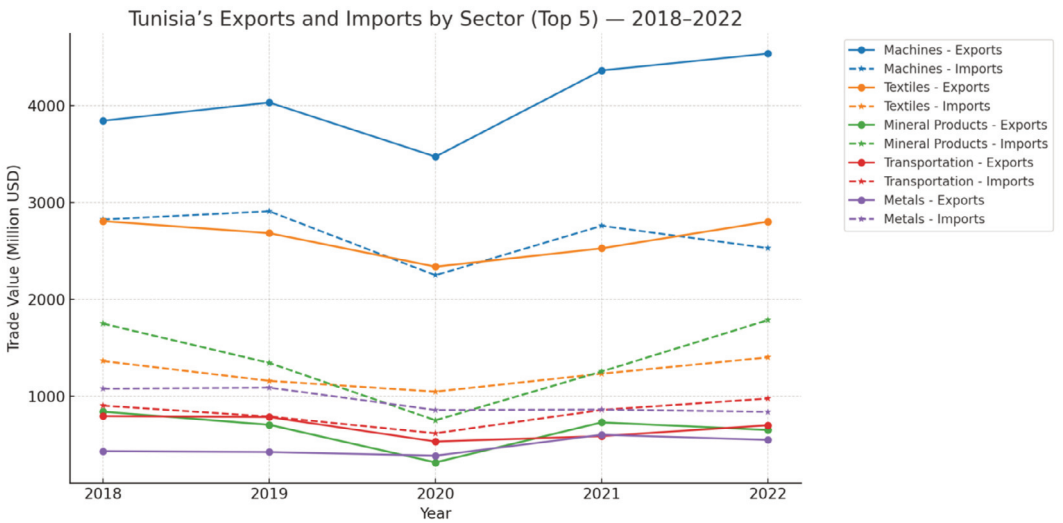
Tunisia's experience reveals the long-term costs of asymmetrical trade integration how trade liberalisation without structural safeguards may embed fragility rather than resilience.

The MoU bypassed formal institutional processes and raised alarms about democratic accountability and human rights risks — further blurring the lines between trade, aid, and migration containment policy (Boughzala, 2023).

Simultaneously, the ongoing negotiations over a DCFTA have been met with widespread domestic opposition. Civil society groups, trade unions, and small and medium-sized enterprises (SME) representatives argue that the DCFTA replicates the pitfalls of the AA, offering access without inclusion, exposing vulnerable sectors to competition without capacity support, and deepening dependence without transformation (Riahi & Hamouchene, 2020; Rudloff & Werenfels, 2018; Gasiorek & Mouley, 2018). Empirical models suggest that, unless accompanied by significant adjustment mechanisms, DCFTA liberalisation could disproportionately burden Tunisian producers while generating modest EU gains (Riahi & Hamouchene, 2020; Rudloff & Werenfels, 2018; Gasiorek & Mouley, 2018).

Taken together, Tunisia's experience reveals the long-term costs of asymmetrical trade integration. Far from insulating the country from recent global shocks, the EU-Tunisia trade framework left its export sectors vulnerable, its employment base fragile, and its policy space constrained. The Tunisia case thus exemplifies how trade liberalisation without structural safeguards may embed fragility rather than resilience.

Figure 3. Tunisia's Top 5 Export and Import Sectors – 2018-2022

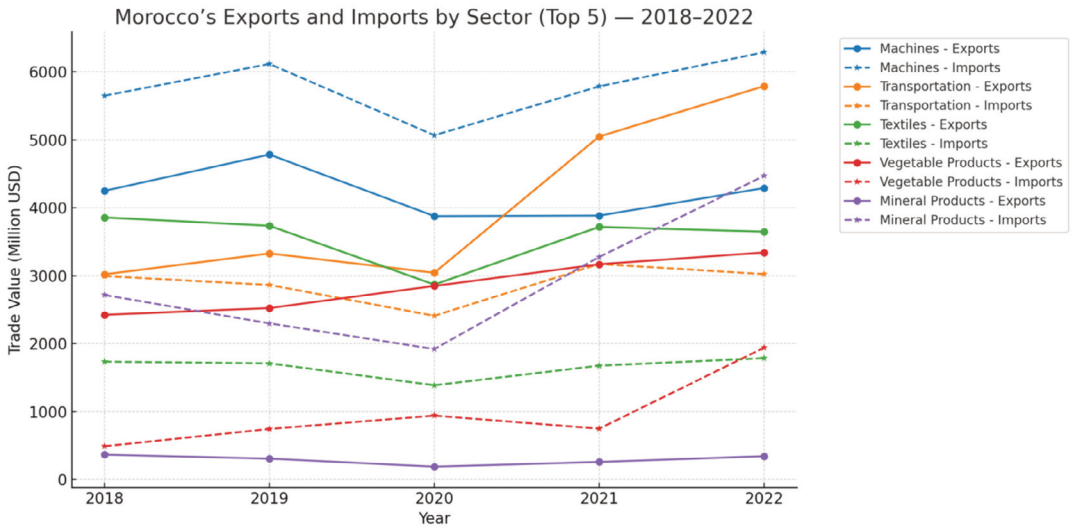


Note. Elaborated by author, sourced from OEC (2025).

Morocco: deep integration without structural convergence

Morocco's AA with the EU entered into force in 2000 and is often cited as one of the more advanced cases of Euro-Mediterranean trade integration. Over the last two decades, the agreement has supported a steady increase in trade volumes, foreign investment, and Morocco's insertion into global value chains. Yet the structure of the agreement and Morocco's economic outcomes suggests that deepening integration has not translated into broad-based resilience.

Figure 4. Morocco's Exports and Imports by Sector (Top 5) – 2018-2022



Note. Elaborated by author, sourced from OEC (2025).

By 2022, the EU remained Morocco's dominant trade partner, accounting for approximately 60% of Moroccan exports and over 50% of its imports (Berahab & Dadush, 2020). Morocco's export profile to the EU was led by textiles, machinery, and agri-food products, while imports were heavily weighted toward intermediate and capital goods. Despite increased trade volume, Morocco's bilateral deficit with the EU has widened, and most of its exports remain low in value-added, reinforcing dependency on labour-intensive sectors (Elbehri & Hertel, 2006).

Quantitative assessments have shown modest welfare gains from the EU-Morocco free trade agreement (FTA). A computable general equilibrium (CGE) model by Rutherford et al. (1997) estimated welfare gains at about 1.5% of GDP, increasing to 2.5% under multilateral liberalisation scenarios. These gains came largely from lower consumer prices and greater access to intermediate goods rather than expanded export market access (Rutherford et al., 1997).

Although Morocco's trade liberalisation proceeded on schedule, tariff reductions were not matched by a real exchange rate devaluation or structural upgrading. As a result, employment growth in tradable sectors has remained sluggish. Between 2018 and 2022, manufacturing's share of GDP plateaued, and industrial employment hovered around 20-22% (Berahab & Dadush, 2020). FDI was concentrated in energy and extractives, while agriculture and informal enterprises saw limited benefit from EU-linked trade.

Moreover, Morocco's attempt to deepen integration through the proposed DCFTA stalled in 2014 due to political opposition and civil society concerns over regulatory harmonisation, domestic market vulnerability, and labour rights. Critics argue that the EU's selective liberalisation of agriculture and continued application of RoO restrictions has locked Morocco into a peripheral role in European value chains (Jabrin, 2016).

Contention around the legal application of EU-Morocco trade deals to Western Sahara

Morocco's experience highlights how deep integration – when asymmetric and sectorally limited – can deliver moderate gains without structural transformation.

has further complicated relations. A 2024 Court of Justice of the European Union (CJEU) ruling annulled trade agreements covering agricultural and fishery products sourced from the disputed territory, citing lack of consent from the Sahrawi people (Medini, 2024). This legal uncertainty casts a shadow over long-term investment and undermines Morocco's ability to negotiate from a position of stability.

In sum, Morocco's experience highlights how deep integration — when asymmetric and sectorally limited — can deliver moderate gains without structural transformation. The country's productive base remains shallow, its export profile vulnerable, and its trade politics increasingly entangled in geopolitical and legal controversies.

Lebanon: fragility in a financialised trade regime

Lebanon entered its AA with the EU in 2006 as part of a wider Euro-Mediterranean strategy to integrate the Southern Neighbourhood into European markets. Yet, in contrast to the structural reforms envisioned under the agreement, Lebanon's trade with the EU has deepened its dependency on imports without meaningful productive transformation. Despite initial gains in total trade volume, the country remains locked in a pattern of consumption-driven growth and structural trade deficits.

In contrast to the structural reforms envisioned under the agreement, Lebanon's trade with the EU has deepened its dependency on imports without meaningful productive transformation.

Between 2018 and 2022, the EU remained Lebanon's largest trading partner, accounting for 36-40% of total trade (ESCWA, 2018). However, Lebanese exports to the EU remained low and concentrated, heavily reliant on a narrow range of low-tech products and precious metals. Imports from the EU continued to dominate, particularly in machinery, vehicles, pharmaceuticals, and agri-processed goods. As of 2016, Lebanon's trade deficit with the EU exceeded €6.4 billion (ESCWA, 2018).

An ex-post evaluation by the United Nations Economic and Social Commission for Western Asia (ESCWA) found that the FTA had not significantly improved Lebanon's export diversification, nor its productive base. Most of Lebanon's exports continue to be shaped by comparative advantage in services, transit trade, and re-exports, while the FTA failed to incentivise sufficient value-chain upgrading or industrial investment. FDI remained highly concentrated in real estate and tourism. Between 2014 and 2016, FDI inflows from the EU declined, and sectoral data showed minimal investment in productive sectors like manufacturing or ICT.

Structural indicators further confirm this fragility. From 2018 to 2022, manufacturing's contribution to GDP remained below 15%, while over 70% of employment was concentrated in the services sector. Lebanon's high public debt, persistent political paralysis, and exposure to external shocks — such as the Syrian war, regional financial instability, and the 2019-2022 economic crisis — have compounded these trade vulnerabilities. The crisis period saw further erosion of Lebanon's industrial base, with factory closures, currency devaluation, and spiralling import costs (Goulordava, 2018).

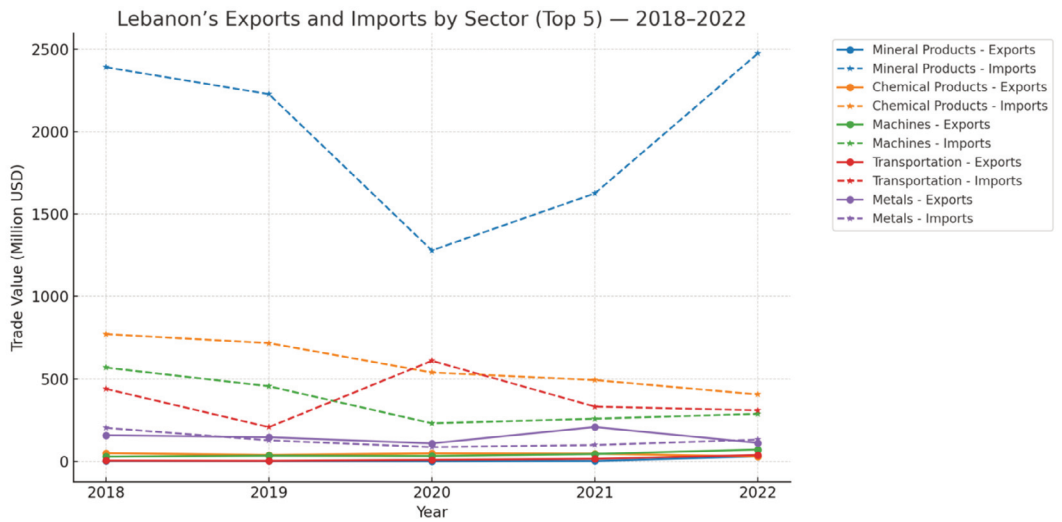
The EU's trade and aid engagement has also been perceived ambiguously. While Lebanon receives substantial EU support through the ENP and refugee-related funding, Lebanese civil society and elites largely view the EU as an aid provider, not a credible trade or political actor (Goulordava, 2018). The EU's trade policy is seen as detached from Lebanon's needs for economic agency,

employment creation, or governance reform.

Interviews with Lebanese stakeholders as part of the MEDRESET project revealed widespread scepticism about the EU's role. Many viewed the EU's engagement as symbolic, top-down, and focused on border containment rather than structural development. Moreover, local elites criticised the EU's migration policies as reinforcing Lebanon's role as a "buffer state" through conditional funding, without offering reciprocal opportunities for Lebanese workers, entrepreneurs, or students (Goulordava, 2018).

In sum, Lebanon's trade agreement with the EU did not insulate the country from its deepening fragility. While the EU supported liberalisation and offered preferential access, this did not translate into structural upgrading, export diversification, or resilience to crisis. Lebanon's experience underscores the limits of trade openness when unaccompanied by investment, institutional reform, and a clear industrial strategy.

Figure 5. Lebanon's Exports and Imports by Sector (Top 5) – 2018-202



Note. Elaborated by author, sourced from OEC (2025).

Conclusions and policy recommendations

Summary of findings

The analysis presented in Sections 2 and 3 reveals a fundamental gap between the intentions of EU trade policy in the Southern Mediterranean and the outcomes observed on the ground. While the EU's AAs and related instruments were envisioned as tools to foster economic integration, structural reform, and resilience, the empirical record demonstrates a much more uneven and, in many cases, disappointing trajectory.

Across the cases examined, EU trade relations have contributed to increased trade volumes but also entrenched persistent trade imbalances and a deep dependency on imports. Despite the ambition to promote structural upgrading, manu-

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facturing sectors in countries such as Tunisia and Lebanon have stagnated or declined, while efforts at export diversification have yielded limited results. FDI, although present, has remained modest and uneven, often concentrated in sectors that generate limited employment or value-added. Crucially, the expected link between trade liberalisation and job creation in tradable sectors has been weak or altogether absent.

The country case studies illustrate how these dynamics have played out in distinct yet interconnected ways. In Jordan, the simplified RoO reform offered a promising blueprint for inclusive trade through its conditional link to Syrian refugee employment. However, its limited uptake highlighted the importance of administrative capacity, firm readiness, and regulatory alignment in leveraging EU preferences. Tunisia's long-standing AA, by contrast, exacerbated structural fragility rather than overcoming it, failing to stimulate sufficient upgrading while coinciding with increasingly informal migration conditionality. Morocco's more advanced engagement brought visible trade gains and investment inflows, but did not translate into broad-based industrial transformation, instead reinforcing dependency on low value-added exports. Meanwhile, Lebanon's trade agreement functioned largely as a liberalisation framework in name, offering limited productive benefits and failing to cushion the country's descent into economic collapse.

Rather than acting as a buffer against crises, EU trade arrangements have tended to amplify underlying vulnerabilities.

Rather than acting as a buffer against crises such as the COVID-19 pandemic, the war in Ukraine, and commodity price spikes, EU trade arrangements have tended to amplify underlying vulnerabilities. Their technocratic design, focus on regulatory harmonisation, and limited sensitivity to local institutional and political realities have constrained their developmental impact. What emerges from this comparative analysis is a clear need to reframe EU trade policy with SMCs around the concept of economic resilience, defined not only as the capacity to maintain trade flows, but as the ability to adapt, absorb shocks, and ensure inclusive growth.

Policy recommendations

Reorienting EU trade policy toward resilience will require a shift in both design and implementation. First, resilience objectives must be embedded at the core of trade policy frameworks. This means defining benchmarks not only in terms of market access or tariff reduction, but also with reference to employment generation, diversification of exports, and upgrading of productive sectors. Trade preferences must be made conditional not on political alignment alone, but on the presence of concrete industrial support mechanisms, including for SMEs and key strategic sectors like agriculture, food processing, and renewable energy.

Second, the EU must move toward operationalising a conflict-sensitive approach to trade. Trade agreements with fragile or politically unstable partners should be calibrated to the specific political economy and risk environments of each country. Instruments for rapid trade adjustment or targeted assistance should be integrated to allow for policy flexibility during periods of crisis or external shock.

Third, structural barriers such as restrictive RoO and technical barriers to trade continue to prevent many SEMCs from accessing higher-value markets. The EU should expand and generalise simplified RoO schemes — building on the Jordan experience — across the Southern Mediterranean without unrealistic quotas or exclusionary standards. It should also address persistent sanitary and phytosanitary

measures (SPS) and technical barriers to trade (TBT) hurdles that restrict access to European agri-food and industrial markets.

Fourth, there is an urgent need to align EU trade instruments with its broader development and migration agendas. Trade liberalisation should not operate in isolation from aid and mobility policy. Instead, the EU should pursue coherent packages that promote human capital mobility, labour rights, and decent work while ensuring that conditionality respects democratic governance and does not undermine national sovereignty or exacerbate social fragmentation.

Finally, trade policy must be subject to meaningful monitoring and accountability. This includes establishing joint frameworks for evaluating the social, economic, and resilience-related impacts of EU trade agreements. National and local actors — including civil society, private sector associations, and trade unions — should be embedded in these monitoring mechanisms to ensure grounded perspectives and policy responsiveness.

Taken together, these reforms would make EU trade policy not only more coherent and context-sensitive, but also more capable of fostering sustainable development, rebuilding institutional trust, and advancing genuine economic agency in the Southern Mediterranean. Without such a structural course correction, EU trade will remain a vector of dependency rather than a tool for resilience.

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External Effects on Trade and Crises: The Case of EU Policy in Libya

Amir Magdy Kamel
King's College London and Stanford University

Introduction

The creation and subsequent foundation of the European Union (EU) is built on the notion of member states "pooling their resources to preserve and strengthen peace and liberty" (European Union, 2025). The idea – based on the concept of economic interdependence – is the pretext for EU foreign and trade policies when engaging with other states and actors in international affairs. Consolidating this further, Brussels implements economic policies in the pursuit of linked political goals. Specifically, the EU uses trade as a tool in international relations to ameliorate crises in the pursuit of preserving and strengthening peace and liberty. While the policy is successful within the Union itself, the EU's implementation of this approach to matters of foreign policy sees external actors and forces present barriers (and facilitators) to its success. This paper focuses on this dynamic in the form of EU ties in a global context and with a particular focus on Brussels' relations with Libya. To do so, this paper addresses the following research question: What impact do externalities have on the EU's ability to alleviate crises in Libya using trade?

In response to this line of inquiry, this paper focuses on the relationship between EU foreign and trade policy on the one hand and crises in Libya on the other, while capturing the influence of key external forces – on the trade-crises relationship – on this dynamic. Specifically, EU-Libyan trade represents the 'pooling of resources' aspect of Brussels' approach to international relations, while periods and measures of crises in Libya represent the 'peace' goal of this same approach. Simultaneously, actors, interests, and events are evaluated to determine the impact they have on the trade-crises dynamic. To begin, the appraisal of this EU policy starts with an analysis of the trade-crises relationship in the context of EU foreign and trade policy in general, followed by a deeper scrutiny of EU-Libyan ties as a case study. In order to do so, this paper couches EU foreign and trade policy in work linking them to the alleviation of crises. This provides the policy-informed basis upon which this EU policy is built and links to the development of Brussels' policy more broadly. By linking the foundational underpinning of the EU foreign and trade policy to established legislation, this paper spells out the foundations and intent of the policy. From here, this paper combines a qualitative and complementary quantitative analysis of EU ties with Libya. A focus on EU-Libya ties in the aftermath of the COVID-19 pandemic reveals the specific barriers and facilitators to this EU policy. This is further complemented by an econometric assessment of EU ties with Libya over a longer timeframe (since the 2011 fall of the former leader, Muammar al-Gaddafi). The combination of these two approaches and results reveals the extent to which the EU foreign and trade policy achieves the self-stated crises-alleviation goals, while simultaneously unpacking the barriers and facilitators of this policy. Put differently, this paper articulates the political economy environment in Libya with which the EU's foreign and trade policy interact when pursuing crises-alleviation in the country.

At this early stage, it is important to note that the EU's dedication to international peace and liberty is based on a steadfast belief in the use of trade to achieve these goals. Put differently, Brussels' efforts towards alleviating crises centre on the use of trade to do just this. It is for this reason that this paper focuses on the impact of EU trade (that is, the independent variable in the econometric models) on crises (the dependent variable). Trade here accounts for EU-Libya import and

export levels as reported in the EU's Eurostat database (Eurostat, 2025). Crises on the other hand is concerned with a wider definition in this paper – one which captures the EU's approach to Libya. This includes politically paralysing, violent and non-violent clashes between actors in Libya that include outside actors and developments (these are indicated in the text where appropriate). More narrowly, the quantitative assessment in this paper includes two measures of crises: events and fatalities, both of which are reported by the Armed Conflict Location and Event Data Project (ACLED) (Raleigh et al., 2010). Fatalities represent the number of deaths while events include battles, violence against civilians, explosions/remote violence event types, and mob/organised crime violence. Both of which are reported and verified by ACLED's approach of triangulating reporting sources. The research design thus allows for an assessment of this EU policy from the perspective of Brussels itself.

To then deepen the analysis and further evaluate this EU policy, a focus on EU ties with Libya offers a unique and revealing analysis of Brussels' approach to international relations. Here, the paper focuses on the impact of external actors (captured in the form of EU-World trade in the quantitative assessment), the value of important economic drivers for the EU (measured using the value of the Euro against the US Dollar in the models) and Libya (through the measures of oil and gas that make up 60% of GDP), alongside global and regional developments that influenced this relationship (specifically, the COVID-19 pandemic, Russia-Ukraine War, and Israel-Gaza War) (World Bank, 2025c).

As a consequence, this paper presents an analysis of an EU policy that lies at the core of the union itself. The findings are then reflected on in the conclusion of this paper and point to the lessons learned for EU foreign and trade policy, based on the Libyan case.

The trade-crises relationship in the context of EU foreign and trade policy

Trade is an integral part of the EU's public and foreign policies. In addition to being articulated in preamble of the Treaty of the Union itself (European Union, 2025), the EU specifies the use of policy tools – including trade – in the pursuit of foundational goals of international peace and liberty under the umbrella of the EU External Action Service (EEAS) (European Union, 2018). Here, Brussels coordinates this approach to international relations through three key policy instruments: the Common Foreign and Security Policy (CFSP), Common Security and Defence Policy (CSDP), and the Common Commercial Policy (CCP). Each of which specify the use of economic tools in the pursuit of political goals.

The CFSP focuses on coordination "based on the achievement of growing convergence" between EU member states (European Union, 2025, protocol 10). Notably, the CFSP makes explicit reference to other international structures (like the United Nations (UN) charter and the North Atlantic Treaty Organization, NATO) in coordinating the pursuit of international peace and security. In other words, the EU makes an explicit link between its own security and that of the international community. This is further reverberated in the CSDP, which is identified as "an integral part of the CFSP" (European Union, 2025, protocol 10). Furthermore, the CSDP makes explicit reference to the pursuit of international peace and se-

curity in a manner which is "compatible" with both NATO and member state policies in this area (European Union, 2025, protocol 11). The aims of both the CFSP and CSDP are inextricably linked to the CCP "desiring to contribute … to the progressive abolition of restrictions on international trade" (European Union, 2025). As such, these policy mechanisms tie together peace and trade in the pursuit of both EU and international security.

The tie together peace and trade in the pursuit of both EU and international security

This notion is further ratified in EU statements connecting the use of economic tools to influence peace and stability on the world stage (European Commission, 2025), fundamentally based on the concept identified in the literature that trade has a positive impact on peace (Zeng, 2020). This sets the tone for Brussels' approach to international relations and underpins the EU's use of trade in the pursuit of foreign policy goals. A turn now to the case of EU ties with Libya demonstrates the barriers to and facilitators of this policy. Specifically, the political economy of Libya is spelt out to demonstrate how it helps and hinders the EU's crises-alleviation goals in the country. This is examined in the form of the domestic political environment along with external drivers and actors that highlight why the EU's use of trade to alleviate crises and alleviate peace points to a need for a nuance- and context-based approach to achieve political goals.

The EU-Libya case study

In order to situate the EU's approach to international relations, this section delves into a case study and empirically evaluates the impact of EU trade on crises in Libya. In turn, this presents a detailed assessment of the EU policy of using trade to alleviate crises policy in a given context. The resultant political economy environment in Libya includes a background to EU-Libya ties, an analysis of current ties across the Mediterranean, and a quantitative assessment of the trade-crises relationship in this case.

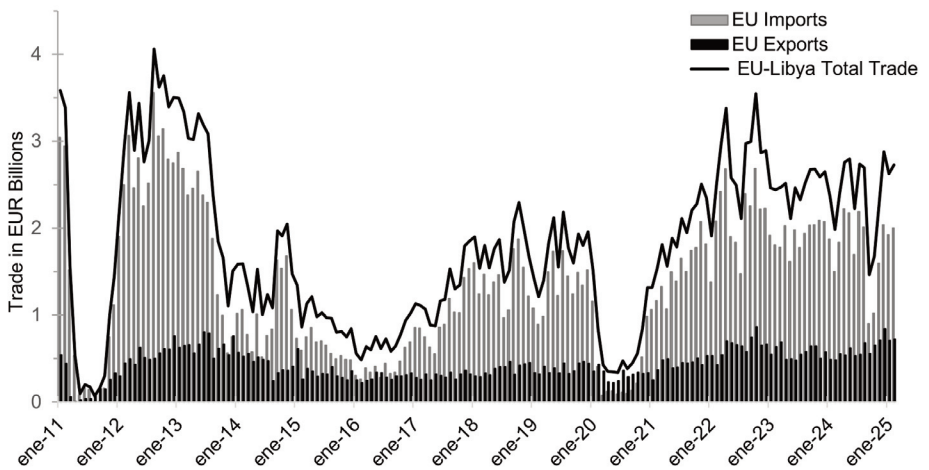
At this point it is important to highlight Libya's status as being an observer of the Union for the Mediterranean (UfM). This is due to a yet to be concluded Association Agreement (AA) with Brussels (EEAS, 2021b), preventing the North African country from being a full member of the Euro-Mediterranean Association Agreement (EUROMED). As a consequence, ties with Libya take place in the context of specific EU policy mechanisms that focus on different areas of concern. These include: Operation EUNAVFOR MED IRINI (focused on implementing the UN arms embargo on Libya) (EUNAVFOR, 2025), and the EU Border Assistance mission in Libya (EUBAM), which is classified as a "crisis management mission with a capacity-building mandate" by supporting Libya's management of its borders (EEAS, 2021a), along with other initiatives concerned with intelligence and security analysis, political support, financial assistance, emergency assistance, humanitarian aid, and responding to specific threats like that of the COVID-19 pandemic (EEAS, 2022). In addition, the EU and Libya are yet to conclude a free-trade agreement and Libya itself is not a member of the World Trade Organization (WTO). Consequently EU-Libya trade ties take place outside of such formal mechanisms (EEAS, 2022). It is also worth noting the wider context of the EU's unsuccessful attempts to use trade to influence peace in the country under the previous Gaddafi regime (Kamel, 2016). There was hope that the ouster of the leader would alleviate sources of crises amidst EU trade with the country. This, however, is yet to be the case at the time of writing. For a visual representation, Figure 1 presents EU-Libya trade flows following the fall of

Gaddafi where important political developments impacted this relationship.

As evidenced in Figure 1, EU imports from Libya outstrip exports to the North African state. Indeed, this is explained by the EU's status as Libya's largest trading partner, accounting for 56.4% of trade in goods with €21.5 billion worth of this trade (that is 93.7%) coming in the form of petroleum and related products in 2023. This is a consequence of the significant role oil and gas products play in the Libyan economy. Specifically, oil and gas amount to 60% of Libya's GDP, 94% of trade exports, and 97% of revenue for the public purse (World Bank, 2025b). As such, while trade relations between the EU and Libya have been strong and growing at times, this does not reflect the nuances of the Libyan economy. Importantly, this represents a barrier to the success of the EU foreign and trade policy that seeks to alleviate crises in Libya. Put differently, EU energy requirements represent a consistent demand for Libya's resources. Most of these products are in the form of oil and take the short seaborne trip across the Mediterranean Sea. In addition, the Greenstream pipeline, which runs along the seabed from Wafa in Libya to Gela in Sicily, transports most of the natural gas into the EU's coffers. This proximity and infrastructural connectivity provide a starting point for a healthy trade relationship between the two countries. The problem, however, is that such bountiful trade – to the tune of an estimated €28.29 billion in total EU-Libyan trade in 2024 (Eurostat, 2025) – provides little incentive for decision-makers in Libya to diversify the economy, something advised by the World Bank and found to have not taken place during a recent consultation with the country (World Bank, 2025a). The reasons for this lack of an investment are directly related to the crises-alleviation goal sought by EU policy towards the country.

EU energy requirements represent a consistent demand for Libya's resources, which represents a barrier to the success of the EU foreign and trade policy that seeks to alleviate crises in Libya.

Figure 1. EU-Libya Trade

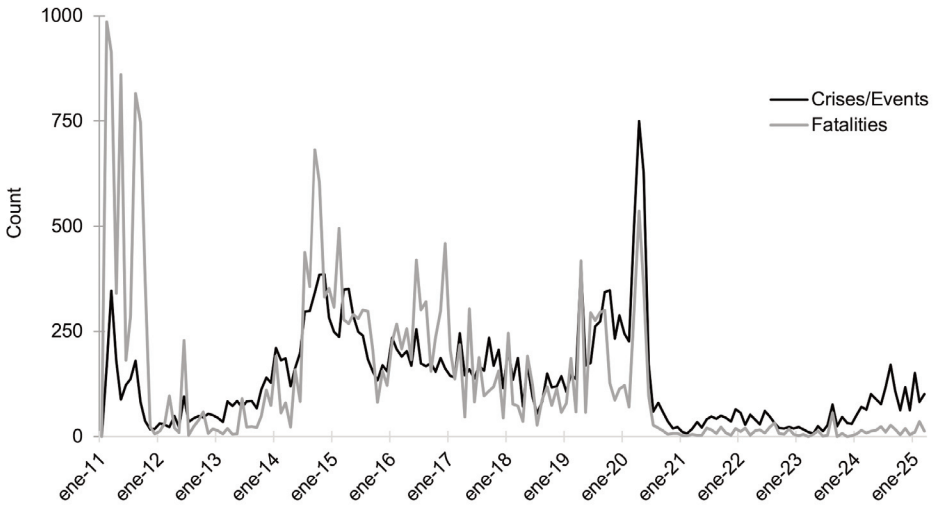


Note. Elaborated by author, sourced from Eurostat (2025).

As explained in other work, rivalling factions in post-Gaddafi Libya spurned opportunities to reach a political settlement and establish a crises-ameliorating peace in the country (Kamel, 2022). Specifically, the former military leader Khalifa Haftar-supported government in the East engaged with (often violent) conflict with

the UN-supported government in the West of the country. While a brief reprieve was reached following the signing of the Libyan Political Agreement in December 2015 (UNSMIL, 2015), the next five years were characterised by ongoing conflict until a ceasefire agreement was reached in 2020 (UNSMIL, 2020). This is reflected in Figure 2 showing two measures of crises in Libya: events and fatalities.

Figure 2. Crises and Fatalities in Libya



Note. Elaborated by author, sourced from ACLED (2019), UNSMIL (2015; 2020) & Raleigh et al. (2010).

As demonstrated in Figure 2, the significant post-2020 fall in crises events and fatalities (ACLED, 2019; Raleigh et al., 2010) conveys the relative stability that followed the 2020 ceasefire agreement. This would also be in line with a 'success' for the EU policy of using trade to maintain peace. However, this does not reflect the wider context of an environment where economic mismanagement of public resources, an impasse over a lasting political agreement, and the militarisation of political disputes persisted in Libya.

From the 2020 ceasefire onwards, trade followed a positive trajectory (as shown in Figure 1), while measures of crises notably fell (as demonstrated in Figure 2). However, a similar pattern of post-Gaddafi Libya emerged of delayed elections, disagreements on how to manage a transition, and an affinity towards elites in the country (Fishman, 2025). This was reflected in how a UN-devised scheme to ensure the trade of oil protected revenue only for reports of these same profits to be coopted for other purposes and lost in the process (Shotaro & Saleh, 2025). Furthermore, the presence and influence of foreign actors also influenced stability in the country in a manner that is not reflected in Figures 1 and 2. Notably, Türkiye supports forces in the West of Libya and was at the head of an influx of foreign investment in the country, while the former Wagner Group (now named Africa Crops) continues to operate in Libya (Arieff et al., 2025). These examples demonstrate the influence of external actors and forces in the country that are important when considering the EU policy towards Libya.

It is also important to state an important caveat about ACLED's measures of crises

in Libya as reflected in Figure 2. These events of crises and fatality numbers – while based on verified and reliable sources – are nevertheless a count of these two aspects of crises in Libya. In other words, they do not comprehensively represent crises in the country and therefore should be treated with caution. The same comment applies to EU-Libya trade levels presented in Figure 1 and examined in the quantitative assessment of this EU policy below. Trade represents a measure of EU policy towards Libya, while other drivers, like the concentration of the Libyan economy on oil and gas, the EU's demand for these same resources, and the EU-Libya infrastructure enabling this trade, are not fully captured in these figures. It is for this reason that measures of externalities are included in the econometric models below to further understand the performance of this particular EU policy in Libya. In addition, other dynamics and forces, like the rivalry between the Hafter and UN-supported rivalling governments discussed earlier (Kamel, 2022) and the Malta Declaration that provided funds to counter migration routes from Libya to the EU (European Council, 2017), are captured in the data reported by ACLED and identified in the following section where relevant.

EU trade and crises quantified

After covering the contextual drivers and events that took place in contemporary Libya, we turn now to a quantitative assessment that finds evidence of externalities impacting the trade-crises dynamic in the North African state. To do so, the analysis models the relationship between EU trade with Libya and crises that took place in the country based on data availability between January 2011 and February 2025. The trade side of this relationship is concerned with the total trade, that is EU imports from and exports to Libya in this timeframe, according to the EU's official Eurostat database (Eurostat, 2025). On the crises side of the dynamic, two measures (events and fatalities) are modelled against trade in two separate models, both of which are reported by ACLED (ACLED, 2019).

The first measure of crises is labelled 'events' that "involve designated actors – e.g., a named rebel group, a militia, or state forces," and importantly capture violent and non-violent acts (ACLED, 2019). This makes it possible to conduct comprehensive analysis of the relationship between EU trade and crises in Libya using such a wide-spanning measure.

The second measure is that of 'fatalities', which the source determines through the triangulation of reporting outlets. That being said, ACLED also cautions against the relative accuracy of this measure. Notably, it details how fatality numbers may be subject to bias when official, unofficial, and media outlets compile and publish their records. As such, this measure should be treated as an indicator as opposed to a definitive measure of crises (ACLED, 2019). The findings from this model are therefore considered with this caveat. Furthermore, both models are subject to the caution identified in the previous section relating to the nature of count data when it comes to quantifying crises, and import and export levels when it comes to the trade side of the dynamic in focus here.

Seven variables are also introduced to the two models in order to capture the wider context in which EU trade impacts crises in Libya. These represent the externalities of the trade-crises dynamic and indicate the extent to which they weigh on the EU policy of alleviating crises in Libya through trade with the country. These seven variables capture different aspects of the Libyan and EU context. The first two vari-

ables account for hydrocarbons given the fact that they make up the majority of Libya's economy and trade with the EU. Specifically, these include the crude oil (petroleum) price index and the spot price of natural gas as reported by the World Bank (World Bank, 2025c). This allows for an appraisal of the extent to which the price – a baseline market indicator – of these commodities of outsized importance for Libya impact EU-Libya trade.

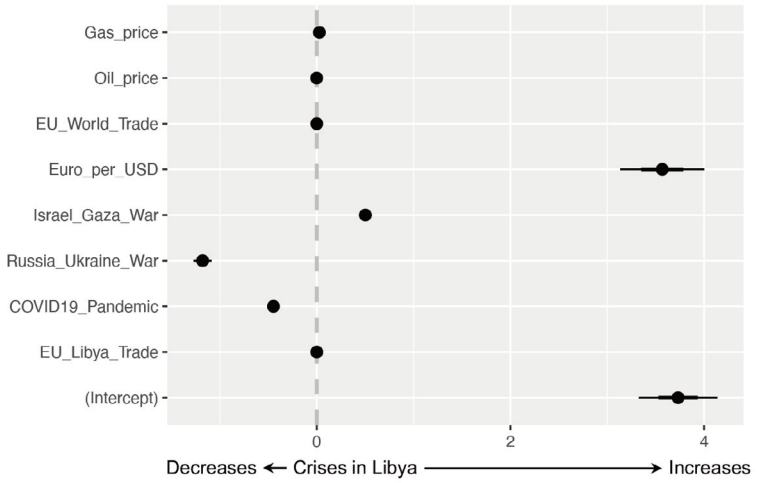
The third and fourth variables capture the EU's economic relationships with other states. Specifically, the third variable focuses on the EU's trade relationship with the world, once more extracted from the Eurostat database (Eurostat, 2025). This enables an assessment of whether fluctuations in global levels of trade had a bearing on the specific EU-Libya trade relationship. The fourth variable consults the Organisation for Economic Co-operation and Development (OECD) for the EU's monetary status (OECD, 2025). Specifically, this is concerned with the Euro to US Dollar exchange rate to capture a market indicator of the EU's monetary power. Of note, the Euro area comprises 20 of the 27 EU member states (and 28 pre-Brexit) and is therefore not an all-encompassing measure of the EU's monetary status. Furthermore, the value of the Euro and the US Dollar is subject to wider influences and determining factors. As such, this measure should be treated with such nuance in mind.

The remaining fifth, sixth, and seventh variables capture regional and global threats that occurred in the 2011 to 2025 timeframe. Specifically, these are the Israel-Gaza War, the Russia-Ukraine War, and the COVID-19 pandemic, each of which attracted attention and resources away from the EU and other countries that were impacted by their occurrence. Here, the European Commission's announcements on the Israel-Gaza War (identified as having started in October 2023 and ongoing at the time of writing), Russia-Ukraine War (started in February 2022 until present), and the COVID-19 pandemic (from March 2020-March 2022) (European Commission, 2022) are used to identify and define the 'start' and 'end' dates of these crises. The details of these variables are included in Table A1.

Both models are executed using a Poisson regression owing to the count nature of the crises indicators. The first model involving EU trade and crises events in Libya, along with the seven controls reveals a minimal impact of trade ameliorating crises. The results presented in Figure 3 find the Euro per USD variable as having the biggest negative impact on the amelioration of crises through trade under these conditions. That being said, this nuanced indicator is also subject to the highest error margins (reflected in the horizontal line either side of the Euro_per_USD point on the graph). This points to a relatively high degree of caution and impreciseness concerned with this indicator when evaluating the EU foreign and trade policy in Libya and its impact on crises in the country. The next highest impactful variable with a negative effect on crises in Libya is that concerned with the ongoing Israel-Gaza War. This indicates that the proximity of the conflict, along with the EU's attention – resource and focus-wise – is a factor in this instance.

Conversely, the Russia-Ukraine War and the COVID-19 pandemic point to an inverse of the trade-crises relationship. In other words, their occurrence aligns with decreasing levels of crises in Libya. Furthermore, EU-World trade levels have the smallest impact on the trade-crises dynamic in the first model. This indicates a negligible impact on the EU policy of using trade to ameliorate crises events in Libya.

Figure 3. EU Trade and Crises in Libya (2011-2025)



Note. Elaborated by author, sourced from Raleigh et al. (2010), European Commission (2025), Eurostat (2025), OECD (2025) & World Bank (2025).

Notably, the oil and gas indicators had a minor impact on the relationship between EU trade and crises events in Libya. This supports the sentiment reflected in the previous section that the hydrocarbon industry operates largely unaffected by crises in Libya – to the detriment of efforts towards a lasting peace, diversifying the economy, and the related nature of the EU-Libya relationship.

Figure 4 then presents the findings of the second model that assesses the relationship between EU trade with Libya and the second crisis indicator: fatalities, along with the seven control variables. Here, EU-Libya trade continues to have a negligible impact on the crisis levels in the North African state. The control variable weighing heaviest on the trade-crises dynamic is once again the measure of Euro_per_USD, although in this instance it exhibits an opposite and positive relationship with fatalities in Libya (albeit with the continued highest margin of error). This once more highlights the issues concerned with both the fatality and monetary measures in this relationship.

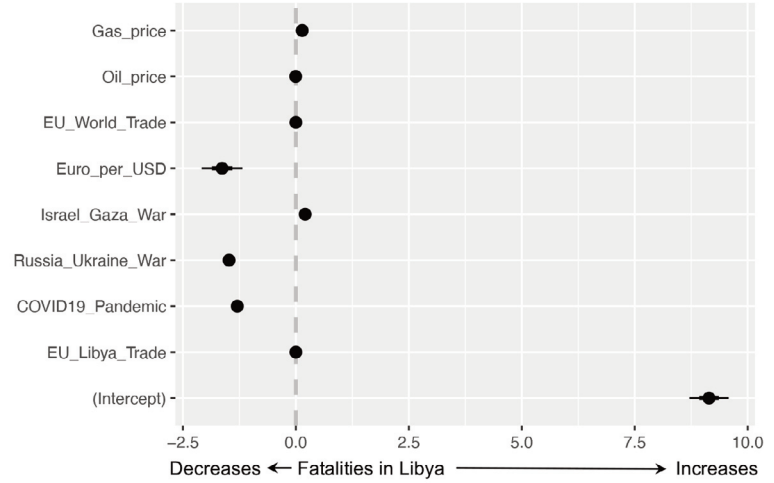
In line with the results of the first model, Figure 4 demonstrates the positive effect of the Israel-Gaza War (albeit to a lesser degree compared to Figure 3), and negative effect of the Russia-Ukraine War and the COVID-19 pandemic, pointing to similar explanations as in the first model.

Once more, EU-World trade continues to have a negligible relationship with the trade-crises relationship in this model, as do the oil and gas indicators. This further supports the argument of how the composition of Libya's economic status and relations has minimal impact on the trade-crises dynamic of concern in this paper.

In addition to the caveats around using fatalities as a measure of crises described above, an evaluation of both the models finds that the first model represented in Figure 3 returns superior goodness of fit measures in comparison to that of Figure 4. This highlights the point that crises events have a relatively greater impact on the trade-crises relationship in comparison to fatality numbers – even if this impact is minimal in absolute terms for

The hydrocarbon industry operates largely unaffected by crises in Libya – to the detriment of efforts towards a lasting peace, diversifying the economy, and the related nature of the EU-Libya relationship.

Figure 4. EU Trade and Fatalities in Libya (2011-2025)



Note. Elaborated by author, sourced from Raleigh et al. (2010), European Commission (2025), Eurostat (2025), OECD (2025) & World Bank (2025).

both measures of crises. Furthermore, the results of both models support the contention that the EU's use of trade to ameliorate crises in Libya exhibits negligible levels of success. A reflection on what this means for the EU policy towards Libya further details the implications of this key finding.

Conclusions and policy recommendations

As the second largest economy in the world and an influential diplomatic power, the EU has the track record, status, and potential to influence global crises in a positive manner. This position is built on the Union's foundational remit of using economic means to break down potential differences, causes of conflict, and everything in between. The EU's success in implementing and maintaining trade ties amongst its members has led to a lasting stable and secure Union. Extrapolating this use of EU trade to alleviate crisis levels in foreign policy has however led to a less favourable outcome.

The focus on EU-Libyan ties in this paper provides evidence of this policy's ineffectiveness when measured against the stated goal and observable outcomes. Of importance, the EU is Libya's number one trade partner. This situates Brussels in a position of influence and potential leverage for implementing a successful policy of using trade to alleviate crises in the country. The evidence, however, points to negligible levels of success for reaching this policy goal, owing to the political economy context in which the EU, Libya, and EU-Libya ties operate. With respect to the EU's context, while assessments of the EU's external relations – including this study – capture observed economic data, it is important to point out that differing positions across EU capitals contribute to the policy problem. Indeed, foreign ties of EU member states are governed to a limited extent by EU policy, with room for specific national interest-based exceptions. As a consequence, future studies would benefit from examining the different positions of the EU member states towards Libya and how these impact crises in the country. This leads to

the first policy recommendation, that the EU could harness its economic relationship with Libya to ameliorate crises in the country. This can come in the form of more concerted and member state agreement for EU investment that is dedicated to aiding political actors to resolve their differences. While this can come in the form of tried and tested EU practices like institution-building and policy reforms, it should be noted that if such initiatives were to be conducted in an intrusive manner (perceived or otherwise), then the EU runs the risk of aggravating anti-foreign interference sentiment that has had support in Libya and fellow so-called 'post-colonial' countries.

In Libya, political disagreements between two rivalling governments continue to overshadow the alleviation of crisis levels in the country. The fact that foreign powers – including the EU – support different sides to the competition for governance makes this even more problematic for the EU foreign and trade policy. This is further exacerbated by reports of elites in the country controlling and hoarding revenues from oil and gas resources that make up the largest part of the Libyan economy. Compounding this issue is the fact that the majority of Libya's exports to the EU (and beyond) are made up of hydrocarbons. As such, there is little incentive to diversify Libya's economy from the Libyan perspective or implement conditional trade from the EU's side of the relationship. In other words, the make-up of the Libyan economy is a determining factor on both the demand and supply side of trade with the EU. Therefore, the success of the EU's foreign and trade policy operates under a baseline condition of economic incentives that do not favour success without taking this dynamic into account. The next two policy recommendations follow from this point. The second policy recommendation that is identified by the findings of this paper indicates that the EU should dedicate more resources to resolving the differences between the rivalling actors in Libya. Importantly, the strong EU-Libya trade relationship provides economic incentives to foster such a resolution with the same caveat as the first policy recommendation concerned with the delicate balance between support and interference. The linked third policy recommendation thus points to the benefit of the EU using this same crises-resolution basis to provide support for diversifying the Libyan economy. This particular recommendation is of equal interest to Libya's political actors given EU (and global) movements away from relying on hydrocarbon sources of energy. Here, the EU and Libya can adapt the policy lessons learned by fellow rentier states like the United Arab Emirates (UAE), which has established tourism, alternate energy, education, financial services and aviation sectors. Libya's geographic location, cultural sites, and natural resources provide potential avenues for a similar economic diversification pathway.

It is, however, worth noting that the period between 2020 and early 2025 did indicate a respite and positive relationship between EU trade and crises in Libya. This relative success however is on the verge of collapse as the sources of crises in Libya continue to maintain a foothold in the country. These are, notably, the lack of a political agreement, the elite control and distribution of national resources, and the continued interests and influence of foreign actors in Libya. These factors show little sign of changing course and, as such, do not indicate favourable chances of a policy success given the EU's vested interest in the country, which prioritises economic demands over political goals. While the conceptual rationale may be understandable on this front, i.e., trade will ultimately lead to the sharing of

ideals/practices, the continued lack of success points to a need to alter course.

All of this points to the fourth policy recommendation, that the political economy environment concerned with the EU (in the form of energy demand), Libya (sources of disagreement), and EU-Libya ties (the make-up of this relationship) should be captured in the EU foreign and trade policy itself. This also highlights the issues that arise when extrapolating a successful domestic policy – even if this policy is the bedrock of the EU – to matters of foreign policy. As such, an EU foreign and trade policy that incorporates and accounts for this context and prioritises its interests in a more explicit manner would stand more favourable chances of success.

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Appendix

Table A1. Variable information

Label	Detail	Format	Source
Date	From January 2011 to February 2025 unless otherwise indicated	mmm-yy	-
EU_Libya_Trade	Total value of EU goods imports from and export to Libya (CN8) on a monthly basis	Value in €	Eurostat 2025
Crises_in_Libya	Weekly dataset of the total number of reported political violence events on a monthly basis to represent crises in Libya. These events include: battles, violence against civilians, explosions/remote violence event types, and mob/organised crime violence	Count / number	ACLED
Fatalities_in_Libya	Weekly dataset of the total number of reported fatalities on a monthly basis to represent a secondary indicator of crises in Libya.	Count / number	ACLED
COVID19_Pandemic	Coded using a dummy variable starting in March 2020 and up until March 2022 when the European Commission released the document sustaining the response to the virus	0 = non-pandemic phase, 1 = pandemic phase	COVID-19 - Sustaining EU Preparedness and Response: Looking Ahead, 2022
Russia_Ukraine	Coded using a dummy variable beginning in February 2022 and lasting up to the final data point	0 = pre-conflict, 1 = conflict	-
Israel_Gaza	Coded using a dummy variable beginning in October 2023 and lasting up to the final data point	0 = pre-conflict, 1 = conflict	-
Euro_per_USD	Factored in to capture the extent to which EU-Libya trade was influenced by the strength of the Euro	Value in €	OECD data explorer 2025
EU_World_Trade	Factored in to capture the extent to which EU-Libya trade was influenced by EU-World trade. Date range: January 2011-June 2024	Value in €	Eurostat 2025
Oil_price	Factored in to capture the extent to which EU-Libya trade was influenced by Libya's largest export, GDP contributor, and the EU's largest import. Measured using the Price index of Crude Oil (petroleum), where 2016 = 100 and represents simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh. Date range: January 2011-November 2024	Index value	Primary Commodity Prices 2025
Gas_price	Similar to the oil price index, this capture the extent to which EU-Libya trade was influenced by an important Libyan commodity. Defined as Natural Gas, spot price at Henry Hub, Louisiana and is measured in USD per Million Metric British Thermal Unit. Date range: January 2011-November 2024	Value in $	World Development indicators 2025

EU Agri-Food Trade Policy Flexibility with Partners in Crisis or Conflict. The Cases of Lebanon and Morocco

Tommaso Emiliani
EU Innovation Policy and Sustainability Expert

Introduction

The Mediterranean has long been a vital corridor for trade, cultural exchange, and political cooperation. However, recent geopolitical upheavals have tested the resilience of these connections, particularly in the agri-food sector, where supply chain disruptions have far-reaching consequences for food security, economic stability, and regional cooperation. While crises in the Southern Mediterranean — from the collapse of entire country economies due to the consequences of the COVID-19 pandemic and the Israeli war on Hamas to volatile grain and fertiliser access due to Russia's aggression of Ukraine — directly impact trade relations, Europe, too, faces mounting challenges that reshape its role as a trading partner. The European Unions (EU)'s energy crisis, inflationary pressures, and the earthquake brought about by the outcome of the 2024 US elections, with its implications for transatlantic relations and global trade rules, further complicate the picture.

This study explores the interplay of these crises and their impact on the EU's agri-food trade relations with two key partners: Morocco, a relatively stable trading partner with diversified agri-food economic ties, and Lebanon, a country in severe economic distress and highly dependent on food imports. By contrasting these two cases, the study seeks to uncover how trade agreements function under different levels of crisis exposure and whether existing EU trade frameworks can flexibly respond to rapidly changing circumstances. In particular, the research aims to:

- Assess the impact of crises in both the North and South of the Mediterranean — including disruptions in grain and fertiliser trade following Russia's invasion of Ukraine, Lebanon's economic collapse, and potential shifts in US policy under a second Trump administration — on EU-Southern Mediterranean agri-food trade.
- Evaluate the flexibility of existing EU trade agreements in addressing the evolving needs of crisis-affected partners and mitigating trade disruptions.
- Propose policy recommendations to enhance the adaptability of EU trade policies, ensuring they contribute to economic resilience, food security, and regional stability while addressing the EU's own domestic agricultural concerns.

The state of EU agri-food trade with Morocco and Lebanon

The EU's agri-food trade relations with Southern Mediterranean partners reflect both the opportunities of economic integration and the challenges posed by political instability and structural asymmetries. This section examines the dynamics of EU agri-food trade with Morocco and Lebanon, two countries governed by distinct political and economic realities. While Morocco has maintained relative stability, Lebanon's protracted economic collapse since 2019 offers a contrasting case study. The analysis focuses on the legal frameworks provided by Association Agreements (AAs) signed between the EU and the two countries, stalled Deep and Comprehensive Free Trade Agreement (DCFTA) negotiations with Morocco, and the interplay of EU non-tariff measures (NTMs), sanitary and phytosanitary (SPS) standards, and structural barriers. Trade figures spanning pre-COVID-19 and pre-Lebanon crisis periods (pre-2018) to 2023 illustrate how political stability or lack thereof is a contributing factor in explaining trade outcomes.

EU-Morocco agri-food trade: stable increase through asymmetric liberalisation

The EU-Morocco AA, developed within the framework of the European Neighbourhood Policy (ENP) and operational since 2000, established a free trade area with phased tariff reductions (European Commission, 2000). A 2012 agricultural liberalisation protocol expanded market access, adopting a "negative list" approach for Moroccan exports to the EU (European Commission, 2012). This enabled Moroccan tomatoes, citrus fruits, and strawberries to enter the EU under preferential terms, albeit subject to seasonal quotas and entry price systems. Conversely, EU exports to Morocco face explicit tariff reductions, favouring high-value processed goods like dairy, cereals, and meat preparations (European Commission, 2023). The proposed DCFTA, for which negotiations began in 2011 but have been stalling since, aimed to deepen regulatory alignment, address NTMs, and integrate geographical indications (GIs) (Bourchening, 2020). Had it advanced, it would have tackled Moroccan concerns over EU SPS restrictions and streamlined certification processes for products like olive oil and argan oil. However, the absence of a DCFTA leaves asymmetrical liberalisation intact, with Moroccan exports still constrained by EU safeguards on sensitive products (e.g., tomatoes under tariff rate quotas). EU-Morocco agri-food trade has grown asymmetrically since the entry into force of the AA and its 2012 addendum. EU agri-food exports to Morocco grew from €1,756 million in 2019 to €3,789 million in 2023 in value terms (Eurostat, 2023)[2]. In 2023, cereals were the top export category, accounting for 37.4% of EU agri-food export value. Other major export categories included vegetable oils (11%), dairy products (8.3%), and cereal preparations. EU agri-food imports from Morocco increased from €2,304 million in 2019 to €3,177 million in value terms. Vegetables were the top import category, making up 49.8% of EU agri-food import value from Morocco in 2023. Fruits and nuts were the second largest category at 33%, followed by olives and olive oil at 3.9%. Agricultural products represent a significant portion of trade, with food and live animals accounting for 20% of EU imports from Morocco and 9.3% of EU exports to Morocco in 2023. While the EU agri-food trade balance with Morocco has shifted considerably over time, from a €548 million deficit in 2019 to a €612 million surplus driven by rising EU cereal and dairy exports in 2023 in value terms, Morocco's export growth (37.87% in value terms since 2019) reflects stable policy frameworks and gradual SPS upgrades. However, NTMs and SPS measures limit Morocco's export potential: 15% of Moroccan fruit consignments were rejected in 2022 due to pesticide residues, reflecting compliance gaps with EU Regulation (EC) No 396/2005 (EFSA, 2024). Structural issues, such as fragmented farm holdings and underinvestment in cold chains, further hinder Morocco's ability to scale exports (EBRD & FAO, 2021).

The absence of a DCFTA leaves asymmetrical liberalisation intact, with Moroccan exports still constrained by EU safeguards on sensitive products

EU-Lebanon agri-food trade: collapse amid economic fragility

The EU-Lebanon AA (2003) granted Lebanese products near-full duty-free access to the EU, excluding only a handful of sensitive items (European Commission, 2006). Despite liberal market access, Le-

Both Morocco and Lebanon's cases affirm that trade liberalisation, without addressing structural asymmetries, risks entrenching dependency.

banon has been struggling with structural NTMs ever since: inadequate testing labs, outdated food safety laws, and corruption in export certification have all contributed to relatively low levels of EU market access. Lebanon's economic collapse, beginning in 2018, has crippled its agri-food sector (OECD, 2021). Currency depreciation (over 90% since 2019) and fuel shortages disrupted irrigation and processing, reducing olive oil production by 40% and wine exports by 60% in value terms between 2018 and 2023 (World Bank, 2025). EU imports from Lebanon have only increased from €98 million to €125 million from 2019 to 2023, dominated by processed fruits (€25 million) and raw tobacco (€18 million) (European Commission, 2024), and compliance with EU SPS standards has since deteriorated: 22% of Lebanese food exports faced EU border rejections in 2023, up from 8% in 2018 in value terms (European Commission, 2025c). The EU's 2023 Rapid Alert System for Food and Feed (RASFF) flagged Lebanese products 34 times for aflatoxin and Salmonella contamination, a 50% increase from 2020 (European Commission, 2025c). The EU maintains a significant trade surplus, exporting €689 million in agri-food products to Lebanon in 2023, chiefly dairy (€116 million), beef (€110 million), and cereals (€105 million) (European Commission, 2025a). However, Lebanon's import capacity has collapsed over this period of time — EU exports fell 29% from 2018 peaks (€979 million) to 2023 (€689 million) in value terms. Political instability severed supply chains: beef imports from the EU dropped 35% (2018-2023) as Lebanese purchasing power evaporated.

The EU's agri-food trade with Morocco and Lebanon underscores how political stability and institutional capacity shape trade integration outcomes. Morocco's incremental gains highlight the potential of AAs when paired with domestic reform, while Lebanon's collapse illustrates the fragility of trade ties amid socioeconomic crises and governance failures. Reviving the Morocco-EU DCFTA could mitigate NTMs, but Lebanon's recovery demands targeted EU assistance to rebuild SPS infrastructure and diversify exports beyond low-value raw materials. Both cases affirm that trade liberalisation, without addressing structural asymmetries, risks entrenching dependency.

EU agri-food trade policy flexibility in times of crisis

The agri-food sector not only represents a vital component of the EU's economy but also serves as a means of diplomatic engagement. EU agri-food trade relations play a critical role in fostering economic stability and food security in times of crises. Internally, the EU's agri-food trade policy faces dual imperatives: maintaining the integrity of its Single Market while adapting to external shocks. Externally, as the largest agri-food exporter globally, the EU aims at supporting its external partners facing significant challenges, especially those affected by socioeconomic turmoil and climatic vulnerabilities, while strengthening its economy through exports. The next section evaluates the EU's agri-food policy flexibility in responding to the food security issues linked with the effects of the COVID-19 pandemic (2020-2022), and the fertiliser and grain shortages from Russia's war on Ukraine (2022-ongoing), under the AAs with Morocco and Lebanon. It contrasts instances of regulatory adaptability with structural rigidities rooted in legal frameworks and domestic EU politics, using trade volume adjustments, quota relaxations, and standards enforcement as metrics.

Legal provision enabling flexibility in the 2012 EU-Morocco Agricultural Protocol

The 2012 EU-Morocco Agricultural Protocol contains several legal provisions that allow for a relative degree of policy flexibility during emergencies. Notably, Article 8 of the Protocol embeds SPS cooperation and aligns EU-Morocco agri-food trade with World Trade Organization (WTO) rules and international standards and mandates the designation of contact points on both sides to swiftly resolve SPS-related issues. This clause implicitly allows for expedited solutions such as the acceptance of electronic certificates instead of original copies, in case of standard inspection procedures disruption. Additionally, the Protocol's tariff quota management framework includes a "rendez-vous" clause requiring both parties to reconvene within three years of entry into force to review and potentially expand tariff concessions, taking into account product sensitivities and evolving agricultural policies. This provides in theory a legal basis for adjusting quotas or duties through mutual agreement in times of crisis, although this avenue has not really been exploited to ease emergency situations since its inception. Article 7 introduces a bilateral safeguard mechanism enabling either party to consult and impose temporary import/export restrictions if market disturbances arise from surging agricultural imports, with such measures limited to one year and renewable once by Association Committee decision. Beyond these sectoral provisions, the broader institutional architecture of the EU-Morocco AA, particularly the Association Council and Committee established under Articles 81-84, offers a governance mechanism to adapt trade arrangements in response to unforeseen events. If one party modifies its agricultural policies or encounters emergencies, the other may request consultations, and the Committee is empowered to take joint decisions. A general consultation clause further obliges parties to seek solutions in the Council when emergency measures or temporary breaches of obligations occur, with an emphasis on minimising disruption and conducting timely reviews.

(Lack of) flexibility provisions relevant for agri-food trade in the 2003 EU-Lebanon Association Agreement

The 2003 EU-Lebanon Association Agreement (in force since 2006) does not include a dedicated and tailored agricultural protocol. Most Lebanese agricultural products enter the EU duty-free under the deal, but a set of sensitive products remains subject to tariff-rate quotas (TRQs) or partial preferences. That said, the 2003 agreement does contain some general provisions allowing temporary trade adjustments that could be applied to agriculture. For instance, it includes a standard safeguard clause incorporating GATT/WTO safeguard rules (Article 25) and a special export shortage clause (Article 26). Article 26 permits a party to impose temporary export restrictions if critical supply conditions arise, e.g., if "a serious shortage, or threat thereof, of a product essential to the exporting Party" emerges. In such cases, after urgent consultations in the Association Committee, a party may take "appropriate measures" (e.g., export bans or licensing) to relieve the shortages. However, no agriculture-specific safeguard quota triggers or special emergency tariff mechanisms are expressly defined in the Lebanon agreement. The agreement also envisions adaptive review mechanisms rather than automatic flexibilities. Article 15 established a review after five years to consider further agricultural trade liberalisation, and regular Association Council reviews "product by product" for additional concessions over

time. In practice, this was a political avenue to update terms, not an immediate crisis tool. Additionally, Article 16 allows either party to modify the agricultural trade arrangements if domestic agricultural policy changes significantly. For example, if the EU reforms its Common Agricultural Policy (CAP) or Lebanon alters its farm support schemes, they could adjust tariff preferences or quotas on affected products. Any such modification must be reported and discussed in the Association Committee/Council at the other party's request. This provision gives a legal basis to renegotiate specific agri-food trade conditions, but it is oriented toward long-term policy shifts (e.g., CAP reforms) rather than short-term emergencies. Nowhere does the 2003 text explicitly mention war-induced emergencies or pandemic-related trade facilitation measures. Sanitary and phytosanitary (SPS measures are covered only in broad terms of cooperation without any clause allowing temporary relaxation of SPS inspections or standards.

The EU implemented general measures to keep essential goods moving during COVID-19, which saw EU agri-food imports from Morocco actually increase by 8.4% year-on-year.

Comparative analysis of EU-Morocco vs EU-Lebanon agri-food trade during the COVID-19 pandemic (2020-2021)

The EU implemented general measures to keep essential goods moving during COVID-19, which benefited trade with both partners. In March 2020, the European Commission issued guidelines for border management to ensure the continued flow of food and other essential supplies (European Commission, 2020). "Green lanes" were introduced at EU borders to prioritise freight transport of critical goods, minimising delays for agri-food imports. These measures helped Moroccan fruits and vegetables, arriving via Mediterranean routes, to enter the EU without undue holdup, and ensured EU food exports could reach Lebanon despite lockdowns. EU authorities also temporarily relaxed certification requirements: from March 2020 to September 2021, EU border posts accepted scanned copies of sanitary/export certificates via email (instead of requiring original paper documents) to overcome courier and travel disruptions (Australian Ministry of Agriculture, 2021). This facilitated continuous import/export of food products with Morocco and Lebanon by streamlining health and phytosanitary document handling during travel restrictions.

Within the EU-Morocco framework, established channels were used to solve practical issues. EU agri-food imports from Morocco actually increased by 8.4% year-on-year. Moroccan exporters were able to take advantage of EU demand and logistical continuity. Morocco's export surge suggests that the existing protocol arrangements (large duty-free quotas, simplified access) allowed it to quickly ship more produce to Europe when needed. Customs and SPS authorities in both sides coordinated to adopt digital solutions. Notably, Morocco accelerated its use of electronic phytosanitary certificates (e-certificates) in 2020. Morocco became the first African country to integrate with the international ePhyto Hub, enabling paperless exchange of phytosanitary certificates for plant products (Cross-Border Paperless Trade Database, 2021). This digital shift, supported by Morocco's food safety agency (ONSSA), facilitated agri-food exports like citrus and tomatoes to the EU during the pandemic by reducing bureaucratic friction. Moreover, the EU-Morocco Association Agreement's institutional committees (on agriculture, customs, etc.) provided a platform to address COVID-related obstacles. For example, officials reportedly held ad-hoc virtual meetings to ensure that Morocco's seasonal exports (fruits, vegetables) could meet EU demand and that any quota management issues were smoothed out. The 2012 EU-Morocco

agricultural protocol had set annual tariff-rate quotas (TRQs) for a few sensitive products (e.g., tomatoes), and these quotas continued to be managed pragmatically during 2020-2021. Despite the pandemic, Morocco was able to fully utilise its preferential quotas and even export beyond them (paying higher duties for out-of-quota volumes). For instance, even in 2020 Morocco exported enough tomatoes to generate an estimated $142 million in out-of-quota sales beyond the duty-free quota limit (Santeramo & Lamonaca, 2023). While no formal quota increases were announced during COVID-19, the EU did not tighten any limits, allowing Morocco to capitalise on high European food demand. Logistics links (sea and road transport via Spain) were also kept open: Morocco and EU authorities designated food cargo as a priority, and Morocco's ports (e.g., Tanger-Med) remained operational with sanitary protocols.

For EU-Lebanon trade, facilitation efforts were overshadowed by Lebanon's internal crisis. Lebanon's agricultural exports to the EU were limited in scale and scope, partly because Lebanon's export basket (fruits, vegetables, prepared foods) was constrained by quotas and SPS compliance challenges even before COVID. Nonetheless, the EU took steps to support continued food trade and supply to Lebanon. EU exporters benefited from the Commission's certificate flexibility when sending products to Lebanon (Australian Ministry of Agriculture, 2021). Additionally, the EU scaled up humanitarian and logistical support: for example, after the August 2020 Beirut Port explosion (which destroyed grain silos), the EU helped finance emergency grain shipments and alternative storage to ensure Lebanon could import wheat. The EU and Lebanon did not need special new trade arrangements under the free trade agreement (FTA), since most Lebanese imports already entered the EU duty-free. Instead, the focus was on crisis response. The Lebanese government, facing potential shortages, took some unilateral measures that affected trade. In May 2020, as global supply chains grew uncertain, Lebanon banned the export of wheat and flour to preserve local food stocks (European Commission, 2025b). Lebanon is normally a net food importer, so export bans were to protect domestic supply of staples. Later, as its currency collapsed, Lebanon also imposed ad-hoc restrictions on exporting certain foods to prevent local price spikes. These emergency steps, while understandable for food security, meant trade was managed defensively rather than proactively facilitated. Unlike Morocco, Lebanon's institutions were less able to bolster exports – instead the priority became securing vital imports. The EU provided substantial aid (over €670 million in 2020 for humanitarian needs) to help Lebanon cope, indirectly supporting food imports (European Commission, 2021). Conversely, Lebanon, lacking currency and suffering internal turmoil, could not increase imports in the same way despite the FTA in existence. In fact, EU food exports to Lebanon initially plunged by ~38% in the first part of 2020. While Lebanon's woes were largely domestic, one can argue that an updated trade arrangement might have provided EU support (e.g., via an agriculture committee activating special measures or food aid tied to trade concessions). For instance, the EU-Morocco agreement structure facilitated dialogue and even prompted the EU to propose advancing payments or flexibility in other contexts. Lebanon's older agreement framework was less utilised in this way. Thus, Lebanon's lack of a modern agri protocol likely limited its ability to rapidly adjust trade policy or leverage the EU partnership for relief. It had fewer pre-agreed tools to either boost exports (no automatic quota

Lebanon's lack of a modern agri protocol likely limited its ability to rapidly adjust trade policy or leverage the EU partnership for relief.

upticks) or to expedite imports (no special relaxations on SPS or tariff waivers beyond the base FTA) compared to some neighbours. The outcome was that Lebanon had to fall back on unilateral measures and humanitarian aid, whereas countries with deeper trade pacts had somewhat more structured support.

Despite the common shock of COVID-19, EU-Morocco and EU-Lebanon agri-food trade diverged markedly in 2020-2021. Morocco's agri exports to the EU grew, even reaching record volumes in some categories, while Lebanon's exports shrank. The EU and Morocco managed to facilitate trade through pandemic disruptions by leveraging an established partnership, using digital certifications, prioritising food shipments, and relying on the liberalised access under the 2012 agricultural agreement. Both partners showed relative agility within that legal framework, which offered built-in flexibility (e.g., quota administration and SPS cooperation) to keep trade flowing. Conversely, EU-Lebanon trade was constrained by Lebanon's economic meltdown and a less developed trade framework. The AA had removed most tariffs, which helped ensure EU food exports faced no duties, but there were no special protocols to inject flexibility or boost Lebanese exports. Lebanese authorities, preoccupied with food security, resorted to export bans and crisis management rather than trade promotion. The policy lesson is that deeper trade agreements (like EU-Morocco's) can provide resilience and mechanisms for cooperation in times of crisis, whereas a more limited agreement (EU–Lebanon's) offers fewer tools to adapt. Nonetheless, it is also clear that domestic conditions (drought, economic stability, governance) strongly influenced outcomes: Morocco's agricultural sector was able to respond to EU market needs, whereas Lebanon's agriculture and import capacity were hampered by internal challenges.

Comparative analysis of EU-Morocco vs EU-Lebanon agri-food trade after Russia's invasion of Ukraine and ensuing food security crisis

Russia's invasion of Ukraine in February 2022 sparked a global agricultural input and grain supply crisis. Wheat and other grain exports from the Black Sea region were disrupted, and fertiliser supplies (particularly from Russia/Belarus) were curtailed. This shock threatened food security in import-dependent countries and drove up prices of staples and inputs (Emiliani, 2022). The EU and its neighbouring partners had to respond rapidly. This section compares the policy flexibility in agri-food trade between the EU and Morocco versus the EU and Lebanon during 2022-2023. It focuses on bilateral trade in agri-food goods – especially grains and fertilisers – and examines: (1) changes in trade volumes, (2) emergency trade measures or policy adjustments under their AAs or other frameworks, and (3) how each agreement's structure (Morocco's 2012 agricultural trade protocol vs Lebanon's lack of a specific agricultural protocol) enabled or limited the policy response. The analysis highlights the degree of flexibility exercised or constrained in each case and the legal/institutional reasons behind these outcomes.

In the wake of Ukraine's supply shortfall and a poor harvest in Morocco, EU grain exports to Morocco rose dramatically. Morocco faced a severe drought in 2021-2022 that cut domestic cereal output by over half (Reuters, 2023). As a result, Morocco became the EU's largest wheat export destination in the 2022-2023 season, even overtaking Algeria. EU wheat shipments to Morocco in calendar year 2022 reached about 4.1 million tons, reflecting Morocco's urgent import needs

and the EU's efforts to redirect grain to food-insecure partners (DG AGRI, 2023). By early 2023, steady Moroccan demand had helped France and other EU exporters sell most of their wheat surplus. This was a notable market adjustment illustrating flexibility: EU exporters swiftly filled Morocco's wheat gap when Black Sea routes were unreliable. At the same time, Europe turned to Morocco for fertiliser supplies to compensate for disrupted Russian/Belarusian exports. Morocco, home to vast phosphate reserves, tripled its fertiliser exports to the EU, reaching €111 million, and became the EU's second-largest fertiliser supplier by mid-2024 (El Khabariya, 2024). Overall EU fertiliser imports doubled during the crisis, with Morocco quickly boosting output to meet demand. By 2023, Morocco supplied roughly 50% of the EU's phosphate imports, highlighting its pivotal role in EU fertiliser security. This surge in fertiliser trade was facilitated by existing low EU tariffs on Moroccan phosphates and Morocco's capacity to scale production. Morocco's exports of other agricultural products to the EU also remained robust or grew during this period, aided by preference access under the trade agreement. For example, Moroccan fruit and vegetable shipments saw continued growth. France's imports of Moroccan tomatoes in the 2022-2023 season rose by 7.6% in volume (to 424,690 tons) compared to the previous season (Hortidaily, 2022). This underscores that Morocco's agri-food export sector could respond to EU market needs partially because high energy costs and drought in Europe increased demand for Morocco's off-season produce. During the crisis, policy measures under the EU-Morocco AA and unilateral steps were taken to facilitate trade. To ensure affordable grain, Morocco suspended customs duties on wheat starting November 2021 and kept them at 0% through 2022 (USDA, 2022). This emergency tariff waiver (extended repeatedly) allowed duty-free imports of soft and durum wheat to maintain supplies. Morocco also implemented a subsidy programme for wheat importers to offset high world prices, preventing cost spikes in bread. These steps exemplify flexibility in Morocco's trade policy leveraging tariff tools within the AA's allowances to respond to food insecurity. The EU did not need to modify tariffs on Moroccan goods, as most Moroccan agri-food exports were already entering the EU at low or zero duties under the 2012 agricultural trade protocol. The European Commission also refrained from export restrictions on cereals, in line with its commitment to global food security (DG AGRI, 2023). Keeping the EU market open was critical for Morocco's food imports. EU officials highlighted that, despite price spikes, export volumes of EU cereals increased in 2022 to help partners like Morocco. In short, the existing free-trade framework and EU's policy stance enabled grain to flow out to Morocco unaffected. No formal quotas constrained EU imports of Moroccan phosphate or fertiliser, so Europe could ramp up purchases as needed. Moroccan state company OCP capitalised on this by boosting production and exports, aided by high prices (Hespress English, 2023). The EU, for its part, treated fertilisers as essential imports. In effect, both sides prioritised practical access over potential trade frictions. While no specific new bilateral trade agreement was forged in 2022, the EU and Morocco maintained close dialogue. Morocco's status as an "advanced partner" likely eased communications – for example, in October 2022 the EU and Morocco launched a "Green Partnership" on sustainable agriculture and energy, signalling solidarity during the crisis (European Commission, 2022b). Both also engaged in multilateral efforts (e.g., EU support for the UN grain corridor) benefiting global supply, which indirectly helped Morocco.

In the wake of Ukraine's supply shortfall and a poor harvest in Morocco, EU exporters swiftly filled Morocco's wheat gap when Black Sea routes were unreliable, Europe turned to Morocco for fertiliser supplies to compensate for disrupted Russian/Belarusian exports.

Notably, the EU-Morocco AA's institutional mechanisms, including the Association Committee on agriculture provided a forum to discuss any needed adjustments, though publicly the main measures were unilateral tariff suspensions by Morocco and full use of agreed preferences. Crucially, there were no reports of either side invoking safeguard clauses or export bans on agri-food trade between them in this period, indicating policies were flexibly oriented to encourage trade, not restrict it. In summary, the EU-Morocco trade framework proved sufficiently flexible. Existing liberalisation allowed rapid scaling of trade flows in both directions, and policy adjustments (like tariff suspensions or subsidies) were compatible with the agreement. The structure of Morocco's agricultural protocol – comprehensive product coverage, tariff elimination, and joint oversight – provided a conducive environment for an agile bilateral response to the grain and fertiliser crisis.

The structure of Morocco's agricultural protocol provided a conducive environment for an agile bilateral response to the grain and fertiliser crisis.

On its side, Lebanon entered 2022 extremely vulnerable, as it imported 75-80% of its wheat from Ukraine and Russia before the war (Tschunkert & Bourhrous, 2022). The war's outbreak cut off these supplies overnight, leaving Lebanon with only weeks of wheat reserves. In response, Lebanon scrambled to find new grain sources. The government urgently sought import deals with alternate suppliers. Some of this need was met by EU-origin grain: for example, Romania (an EU member and Black Sea exporter) and France provided part of Lebanon's wheat imports in 2022-2023 (Bassam, 2022). However, Russia soon resumed exports to Middle Eastern buyers at competitive prices, which meant Lebanon in 2023 again sourced a significant portion from Russia (e.g., 0.15 million tons in the first half of 2023) (AgFlow, 2022). Overall, EU-Lebanon grain trade did increase in 2022, but not as dramatically as in Morocco's case, partly because Lebanon's severe financial crisis limited its buying capacity. Trade data reflects this nuanced change. In 2022, the EU's total goods exports to Lebanon were €5.66 billion, of which food and live animals comprised €0.58 billion (10.2%) (European Commission, 2025d). This category including cereals was among the largest EU export segments to Lebanon. The value likely rose due to high grain prices and volumes directed to Lebanon to help cover the shortfall. On the import side, Lebanon's exports to the EU are very small (€0.6 billion total in 2022, mostly raw materials and manufactured goods). Agricultural exports from Lebanon to the EU are negligible, limited to niche products. Thus, unlike Morocco, Lebanon's bilateral agri-food trade with the EU is one-sided, with the EU supplying food. Lebanon has a modest agricultural sector and produces almost no fertilisers. The main issue for Lebanon was obtaining fertiliser for its farmers amid price spikes. Here, the EU was not a key player and Lebanon likely relied on whatever global supply it could afford. There were no notable changes in EU-Lebanon fertiliser trade flows during 2022-2023, owing to Lebanon's financial constraints and the small scale of its farming input imports. The bilateral focus remained narrowly on securing grain. Crucially, Lebanon lacked foreign currency to pay for soaring import bills. In May 2022, with EU backing, the World Bank approved a USD 150 million "Wheat Supply Emergency Response" loan to Lebanon (AgFlow, 2023). This project provided the financial means to import wheat and build a reserve, effectively underwriting grain purchases for about 6-9 months. The European Commission also launched a regional Food and Resilience Facility: out of €225 million set aside to help EU neighbourhood countries handle war-induced food shortages, €25 million was allocated to Lebanon

(European Commission, 2022a). This grant aided Lebanon in covering commodity costs and social safety nets. Such interventions lie outside the trade agreement per se, but were vital "policy responses" to enable trade, as they allowed Lebanon to actually buy grain on the market, including from the EU. The EU and its member states also bolstered humanitarian aid to Lebanon, often via the World Food Programme. While not a trade measure, this included direct food assistance and cash/voucher programmes to ensure food access for vulnerable Lebanese and refugees. In effect, where the free market could not guarantee affordable supply, aid filled the gap. The EU-Lebanon AA did not have a built-in mechanism for emergency food aid or price stabilisation, so the solution was ad-hoc aid packages coordinated through development policy. One striking aspect is that no significant bilateral trade policy adjustments were recorded under the AA framework itself during 2022-2023. Unlike some partners, with Ukraine itself as the chief examples, Lebanon did not receive new EU trade concessions, arguably because it already had full duty-free access for most goods, and its problem was not export capacity but import affordability. Thus, flexibility in this case came through external mechanisms including loans and aid rather than changes to EU-Lebanon trade rules. The AA's role was somewhat passive: it neither hindered nor particularly helped Lebanon's urgent import needs, which were addressed by financial means and global sourcing. Lebanon's deal did not focus on agriculture beyond general tariff reductions. It does not contain elaborate tariff-rate quotas, safeguard triggers, or sectoral committees for agriculture. In practice, this meant there was little in the agreement that could be tweaked or leveraged to boost Lebanon's food imports or exports in an emergency as it was already a simple, static free trade arrangement for most items. The absence of an updated agricultural protocol means that agricultural trade had less development under the AA, likely because Lebanon's export capacity in agriculture is small. Thus, the agreement provided limited institutional avenues to address a food security crisis. The flexibility inherent in a trade deal is only useful if the country can utilise the trade flows. Lebanon's case shows that even with nominally free access, supply constraints and quality standards can limit exports. Lebanese agricultural exports to the EU (e.g., citrus, grapes, apples) remained minimal in 2022-2023, so there was no question of expanding quotas or similar. On the import side, Lebanon could import food from the EU tariff-free, but its binding constraint was having foreign exchange and a functioning trade finance system, issues outside the scope of trade policy. In short, the agreement's structure might have been legally open, but economically it was underused. This contrasts with Morocco, which had built up a sizable, diverse agri-trade with the EU over years, providing a cushion and mutual interest when crisis hit. Lebanon's agreement, while providing market access on paper, did not translate into a flexible tool for crisis response due to these practical limitations. Agriculture has not been a major focus in EU-Lebanon relations (which centre more on financial stabilisation, refugees, and governance reforms). During the food crisis, responses were discussed in broader forums (e.g., G7, UN) rather than through a bilateral trade committee. The lack of a strong institutional platform for agricultural cooperation under the AA meant less agility. There was no joint trade decision (for instance, to allocate a special wheat quota or create a food aid trigger) – likely because none was envisioned in the agreement and Lebanon's situation required humanitarian aid more than trade facilitation. Lebanon's governance crisis meant it struggled to

The absence of an updated agricultural protocol signifies that agricultural trade had less development under AA, provided limited institutional avenues to address a food security crisis.

enact policies swiftly. The trade agreement alone could not overcome structural governance problems. In comparison, Morocco's more stable institutional setting allowed it to use the FTA's opportunities more effectively (e.g., quickly adjusting tariffs, mobilising its state company OCP to export fertiliser, etc.). In essence, the EU-Lebanon FTA's structure offered limited help during the 2022-2023 grain crisis. It provided a backdrop of generally free trade, but it lacked specialised provisions and the deep integration seen in EU-Morocco relations that might have enabled a more robust bilateral trade response. The crisis response for Lebanon thus largely bypassed trade policy instruments, relying on emergency aid and the global market, highlighting a constraint in policy flexibility rooted in the agreement's scope and Lebanon's economic circumstances.

A balanced evaluation: EU policy achievements vs limitations

The review carried out in this study demonstrates that the EU achieved the maintenance of open trade channels and the provision of stability through existing agreements during two of the most notable defining crises hitting the Southern Neighbourhood in the 21st century. Notably, the EU did not resort to new protectionist barriers against Morocco or Lebanon in 2020-2023 – a significant point given the global trend of export restrictions during food scares (Di Ciommo et al., 2022). The AA frameworks already in place meant that most Moroccan and Lebanese agri-food exports continued to enter the EU with low or zero tariffs, which helped sustain trade volumes. The EU also achieved some balancing of interests. It addressed farmer concerns to an extent (ensuring over-quota Moroccan imports paid duties, investigating alleged fraud in valuation, etc.) while avoiding a trade spat with Morocco (East Fruit, 2025). In parallel, the EU channelled assistance to partners through other means: for Lebanon, over €1 billion in various support was mobilised (2014-2020 ENI funds and 2021-2027 NDICI allocations) to support its economy and refugees (European Commission, 2022c). During the food crises triggered by Russia's war on Ukraine, the EU used its resources to help Lebanon and others import needed cereals, facilitating the UN's grain shipments and contributing humanitarian food aid (Zsucs, 2022). While not trade policy per se, these actions mitigated the impact of EU not adjusting trade rules. Furthermore, the EU's engagement in dialogue and future planning is an achievement: in 2021's Trade Policy Review, the EU offered to discuss modernising trade and investment relations with Morocco to better meet current challenges (European Commission, 2022d). This indicates Brussels recognised the need for updated frameworks and kept that door open.

The EU did not resort to new protectionist barriers against Morocco or Lebanon in 2020-2023

However, significant limitations in the EU's approach are also evident. The main shortcoming was the lack of timely adaptability: the EU largely reacted within the confines of existing policy, and when it did act boldly (as with the decision to remove all import agri-food import tariffs vis-à-vis Ukraine) it did so selectively. From the perspective of partners like Morocco and Lebanon, the EU's trade policy response was status quo and slow. The outcome was that no new trade initiatives were launched with Morocco or Lebanon during the pandemic recovery phase. By contrast, competitors or neighbours (Ukraine, Moldova) did receive enhanced access, which could be viewed as the EU showing favouritism based on politics. This uneven flexibility may have fostered some resentment or at least a sense of relegation among Southern partners.

Another limitation was how internal farmer pressures diluted the EU's external responsiveness. The protests and political pushback in 2022-2023 forced the EU to partially retreat even on its Ukraine flexibility: by mid-2023, angry over a considerable inflow of Ukrainian grain affecting EU markets, several Eastern member states pressed the Commission to re-impose import curbs for key crops (Di Ciommo et al., 2022). The Commission introduced "preventive measures" re-establishing duties or bans on Ukrainian grain into those markets, illustrating how swiftly internal opposition can compel a policy reversal. This suggests that had the EU offered a similar blanket liberalisation to Morocco or others, it might have provoked a wider farmer revolt within the EU. Thus, the internal politics effectively pre-empted flexible trade strategies, a limitation in the EU's capacity to act uniformly on its professed values of partnership and support. For Lebanon, the EU's limitations are seen in its heavy emphasis on financial aid while leaving trade tools on the shelf. Given Lebanon's duty-free access was already high, the EU might have focused on helping Lebanese producers meet standards or promoting Lebanese agri-food in Europe. Yet there is little evidence of accelerated programmes in that regard during 2020-2023. The EU's trade relationship with Lebanon remained on autopilot, providing no special accommodations despite Lebanon's desperate economic crisis. This arguably reflects a blind spot: trade could be a development lever, but the EU defaulted to viewing Lebanon mainly through a humanitarian and security lens (Council of the European Union, 2023). The broader implication is that EU trade policy lacked agility and a development-oriented flexibility for partners that were not in the geopolitical spotlight.

While structural bottlenecks within Southern Mediterranean Countries (SMCs) — such as fragmented governance, weak interministerial coordination, and elite resistance to regulatory reform — have at times diluted the transformative potential of AAs, these constraints should not obscure the EU's responsibility to adapt its trade instruments more proactively during systemic shocks. In times of crisis, it is often the more stable partner that holds the institutional bandwidth to innovate and provide trade responsiveness. A more crisis-responsive EU policy framework could help rebalance the relationship and catalyse reforms on both sides.

Internal farmer pressures diluted the EU's external responsiveness, effectively pre-emptying flexible trade strategies.

Conclusions and policy recommendations

Policy recommendations to enhance trade flexibility with Southern partners in conflict or crisis

1. **Adopt flexible tariff-rate quotas and emergency tariff waivers:** The EU should introduce mechanisms to adjust tariff-rate quotas (TRQs) and tariffs on agricultural products in real time during crises. For instance, if a sudden supply shock occurs (as with Ukraine's wheat), the EU could temporarily raise or suspend import quotas and duties for Southern Med partners to fill the gap. Static quotas often fail to reflect market needs under stress. In 2019, Morocco fully used its EU tomato quota while other product quotas went underfilled, suggesting both unmet export potential and structural barriers. During the Ukraine war, the EU demonstrated flexibility by waiving duties and quotas on Ukrainian agri-food exports in 2022 to stabilise supply. A similar agile approach with Southern partners would allow quick redirection of trade flows when usual sources are disrupted, helping to smooth price spikes and prevent

shortages. Flexible TRQs can support partner economies in turmoil while safeguarding EU consumers. Instituting a formal "crisis TRQ" mechanism would make such responses faster and more predictable.

2. **Establish a Food Crisis Response Mechanism as part of the New Pact for the Mediterranean:** The EU, together with Southern Mediterranean partners, should create a formal crisis-response protocol for agri-food trade disruptions as part of the governance adjustments spurred by the publication of the "Agenda for the Mediterranean" (2022). This could involve a joint task force or "food crisis instrument" empowered to coordinate emergency trade measures, such as rapid activation of alternative transport corridors, or temporary food reserve releases, when shocks occur. A cooperative mechanism would enable proactive steps to keep trade flowing. An EU-Med crisis platform could fast-track solutions similar to the EU solidarity lanes created in the context of the response to the Black Sea blockade by Russia, arranging special freight routes, matching supply shortfalls with surplus, and engaging in "food diplomacy". This kind of trade-related crisis instrument, cutting across EU trade, agriculture, and foreign policy domains, would institutionalise solidarity and reduce reaction times when acting rapidly is of essential importance.

3. **Enhance CAP external coherence with trade objectives:** The Common Agricultural Policy (CAP) should be managed in harmony with the EU's external food security and trade goals vis-à-vis Southern neighbours. This means reviewing CAP mechanisms that can inadvertently hinder imports from or exports to Mediterranean partners (subsidies, market interventions, etc.), and ensuring development concerns are integrated into agricultural decisions. Historically, the CAP's external impact on developing and neighbouring countries has been mixed, and its coherence with development objectives often disputed. Past reforms reduced the most trade-distorting practices, yet significant protection remains for some commodities. For example, limited EU import quotas for olive oil or fruits protect EU farmers but constrain high-potential exporters like Tunisia or Morocco. In a crisis, such rigidity can limit alternative sourcing options for Europe and income for partners. The COVID experience showed the importance of regional self-help – CAP flexibility allowed EU farmers to boost production, but the debate largely ignored external effects. Going forward, the EU should align CAP crisis measures such as the release of intervention stocks or the adjustment of greening rules with the needs of Southern partners. If EU agricultural surpluses are released, they should be channelled in a way that supports food-deficit neighbours avoiding dumping. Conversely, when neighbours struggle to export due to an EU rule, those rules should be revisited. Making the CAP "food security aware" externally in line with the EU's Lisbon Treaty obligation for policy coherence in development will ensure trade policy and agricultural policy work hand-in-hand. This shall involve EU multi-institution coordination to evaluate external impacts whenever CAP tools are deployed.

4. **Improve trade facilitation and logistics for resilience:** The EU should work with Southern partners to expedite customs procedures and strengthen transport logistics for agri-food trade,

including in crisis scenarios. Measures could include "green lanes" for essential food cargo and support for infrastructure that links food supply chains. One lesson from COVID-19 was that border slowdowns and paperwork bottlenecks can choke supply lines just when demand is urgent. The EU's internal "green lane" system kept trucks moving during lockdowns; extending this concept to key EU-Med border crossings would be invaluable. In the wake of Russia's attack on Ukraine, alternative land routes had to be mobilised quickly to ship grain westward; having pre-established protocols with neighbours for such contingencies would save precious time. By investing in smoother port logistics, joint customs training, and modernised border posts through the EU's Global Gateway and through projects funded through the European Investment Plan, Europe and its partners can ensure that when crisis strikes, the physical movement of food is not the weakest link. Efficient, flexible logistics underpin the effectiveness of all other trade policy tweaks, making the agri-food system more shock-proof across the region.

5. **Promote diversification of supply and regional integration through trade incentives:** The EU should use its trade policy levers to encourage a broader base of agri-food suppliers and stronger inter-regional trade among Southern Mediterranean countries (SMCs). This could involve diversifying import sources via preferential agreements or support for new value chains, and assisting partners in increasing intra-regional food trade. Over-reliance on a narrow set of suppliers is a recipe for the Southern Mediterranean shore's vulnerability. For Europe, tapping into a more diverse basket of suppliers can mitigate shocks. The EU can incentivise this by selectively lowering tariffs or expanding quotas for a wider range of products from the region, and by supporting regional trade initiatives, through the UfM or African Continental Free Trade Area linkages, that improve Southern Med countries' ability to trade with each other. A more integrated Mediterranean food market, with EU technical and trade assistance, means that in a crisis, a shortfall in one country can be offset by surplus from another. Diversification is essentially a form of insurance: COVID-19 taught that localising everything is impractical, so instead the EU and its neighbours should build redundancy in supply networks by multiplying sources, flexible contracts, and regionally coordinated reserves. Through its trade policy, the EU can catalyse this by being an open, reliable buyer and also a facilitator of South-South trade, for instance, via triangular cooperation or by not competing with regional suppliers in nearby markets. In the long run, this can reduce pressure in crises and contribute to shared resilience.

Each of these recommendations is designed to be broadly applicable across EU policy domains and institutions. They call for a coherent EU approach – involving the European Commission's trade and agriculture arms, member states, and regional bodies – to make agri-food trade policies more flexible and crisis-ready. By learning from the upheavals of the past few years, the EU can recalibrate its trade tools to better support both its own food security and that of its Southern Mediterranean partners. The result will be a more resilient Euro-Mediterranean food system, able to absorb shocks and feed its people even under the most challenging circumstances.

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Balancing Security, Sustainability, and Resilience: Euro-Mediterranean Energy Trade in Turbulent Times

Nora Aboushady
Associate Professor of Economics, Cairo University and Associate Researcher, German Institute of Development and Sustainability (IDOS)

Introduction

Since the onset of the COVID-19 pandemic, the global market for hydrocarbons has experienced escalating turbulence. After prices dropped sharply due to lockdowns and global recession, the Russian invasion of Ukraine caused disruptions in hydrocarbon supply chains, resulting in a sharp rise in global energy prices. The Russian gas supply disruption took its toll on the European Union (EU), prompting it to quickly secure other energy sources and accelerate decarbonisation. These actions required the EU to coordinate with regional and global partners to secure the energy supply in the short to medium term and accelerate the development of green technologies in the medium to long term. Meanwhile, soaring energy prices have burdened energy importers in the Southern Neighbourhood, including Morocco, Tunisia, and Egypt. These countries have experienced inflationary pressures and mounting debt due to their reliance on imported energy products. In Egypt, for instance, the crisis extended to downstream industries such as fertiliser production, causing an increase in the cost of agricultural activities. At the time of writing, the war in Gaza is accompanied by an interruption in the gas supply from Israel, which Egypt re-exports. This pushed Egypt to export gas at the expense of domestic energy supply shortages and electricity cuts.

These recent developments demonstrate that achieving resilient energy trade requires regional cooperation between the two shores of the Mediterranean. Southern Mediterranean Countries (SMCs) are strategic energy trade partners of the EU and are expected to become more important in the future. However, this calls for a redefinition of trade relations to accommodate deeper energy cooperation and increased energy security across the region.

The objective of this chapter is thus to evaluate EU-Mediterranean energy trade and examine the potential for fair and sustainable energy trade partnerships in light of recent geopolitical events. More specifically, it addresses the following questions:

1. What are the recent developments in energy trade partnerships between the EU and SMCs?
2. How have energy trade and trade policies adapted to escalating conflicts?
3. How can EU-Mediterranean trade and cooperation contribute to sustainable, resilient, and just partnerships?

The analysis focuses on three SMCs that have different levels of resource endowments and different trade relations with the EU: Morocco, Algeria, and Egypt. Morocco is a net energy importer. Algeria is a resource-rich country whose trade with the EU primarily consists of hydrocarbons. Egypt has long relied on hydrocarbon exports (especially natural gas) as a source of foreign currency and has had limited success with energy diversification thus far.

Recent conflicts are reshaping the energy sectors and trade of these countries. While Morocco is pursuing ambitious plans to diversify its energy sources and develop and export hydrogen, Algeria has been reluctant since the increase in global hydrocarbon prices following Russia's invasion of Ukraine. Egypt's widening gas production and consumption gap, coupled with disrupted gas supply from Israel due to the Gaza war, threatens energy trade and security. This has motivated the government to explore energy diversification pathways, including hydrogen partnerships with Europe.

This chapter begins with an overview of EU-Mediterranean energy trade frameworks, focusing on the evolution of Euro-Mediterranean energy trade and trade policies after the Russian invasion of Ukraine. The following sections elaborate on energy

trade relations between the EU and each of the three SMCs and highlight recent developments in the field of renewable energy and hydrogen technologies. The final section explores the possibility of establishing resilient and equitable energy partnerships, as well as possible challenges related to future directions in EU energy policies.

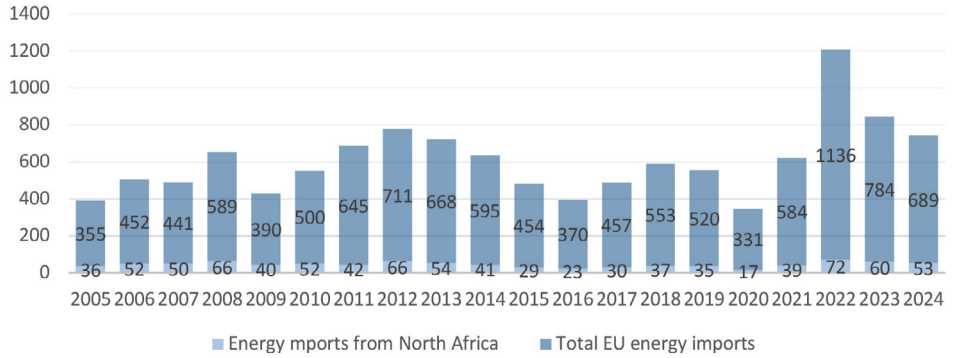
EU-Mediterranean energy trade frameworks

Energy trade has long been a fundamental component of the EU's trade relations with SMCs. The EU imports gas from several SMCs: via the Greenstream pipeline from Libya to Italy, the Transmed pipeline connecting Algeria and Italy through Tunisia, and the Medgaz pipeline connecting Algeria and Spain.[3] There are also two electricity interconnections between Morocco and Spain (EESC, 2023). Other forms of energy trade, such as crude oil, liquefied natural gas, or petroleum products, fall under the Association Agreements (AAs) between the EU and several SMCs. The AAs with Morocco, Algeria, and Egypt — the three countries investigated in this chapter — were signed in 1996, 2001, and 2002, respectively. Trade in mineral fuels is subject to zero tariffs under the free trade component of the AA.[4] The agreements include an article on energy that proposes cooperation in the areas of energy efficiency and renewable energy sources, as well as support for establishing regional energy networks. However, the depth of cooperation in this sector varies substantially across SMCs. As the next section of this chapter will elaborate, Morocco's energy cooperation with the EU is deeper thanks to the Moroccan government's early efforts to align its national energy strategy with the EU's. Egypt recently signed a strategic partnership agreement with the EU on energy, and Algeria engages in high-level policy dialogues on energy with Europe.

The energy endowments of North African countries differ substantially. Libya and Algeria are net energy exporters, while Morocco and Tunisia are net importers. Egypt's energy trade balance is rather dynamic. The country has been a fossil fuel exporter, but it has relied mainly on gas exports, especially since new gas fields were discovered in the eastern Mediterranean in 2015. However, gas exports are unstable due to increasing domestic demand and sluggish supply.

Overall, North Africa's fuel exports to the EU represent a small percentage of the EU's total fuel imports (Figure 1). On average, these exports account for 7.5% of the EU's total fuel imports and are primarily sourced from Algeria and Libya, which account for about 3.7% and 3.5% of the EU's total fuel imports, respectively. Other major exporters of fuel to the EU include the US, which accounts alone for more than 11% of the EU's total fuel imports, followed by Saudi Arabia (4.16%), Kazakhstan (2.69%), and Iraq (2.07%).[5] Despite this relatively modest share, energy trade between the EU and SMCs could contribute to increasing resilience to crises and shocks. In fact, SMCs were among the countries that helped the EU secure energy supply following the Russian invasion

Figure 1. EU Energy Imports from North Africa (in € Billion)



Note. Figures represent fuel trade at the HS2-level (mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes). Elaborated by author, sourced from ITC (2025).

of Ukraine. In 2022, the EU increased its energy imports from SMCs to € 72 billion. From 2021 to 2022, Algeria's fuel exports to the EU more than doubled (from around € 18 billion to € 39 billion), Libya increased its exports from € 18 billion to € 25 billion, and Egypt nearly tripled its fuel exports to the EU (from € 2.5 billion to € 7.2 billion)[6].

Beyond bilateral relations, regional energy integration has had limited success thus far.

Beyond bilateral relations, regional energy integration has had limited success thus far. The EU as well as individual European countries have launched several initiatives to develop large-scale renewable energy projects at the regional level. These aimed to create an integrated energy market in the Southern Mediterranean neighbourhood, which would be linked to the EU through regional grids to cater to Europe's electricity demand (Tanchum, 2024). Prominent examples of such projects are Desertec and the Mediterranean Solar Plan — two projects doomed to fail. The failure of these initiatives can be explained by several factors: the weak institutional capacities in SMCs, the absence of regulatory harmonisation between the partners, the slowdown in energy demand since the recession in 2008, and political instability in SMCs since 2011. Most importantly, these large-scale regional projects were heavily criticised for prioritising the EU's energy security without first helping SMCs achieve energy security or integrate renewables into their energy mix to address their booming domestic energy demand (Tagliapietra, 2018; Urbasos, 2024).

New directions in EU energy policies and implications for SMCs

In 2019, the Commission launched the EU Green Deal with the objective of reducing greenhouse gas emissions by 55% by 2030 compared to 1990 levels and achieving carbon neutrality by 2050. To implement the Deal, the EU developed an "external dimension" relying on strategic partnerships with its neighbours. The Green Deal's external dimension is also reflected in the New Agenda for the Mediterranean, announced in February 2021, which prioritises green and digital transitions. Moreover, the Union for the Mediterranean (UfM)'s

2021 Ministerial Declaration on Energy announced a "just and fair transition toward circular, low-emissions, inclusive, resilient, sustainable, and energy-efficient economies and societies" as a common goal of its 43 member countries (EESC, 2023).

In response to severe gas supply disruptions and soaring global energy prices following the Russian invasion of Ukraine, the EU took rapid steps to accelerate the implementation of the Green Deal's external dimension. In order to diversify away from Russian gas, secure the energy supply, and commit to sustainability and climate objectives, the EU adopted several strategies. In May 2022, it launched the REPowerEU plan to phase out energy imports from Russia, secure energy supply from other sources in the medium term, and accelerate the green transition in the medium to long term (European Commission, 2022).

In the short term, securing Europe's energy supply required an increase in imports from alternative markets, including those in SMCs. In 2022, the EU's fuel imports reached a record high of €1.1 trillion, €72 billion of which came from North Africa (see Figure 1). Thus, regional energy trade flows were maintained and even increased during the crisis. In terms of trade policy, however, the picture varied substantially between Europe and its Southern neighbours. SMCs have only announced minor and temporary interventions affecting fuel trade with the EU. According to the Global Trade Alert Database (2025), these measures include a temporary suspension of oil exports from several terminals in Libya caused by social unrest, new import licence requirements introduced by Algeria, and a temporary ban on all imports from Spain amid political disputes over Western Sahara. On the EU-side, however, a set of short-term responses as well as medium- to long-term measures were introduced. The Global Trade Alert database lists 27 harmful measures (code red) and 12 potentially harmful measures (code amber) that were introduced by the EU or by individual European countries since the onset of the energy crisis (see Table 1). The measures are not all specific to the oil and gas sector but extend to affect a wide range of products and industries, including fuels and energy-intensive sectors. At the EU level, harmful (red) or likely harmful (amber) interventions mainly include subsidies in the form of state aid under the Green Deal Industrial Plan. These can be understood as adaptive measures likely to be implemented in the short to medium term. Individual European countries also introduced heavy subsidy programmes for firms operating in the energy sector or energy-intensive industries. Germany, France, Spain, Portugal, and Poland, for example, introduced financial grants to offset the indirect costs of CO2 emissions for energy-intensive companies until 2030, as well as compensation packages for rising gas and electricity prices, and state aid to support decarbonisation. It is also worth noting that the RePowerEU plan itself is considered an "amber" alert, i.e., it is likely to harm free trade. The same applies to the EU Critical Raw Materials Act, which focuses on providing financial assistance to mining activities abroad to secure the supply of critical raw materials necessary for the green transition. During this period, the EU implemented only one "green", or liberalising, measure related to import tariff quotas.

The recent temporary measures taken by the EU in response to energy supply disruptions, as well as the permanent measures reflecting new directions in the EU energy policy, can be both considered harmful to free trade.

In summary, while the EU eliminated tariffs on fuel trade with SMCs in the framework of the AAs, the recent temporary measures taken by the EU in response to energy supply disruptions, as well as the permanent measures reflecting new directions in the EU energy policy, can be both considered harmful to free trade, globally and with SMCs.

Table 1. Barcelona Declaration and Association Agreements

Country	Chapter	Intervention Type	State Act Title	Evaluation
EU	Export-related measures (incl. subsidies)	Export ban	New sanctions package includes extended export and import bans, an investment prohibition on Russian mining projects, and other economic sanctions	Red
EU	Export-related measures (incl. subsidies)	Export licensing requirement	Economic Security Strategy with proposals related to outbound investment and export controls	Amber
EU	Export-related measures (incl. subsidies)	Trade finance	Update of export credits guidelines to include low-carbon and climate-friendly projects as eligible beneficiaries	Amber
EU	Export-related measures (incl. subsidies)	Financial assistance in foreign market	European Critical Raw Materials Act	Amber
EU	Price-control measures	Internal taxation of imports	Adoption of the Carbon Border Adjustment Mechanism for iron and steel, cement, fertilisers, aluminium, and hydrogen imports	Red
EU	Tariff measures	Import tariff	Changes to the list of agricultural and industrial products subject to a reduction of import duties	Red
EU	Subsidies (excl. export subsidies)	Financial grant	New state aid Temporary Crisis and Transition Framework under the Green Deal Industrial Plan	Amber
EU	Subsidies (excl. export subsidies)	State loan	New state aid Temporary Crisis and Transition Framework under the Green Deal Industrial Plan	Amber
EU	Subsidies (excl. export subsidies)	Loan guarantee	New state aid Temporary Crisis and Transition Framework under the Green Deal Industrial Plan	Amber
EU	Subsidies (excl. export subsidies)	Capital injection and equity stakes (including bailouts)	New state aid Temporary Crisis and Transition Framework under the Green Deal Industrial Plan	Amber

Country	Chapter	Intervention Type	State Act Title	Evaluation
EU	Subsidies (excl. export subsidies)	Tax or social insurance relief	New state aid Temporary Crisis and Transition Framework under the Green Deal Industrial Plan	Amber
EU	Instrument unclear	Instrument unclear	"REPowerEU Roadmap" to end dependency on Russian energy imports	Amber
EU	Pre-shipment inspection and other formalities.	Import monitoring	New import monitoring tool and task force established to prevent trade diversion	Amber
EU	Non-automatic licensing, quotas etc.	Import tariff quota	Autonomous import tariff-rate quotas applicable during 2023	Green

In addition to their ability to respond quickly to supply disruptions during times of crisis, SMCs can be strategic partners of the EU in the medium and long term. The EU considers natural gas to be a transitional fuel, the demand for which is expected to grow in the medium term (Sandri et al., 2023). In this regard, gas exporters, such as Algeria and Egypt, could meet part of this growing demand. As the decarbonisation agenda progresses, SMCs could become leading exporters of renewable energy and green hydrogen in the long term. In fact, SMCs have a huge untapped renewable energy potential, are geographically close to Europe, and already have energy infrastructure in place linking them to Europe. Indeed, the 2020 European Hydrogen Strategy (developed under the EU Green Deal) called for the installation of 40 GW of electrolysers in the markets of the EU's external partners for hydrogen export purposes (European Hydrogen Observatory, 2023) and the EU plans to import 10 million tons of hydrogen from the Middle East and North Africa (MENA) region by 2030 (Sandri et al., 2023).

Renewable energy cooperation can also contribute to the energy security of SMCs. These countries suffer from growing population, pressing energy demands, and increasing vulnerability to climate change risks. Therefore, cooperation in renewables could accelerate the diversification of domestic energy sources to increase energy security, help SMCs decarbonise, and enable them to commit to their climate goals. Furthermore, energy cooperation could alter the energy trade balance between the two regions. Currently, energy trade between the EU and SMCs is not in favour of all SMCs. On the one hand, fuel exports to the EU constitute a significant portion of the revenues of net fuel exporting countries, such as Algeria and Libya. On the other hand, net fuel importers, such as Morocco and Tunisia, have an energy trade deficit with the EU, since they rely on the latter for the imports of refined fuel products. Together, these factors put SMC energy trade at risk, as the EU plans to reduce fuel consumption in the future. Thus, cooperation in renewable energy could provide SMEs with an opportunity to increase their resilience

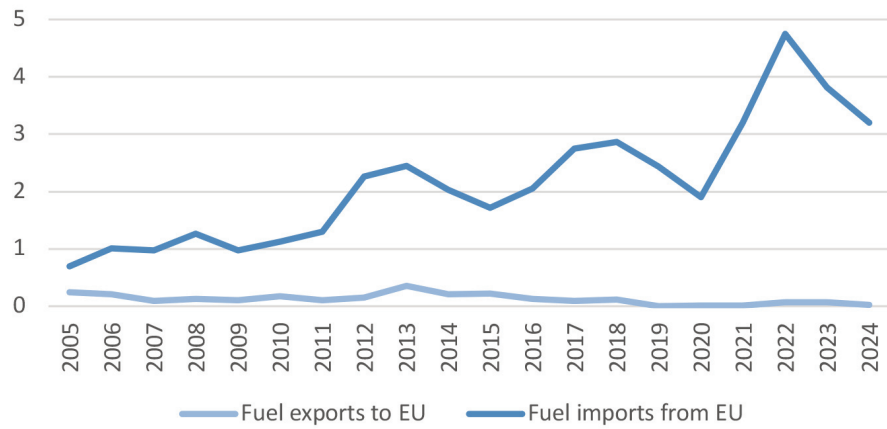
Renewable energy could provide SMEs with an opportunity to increase their resilience not only against global energy shocks, but also against future EU trends that could potentially harm their economies.

not only against global energy shocks, but also against future EU trends that could potentially harm their economies. The next sections will therefore focus on recent developments in energy cooperation and partnerships between the EU and individual SMCs.

Morocco: pioneering green partnerships and renewable energy cooperation

Morocco is a net energy importer. The country relies on the international market — primarily the US, Europe, the Gulf countries, and Russia — to secure most of its fuel supply (OEC, 2023). As previously explained, Morocco heavily depends on the EU to secure its needs for fuel: on average, half of Morocco's refined petroleum and petroleum gas imports come from the EU. These imports primarily come from Spain and Italy. As shown in Figure 2, Morocco's fuel trade balance with the EU is negative and has increased substantially over time. Morocco's fuel imports (and fuel trade deficit) peaked following Russia's invasion of Ukraine. Imports of fuel, primarily refined petroleum, exceeded €4.5 billion.

Figure 2. Morocco's Fuel Trade with the EU (in € billion)



Note. Elaborated by author, sourced from ITC (2025).

In the past, it was cheaper for Morocco to import fuel than to develop renewable energy domestically (Behnassi, 2021). Shortly after the AA with the EU was concluded, cooperation in the field of energy development began. As early as 2003, both partners signed a memorandum of understanding (MoU) on renewables, energy efficiency, and electricity with the aim of integrating the Moroccan energy market into the EU's. In 2007, the EU signed a declaration recognising Morocco as a transit country for gas supplies and an electricity exporter, and, in 2008, Morocco obtained advanced status within the European Neighbourhood Policy (ENP). This status implied an intensification of diplomatic and trade relations and the implementation of adjustments to meet EU market standards (Plank et al., 2023). Under this advanced status, Morocco benefitted from a financing agreement in 2009 for the reform of the energy sector support programme included in its energy

diversification strategy, launched in the same year. The objective was to increase the domestic energy sector capacity, invest in renewables, and export electricity to the EU. With the revision of the energy diversification strategy in 2015, the Moroccan government plans to increase the share of renewable energy in the country's energy mix to 52% by 2030 and to 80% by 2050. The strategy also aligns with the energy efficiency strategy, which aims to reduce the energy import bill and achieve savings of approximately 25% by 2030 (Toumi, 2024). However, the latest available data shows that renewables account for 10% of Morocco's total energy supply. This energy comes primarily from bioenergy and, to a lesser extent, from solar and wind (IRENA, 2024).

Aligning with the EU's energy policies can create a win-win situation. On the one hand, the EU can import electricity from Morocco. On the other hand, Morocco could relatively reduce its energy import dependency and vulnerability to global energy price fluctuations by diversifying its energy mix and investing in renewables. Thus, increased energy cooperation can help Morocco strengthen the resilience of its domestic energy sector and pave the way for the country to become a strategic partner to Europe. Currently, Morocco is the only SMC with an electricity interconnection to Europe. This has only been possible by aligning Morocco's energy policies and governance with those of the EU.

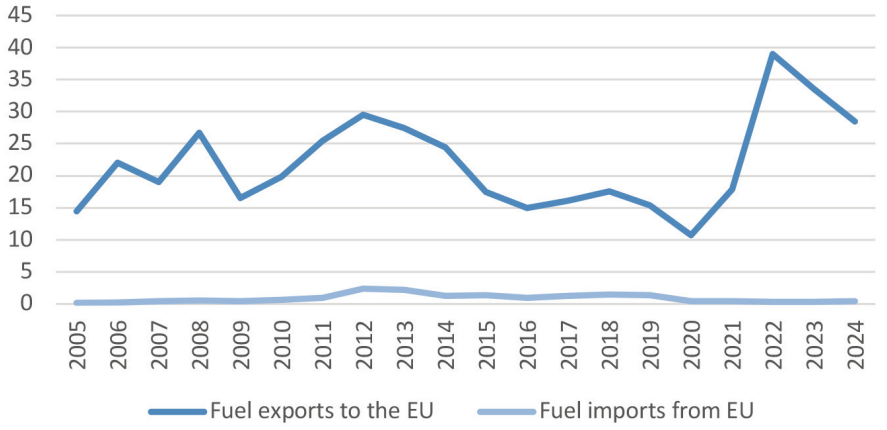
In 2016, Morocco hosted the COP22 Summit in Marrakesh, where it agreed with the EU on a roadmap to increase electricity trade between the EU and North Africa. Furthermore, recognising the strategic importance of green hydrogen as a renewable energy storage vector, Morocco developed a National Hydrogen Strategy. In October 2022, Morocco and the EU established a "Green Partnership" as part of the European Green Deal's external dimension, which includes energy transition, among other areas of cooperation. This is the first green partnership with an SMC to advance the EU Green Deal's external dimension (DG NEAR, 2023). Under this partnership, the 50-million-euro "Green Energy" programme aims to bolster the government's efforts to transition to renewable energy sources (CEPS & IEMed, 2023). In October 2023, the EU launched new cooperation programmes with Morocco, including support for the green transition. Morocco also agreed on expanding electricity interconnections with several European countries in the same year. As for hydrogen, Morocco began developing production in 2018 with the help of a German aid programme and, more recently, through private sector development projects (especially in green ammonia) backed by Portugal, the Netherlands, Italy, and the EU (Tanchum, 2024).

In October 2022, Morocco and the EU established a "Green Partnership" as part of the European Green Deal's external dimension, the first green partnership with an SMC.

Algeria: a rentier state with a huge renewable energy potential

Algeria is the second-largest gas exporter in Africa and one of the continent's leading oil exporters. Oil and gas export revenues have played a fundamental role in Algeria's state-building since gaining independence and continue to be the main source of export revenues. In 2023, Algeria accounted for approximately 3.7% of Europe's total imports of mineral fuels.[7] Over the past two decades, Algeria has increasingly exported oil and gas to Eu-

Figure 3. Algeria's Fuel Trade with the EU (in € Billion)



Note. Elaborated by author, sourced from ITC (2025).

rope. The latter's share in Algeria's total fuel exports increased from 46% in 2005 to 71.4% in 2024.[8] Figure 2 depicts Algeria's consistent fuel trade surplus with the EU, with sharp export fluctuations during crises, such as the 2009 financial crisis and the 2020 pandemic. In response to the 2022 energy crisis following the Russian invasion of Ukraine, Algeria, unable to meet a substantial proportion of the rising EU demand for gas, began expanding contracts with the Italian investor Eni to increase the production of oil and gas over the coming years (Aboushady & Faus Onbargi, 2023). In 2022, Algeria contributed to increasing trade exports to the EU, accounting alone for €38.9 billion out of the €72 billion worth of fuel exported by SMCs (Figure2).

Slow progress in renewables can be attributed to unattractive investment conditions, the lack of supportive regulatory frameworks, inadequate logistics, and the shortage of a skilled workforce.

In addition to its rich fossil fuel endowments, Algeria has some of the highest solar and wind potential in the world. With an average of 2,000 hours of solar irradiation per year (up to 3,900 hours in the south), Algeria has the potential to lead the way in renewable energy and green hydrogen production and export (Aboushady et al., 2024). However, Algeria's cooperation with the EU on renewables is not as advanced as Morocco's. In 2015, Algeria and the EU established a dialogue platform to enable deeper energy cooperation. Technical cooperation and assistance from the EU focus on increasing energy efficiency and developing renewable energy sources. From 2014 to 2020, the European Neighbourhood and Partnership Instrument (ENPI) provided €241.3 million to Algeria, with a significant portion allocated to energy and climate action projects (European Commission, 2024).

However, renewable power still accounts for less than 1% of Algeria's electricity generation (IEA, 2021a). The country's Renewable Energy and Energy Efficiency Development Plan, which aims to achieve 22 GW of installed renewable power generation capacity by 2030, is considered ambitious and rather difficult to meet. Several solar power plant projects, including the Tafouk1 solar power mega-

project, are under construction, but progress is relatively slow due to unattractive investment conditions. Slow progress in renewables can be attributed to various challenges, including the lack of supportive regulatory frameworks, inadequate logistics, and the shortage of a skilled workforce (Zeggagh & Ziane, 2024; Aboushady et al., 2024). More importantly, these challenges are deeply rooted the history of the Algerian rentier state and the pivotal role that fossil fuel exports have played in Algeria's post-independence state-building (Boukhatem, 2022) as well as the long-standing vested interests in maintaining oil and gas production and subsidies (Boukhatem & Oei, 2023). Bouckaert (2024) and Rivera-Escartin (2025) argue that, over the past two decades, Algeria's transition plans have been inversely related to the global hydrocarbon prices. When these increase, political stability increases, and diversification plans slow down. Recently indeed, energy transition plans accelerated following drops in the oil price during the pandemic. The government even established a Ministry for Renewable Energies and Energy Transition, but these efforts slowed down after the Russian invasion of Ukraine. In September 2022, the Ministry was dissolved and its responsibilities transferred to the Ministry of Energy and Mines (Farrand, 2022).

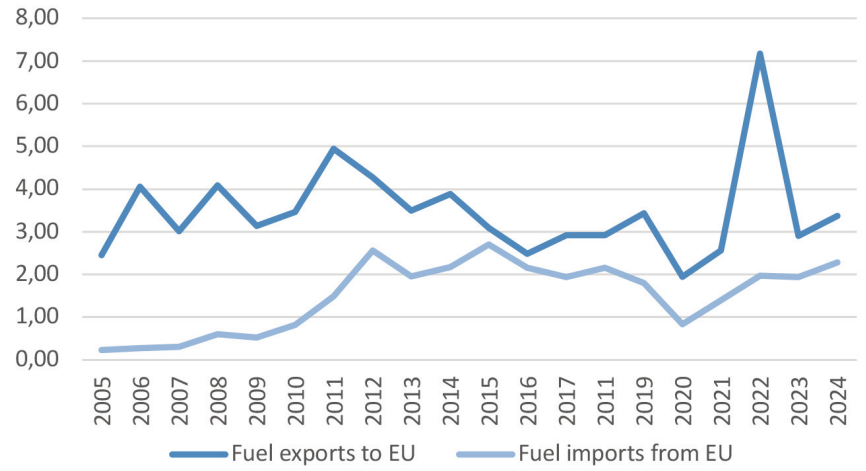
However, the rapid shift in Europe's energy policy following the 2022 energy crisis threatens the future sustainability of Algeria's oil and gas export revenues and consequently its economic and political stability. This prompted the government to reconsider diversification into renewables. In response to these developments, Algeria launched its hydrogen strategy in 2023, which aims to meet 10% of Europe's demand for renewable hydrogen by 2040. The Algerian government intends, however, to transition first to blue hydrogen, and has identified the development of green hydrogen as a long-term goal. At the same time, the Algerian oil and gas fields are maturing (Hasni et al., 2021), and production slowed over the recent years (Boukhatem, 2022). This has motivated the government to invest in new gas discoveries, resort to unconventional sources of gas, and explore green hydrogen as an alternative to ensure the sustainability of its revenues in the future. Against this backdrop, the government has recently signed agreements with Germany, Italy, the Netherlands, and China to develop green hydrogen and ammonia pilot projects. European countries are also planning to establish the SoutH2 Corridor, which would utilise the gas pipeline interconnection between Tunisia and Italy to transport hydrogen from Algeria to Europe.

Egypt: the race from fossil fuels to renewables

Although Egypt is a diversified economy, revenues from the exports of oil and gas have always played a key role in the country's economic and political stability. Egypt has been among the largest non-Organization of the Petroleum Exporting Countries (OPEC) oil and gas producers in Africa (Elshazly, 2020). As a result of growing domestic demand, Egypt became a net gas importer in 2015 before new gas discoveries were made in Egyptian Mediterranean water: the Zohr gas field helped Egypt achieve self-sufficiency in natural gas and become a net energy exporter in 2019. It is operated by the Italian oil and gas company Eni and the state-owned Egyptian General Petroleum Corporation.

As shown in Figure 3, Egypt's fuel trade surplus with the EU is narrowing. The country primarily exports crude oil and liquefied natural gas and imports refined petroleum products to meet growing domestic demand. During the energy crisis,

Figure 4. Egypt's Fuel Trade with the EU (in € billion)



Note. Elaborated by author, sourced from ITC (2025).

fuel exports to the EU peaked, reaching €7.17 billion in 2022. Overall, Egypt's fuel exports to the EU as a proportion of the country's total fuel exports have dropped from 56% in 2005 to 34% in 2024.[9] Thus, Egypt's fuel exports are relatively less concentrated in the EU market, compared to net energy exporters like Libya or Algeria. On the other hand, Egypt depends on the EU to import more than 10% of its needs for refined petroleum products. These are primarily sourced from Italy, Greece, and Spain.

Egypt's growing domestic demand for gas to generate electricity and its need to meet its LNG export commitments put pressure on domestic gas resources.

Previous efforts to diversify the energy mix and increase the role of renewables were largely unsuccessful. According to the most recent data available (IEA, 2021b), fossil fuels still constitute 95% of Egypt's energy mix, while renewable energy (excluding biomass) accounts for only 3.03%. Recently, Egypt's growing domestic demand for gas to generate electricity (particularly in the context of rising temperatures due to climate change) and its need to meet its liquefied natural gas (LNG) export commitments put pressure on domestic gas resources. Gas fields, including the Zohr field, experienced reduced output due to natural maturation and accelerated extraction (Alternative Policy Solutions, 2023). As Roll and Ibrahim (2017) argue, Egypt's political stability and energy security have always been closely associated. Indeed, previous episodes of pressure on gas resources and power outages have provoked waves of public discontent, such as in 2011-2013 and in summer 2023 (Dawoud, 2023). At the same time, LNG exports are a key source of foreign currency for Egypt, and a drop in these exports could put additional pressure on the country's foreign reserves. In addition to these internal developments, Egypt, like other SMCs and developing countries, is facing mounting international pressure resulting from the accelerated decarbonisation agenda and its own commitments to reducing carbon emissions in line with its Nationally Determined Contributions under the Paris Agreement. Furthermore, financing institutions are be-

coming increasingly reluctant to invest in the hydrocarbon sector due to growing concerns about the climate risks associated with their investments (Ersoy & Terrapon-Pfaff, 2021) or due to fears that fossil fuel infrastructure could become stranded assets in the future (Al-Saffar et al., 2025).

These domestic and global developments have prompted the government to adopt a more consistent approach to diversifying into renewable energy sources. Egypt's 2035 Integrated Sustainable Energy Strategy, launched in 2020, aims to increase power production from renewable sources to 42% of the country's total installed capacity (Ahmed, 2020). This strategy also aims to supply the EU electricity market via the proposed EuroAfrica Interconnector, which would transport electricity from Egypt to Europe through Cyprus and Greece, or directly to Greece. In June 2022, the EU and Egypt announced the Mediterranean Hydrogen Partnership, and while hosting the COP27, Egypt launched its national hydrogen strategy, followed by several MoUs for the development of hydrogen projects with several international partners (including EU countries). As one of the world's largest ammonia producers, Egypt also has the opportunity to switch to green ammonia thanks to the existing storage and transportation infrastructure. This would free up gas resources that could be consumed or exported, contributing to the increasing the country's energy security.

From 2021 to 2024, EU bilateral assistance reached €450 million, including funds for green and sustainable development (EEAS, 2022). To this end, the EU will also facilitate private investments in renewable energy, including green hydrogen projects, for the purpose of exporting to the EU. In March 2024, Egypt and the EU deepened their relations by establishing a Strategic and Comprehensive Partnership, providing a financial package worth €7.4 billion for the period from 2024 to 2027. However, this package is primarily focused on macroeconomic assistance and stabilisation following the escalation of the conflict in the Middle East (European Union, 2024). Additionally, under the Southern Neighbourhood Economic and Investment Plan, the EU provided Egypt with a total of 35 million euros in grants to develop renewable energy capacities (European Union, 2024).

Conclusions and policy recommendations

The way forward: towards just and resilient energy trade

Euro-Mediterranean energy trade partnerships continue to favour the EU: on the one hand, SMC energy exports constitute a small portion of the EU's total energy imports; on the other hand, the EU is a major export destination for SMCs and a major source of energy product imports (such as refined petroleum). These dependencies make SMCs vulnerable to supply and demand shocks from the EU.

Previous global energy price shocks clearly illustrated the SMCs' capacity to respond to crises by supplying oil and gas to the EU. In the medium to long term, Euro-Mediterranean energy trade partnerships could play a more significant role in enhancing the region's energy security and resilience against global shocks. These partnerships can also foster a just transition towards renewables in SMCs. This would help them benefit from increased export revenues, positive spillovers from foreign direct investment (FDI) in renewables, and greater integration into regional energy

value chains. It would also help them meet their climate objectives.

Although SMCs played an important role in the short-term crisis response by providing the EU with fuels and alleviating the energy crisis, the measures taken by the EU are likely to harm energy trade with SMCs in the medium to long term. Accelerating the implementation of the Green Deal could protect the EU from facing similar crises in the future. However, this may not necessarily mean the same for SMCs. The transition to clean energy resources will create a number of losers in SMCs, both at the country and sector level. At the country level, the EU energy transition implies losses in fossil fuel export revenues for countries like Algeria, Libya, and Egypt. At the sector level, the Carbon Border Adjustment Mechanism (CBAM) will penalise SMC exports of carbon-intensive sectors, such as iron and steel, cement, and fertilisers. Therefore, the new directions in EU energy policy should be accompanied by a set of measures that promote regional trade integration and foster just partnerships. These include the following actions:

- Supporting SMCs in their energy transition to minimise negative repercussions of EU-SMC energy trade on economic and political stability. In this regard, a "one-size-fits-all" policy towards SMCs is likely to be ineffective. The EU should therefore tailor policies to cater for the different country-specific contexts, needs and risks. Political economy considerations should not be ignored. For instance, Algeria's welfare state heavily relies on the distribution of oil and gas revenues, with the EU being its main export market. Therefore, Europe's gradual shift away from fossil fuels could lead to a decline in oil and gas export revenues, which could potentially destabilise long-standing structures and pose a serious threat to Algeria's economic and political stability. The EU should therefore leverage the existing trade and cooperation frameworks under the AA to support Algeria's energy transition to renewables and the implementation of industrial and export diversification strategies. Given the fundamental role of the oil and gas sector in Algeria's economy, a rapid shift away from oil and gas towards renewables and renewables-based hydrogen is unlikely to succeed, as it is expected to be met with resistance from key players and stakeholders in the energy sector, including the oil and gas company Sonatrach, and politically connected businesses in energy-intensive industries. This "lobbying for gas" phenomenon has slowed down serious reform efforts attempts in the energy sector in the past (Boukhatem & Oei, 2023). Conversely, a gradual decarbonisation plan beginning with a shift to blue hydrogen would be a more realistic intermediate solution. Investing in the diversification of hydrocarbon downstream sectors can also be a viable option to diversify the economy (Mouneer, 2022) as could a gradual shift towards lower lower-emission industries. While research suggests that rentier states may adopt the same approach to the green energy transformation, gradual decarbonisation could also create new opportunities for economic diversification, institutional reform, and democratic transition (Sandri et al., 2023). The EU should therefore support the latter scenario. In the case of Egypt, the plans to establish energy infrastructure connecting the Southern and Eastern Mediterranean regions with the EU are unlikely to materialise in the near future due to the escalation of the neighbouring conflict, the halt of gas exports by Israel, and growing domestic gas consumption. In the short to medium term, fulfilling gas export commitments

vis-à-vis the EU may come at the expense of the Egyptian population, who may experience substantial power outages, similar to those in 2023, which can cause unrest. The EU must therefore support a committed and timely implementation of energy diversification and the development of renewable energy resources in line with Egypt's energy strategy.

- Policy consistency: For a just partnership, the EU should also support the integration of renewables and, potentially, hydrogen, into SMC energy systems instead of creating clean energy "export enclaves". SMCs should not export clean energy to the EU while continuing to burn fuels for local consumption or, worse, experiencing domestic energy shortages. The EU should learn from previous energy cooperation initiatives to avoid future failures. In this context, it is worth remembering the Desertec Initiative, which was often criticised for being an asymmetrical agreement ensuring cheap access to clean energy in the EU, without considering domestic energy needs of SMCs. In Algeria, for instance, there are some voices critical of renewable energy partnerships that could perpetuate past colonial injustices (Aboushady & Faus Onbargi, 2023; Boukhatem, 2022). Helping SMCs to meet their domestic energy needs in a sustainable way would not only create a win-win situation but would also benefit European energy companies, which would invest in upstream and downstream sectors of the energy value chain in SMCs.
- The new directions in the EU climate and energy policy should not penalise SMCs. The EU should not import clean energy from SMCs, while penalising these very same countries exports through the CBAM. As previously explained, the implementation of the CBAM can negatively affect the cement, fertiliser, iron, and steel exports in SMCs. The EU should therefore support the "greening" of these sectors by helping countries incorporate renewable energy into these industries and help them gain market access in the EU. This is only possible through technology and innovation sharing. In addition, the punitive nature of the CBAM could be offset with incentives to advance climate action (which has, so far, suffered from limited institutional support in some MENA countries) and to promote carbon-neutral exports. These could include a reduction in tariffs and non-tariff measures affecting exports from "clean" industries (Mouneer, 2022).
- Technical and financial assistance is necessary to help SMCs integrate into renewable energy value chains. The EU can support costly physical infrastructure required to build upstream segments of the renewables value chains. At the micro level, access to credit is crucial for supporting SMC firms' innovation activities in SMCs.
- Finally, the AAs must be revised to include deeper integration and accommodate new strategic interests. Updating the investment and energy chapters in the current AAs is necessary to adapt to the new directions in EU policies. Developing the necessary policy frameworks and improving the investment climate are essential for developing renewable industries and their associated upstream and downstream sectors. Under the existing trade frameworks, this means moving beyond shallow liberalisation and include topics beyond trade, such as regulatory harmonisation, strengthening the independence of regulatory authorities, improving institutional capacities, scientific cooperation, and technology sharing. Morocco's successful experience clearly shows that deep integration, including policy harmonisation, is a prerequisite for successful energy trade and integration.

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