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# Regionalism and Regionalization in the Middle East: Options and Challenges

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This issue brief was drafted by Matteo Legrenzi, associate professor of international relations at Ca' Foscari University of Venice, and Marina Calulli, post-doctoral research fellow at Ca' Foscari University of Venice and research fellow at American University of Cairo Forum.

The views expressed in this paper represent those of the authors and not necessarily the views of the International Peace Institute (IPI). IPI welcomes consideration of a wide range of perspectives in the pursuit of a well-informed debate on critical policies and issues in international affairs.

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In today's international system neighboring states tend to build regional or subregional clusters in order to improve their capability to stand up to the unprecedented proliferation of new global challenges. This phenomenon has taken shape as both a political *top-down* process—which we call regionalism—and a structural *bottom-up* process—which we call regionalization. Regionalism outlines cooperation in the economic, institutional, defense, or security fields, occurring at a political decision-making level. Regionalization defines an increase of region-based activity, characterized by undirected economic and social interactions between nonstate actors whether individuals, firms, companies, NGOs, etc.

While many attempts at regionalism have been launched in the Middle East over the last half century, progress has been limited in terms of *political, security, and economic cooperation*. Today's changing political environment, fostered by the 2011 uprisings, provides unprecedented opportunities for opening new dimensions of regional cooperation. The disruptive demand for democracy, social justice, unemployment reduction, and job creation is likely to exert greater pressure on the new political actors to explore new ways to foster economic growth. This could provide unprecedented incentives for improving regional cooperation.

The deteriorating conditions of some Middle Eastern economies, along with the demographic growth of the population, represent a further challenge and opportunity to the region as a whole. Moreover, high-intensity conflicts, like the Syrian civil war, are liable to affect the political and economic stability of neighboring countries. The influx of people from Syria has been generating a huge humanitarian disaster, which requires urgent measures. Reviewing existing coordination mechanisms among national, regional, and international players—at both the governmental and nongovernmental levels—provides a foundation for critical thinking, possible adaptations, and creative new approaches. The continuing absence of strengthened regional cooperation has the potential to exacerbate the bulk of conflicts and security threats. Those threats are furthermore interwoven with a persisting lack of responses to domestic social demands; empirical evidence, for instance, has proved that there is a linkage between the proliferation of terrorism and long-standing, stagnant underdevelopment. From this perspective, this paper will elucidate what factors have supported and limited attempts at regional cooperation in the Middle East, particularly focusing on the analysis of regional initiatives concerning the Arab world.

The paper, first, outlines attempts at regionalism undertaken by Arab states. Second, it examines exogenous projects, distinguishing between EU-led, US-led, and international multilateral initiatives.

## Regionalism in the Arab Middle East

Despite the many endogenous and exogenous regional initiatives that have been undertaken since 1945, regionalism in the Arab Middle East has brought about mostly unsatisfactory outcomes. Different features of the political and economical structure of Arab states can explain the limited results of those attempts.

### LEAGUE OF ARAB STATES

The first attempt at regionalism in the Arab Middle East has been represented by the foundation of the League of Arab States—or Arab League (AL)—in 1945.<sup>1</sup> The AL was created in the wake of “Pan-Arabism,” the ideological and political project of unifying all the Arab people under the shelter of a single Arab Nation (*Umma ‘arabiyya*).<sup>2</sup>

Despite this strong vocation to “Arab unity,” since the end of 1960s, the opposite has taken place: state sovereignties have been consolidated and crystalized into an interstate order, which has in turn hindered the consolidation of supranational organizations. Indeed, Arab states have designed weak regional institutions that don’t affect sovereignty. This is very apparent in the decision-making process: the AL functions as an intergovernmental negotiating framework rather than as a supranational organization. For instance, among the objectives of the AL, the most important was the establishment of the Arab Common Market. The project traces back to the Nasser’s era but it remains unaccomplished.<sup>3</sup>

Structural disparities among the member states exacerbate the complexity of fostering regional integration. First of all, different regime types (conservative monarchies, modernist republics, and semi-democracies) tend to elaborate different political agendas. Second, significant disparities in wealth, particularly between rich states with low

population density (e.g., Qatar, with a per capita GDP of \$92,501<sup>4</sup> and a population of 1.918 million<sup>5</sup>) and poor states with high population density (e.g., Yemen, with a per capita GDP of \$1,361<sup>6</sup> and a population of 24.527 million<sup>7</sup>) also tend to thwart Arab integration. External influences and international alliances also have an exacerbating effect on intra-regional divisions.

Finally, the AL’s performance in conflict resolution is ambiguous. In some cases, such as in the settlement of the Lebanese civil war (1975–1990), ended by the Taëf agreements of 1990, AL’s action has been decisive. In other cases, however, the AL has appeared weak, since it is difficult for member states to achieve a common position. During the 1990–91 Gulf War and the Libyan civil war (2011) Arab states opted for appealing to the UN Security Council to settle the conflict. With respect to the post-2011 Syria case, however, the AL has significantly improved multilateral political decision-making, suspending Syrian membership in November 2011. Such an unprecedented decision marks a significant recognition of human rights by the Arab League.

### GULF COOPERATION COUNCIL (GCC)<sup>8</sup>

According to its charter, the GCC promotes “coordination, integration, and co-operation among the member-states in all fields [economic, political, and security].”<sup>9</sup>

The GCC is an example of subregional cooperation that has reached a level of success, compared to other regional organizations in the Middle East. GCC institutions are vaguely inspired by European regionalism. They consist of the following:

- 1) the *Supreme Council*, which brings together the six heads of state once a year to set the principles of GCC policies and acts as the *Commission for the Settlement of Disputes*;
- 2) the *Ministerial Council*, which is composed of member-state foreign ministers and meets

1 The AL is among the oldest attempts at regionalism. It was founded even before the United Nations.

2 Pan-Arabism strongly characterized the 1940s and 1950s.

3 It is noteworthy that the 2009 *Sharm el-Sheikh* Arab Socio-Economic Summit paid lip service to Arab economic integration. Arab leaders only agreed to establish an Arab common market by 2020 without a detailed timeline and steps for follow up.

4 World Bank Data, 2011, available at <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

5 Government of Qatar, official statistics, available at [www.qsa.gov.qa/eng/PopulationStructure.htm](http://www.qsa.gov.qa/eng/PopulationStructure.htm).

6 World Bank Data, 2011.

7 Government of Yemen, official statistics, available at [www.cso-yemen.org/content.php?lng=arabic&id=553](http://www.cso-yemen.org/content.php?lng=arabic&id=553).

8 Members: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.

9 GCC Charter, available at [www.gcc-sg.org/eng/](http://www.gcc-sg.org/eng/).

every three months; and

- 3) the *General Secretariat*, which is a permanent body located in Riyadh that supervises and supports the implementation of the GCC policies.

Contrary to the Arab Middle East as a whole, the subregional reality of the GCC is marked by significant homogeneity. The oil and gas sector accounts on average for 44 percent of the GDP and for roughly 81-89 percent of the government revenues, with the exception of the United Arab Emirates.<sup>10</sup> They are all marked by similar regime type (absolute or constitutional monarchies) and by common security concerns.<sup>11</sup> Indeed, GCC members have a common perception of external threats: i.e., Iran after the 1979 Islamic revolution and Iraq as a historical regional challenger. Also, since members have a common sense of internal security, the likelihood of an inter-GCC war is minimized. From this perspective, the GCC member states endeavor to establish their defense forces according to a common idea: unified operational procedures, training, and military curricula. Furthermore, unlike the regional pan-Arab space, the GCC is ordered by a subregional hegemonic power, Saudi Arabia. The member states share common characteristics and views on world issues, which appear very clearly in UN voting patterns. Finally, the GCC promotes labor mobility for their citizens. For example, they can travel from one state to another within the Gulf region with their national IDs rather than passports.

There are some factors that still curb the GCC from achieving integration: First, all of the GCC states, except Saudi Arabia, face a lack of human resources, and are heavily dependent on oil exports. Oil dependence is at once a factor of strength and of weakness. Indeed, any security threat liable to risk oil provision routes is likely to tremendously affect GCC economic sustainability. Second, all of the Arab GCC states' security is strongly dependent on the US as an external security provider. Third, there are some border disputes between some of the GCC

states, such as the one between Qatar and Bahrain over the Hawar Islands, which was addressed by the International Court of Justice rather than by the GCC.

On the whole, however, the GCC can be considered the most successful example of subregional integration in the Middle East.

### ARAB MAGHREB UNION

The agreement to found the Arab Maghreb Union (AMU) was signed in Marrakesh in February 1989 among Algeria, Libya, Mauritania, Morocco, and Tunisia. It aimed to establish a Maghreb parliament, bank, university, and court. The treaty grants decision-making power to the presidential council, which was originally supposed to meet every six months and reach decisions through consensus. The goal was to mirror the European Union model, and it aimed for similar economic integration in terms of a common market and currency, as well as to foster extensive political cooperation. For instance, in 1994, member states of the AMU agreed to a regional free trade zone.

Despite the many rhetorical and diplomatic efforts, the AMU remains one of the least successful attempts at regionalism. Indeed, although it was originally also thought of as a framework to settle the Western Sahara conflict between Algeria and Morocco, the two countries have been unable to put an end to their hostile relationship, which dates back to the 1963 Sand War.

Moreover, at the time of its creation, intratrade among AMU member states only reached 3 percent of the entire trade volume of the region, and this figure remained unchanged over ten years.<sup>12</sup> In 1993, when the European Community became the European Union, the importance of EU trade to individual states persuaded Morocco, Tunisia, and later Algeria to sign bilateral trade agreements with the EU.

### GREATER ARAB FREE TRADE AGREEMENT (GAFTA)

The establishment of GAFTA followed the adoption of the agreement to facilitate and develop

10 See UN Information on National Statistical Systems, available at [http://unstats.un.org/unsd/methods/inter-natlinks/sd\\_natstat.asp](http://unstats.un.org/unsd/methods/inter-natlinks/sd_natstat.asp); IMF Data and Statistics, available at [www.imf.org/external/data.htm](http://www.imf.org/external/data.htm); Indexmundi statistics, available at [www.indexmundi.com/middle\\_east.html](http://www.indexmundi.com/middle_east.html); CIA World Factbook, available at [www.cia.gov/library/publications/the-world-factbook/wfbExt/region\\_mde.html](http://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_mde.html).

11 Monarchical regime type seems to be an important requisite. To this end, it is noteworthy that in 2011 GCC has offered membership to Jordan and Morocco, the two non-Gulf Arab monarchies.

12 While it was 60.2 percent in the EU, 22.3 percent in the ASEAN, and 19.9 percent for the Mercosur.

inter-Arab trade in 1981 by the Arab League's Economic and Social Council. It was originally founded by fourteen countries and currently includes seventeen countries that have agreed on a progressive elimination of trade barriers. Being in force since January 1, 1998, GAFTA reached full trade liberalization of goods through the full exemption of customs duties and charges. The internal trade among the members represents 96 percent of the entire intra-Arab trade.<sup>13</sup> From this perspective, GAFTA could have been a really efficient agreement that could have brought regional cooperation. However, a substantial absence of a real, precise, and feasible implementation plan seems to have limited the results. Moreover, the improvement of trade exchanges is affected by the lack of economic complementarity (see below).

#### AGADIR AGREEMENT

The 2004 Agadir agreement for the establishment of a free trade zone between the Arab Mediterranean Nations, which came into force in 2007, is aimed at establishing a free trade area between Egypt, Jordan, Morocco, and Tunisia. It was seen as a possible first step in the establishment of the Euro-Mediterranean free trade area as envisaged in the Barcelona Process, which aimed to transform the Mediterranean basin into an area of dialogue and free exchange. It is also open to further membership by all of the Arab states that are members of the Arab League and GAFTA. It uses the Euro-Mediterranean rules of origin, which allow for diagonal accumulation of origin among its member countries.<sup>14</sup> Furthermore, the EU allows its Mediterranean free trade partners to cumulate value-added. In other words, it turns a blind eye to where value was added as long as it was in a free trade-agreement partner country. (Conversely, the United States only assesses value-added domestically in the country exporting to the US).

The project is still upright and has hitherto received 4 million euros from the EU. It is noteworthy that the agreement is open to all of the Arab countries that enjoy trade relations with the EU in order to facilitate the EU-Mediterranean

integration process. Therefore, although the expected results have not been fully achieved, it remains a crucial institutional framework.

## Regional Challenges for Middle East Initiatives

### POLITICAL

- **Weak institutions at both state and regional levels:** Political-diplomatic coordination occurs more at a personal-informal level than in the pursuit of shared norms and values.
- **National interest vs. integration interests:** From a functionalist perspective, regionalism entails the harmonization of domestic state structures; for liberalization and integration to succeed, there must be a political coalition that favors both over all alternatives, including the status quo. Nevertheless, Arab regimes have appeared to be particularly concerned with maintaining the domestic status quo, to the detriment of reforms and adjustment policies.
- **Lack of democracy:** It is not clear whether the presence of authoritarian regimes can represent an obstacle to regionalism. Authoritarianism is commonly associated with a lack of democracy and accountability, which in turn brings about mistrust at the interstate level. However, the case of ASEAN would suggest that regionalism can be successful despite authoritarian regimes being members of regional projects. From the opposite perspective, a link between robust regionalism and democratic consolidation has been proved to exist, as the cases of Europe and Latin America demonstrate.<sup>15</sup> After 2011, however, the occurrence of transparent, democratic elections, along with the demand for democracy, are more likely to exert pressure on new governments to implement reforms.
- **External penetration of the region:** The Middle Eastern history of foreign domination has no parallels elsewhere. The asymmetry between Middle Eastern states and international powers is thought to have obstructed regional cooperation.

13 IBP USA, Arab States Business Law Handbook (Washington: International Business Publications, 2008), p. 18.

14 For an explanation of diagonal accumulation, which encourages greater regionalization of manufacturing, see World Customs Organization definition, available at [www.wcoomd.org/en/topics/origin/instrument-and-tools/comparative-study-on-preferential-rules-of-origin/specific-topics/study-annex/cum-dia-abs.aspx](http://www.wcoomd.org/en/topics/origin/instrument-and-tools/comparative-study-on-preferential-rules-of-origin/specific-topics/study-annex/cum-dia-abs.aspx).

15 It is noteworthy that Turkey's efforts to accomplish a democratic transition in the last decade have been directed toward joining the EU, rather than improving relations with their Middle Eastern neighbors.

Moreover, binding bilateral alliances between superpowers and specific regimes, corroborated by economic and security dependence, have discouraged the implementation of economic and security coordination among regional states.

## ECONOMIC

- **Rentier Economies:** Most of the Middle Eastern states are characterized by a rentier or semi-rentier economic structure, i.e., high dependency on externally-derived and unproductively-earned payments. Rent can be royalties or payments associated to oil and gas exports. Gulf states are considered pure rentier states, for their dependence on oil (or gas) exports, which account for more than 50 percent of budget revenues. In some cases, such as Saudi Arabia, oil production guarantees over 80 percent of budget revenues. Rentier economies are associated with the so-called “Dutch disease,” i.e., the relation between a strong state’s dependence on natural resources and the scarce competitiveness of its manufacturing sector. In brief, unproductive high revenues make the productive sector atrophy.

Beyond oil, there are other factors that can generate a “rentier effect.” Some specific fees, such as those assessed to cross the Suez Canal, as well as military and external aid are also typically considered rents.<sup>16</sup> Foreign remittances are also a subject of controversy. Some economists consider them as a positive factor for developing economies. Some others consider foreign remittances as a “non-governmental rent,” ultimately producing a distorted effect on the economy, inhibiting the potential stimuli to national production.

- **Lack of complementarity:** Middle Eastern states (except Turkey and Israel) are very similar in what they export and what they import. After the failure of ISI (import-substitution-industrialization) strategies, typical of developing economies during the 1960s, Middle Eastern states, unlike Latin American or Asian countries, have not reconceptualized industrialization. The increasing dependence on oil and other rent sources since the 1970s, and the interrelated “Dutch Disease,” have heavily discouraged the

industrial sector. Complementarity is one of the basic features of regional integration. In well-integrated regions like the EU or the North American Trade Association (NAFTA) the *complementarity index*<sup>17</sup> exceeds fifty, while in the Middle East it is very low, with oil-states rarely exceeding twenty. Only Lebanon and Syria send half of their non-oil exports to regional markets.

- **Low levels of intra-regional trade:** Similar economic structures explains the scarce Middle Eastern states’ interest (particularly the Arab states) in trading among themselves. Indeed, intra-regional trade in the Arab world range between 6 and 9 percent. In a comparative perspective, intra-EU trade is between 55 and 66 percent, and in South America intra-MERCOSUR trade is between 11 and 23 percent.
- **Business communities:** The business sector is generally considered a vector for openness and growth, as well as for democracy. However, Middle Eastern business communities are heavily dependent on political power, which is a very discretionary provider of business opportunities, for it arbitrarily distributes or denies access to private capital and to national and international markets. This dynamic is often defined as “crony capitalism,” since it describes the peculiar distorted complicity between economic and political power.
- **High tariffs:** Despite the substantial number of regional agreements to liberalize trade, tariff rates remain high. The average trading tariff for Arab countries is estimated at 17 percent, while European, American, Russian, and Asian tariffs range between 8–13 percent. Nontariff barriers to trade are more substantial in the Arab Middle East than in any other region of the world.
- **Intra-Arab Foreign Direct Investment (FDI) flows:** Global FDI inflows have increased at a rate of 141 percent from 1998 to 2008, while FDI inflows in Arab countries increased at the rate of 630 percent, thus twelve times faster than that of the rest of the world. Nonetheless, FDI flows into the Arab countries still did not exceed 6 percent of the total in 2008 (compared to the 0.8 percent of 1998). This shows that no decisive measure has

<sup>16</sup> After 1977, for instance, Egypt has received on average \$1.2 billion in US military aid and \$250 million of economic assistance annually.

<sup>17</sup> The complementarity index compares the similarity between the product mix in one country’s export basket and another country import basket.

been taken to create better business opportunities and to improve Arab economies. This is due to two principal reasons: 1) there is a particular FDI concentration in GCC countries; 2) investments go to “short horizon” sectors, such as services and real estate, but less to the industrial or agriculture sectors, which would be likely to create more job opportunities, along with more sustainable growth. Moreover, there are low rates of Arab FDI inflows in the region: more than two-thirds of the total inflows come from non-Arab actors. FDI intra-regional flows are liable to sudden variations, since they are strongly dependent on excess of liquidity due to high oil prices. However, since 2000, Arab countries have been searching for investment opportunities in other Arab countries, in order to compensate for the loss in extra-Arab FDI. This new trend is considered to be very important for Arab integration.

- **Lack of transportation:** Compared to the Ottoman era, when the Hejaz railway connected Arab capitals and served to drive regional integration, the current status of regional transports appears largely underdeveloped. Rail in Morocco stops at the Algerian border; in the Gulf, only Saudi Arabia has a rail system, which connects Riyadh to Damman, the capital of the oil-rich Eastern Province. Less than 10 percent of track is double track and less than 3 percent is electrified. Many plans for rail projects are underway but they halted in 2011. Gulf countries have already invested several billion dollars. Some EU initiatives, such as the Money, Market, Mobility Strategy (see below), are supervising some rail projects, for example, in Jordan.

## SECURITY

- **Iran-Gulf States rivalry:** The rivalry between the Islamic Republic of Iran and the monarchies of the Gulf has prevented the emergence of a new security framework in the subregion.

## European Initiatives to Develop Regionalism in the Middle East

Europe has provided a variety of frameworks for developing regionalism in the Middle East. First of all, geographic proximity makes the two regional spaces naturally interdependent. EU-MENA relations are marked by a strong mutual interest in fostering regional cooperation between the north and the south of the Mediterranean Sea. On the one hand, non-EU Mediterranean countries need foreign aid to assist in stimulating economic growth. On the other hand, European policies have been also very focused on security issues and based on the idea that a prosperous neighborhood would be peaceful and non-challenging for the security of the EU territorial space. Ultimately, it is noteworthy that the EU is the main trade partner of all the Middle Eastern countries.

### EURO-MEDITERRANEAN PARTNERSHIP

The Euro-Mediterranean Partnership has passed through different phases since 1970 onwards. After the first Mediterranean Policy (1972–1992) and the so-called Renovated Mediterranean Policy (1992–1995), the most recent phase started in 1995 in the framework of the Barcelona Process. Barcelona’s ultimate goal was “turning the Mediterranean basin into an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity.”<sup>18</sup> The initiative flourished in the wake of the post-Cold War *esprit du temps*, i.e., an atmosphere characterized by enthusiasm for the diffusion of democracy and the free market.

In the Middle East the historical juncture was strongly marked by the Gulf War (1990–91), the Madrid Conference (1992), and the Arab-Israeli peace process.

The Barcelona Process was articulated in four chapters: 1) Politics and Security, 2) Economics and Trade, 3) Socio-cultural, and 4) Justice and Interior Affairs. Ultimately, it was based on the principle of multilateralism.

The European Security Strategy (ESS) was launched in 2003, with the motto “A Secure Europe in a Better World.” Solving the Arab-Israeli conflict

<sup>18</sup> Barcelona Declaration, available at [http://ec.europa.eu/research/iscp/pdf/barcelona\\_declaration.pdf](http://ec.europa.eu/research/iscp/pdf/barcelona_declaration.pdf).

was affirmed to be a strategic priority for Europe.

In 2004, the European Neighbourhood Policy (ENP) was inaugurated. It was not contradictory to the Barcelona Process but it was aimed to adjust it, shifting from a multilateralism orientation towards a country-by-country dialogue.

In 2008, under the impulse of France, the Union for the Mediterranean (UfM) was created. Focused on projects in the water sector, energy sector, and job creation, the UfM was grounded on the belief that security would be achieved through boosting economic development. Unlike the Barcelona Process it removed the “democratic conditionality” of the regimes to enter the multilateral setting.

In April 2011, in the wake of the Arab Spring, the EU launched a new policy: the Money, Market, Mobility (MMM) Strategy. The policy focused on the following concepts:

- **Money:** “[R]esources that can go into the region to help the transition to democracy, the support for civil society and of course the economic needs of countries . . .”
- **Market access:** “[T]he importance of making sure that we give advantages in trade and the people can take advantage of that by being able to export and import properly.”
- **Mobility:** “[T]he ability of people to move around, for business people to be able to conduct business more effectively.”<sup>19</sup>

## Challenges for EU Initiatives

### POLITICAL

EU strategy in the Middle East is characterized by many overlapping initiatives. While this denotes the ability of the EU to adjust its policies in relation to changing context, a general lack of a uniform strategy has also led to tensions. The UfM, for instance, has brought about inter-European rivalries.

Moreover, from Barcelona to the ENP, the transition from a multilateral approach to a unilateral approach remains controversial. On the one hand, this policy shifting was officially justified by the fact that potential competitiveness would be frustrated

by a multilateral approach. On the other hand, it is evident that favoring bilateralism over multilateralism is contrary to the very idea of regionalism. Ultimately, it might be considered that the EU was not able to smooth over the hostility among the involved states, in particular the rivalry between Arab States and Israel.

### ECONOMIC

While the EU has supported the raw material exports of Middle Eastern countries, it has not been able to promote the development of economies of scale, which would improve intraregional trade.

### SECURITY

Given the different foreign policy attitudes of EU members, Europe was not able to play a role in conflict resolution in the late 2008–early 2009 Gaza War between Israel and Palestinian militants or in the March 2012 Israeli operation into Gaza.

## US Initiatives

### QUALIFIED INDUSTRIAL ZONES (QIZs)

The QIZs are an extension of the already established US-Israel Free Trade Agreement. Those agreements allow certain products from identified industrial zones in Egypt, Jordan, the Gaza Strip, and the West Bank to be exported to the US market duty free. Goods that are jointly produced by Israel and either Jordan or Egypt are entitled to enter the United States duty free and without any quota limit. The agreement requires specific rules of origin but does not require reciprocal treatment by Egypt or Jordan. Far from being a regional trade agreement (RTA) or a free trade agreement (FTA), market access is granted by only one partner, the United States.

From the US perspective, this promotes peace in the region through economic development and integration by fostering trade among Israel and the other Arab states of the QIZs. From this perspective, although QIZs don’t comply with the General Agreement on Tariffs and Trade (GATT) or World Trade Organization (WTO) rules, they were never challenged because of the political sensitivity of the scenario and the aim behind it: peace.

QIZs were also meant to achieve normalization

19 For further details, please see EU External Action, available at [http://eeas.europa.eu/top\\_stories/2011/171211\\_arabsprin\\_en.htm](http://eeas.europa.eu/top_stories/2011/171211_arabsprin_en.htm) .

20 Quoted in Hassan A. Barari, *Israeli Politics and the Middle East Peace Process: 1988–2002* (New York: Routledge, 2004), p. 104.

between Israel and its Arab neighbors by implementing a practical economic interdependence between them (QIZs were driven from the experience of the European Steel and Coal Community in 1952, which aimed at preventing a potential war between Germany and France).

The thirteen QIZs have had a positive economic impact on Jordan and Egypt—even if they are dwarfed by the challenges posed by the overall political economy of those two countries—and less so in Morocco. Furthermore, QIZs have been unsuccessful in improving technological transfers to Arab countries and in providing them modernized vocational training programs in order to encourage the hiring of more people. More success in this area would call for a complete overhaul of vocational training in each of these countries, which is outside the scope of regionalist efforts.

#### MIDDLE EAST FREE TRADE AREA INITIATIVE (MEFTA), 2003

With the goal of creating a regional free trade agreement in 2013, MEFTA envisages graduated steps for Middle Eastern nations to increase trade and investment with the United States and with other international actors.

The initiative was conceived as led by the US to work closely with the countries that want to become members of the WTO, in order to facilitate their accession to it. According to the MEFTA strategy, the US would pursue specific strategies to enhance trade and investment relations, each strategy tailored to the relevant country's level of development.

The conditionality required by Middle Eastern countries involved is the implementation of domestic reform agendas, the institution of the rule of law, the protection of property rights, and the creation of a foundation for openness and economic growth.

Bilateral FTAs with Bahrain, Jordan, Morocco, and Oman have already entered into effect. The United States supports the WTO accession efforts of Algeria, Lebanon, and Yemen, and has also taken steps to revive dialogues with other key trading partners in the region, including Egypt and Saudi Arabia.

## Challenges for US Initiatives

### POLITICAL

- **Double standard:** The US-Israeli “special relationship” has been mistrusted by other Middle Eastern countries, that have accused the US of only pursuing Israeli interests.
- **Credibility:** Middle Eastern public opinion reflects a general hostility to American policies in the region over the last decade.
- **External hegemony:** the US has acted as an external hegemon in the Middle East. External impulses may be important in the start-up of regionalism, whether in Africa, Europe, or elsewhere, but in consolidating regionalism endogenous coordination is needed.

### ECONOMIC

- Bilateral agreements signed by the US and other single countries are likely to have pushed down regional agreements.

## International/Multilateral Initiatives

### G8 BROADER MIDDLE EAST AND NORTH AFRICA (BMENA) INITIATIVE

The goal was establishing genuine cooperation among governments, the private sector, and regional civil society.

The inaugural Forum for the Future held in Rabat in December 2004 established a process of dialogue among G8 and regional governments in pursuit of strengthening freedom, democracy, and prosperity for all. The initiative has been focused on civil society groups and partner countries with the aim of fostering transparency and good governance, democratic participation, women's empowerment, legal reform, and human rights.

The yearly Forum for the Future is a centrepiece of the BMENA, since it provides an international venue to support the reform voices in the region: it permits the partners and other supportive countries and organizations to engage in political, economic, and social reform on a regular basis.

### G8 DEAUVILLE PARTNERSHIP

The G8 Deauville Partnership is an international project elaborated in 2011 by the G8 to support



countries in the Arab world engaged in a transition toward free, democratic, and tolerant societies in the wake of the Arab Spring. The Partnership includes:

- states;<sup>21</sup>
- international financial institutions and organizations committed to supporting reform in Egypt, Jordan, Libya, Morocco, and Tunisia; and
- several other supporting organizations, including, the Arab League, the Organization for Economic Co-operation and Development (OECD), and the United Nations.

At the 2012 Camp David Summit, G8 Leaders recognized the important progress that has been achieved in a number of countries undergoing transition and committed to maintaining their support for these transitions in four key priority areas: stabilization, job creation, participation/governance, and integration.

One of the most promising initiatives under the shelter of the *G8 Deauville Summit Declaration on the Arab Spring* is the encouragement of multi-donor partnership investments in solar power development as a priority. Indeed, abundance of sunshine, deserts, and proximity to the EU makes North Africa the most potentially competitive location for concentrated solar power in the world. It is important to mention also the *Mediterranean Solar Plan (MSP)* under the supervision of the UfM. The MSP aims at developing twenty gigawatts of renewable electricity capacity, along with infrastructures for energy interconnection with the EU by 2020.

Solar power offers challenges and opportunities. The most important challenge stems from coordinating international and domestic action to overcome the traditional obstacle of higher costs of solar energy, compared to fossil fuel alternatives. On the other hand, however, developing the solar power sector is liable to produce unprecedented outcomes, specifically concerning jobs creation and positive environmental effects.

It is without doubt that the international financial crisis has limited the impact of external financial support to Arab countries in the last few years, and especially after 2011. Indeed, many projects remain

on paper and are likely never to be implemented. Ultimately, the underway transitions—some of them extremely challenging in the immediate aftermath of 2011 uprisings—bring about great uncertainty, thus discouraging investors and donors to effectively implement agreed upon projects.

## Conclusion

This paper illustrates a series of crucial features that have impacted on the activity of regional institutions and organizations in the Middle East. It highlights how the general lack of political coordination among the Arab states has constituted a major hindering factor. This, in turn, depends on historical rivalries and structural disparities in wealth and power. A huge gap can be identified between the great number and variety of regional projects launched in the Middle East and the extremely modest objectives achieved so far.

However, it would be ungenerous to consider Middle East regionalism as an overall failed experience. It is, for instance, true that the mandate of the Arab League has largely remained on paper since 1945 onwards. However, it is noteworthy that post-Cold War coordination with international organizations has improved the ability of the AL to settle crucial political issues. The suspension of Syrian membership, in light of the human rights violations witnessed during the civil war that erupted in 2011, serves as an elucidating example.

Moreover, when it comes to subregional organizations, evaluation on single experiences leads to draw very different conclusion. The GCC, for instance, has created the conditions for more active coordination between the Gulf kingdoms, while the Arab Maghreb Union has proved to be unable to overcome historical frictions. In some other cases, there are prospects for revitalizing the existing structures. More recent agreements, such as the GAFTA or Agadir, can indeed serve as institutional frameworks for launching renovated policies in light of the post-2011 juncture.

Yet overall, the development of closer ties among regional institutions with extra-regional ones can constitute the first step towards increasing efficiency of stagnant projects. From this

21 See [www.state.gov/e/eb/ecosum/2012g8/deauville/index.htm](http://www.state.gov/e/eb/ecosum/2012g8/deauville/index.htm).

perspective, the EU, US, and international-multilateral projects underway might work in compliance with regional actors in order to strengthen the existing endogenous potential.

A deeper reflection on the post-Arab Spring context may also be needed. The 2011 uprisings very clearly brought to the surface the need for improving domestic socioeconomic conditions. From this perspective, a positive signal stems from the fact that underway projects prioritize job creation and improving productive structures. This

is the first step for reaching domestic political stability, which is in turn a fundamental requisite for fostering regional cooperation. Improving productive activities might also go with a more systematic pursuing of economic complementarity, in order to improve intraregional trade and regional economic integration. In the long run, increased production can also attenuate rent dependence and discourage rent-seeking mechanisms, which are proved to be at odds with the development of democratic governance.



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**777 United Nations Plaza, New York, NY 10017-3521, USA**

TEL +1-212-687-4300 FAX +1-212-983-8246

**Freyung 3, 1010 Vienna, Austria**

TEL +43-1-533-8881 FAX +43-1-533-8881-11

[www.ipinst.org](http://www.ipinst.org)