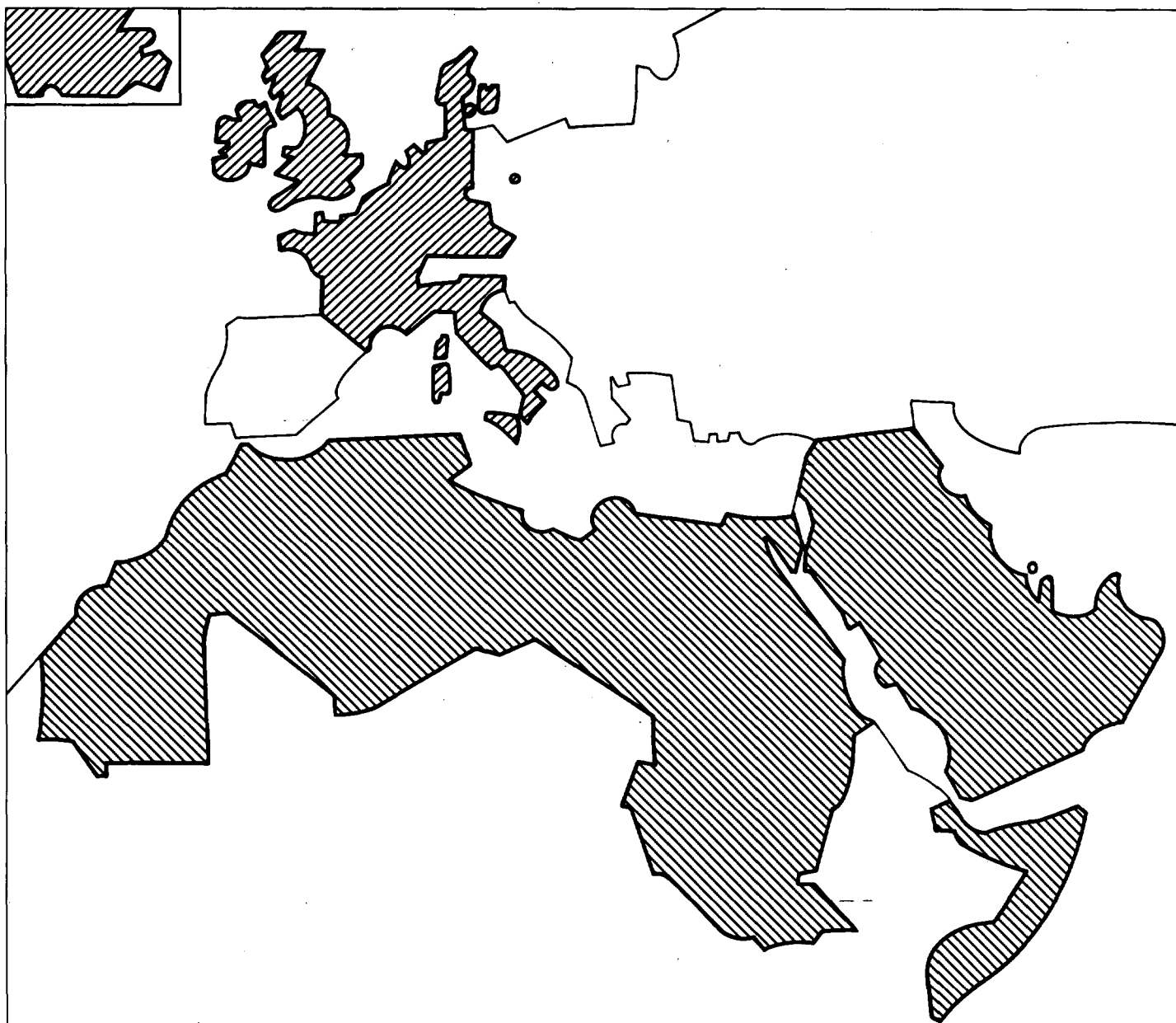


# *Information*

COOPERATION - DEVELOPMENT

169/78

## THE EUROPEAN COMMUNITY AND THE ARAB WORLD



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THE EUROPEAN COMMUNITY AND THE ARAB WORLD

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ABBREVIATIONS

ACP:	The 53 countries in Africa, the Caribbean and the Pacific which have signed the Lomé Convention
EIB	European Investment Bank
Mashreq	Egypt, Jordan, Lebanon and Syria
Maghreb	Algeria, Morocco and Tunisia
OECD	Organization for Economic Cooperation and Development
SOEC	Statistical Office of the European Communities
u.a. EUA	Figures mentioned in this paper are expressed in units of account or European units of account.

The value of the u.a. is based on gold and corresponds to US \$1.20635; £0.41666; DM 3.66 and FF 5.55419.

The value of the EUA, used for the EEC budget, is determined every day in relation to a basket of all Community currencies and thus varies according to the exchange rates between them. On 1 January 1978, the EUA was equivalent to US \$1.21; FF 5.77; £0.64 and DM 2.58.

## INTRODUCTION

The countries of the Arab League are now the most important trading partners of the European Community. This fact alone is enough to demonstrate the crucial importance of the relations between these two groups of countries both for the Arabs and for the Europeans. Nevertheless, however significant this statement is, one would be ill-advised to limit these relations to figures for imports and exports. The contact between Europe and the Arab world is day by day becoming more relevant to every aspect of our lives. Economically, of course; but also politically, socially and culturally. To realize this, one only needs to read a newspaper or to keep one's eyes open in the street. Euro-Arab reality is staring us in the face whether we live in Damascus, Amsterdam, Algiers or Paris. It is not always a pleasant reality either as the hundreds of thousands of Arab workers in Europe might testify. But it also contains elements of hope. Having envied it, imitated it, exploited it and ignored it, Europe is now setting out to rediscover the Arab world. There is surely a symbolic significance in the fact that a film made in Algeria on colonization has been awarded one of the most coveted international cinematographic prizes in Europe. Maybe the prize awarded at the Cannes film festival to Lakdhar Hamina's Chronique des années de braise timidly points to the end of the misunderstandings.

History - always troubled, occasionally tragic, but also bearing hope - culture, movements of people and ideas and - why not? - a common future, are surely all elements with wider implications than increased buying and selling.

Those who launched the Euro-Arab Dialogue in 1974 were not mistaken. Although this deals with customs concessions, it also concentrates on the transfer of technology. It may seek ways to exchange machinery, but it also tries to exchange history books. And it is concerned with the rights of the Palestinian people.

True, the Dialogue is not progressing rapidly. For instance, the last meeting of the General Committee - the highest authority of the Dialogue - in Brussels at the end of October, did not, perhaps, live up to all the hopes that had been invested in it. This meeting nevertheless led to a strengthening of the Dialogue, and a number of practical projects were outlined, which will be discussed below. In these circumstances, its slowness is entirely relative.

After centuries of domination and after decades of confrontation, we must now move on to the next stage: that of discussion and cooperation. This discussion has now begun.

We are only just beginning to realize the significance of this development.

This paper only deals with the relations between the European Community as such and the Arab League countries. Thus, it does not refer to the policies of individual EEC countries towards the Arab world.

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## I. TWO REGIONS LINKED BY HISTORY

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How far back in history can the first Euro-Arab relations be traced? Very far indeed. For as long as man's history is known, the peoples around the Mediterranean have exchanged goods and ideas and have fought each other. To write the history of the relations between Europe and the Arab countries would be to write a large part of the history of mankind. Needless to say, this is not our intention. We simply want to show, by means of a few examples, how impossible it would be to understand one of these civilizations without any knowledge of the other.

Let us begin by listening to Mr Claude Cheysson, European Commissioner for Development when he was interviewed by the review *L'Actuel*\*: "The peoples of the Southern Mediterranean and Europe", he said, "have lived together for centuries, getting to know each other and conquering each other. We have spent centuries following each other around the Mediterranean. They came as far as Poitiers; we went a similar distance. So, you see, it is hardly an accident that so much of our life has been shared from the time of Alexander the Great to the Euro-Arab Dialogue. The reason is a fundamental shared interest. An interest based first of all on a common concept of man. It is no accident that the great monotheistic religions were born in the Mediterranean and developed there. There and nowhere else. I do not mean that these are superior to other religions or moral systems such as Confucianism or Buddhism; I am simply emphasizing that this is the part of the world where the three great monotheistic religions were established with a shared concept of man as the basis of everything - indeed, the beginning and end of everything. Thus, they have a shared concept of civilization."

Their reciprocal contributions are manifold. First those of Europe to the Arab world. The stamp of the old continent - frequently imposed - is to be found at Maghdad and Rabat, in Cairo as in Tunis. What the Arab world has given Europe is less well known. In 1970, Montgomery Watt, in a speech to the Collège de France, said: "When one considers the total extent of the areas covered by the Arabs in scientific experimentation, thought and writing, one sees that without the Arabs, European science and philosophy would not have developed when it did. The Arabs did more than simply transmit Greek thought; they became its true continuators....".

But one only needs to read the history books to understand that despite everything, mutual incomprehension is too often the rule. Incomprehension or even ignorance.

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\*"L'Actuel" Vol. 2, No 2-1977 - 67, Dries, 1170 Brussels.

What, for instance, do the Europeans of today answer when they are asked what they have brought the Arabs? "Hospitals, universities, laboratories". But do they realize that these three disciplines - health, science and education - were precisely the three great disciplines which came to the mediaeval Christian West from the Arab world?

Hospitals: we cannot mention every hospital on Arab soil. Let us merely note the three large hospitals in Baghdad where the examinations for the medical corps resulted in the award of as many as 80 degrees or diplomas conferring the right to practice.

Laboratories: at the time, these were observatories. In 830 AD during the rapid expansion of Baghdad, the Kalif Al Mamun set up the first scientific observatory.

Universities: the contribution of the Arab world is fundamental. The ancestors of the modern university can be found at Baghdad (NIZAMIYYA and MUSTANSIRIYYA), at Cairo (AL AZHAR), at Fez (KARAWIYYIN), at Cordoba... Europe has been strongly influenced by the Arab university system; the organization of studies, the division of students according to "nation" or "language", the examination giving right of entrance to a university and, in particular, the mobility of students and teachers...<sup>\*</sup> The Arab students who now come to European universities to perfect their knowledge are thus the heirs of the very tradition which used to take European students to Arab universities to study. And the subjects listed on today's study programmes have a common hallmark: Al Jabr - father of algebra - like Lavoisier... There are many factors which should not be forgotten.

But the Arab world stood aside during the great changes of the 19th century precisely when the industrial revolution gave Europe an unequalled "advantage". Poor administration and the crumbling of the "Umma" (Moslem community) explains this paralysis of the Arab world. But there were also more "objective" reasons and structural shortcomings. First, the lack of coal which, as we know, provided the power needed for European industrial development. Moreover, the distance from the important consumer markets, the lack of local demand, the insuperable obstacles to international transport, a geographical situation often very unpropitious for the building of railways... all these factors excluded the development of metallurgic industries and consequently, of other manufacturing activities. This economic apathy was soon accompanied by political subordination. France's conquest of Algeria in 1830 was the beginning of Europe's unrelenting expansion. The night of colonialism closed in on the Arab world.

The Arab world's major handicaps gradually became less acute. This began with the birth of nationalism and the struggles for independence. These continued for a long while: the first country affected was Egypt, followed by countries like Algeria and Morocco, and finally Djibouti. In certain countries, the number of dead bears witness to the bitterness of these struggles.

At the same time, the economic opportunities of the Arab countries improved. First, because the handicap of distance gradually disappeared, largely because of the revolution in transport. Secondly, oil was little by little replacing coal as the basis for industrial development. And there were other factors, such as tourism and seabed resources, which allowed the Arabs to view their future economic development with optimism. But they still lag considerably behind European countries. Europe is now going through an economic crisis which is leading to doubts about certain values on which its wealth during the 19th and 20th centuries was founded. And it must be admitted that these values often took the Third World too little into account. Looked upon in this light, it may even be that this economic crisis provides a good opportunity for the Euro-Arab Dialogue.

<sup>\*</sup>P.A. Willemart, L'Actuel.

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## II. TWO REGIONS IN SEARCH OF UNITY

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The Arabs and the Europeans have found only one way both to achieve security and peace in their respective regions and at the same time promote economic development: to unite. This is the reason for the birth of a pan-Arab organization, the League of Arab States, as well as of the European Communities.

"The idea of setting up groups of countries which have a shared culture, ideology and civilization is a manifestation of international solidarity. It is aimed at universalism and leads to possibilities for preparing the ground and integrating the countries of such a region in order to smooth out social difficulties and finally to put an end to any tendency toward virulent nationalism."

This observation made by an Arab expert is equally applicable to Arab and European attempts at unification. Such convergence is well worth noting.

The existence of these two entities, the Arab League and the European Community - however different they may be - does, of course, facilitate Euro-Arab relations. Thus, when the Euro-Arab Dialogue meets, two interlocutors face each other, and not thirty.

### THE LEAGUE OF ARAB STATES

On 22 March 1945, delegates from seven Arab countries (Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Jordan and Yemen) signed in Cairo the Pact of the League of Arab States, usually referred to as the "Arab League". Today, this organization includes all independent Arab States situated in the immense region between the Arabian Gulf to the east, and the Atlantic to the west. During the years following the signing of the Pact, the Arab nations joined it as and when they gained their independence: Libya on 28 March 1953, Sudan on 19 January 1956; Morocco and Tunisia on 1 September 1958; Kuwait on 30 June 1961; Algeria on 16 August 1962; the People's Democratic Republic of Yemen on 12 December 1967; Bahrain on 11 September 1971; Qatar on 11 September 1971; Oman on 29 September 1971; Mauritania in 1972; Somalia in 1974; the Palestinians, represented by the PLO which is a full member of the Council of the League, in 1976; and, finally, Djibouti in 1977. A total of twenty-two Arab countries.

The structure of the Arab League, which is very flexible, is more akin to that of the Organization for African Unity or the Organization of American States than to the European Communities, as we shall see below. But the member states of the Arab League are next to each other geographically; they share the same language and the same culture; and their historical past is often similar. Nevertheless, the League is not a confederation; nor is it a federalist or confederalist organization any more than it is a superstate.

While it is committed to respecting the established government in each member state and to guaranteeing its sovereignty and independence, the League set itself several objectives from the outset:

- (a) to maintain and strengthen the solidarity between the Arab states in the face of external threats;
- (b) to ensure cohesion and peace between the member states by offering to arbitrate in the event of conflict between two or more member states and by opposing any recourse to force;
- (c) to ensure the cooperation of member states in various areas, e.g. social, legal, parliamentary, financial, economic and cultural affairs.

What are the principal institutions of the Arab League?

First, the Council of the League should be mentioned, which is its supreme organ. It is composed of representatives from the member states and holds general sessions twice a year (in March and September).

At the request of two members, extraordinary sessions can also be held whenever circumstances demand. The Council controls and coordinates the League's activities; it sees that agreements passed by the various member states are implemented; and it appoints the Secretary General.

- (a) The Joint Defence Council was set up after the signing of the Treaty for mutual defence and economic cooperation (June 1950). It is composed of the Ministers for Foreign Affairs and Defence from all the member states;
- (b) The Economic and Social Council was set up recently to replace the Economic Council which had been created following the Treaty in June 1950. Its aim is to establish the objectives of, and to promote the means for, the economic and social development of the Arab world. It also coordinates the activities of the specialized agencies which have been set up in the framework of the League of Arab States. Among the most important of these are the Arab Fund for Economic and Social Development, the Arab Fund for Assistance to Arab and African Countries, the Arab Monetary Fund, the Arab Organization for Agricultural Development, the Industrial Development Centre for Arab States, the Arab Bank for Economic Development in Africa, the Arab Council for Civil Aviation, the Arab Postal Union, the Arab Telecommunication Union, the Arab Labour Council, and the Council for Arab Unity.
- (c) The Committees fall into three different categories:

- (i) Committees set up by the main institutions of the League. Thus, at each General Session, the Council appoints Foreign Affairs Committees, Economic Committees, Social Committees, etc. The lifetime of these Committees is linked to the timing of the Session.
- (ii) "ad hoc" Committees, responsible for carrying out specific tasks. They are dissolved when their mandate has been carried out.
- (iii) "Permanent Committees". These play a crucial part in the working of the League. They are neither temporary - hence their name - nor do they have a predetermined function - hence their importance. They study problems within their sphere of competence and submit their findings to the Council of the League for approval.



There are Permanent Committees for political matters, social questions, health, culture, economic matters, information, oil, finance and administration.

(iv) The Secretariat General. This is the institution of the League of Arab States responsible for implementing decisions taken by the Council of the League.

It is headed by the Secretary General with the assistance of several Assistant Secretary Generals and a staff some of whom are permanent, and some temporary. The Secretary General is elected by a majority of two-thirds of the members, although in practice he has always been appointed unanimously.

The appointment is for five years. His is a key role; for it is he who represents the Arab world at the international level.

### THE EUROPEAN COMMUNITIES

Opposite the Arab League are the European Communities.

How can one introduce this European Community about which so much is said, but often so little is known, both elsewhere in Europe and in the Third World? It all began during the Second World War. Faced with the barbarity of Nazism which had erupted in our part of the world, more and more men, in the concentration camps as well as in the maquis, were searching for solutions to ensure that this never happened again. It was necessary to create a union between the countries of Europe to avoid any further repetition of the cataclysms which had convulsed Europe since the dawn of history. The ideal was a lofty one but it needed to become a reality. The men who took it upon themselves to carry out this task, Robert Schuman, Jean Monnet, Alcide De Gasperi... the "fathers of Europe", preferred not to rush things. Thus, in 1959, the Treaty establishing the European Coal and Steel Community (the ECSC) was signed in Paris. Six countries, the Federal Republic of Germany, France, the Netherlands, Italy, Belgium and Luxembourg had decided to bring together their coal and steel industries so as to restructure their economies which had been destroyed by the war.

Next came the signing, in March 1957, at the Capitol Palace in Rome, of the Treaty establishing the European Economic Community. The Common Market was born.

Increasingly, the Six - who became nine in 1973 when the United Kingdom, Denmark and Ireland joined the European Club - undertook, first, to eliminate all their customs barriers, i.e., the charges imposed on products passing from one country to another. People had to be allowed to circulate freely within the European Community and to settle where they wanted to. But the European Community aimed not only at creating a general common market. By gradually bringing the economies of the Member States closer together, the aim was also to achieve an economic and monetary union.

Let us emphasize at once that this Europe in the making is not turned in upon itself. The Community's policy for coöperation and development has ever since 1957 been one of its most ambitious and original activities. We shall return to this below.

However, to create a true Community, a number of common policies also had to be set in train.

The best known among these is undoubtedly the Common Agricultural Policy. Despite the difficulties it encounters - and they are numerous - "Green

Europe" is still today the basic foundation of the Common Market: thus, nearly 20% of the Community budget is devoted to agriculture. Three principles have been laid down to guarantee European consumers a stable supply of agricultural products - at better prices, and at the same time to ensure a steady income for EEC farmers: these are the free movement of agricultural products within the EEC; shared financial responsibility among the Nine; and finally, a Community preference. The last is the most contested of these principles; for it concerns all the countries which sell agricultural products to, or buy them from, the European Community.

What does this mean? It is simply a device to protect European producers and consumers from fluctuations in the prices of agricultural products on the world market. When European dealers export to non-member States, they receive a kind of subsidy - or refund - covering the difference between world prices and European prices which are often higher. On the other hand, when Europeans import from outside the Community, they must pay a charge - or levy - which equals the difference between world prices and European prices.

Other policies instigated by the European Community whose progress have been rather more modest are the regional policy, established to help the Common Market's poorer regions to catch up with the others, and the social policy, to help the mobility of labour and to assist vocational training. We should also mention the industrial programmes; a competition policy obliging firms to respect market forces; an action programme created to fight against pollution of the environment; and the attempts to arrive at a common energy strategy for the Nine.

How does the Common Market work? What are its decision-making institutions? First, there is the Council of Ministers, the periodical meetings of Ministers of the nine countries of the EEC. It is they who decide; but they can only do so upon a proposal from the European Commission. The latter, which is composed of thirteen members, independent of national governments and aided by a substantial administration, constitutes the permanent organ of the Community, and the instigator of all European policy. For no decision can be taken until it has submitted a proposal on the subject concerned. The Commission is also guardian of the treaties and sees that they are implemented. It has authority to take action, especially in agricultural matters. In negotiations with non-member countries - e.g. signing agreements with Arab countries - the Commission negotiates under instructions from the Council of Ministers. Twice a year, the Heads of State or Government of the Nine meet for two days to determine the general guidelines for European policy. In addition, the Ministers for Foreign Affairs of the EEC countries meet periodically - in the separate "political cooperation" framework - to discuss common positions they might adopt when dealing with wider international problems.

The European Parliament is a consultative institution, except in budgetary matters where in some cases it has the last word. At present, it is composed of parliamentarians delegated by the national parliaments of the Nine. In 1979, the members of the European Parliament will be elected by universal suffrage. For some, this event will mark the birth of the People's Europe.

The Court of Justice of the European Communities decides whether the European institutions are acting according to the European Treaties. If the inhabitants of one of the European countries consider themselves

wronged by a decision of their government or any other institution, they can bring the matter before the Court of Justice, which is in Luxembourg.

True, the aim of the Treaty of Rome was to create a Community composed of the various European countries. But this Community was not intended to remain turned in upon itself. First, as we have seen, it was joined by three new members in 1973: the United Kingdom, Denmark and Ireland. And now three countries from Southern Europe have applied for membership of the Communities, to wit, Greece, Portugal and Spain - a factor which should be taken into account when the outlook for the Euro-Arab Dialogue is considered. The negotiations have already begun. They will be tough; but the indications are that they will succeed, in which case Europe of the Nine will become Europe of the Twelve.

When one considers Europe's role in the world, the Lomé Convention immediately springs to mind. This links the EEC to fifty-three countries in Africa, the Caribbean and the Pacific, of which three are members of the Arab League, namely Somalia, Sudan and Mauritania. This Convention, which many consider to be the most progressive development corporation agreement in existence today, falls into three main parts:

- (a) Trade: more than 95% of products from the ACP countries can enter the Common Market without attracting customs duty;
- (b) Finance: by means of the European Development Fund, which has resources totalling 3 140 million EUA, or about \$4 000 million, for a period of five years, the Community finances a number of development projects in the ACP countries.
- (c) "Stabilization of Export Earnings": this is undoubtedly the most original aspect of the Lomé Convention. Under this system - now called "Stabex" - the Community undertakes to guarantee the ACP countries stable earnings from their exports of a number of products to the Community. "This insurance against lean years" is one of the solutions to the acute problems faced by the countries of the Third World because of fluctuations in the prices of raw materials. It may be a modest solution, but it has the merit of having been put into practice - unlike many a grandiose scheme which has never left the files of the international experts.

In addition, the Community has signed cooperation agreements of a similar kind with practically all the countries around the Mediterranean. We shall return to this below; for a number of member states of the Arab League are also Mediterranean countries. Agreements have also been signed with certain Latin American or South East-Asian countries; these, being rather more recent, tend to be less elaborate.

In 1971, the European Community was the first to introduce the generalized System of Preferences for all countries in the Third World. Under this system, manufactured or semi-manufactured goods can enter the Common Market at a reduced rate of customs duty.

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### III. TWO COMPLEMENTARY REGIONS

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#### Trade relations

As was stated in the first line of this paper, the Arab League has become the European Community's main trading partner. This development is one of the crucial elements in the pattern of international trade in recent years: two groups of countries, which show such a degree of economic interdependence and which, moreover, are among the giants of world trade, cannot allow their trade relations to develop in an uncontrolled way. Here again, the Dialogue is important. What do the figures tell us? Basically this: in 1976, 40.4% of the Arab countries' exports went to the European Community, as against 15.8% to Japan, and 9.3% to the United States. Over the same period, 13.4% of the EEC's exports went to Arab countries (or more than the Community's exports to the United States and Japan put together).

Let us analyse these figures a little more closely. First, their development since 1970. The EEC's exports to the Arab League have increased by 385% in six years (1970-76). And as to the Arab League's exports to the European Community, these have grown by 246%. Seen as a percentage of total extra-Community trade, exports to the Arab world have grown from 6.2% in 1970 to 13.5% in 1976. At the same time, the import figures have grown from 13.6% to 20%.

Arab exports to the EEC are mainly characterized - we shall discuss this further - by the growing importance of hydrocarbons: 90.8% in 1975. But three other facts emerge from these statistics:

- (a) the rapid increase in the value of oil-based exports;
- (b) the very rapid growth in the export prices for raw materials, chemical products and manufactured goods;
- (c) the decline in agricultural exports, due especially to the restrictions on the sale of Algerian wine to France.

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#### The Structure of Arab League exports to the EEC

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	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>70/75 index</u>
Mineral fuels (of which refined petroleum products)	85.6 (1.0)	93.7 (1.8)	93.9 (2.6)	318 509
Raw materials and chemical products	5.8	3.2	1.3	159
Agricultural products	6.4	2.0	1.7	89
Manufactured products	<u>2.2</u>	<u>1.1</u>	<u>0.5</u>	<u>142</u>
	100%	100%	100%	291

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Which are the main Arab suppliers to the countries of the Common Market? Basically, as will be seen from the table below: Saudi Arabia (37% of the total), Libya (12.6% of the total), Iraq (11.6%), the United Arab Emirates (9.9%), Kuwait (7.9%) and Algeria (6.7%).

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COUNTRIES OF ORIGIN OF COMMUNITY IMPORTS (1976) source: SOEC

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	(in million EUA)	
Total EEC imports	159 354	
Imports from Arab League countries	31 703	100%
Saudi Arabia	11 878	(37.4)
Libya	4 019	(12.6)
Iraq	3 569	(11.6)
United Arab Emirates	2 942	(9.9)
Kuwait	2 532	(7.9)
Algeria	2 152	(6.7)
Qatar	1 235	
Morocco	839	
Egypt	678	
Syria	649	
Tunisia	411	
Oman	370	
Sudan	222	
Mauritania	136	
Bahrain	59	
Lebanon	40	
Somalia	18	
Jordan	13	
North Yemen	9	
South Yemen	7	

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And which countries of the European Community are the main markets for the Arab countries?

First France, with 8 700 million u.a. in 1976, followed by Italy (6 800 million u.a.) and Germany (6 000 million u.a.). If we now try to assess the Arab League's share in the total imports of each country, Italy comes first (30.8% of its exports come from Arab League countries), followed by France (29.9%), the Netherlands (20.0%) and Belgium/Luxembourg (19.3%).

Finally, it should be mentioned that certain Arab countries have seen a heavy decline in the EEC's share of their total exports since 1970. This is particularly so for the following countries who have greatly diversified their sales: Qatar (the EEC's share has decreased from 81% in 1970 to 44.4% in 1976), Oman (from 72% to 35%), Kuwait (from 60% to 38%), Iraq (from 60% to 47%), Libya (from 86% to 71%), Algeria (from 78% to 51%) and finally Morocco (from 68% to 56%).

What conclusions can be drawn from the development of EEC exports to Arab League countries? First, the steady increase in exports should be underlined, in contrast to the zig-zag progression of Arab sales to the EEC.

EEC EXPORTS TO ARAB COUNTRIES				(source: SOEC/OECD)			
	1970	1971	1972	1973	1974	1975	1976
in million u.s.a.	3 455	3 874	4 486	5 561	10 001	14 320	16 745
Index	100	112	130	161	290	414	484
Change in relation to previous year		+12.1%	+15.8	+24.0	+79.8	+43.2	+16.9
Arab countries' share of total EEC exports	6.2%	6.2	6.7	7.0	9.2	12.6	13.4

Moreover, this steady growth in European sales to Arab countries has taken place in all export sectors. However, it is most pronounced in the machinery and transport sectors.

STRUCTURE OF COMMUNITY EXPORTS TO ARAB COUNTRIES		(source: SOEC/OECD)	
	% 1970	% 1975	
Agricultural products	12%	7.2%	
Raw materials and chemical products	16%	9.7%	
Manufactured products	31%	26.1%	
Machinery and transport equipment	41%	52.7%	

Which are the European Community's main Arab customers? In 1976, three countries - Saudi Arabia, Algeria and Libya - absorbed somewhat over 41% of the Community's total sales to the Arab countries.

THE EEC's MAIN ARAB CLIENTS		(in million EUA)	
	1976		
Arab League	18 947		
Saudi Arabia	3 075		
Algeria	2 753		
Libya	2 127		
Iraq	1 991		
Egypt	1 513		
Morocco	1 316		
United Arab Emirates	1 172		
Syria	1 030		

The balance of trade between the EEC and the Arab League has for long been weighted heavily in favour of the Arab countries. This disequilibrium reached a dramatic high point in 1974, but has since become somewhat less alarming.

THE EEC'S TRADE BALANCE				(source: SOEC)			
	1970	1971	1972	1973	1974	1975	1976
in million u.a.	-4 533	-5 605	-5 042	-6 357	-18 747	-9 829	-12 754

The improvement, in 1975, of the balance of trade vis-à-vis the Arab League, was due to two factors:

- (a) a decline in the tonnage imported (-18%) and a slight rise in the tonnage exported (5%);
- (b) a considerable rise (37%) in the price per exported tonne while the price per imported tonne rose only by 3%.

An analysis of the statistics for a longer period (65-67/73-75) with regard to the EEC's main Arab trading partners shows:

- (a) a distinct worsening of the EEC's trade balance with four countries (Morocco, Algeria, Tunisia and Lebanon);
- (b) a less serious worsening of that with three countries (Libya, Iraq and Kuwait), though they remain net exporters;
- (c) a distinct increase in Saudi Arabia's trade surplus.

EVOLUTION OF THE IMPORT/EXPORT RATIO BETWEEN THE EEC AND THE ARAB COUNTRIES (in million u.a. source: SOEC)

	65 - 67			73 - 75		
	Exports	Imports	Exports/ Imports	Exports	Imports	Exports/ Imports
Morocco, Algeria, Tunisia, Lebanon	3 400	3 876	88	11 389	8 463	135
Libya, Iraq, Kuwait	1 788	7 662	23	8 196	21 956	37
Saudi Arabia	505	2 048	25	2 681	22 603	12
Total	5 693	13 586	42	22 816	53 022	42

THE TRADE BALANCE BETWEEN THE EEC AND THE ARAB COUNTRIES: 1976 (in million u.a.)

Surplus countries		Deficit countries	
Saudi Arabia	+ 8 802	Egypt	- 835
Libya	+ 1 892	Algeria	- 601
United Arab Emirates	+ 1 740	Tunisia	- 424
Iraq	+ 1 579	Morocco	- 477
Kuwait	+ 1 536	Jordan	- 493

Surplus countries (contd)	
Qatar	+ 932
Oman	+ 79
Mauritania	+ 25

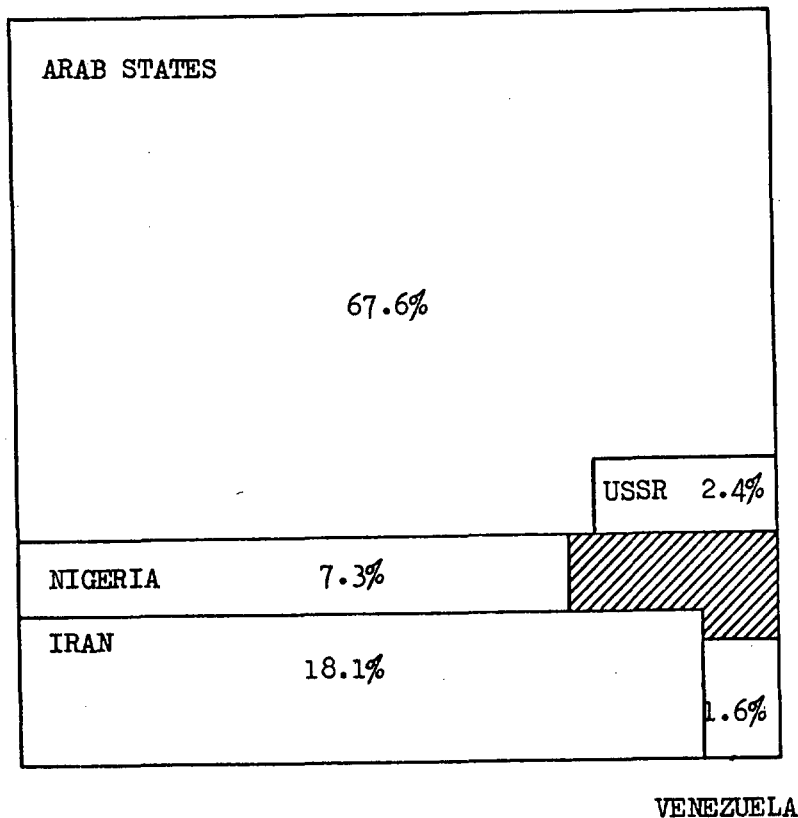
Deficit countries (contd)	
Syria	- 381
Bahrain	- 218
Sudan	- 267
North Yemen	- 121
South Yemen	- 61
Somalia	- 35

### Energy

As is well known, it was the energy crisis in 1973 which provided the impetus to the Euro-Arab Dialogue. This is very understandable in view of the fact that 71% of the crude oil imported by the EEC was supplied by the Arabs. Even if this percentage has since diminished slightly (it was 67% in 1975), it shows the importance of the Arab countries in Europe's economic development.

This situation is not going to change overnight. Whatever programmes may be launched by the industrialized countries to "get by" without oil, this will continue to be their major energy source for a long time to come.

100%



OIL SUPPLIERS TO THE EEC



But oil provides the essential motor for the Arab countries as well; for it allows them to finance a large part of their investments. It is not a case (as has too often been alleged) of the oil-rich Arab countries holding a Europe starved of mineral resources in a stranglehold. The reality is less clear-cut, for we are talking about two groups of countries both of which are directly dependent on oil.

Moreover, the true relations between Europe and the Arab countries in this crucial sector must be accurately explained. The Arab countries, which contribute some 32% of the world's oil production and which are estimated to possess between 52% and 65% of the world's total reserves, only have 35 oil refineries at the moment and can thus process a mere 13% of their output. Increasing their refining capacity is therefore of prime importance for the development of their industries and economies.

The European Community, which is finding it hard to reach a common energy policy, ought to concern itself with the question of oil refining being carried out by the Arab countries themselves.

"The case of refined oil products," writes the European Commission, "is no different from the general problem of getting full value for commodities as demanded by the countries of the Third World." That being so, an increase in the Arab countries' processing capacity will certainly have consequences for Europe. The Commission concludes, in effect, that Europe must be aware of this situation and prepare for it.

#### Migrant workers

There are eight hundred thousand of them. Eight hundred thousand Arab workers in Europe.

Let us disregard the human problems for the moment. These 800 000 workers have contributed, and continue to contribute, to Europe's economic development. As the President of the Association for Algerians in Europe, A. Gheraieb, said: "According to the report of the Tarquina seminar, a million workers who come from under-developed countries to industrialized ones represent about 40 million dollars of investment if 75% of them become part of the labour force. This can be regarded as technical and financial assistance by the countries of origin to the countries of immigration". He went on to say: "A population of migrant workers, rather than constituting an element of distrust and hatred between the peoples concerned, contributes on the contrary to bringing them together through a better mutual understanding...."

We still have a long way to go. There is no need to dwell on the position of migrant workers in Europe: housing conditions, integration, intellectual deprivation.... The picture is often sombre indeed.

True, immigration is not a new phenomenon in Europe; but its nature and scale have changed profoundly, especially during the last fifteen years. In 1959, three-quarters of the migrant workers in EEC countries came from other member countries, in particular, Italy. In 1973, it was the other way round: three-quarters of the immigrants came from countries outside the Community. The European Commission, in an action programme submitted to the Council of Ministers in December 1974, acknowledged this fact and tried to analyse the socio-economic repercussions on the non-member countries most affected of immigration in its present form.

"A long-term programme for migrant workers should not merely tackle the social problems which immigration entails for the workers themselves and for the communities where they settle. It must also be concerned with the entire range of areas affected by the phenomenon of immigration, i.e., politics, economics, regional and industrial policies and development...."

On this basis, the Commission formulated its main proposals aimed at gradually eliminating all discrimination with regard to living and working conditions, e.g., lack of vocational training, poor housing, social security on the cheap, etc.

The Community's agreements with Algeria, Morocco and Tunisia include a section on labour, as we shall see below.

### Investment

The volume of trade between the European Community and the Arab countries provides a good illustration of the extent of Euro-Arab economic interpenetration. But this is also to be found in other areas, perhaps less easy to measure, but nevertheless of importance. The first is investment.

In the past, investment was practically always one-way, i.e., from Europe to the Arab world. Since the energy crisis and the emergence of the Arab world as a financial centre, this tendency has been reversed, and Arab governments and private firms are now placing substantial investments in Europe. Let us not get this out of perspective: European public opinion has shown alarm over certain examples, such as the construction by Kuwait of a high-rise block in the Défense area of Paris or Arab involvement in firms as famous as Krupps or Fiat. But despite all this, we must not forget the essential point, which is the lag that still exists between Arab and European economies. Estimates of the oil States' surpluses have been greatly exaggerated and certain economic facts have been systematically ignored, such as the OPEC countries' GNP compared to that of the countries of the OECD and the international reserves of the former and the latter.

Be that as it may, the emergence of substantial economic surpluses in the Arab world has given rise to an immediate upsurge of interest on the part of European financial centres. The main reasons for this interest are:

- (a) first, that the Arab countries, because of their increased purchasing power resulting from their exports, were becoming attractive trading partners for European exporters; and
- (b) secondly, that the export earnings of some of these countries far outstripped their import needs, thereby making them more attractive to financial institutions in the developed countries. Hence the surge of national and multinational activity to find a good use for that newcomer on the capital market, the petro-dollar.

"Europe," said Smail Mahroug, Algerian ex-Minister for Finance, "is the group of countries in the West which, geographically, economically, historically and culturally, is destined to be the special partner of the Arab world." He went on to ask: "Is the EEC able to define and carry out its own distinct policy of total cooperation with the Arab world in such a way that the latter will be guaranteed that rapid and balanced

economic development which its abundant energy resources and financial wealth make possible"?

The Euro-Arab Dialogue might provide the answer to this question.

#### Two outward-looking regions

Both the countries of the Arab League and those of the European Community pursue an active policy of development cooperation.

Since the Arab League is composed of developing countries, it must mainly - and who would reproach it for this? - begin by helping itself. This means that it must begin by helping those of its member states which most need aid. But in recent years, the Arab countries have also given a great deal of assistance to other countries of the Third World, especially African countries.

Arab aid to Africa has taken many forms. It has been carried out on a multilateral level by several specialized Arab institutions which have been set up to this end (e.g., the Special Arab Aid Fund for Africa, the Arab Technical Assistance Fund for African and Arab States, the Arab Bank for Economic Development in Africa), which have assisted Africa considerably in facing the development problems and the hardships that have arisen from the increase in oil prices since 1973. This aid has been given in the form of grants, loans and technical assistance worth several hundred million dollars. Moreover, after the Arab-African Summit Conference in Cairo in 1977, supplementary aid of \$1 500 million was allocated by the Arab countries to the African countries.

Similarly there is the European Development Fund mentioned above. The aim must be to use every possible means to coordinate the efforts of the various source of aid. Relations between those responsible for the European Development Fund and those in charge of ABEDIA (the Arab Bank for Economic Development in Africa) have already led to a useful programme of cooperation. Thus, Arab aid funds may be used to finance African development projects where the studies have been done by European experts or, in the case of large-scale projects, to operate parallel or joint financing arrangements. Such methods of financing have already been put into practice. Cases include: Somalia, upgrading the Goluén-Gelib road; Congo, constructing the Congo-Ocean railway; Ghana, the hydro-electric dam at Kpong. The Europeans and the Arabs are already active in over ten African countries. Which is fine. But they are acting together. Which is even better. Symbolic perhaps.

Tourism is, of course, one of the most recent aspects of Euro-Arab relations. Every year, millions of Europeans now spend several weeks in Arab countries, especially those bordering the sea. Naturally, this influx of tourists provides substantial foreign currency earnings for the host countries. It also leads to human encounters. True, after a fortnight spent in a holiday club in Egypt or Tunisia, a German or Frenchman has learnt little about these countries. Moreover, his impressions of them will certainly be superficial. Nevertheless, it cannot be denied that he has made an initial contact with the countries concerned and with their peoples.

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#### IV. COOPERATION AGREEMENTS BETWEEN THE EEC AND THE ARAB COUNTRIES

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As we shall see, the Euro-Arab Dialogue could become the keystone in relations between the European Community and the Arab League countries. First, because these two groups are composed of 31 countries, from Iraq to Ireland, via Algeria and the Federal Republic of Germany. Secondly, because the matters which are dealt with in the Dialogue cover all aspects of Euro-Arab relations, from the exchange of history books to transport and technical cooperation. Because of the ambitious and extensive nature of the discussions, it is bound to take some time before practical results can be achieved. However, the Arabs and the Europeans did not wait for the Dialogue to be launched before they started to lay the foundations for cooperation. In fact, eleven Arab League countries have signed bilateral cooperation agreements with the EEC. In April 1976, within a few days of each other, three of the Maghreb countries (Algeria, Morocco and Tunisia) signed cooperation agreements with the EEC. The four Mashreq countries followed suit in January 1977 (though the Lebanon did not sign until May because of the civil war). As to Sudan, Somalia and Mauritania, these are signatories of the Lomé Convention, to which Djibouti also acceded after it became independent in September 1977.

It all began with Lebanon which (on 21 May 1965) was the first to sign a non-preferential trade agreement with the Six; this was initially valid for three years and was renewed regularly. Then, in 1969 the first tentative talks took place with the Arab Republic of Egypt. The actual negotiations began in 1970, and a trade agreement was signed in December 1972. But this was also the moment chosen by the Nine (the United Kingdom, Denmark and Ireland had now joined the Common Market) to embark on an overall Mediterranean policy aimed at offering all Mediterranean countries cooperation on a wider scale than that envisaged in straightforward trade agreements. Discussions with the Maghreb countries were begun on this basis in 1973 and led to agreements being concluded in March and April 1976. Next came the negotiations with the three Mashreq countries, which were concluded in October 1976; and finally, the negotiations with Lebanon, which had had to be abandoned because of the events of 1976, were concluded in May 1977. It is worth noting that the initialling of the EEC-Lebanon agreement, in February 1977 was the first event marking Beirut's return to the international stage.

The ten Arab League countries which have thus established cooperation links with Europe represent more than 70% of the total population of the Arab world and account for over 50% of Europe's exports to the region. They are also the least wealthy of the Arab League countries and the ones that are running a deficit in their trade with the European Community. Their deficit was \$3 000 million in 1975 while, as we have seen, it is the European Community which has a trade deficit with the Arab countries taken together (\$10 000 million in 1975). So it is these countries which most need to establish their relations with the EEC on a stable contractual basis. What, then, are the terms?

The cooperation agreements between the EEC and seven Arab League countries mainly comprise three sections:

Trade preferences. Access to a European market with 270 million consumers is unquestionably an important trump card for the Arab countries which are now just about to reap the first benefits from their various industrialization programmes and which therefore increasingly need export markets. The concessions granted by the Community obviously vary according to the country concerned. However, no customs duty is applied to industrial products except for certain items - largely refined petroleum products and some textiles.

For agricultural products, on the other hand, the concessions are rather more limited. The Community suffers from chronic overproduction in certain agricultural sectors; this has led to serious difficulties for farmers in the South. So, it has had to be more restrictive in this sector. Nevertheless, the advantages which the countries that have signed these agreements have been given with regard to agricultural products should still allow them appreciably to increase their exports to the Common Market.

Financial and technical cooperation. The European Community has undertaken to contribute to the economic development of the Maghreb and Mashreq countries. To this end, it is trying to adapt its assistance to the objectives and development programmes of those countries.

The financial means put at the disposal of the countries in question are shown in the table below (1977-81):

	<u>Algeria</u>	<u>Morocco</u>	<u>Tunisia</u>	<u>Egypt</u>	<u>Syria</u>	<u>Jordan</u>	<u>Lebanon</u>
EIB loans	70	56	41	93	34	18	20
Special loans	19	58	39	14	7	4	2
Grants	25	16	15	63	19	18	8
TOTAL	114	130	95	170	60	40	30

(in million u.a.)

This aid is to be used to finance (partly or totally) investment projects in the production or economic infrastructure sectors.

There is also provision for joint operations involving the Community and other aid donors. This is of crucial importance. Potential suppliers of funds will become more interested in investing in the countries which have signed the agreements if they are sure to reap the benefits of guaranteed access to the Community market for products they might manufacture in the Arab countries. It should also be noted that apart from the financial contribution, a vast range of economic cooperation with the EEC is envisaged:

- (a) sales promotion and marketing;
- (b) industrial cooperation;
- (c) encouragement of private investment;
- (d) cooperation in scientific, technological and environmental matters.

### Labour cooperation

Because of the large number of Maghreb nationals who work in Community countries, the cooperation agreements with these countries contain special provisions about labour. More specifically, such workers are guaranteed working conditions, wages and social security benefits equal to those of European workers. These guarantees could only have been made possible through Community agreements.

### Joint institutions

The agreements are administered on a basis of strict parity. A Council of Ministers - representing the two parties - meets once a year to evaluate the work together. It is assisted by a committee - at ambassadorial level - which can meet whenever necessary. Moreover, the Commission proposes to set up permanent delegations in the capitals of each of the seven countries concerned, as is already the case with the Arab countries which have signed the Lomé Convention.

### The "Lomé Countries"

Three Arab countries have signed the Lomé Convention which, as we know, links the EEC to more than fifty countries in Africa, the Caribbean and the Pacific. So these three countries (Somalia, Sudan and Mauritania - to which Djibouti has just been added) enjoy all the advantages contained in the Convention, i.e., financial cooperation under the European Development Fund, virtually free access for all their exports to the Community, and a guaranteed stable level of earnings from a number of commodities when these are sold to the EEC.

The amount of financial aid given to Third World countries which are not linked to the Community by any cooperation agreement or convention is still limited. This amounted to 20 million u.a. in 1976, 45 million u.a. in 1977 and 70 million u.a. for 1978. These funds go to the poorest countries, especially in Asia and Latin America. In 1977, one Arab country, the Yemen Arab Republic, received financial aid worth 2 million u.a. for agricultural development. The 1978 funds have not yet been earmarked.

The last form of Community aid given to Arab countries is food aid. First cereals: each year, the Community sends nearly 1.3 million tonnes of cereals to developing countries. In 1977, the Arab countries received a substantial part of this, including 150 000 tonnes for Egypt, 42 000 tonnes for the Palestinian refugees, 34 000 tonnes for Somalia and 27 000 tonnes for Tunisia. Moreover, eight Arab countries receive Community aid in the form of milk powder and butteroil. The quantities are indicated below:

	<u>Milk powder</u>	<u>Butteroil</u>
Egypt	10 000	2 800
Sudan	4 000	1 000
Yemen (AR)	1 500	700
Yemen (PDR)	650	700
Jordan	1 500	1 000
Mauritania	1 000	1 200
Somalia	2 750	1 600
Syria	2 750	400
UNRWA (Palestinian refugees)	500	3 200

Mr Claude Cheysson, European Commissioner for Development, when signing the EEC-Lebanon Agreement, concluded: "This endeavour and the means employed are new. There are bound to be difficulties, occasionally clashes. Some feel that we have not aimed high enough. But a grand design and a lofty ambition do emerge.... Convinced of the creative force and the neighbourly solidarity between peoples united by geography, history, culture and ambition, we are bringing two groups of peoples together, the Arab nation and the European nation."

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V. RESULTS AND PROSPECTS: THE EURO-ARAB DIALOGUE

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History, investment, trade, workers, agreements...

All this is part of the web of Euro-Arab relations - a web that is becoming increasingly dense. A framework had to be found for looking at these relations in a comprehensive way - and perhaps for building the foundations of lasting cooperation. It was thus that the Euro-Arab Dialogue was launched in the winter of 1973. The initial stages of the Dialogue were far from easy; had it not been for the October War and its effects on the price of oil, it might never have come about. HE Ismail Khelil, the Tunisian Ambassador in Brussels, recalls European reactions at the time of the Arab oil embargo:\*

"When the Arab decision was announced, Europe of the Nine found itself in a political and economic nightmare, composed of three truths, all equally fatal. These were:

- (a) that the oil weapon had really become a dangerous striking force;
- (b) that Europe depended on the Arab countries for more than half its oil supplies and was therefore economically threatened;
- (c) and finally that, diplomatically, Europe of the Nine was to all intents and purposes absent on the international stage because it did not exist politically."

For these and other reasons, on 6 November 1973 the Nine passed a resolution on the Middle East conflict, which is now considered by everyone to have been Europe's first original contribution to this debate. A few days later, in Algiers, an Arab Summit launched an appeal to Europe, reminding it that it was "linked to the Arab countries across the Mediterranean by deep affinities of civilization and by vital interests which could not be developed except in a situation of trusting and mutually beneficial cooperation".

The Europeans, who subsequently held a Summit Conference in Copenhagen in December 1973, acknowledged this message and reaffirmed "that their Heads of State and Government attached great importance to opening negotiations with the oil producers on overall arrangements including a wide range of cooperation....".

The principle of the Euro-Arab Dialogue was launched. It still needed to be put into practice. This was not easy. Several appointments were not kept, and indeed some of the Nine were not far from opposing the idea of a "joint consumer front".

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\* l'Actuel, op. cit.



Other countries wanted an open dialogue with the Arab countries, but one in which the United States would take no part. A compromise was reached by which pragmatic, informal and friendly consultations would be held with the United States. Now, the Dialogue could begin. No, not yet; another problem cropped up and the opening was postponed. The Arab leaders had decided, in Rabat, that the Palestinian Liberation Organization would take part in the discussions with European countries as the twenty-first member of the Arab League. The Europeans hovered, but finally arrived at the "Dublin compromise": rather than a number of individual countries debating around the table, there would be two groups, each one free to select its own delegates.

So, it was not until June 1975, in Cairo, that the first meeting at expert level of the Euro-Arab Dialogue took place. The two parties adopted a joint memorandum which is now written into the very charter of the Dialogue. Below are some extracts:

- (a) The Euro-Arab Dialogue is the product of a joint political will that emerged at the highest level with a view to establishing a special relationship between the two groups.
- (b) The Dialogue's political dimensions are in essence the attempt to rediscover, to renew and to invigorate the links that affect these neighbouring regions; the desire to eliminate misunderstandings that gave rise to difficulties in the past; and the intention to establish the bases for future cooperation, embracing a wide area of activities, to the benefit of both sides. The growth and flourishing of Arab-European economic cooperation should proceed on this understanding which will contribute towards stability, security and a just peace in the Arab region and towards the cause of world peace and security.
- (c) The establishment of cooperation between the two groups is inspired by the ties of neighbourhood and a common cultural heritage as well as by their complementary and convergent interests.
- (d) In the field of economics in particular, the Dialogue aims at establishing cooperation capable of creating the fundamental conditions for the development of the Arab World in its entirety and of lessening the technological gap separating the Arab and European countries. This necessitates the seeking of effective measures and steps in all domains based on an equitable division of labour between the two groups.

At the second meeting of experts, in Rome in July 1975, seven working groups were set up to deal with the following subjects:

- 1. Industrialization
- 2. Infrastructure
- 3. Agricultural and rural development
- 4. Financial cooperation
- 5. Trade
- 6. Scientific and technological cooperation
- 7. Cultural and social questions; labour.

In November 1975, in Abu Dhabi, a joint working paper was adopted, reporting on the initial results but also on the difficulties.

Finally, the General Committee, the highest authority of the Dialogue, met in Luxembourg in May 1976. This was the first time that political matters figures on the agenda, and the Nine recorded their point of view on the Middle East issue.

Another important outcome of the Luxembourg meeting was the institutionalization of the Dialogue. The General Committee was confirmed as the supreme organ of the Dialogue. It would meet twice a year, at ambassador level, and whenever it was deemed necessary, particularly if a meeting of Foreign Ministers was convened. Agreements were also reached about the composition and work procedure of the seven working committees, and a schedule was adopted for future meetings.

The meeting of the General Committee in Tunis, in February 1977, was claimed by all observers to have been the most positive so far, and was marked by the sense of commitment of most participants. (Meanwhile, about thirty meetings had been help by the working committees and specialized groups, which had begun to clear the ground.)

This was because the Europeans and Arabs were able openly to exchange views on political questions. And secondly, because precise recommendations were given to the experts in the spheres outlined below:

- (a) Transfer of technology. A Euro-Arab centre for the transfer of technology will be set up. It is well known that the Arabs consider the transfer of technical knowledge to be an important element in their development. The creation of such a joint centre would, in fact, be the first major example of an idea launched during these international meetings being put into practice.
- (b) Protection and promotion of investments. A multilateral Euro-Arab convention will be incorporated into existing or future bilateral agreements.
- (c) Trade cooperation. The Arab countries have once again asked for a comprehensive trade cooperation agreement to be concluded between themselves and the Europeans. However, it was felt by the latter that the existing trade arrangements were adequate, in particular through the agreements signed with half the Arab countries (see above). On the other hand, the two parties have agreed to consider the creation of a centre for trade cooperation, whose tasks would be inter alia, to assist in the training of Arab managerial staff, carry out market research, facilitate contact between businessmen, etc.
- (d) Labour. Europe has agreed to subscribe to a declaration aimed at guaranteeing Arab workers employed there better living and working conditions.
- (e) Agriculture. Europeans and Arabs will jointly finance the feasibility studies for four priority projects in different Arab countries. For agricultural development in three Arab countries: Somalia (the development of the Juba Valley); Sudan (improving meat production at Dammazine and carrying out an integrated rural development project in the South Darfur Region); and finally, Iraq (development of seed potato production).
- (f) General conditions of contract. What law should be applied in the event of dispute? Which form of arbitration should be used? These are among the questions which arise when contracts are signed between suppliers and clients. European and Arabs experts will endeavour to

answer them and to establish contractual provisions to be used as points of reference for parties entering into contracts.

Cultural questions are also dealt with in the Euro-Arab Dialogue. In this context, a seminar was organized in March 1977, in Venice, on the teaching of Arabic in Europe, and a symposium on the relations between the two civilizations is to be held in Hamburg. Three needs have been given priority: to increase the number of Arab teachers in Europe; gradually to revise history and geography books; and to facilitate the distribution of Arabic books in Europe.

After the meeting of the General Committee of the Dialogue in Brussels, at the end of October, the table below was drawn up, listing all activities which were being put into practice through the Euro-Arab Dialogue:

	<u>Estimated Costs</u>	<u>Estimated contributions(\$)</u>	
		Arab	European
A. <u>Symposium on relations between the two civilizations, Hamburg</u>	250 000	125 000	125 000
B. <u>Basic infrastructure</u>			
1. Study on the needs of Arab countries for training programmes in the field of maritime transport	200 000	160 000	40 000
2. Harmonization of statistics in Arab ports	60 000	48 000	12 000
3. Study for the development of the new port at Basra, Iraq	500 000	400 000	100 000
4. Study for the development of the new port at Tartous, Syria	500 000	400 000	100 000
5. Symposium on the theme of <u>New Towns</u>	20 000	10 000	10 000
C. <u>Agriculture and rural development</u>			
1. The Juba Valley, study for irrigation project at Bardera, Somalia	1 200 000	960 000	240 000
2. Project for meat production in Sudan	50 000	40 000	10 000
3. Project for growing seed potatoes in Iraq	1 800 000	1 440 000	360 000

Politics - the first or the eighth aspect of the Dialogue?

Now that we are at the end of this study, we must deal straightforwardly with that subject which to many seems at present the most vital: Europe's contribution to the search for solutions to the Middle East conflict. This is a crucial problem for the Arab world, and one which Europe cannot ignore. Does the Euro-Arab Dialogue provide the right setting for discussing this question? Some think not, arguing that its objectives are strictly economic, technical and social. However, the political nature of the Dialogue can hardly be denied. As Mr Claude Cheysson said: \* "We entered into the Euro-Arab Dialogue for political reasons... It is a political exercise, and yet, we refuse to talk politics there." Why this paradox? Let us quote Mr Cheysson again:

"Can one continue such a tricky exercise for long? Myself, I am not sure. It is not entirely ruled out that we might deal in this political part of the Dialogue with subjects which are not connected with a settlement of the dispute. For instance, subjects of interest to the Eastern Mediterranean generally. There, we might already show that we would like to find a common approach. At present, our Arab partners hesitate to do this for the reasons I have just mentioned. For in their opinion, it would be very odd to talk about the Eastern Mediterranean without mentioning the problem which preoccupies them most. I have no doubt whatsoever that in the long run, the political dimension will probably be the most important part of the Euro-Arab Dialogue, once the dispute has been settled. This is my own personal feeling; it is not the Community's official position, although I believe that each of our governments has its own views in this matter, which have not been expressed jointly, but which are very close to what I have just been saying.

Even if Europe cannot play an important role in resolving the conflict, it could still have a very significant role to play once it is solved. First, by being one of the guarantors to such a settlement. And secondly, by helping prepare the basis for the economic development of these countries; for this could only help establish in this region the peace it so much deserves."

The position of the Nine has certainly evolved over the years, resulting in the solemn declaration of the London Summit, at the end of June 1977:

1. "At the present critical stage in the Middle East, the Nine welcome all efforts now being made to bring to an end the tragic conflict there. They emphasize the crucial interest which they see in early and successful negotiations towards a just and lasting peace.

They call on all the parties concerned to agree urgently to participate in such negotiations in a constructive and realistic spirit;

2. The Nine set out on many occasions in the past, for example, in their statements of 6 November 1973, 26 September 1976 and 7 December 1976, their view that a peace settlement should be based on Security Council Resolutions 242 and 338 and on:

- (i) the inadmissibility of the acquisition of territory by force;
- (ii) the need for Israel to end the territorial occupation which it has maintained since the conflict of 1967;

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\* L'Actuel op.cit.

- (iii) respect for the sovereignty, territorial integrity and independence of every state in the area and their right to live in peace within secure and recognized boundaries;
- (iv) recognition that in the establishment of a just and lasting peace account must be taken of the legitimate rights of the Palestinians.

It remains their firm view that all these aspects must be taken as a whole.

3. The Nine have affirmed their belief that a solution to the conflict in the Middle East will be possible only if the legitimate right of the Palestinian people to give effective expression to its national identity is translated into fact, which would take into account the need for a homeland for the Palestinian people.

They consider that the representatives of the parties to the conflict including the Palestinian people, must participate in the negotiations in an appropriate manner to be worked out in consultation between all the parties concerned. In the context of an overall settlement, Israel must be ready to recognize the legitimate rights of the Palestinian people: equally, the Arab side must be ready to recognize the right of Israel to live in peace within secure and recognized boundaries.

It is not through the acquisition of territory by force that the security of the States of the region can be assured."

In twenty years, Euro-Arab relations have covered more ground than in twenty centuries. This is irrefutably so. And yet, we are tempted to end this paper by saying: everything still needs doing. This unique opportunity which the Europeans and Arabs now have, will perhaps never be repeated. This opportunity, in short, consists in giving to peoples who have long fought each other and who have now reached different stages in their economic development, the chance to build a common future. The task in the years to come will be to give a practical content to a whole series of aspirations. Only thus can this bet be won: a bet which HE Ismail Khelil, the Tunisian Ambassador in Brussels, described as follows:

"The Dialogue is a difficult and ambitious undertaking; but it is viable because it is based on affinities between two regions which have everything to gain from cooperation.

The Arab world has become Europe's most important trading partner having overtaken the United States of America. Similarly, Europe has become the most important partner for the Arab world, as far as both its exports and imports are concerned. So we are doomed to cooperate. We cannot ignore each other. We must follow the same road".

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\* L'Actuel op. cit.

Other EEC publications about the Community's relations with the Third World in general and the Arab world in particular can be obtained from the following address:

Directorate-General for Information,  
Commission of the European Communities,  
rue de la Loi 200,  
B-1049, Brussels, Belgium.

The Information series of notes. These are published regularly in all the Community languages, and in some cases also in Arabic:

- No 119/76: Tunisia-EEC
- No 162/77: Cooperation agreement between Tunisia and the EEC
- No 120/76: Algeria-EEC (+ Arabic)
- No 121/76: Morocco-EEC
- No 142/76: Egypt-EEC
- No 143/76: Syria-EEC
- No 144/76: Jordan-EEC
- No 147/77: Lebanon-EEC
- No 161/77: The EEC's Generalized System of Preferences
- No 139/77: List of agreements between the European Community and non-member countries.

The Information Note series:

- No P 14: Cooperation agreements between the European Community and Algeria, Morocco and Tunisia
- No P 100: Cooperation agreements between the European Community, Egypt, Jordan and Syria

The European Documents series:

The European Community and the developing countries, No 1977/1

Dossier:

The European Community and the Third World  
Brussels, September 1977 (English, French and German)