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working paper

*European Investment Bank's activities  
in East – Mediterranean:  
Contributing on the economic transitions*

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## **Abstract**

*There is a large scale of studies dealing with the economic reforms of east Mediterranean countries in correlation with the European Union's financial policies and economic target regarding this area. This article aims to analyze the process of economic transition of the above mentioned countries in interaction with the European's Union (EU) Mediterranean policy, focusing on the activities of the European Investment Bank (EIB). The analysis is based on the official data provided by the EIB and the EU and a number of articles dealing with the EU's neighborhood policy regarding the Mediterranean countries and their inadequate economic growth.*

**Keywords:** European Investment Bank, Eastern Mediterranean countries, Euro-med, Barcelona process, European economic integration, European neighborhood policy.

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## *Introduction*

The terrorist attacks of 2001 and the war in Iraq gave to the region of the East – Mediterranean a new importance and centrality; placed at the center of the US foreign policy, the region starts to attract the European Union's attention, previously devoted to the enlargement towards Eastern Europe.

The economies of the east Mediterranean countries have been improved in recent years due to revenues from tourism and those connected to the exploitation and the transportation of energy fuels; however, a list of deficiencies remains such as the need of reforms in the political and economic sectors.

The East – Mediterranean represents undeniably an important economic partner of the European Union (EU). The East – Mediterranean region is, together with Russia, the most important source of energy supply and transport for the EU; these countries send the 50% of their exports to the EU while at the same time, the EU countries are the first destination for migrants, legal and illegal, coming from the east Mediterranean area. The EU is their main source of tourism and their largest provider of financial assistance; this assistance takes the form of loans and grants as a tool for boosting foreign investments towards these countries.

The EU is concerned about the precarious political and socioeconomic systems of the concerned countries. The existing conditions constitute a potential security threat for the EU which, enhancing its neighborhood policy, has a major interest in the reform process. This article deals with the socio-economic dimensions of this process through the actions taken by the EU's principal tool organ for economic development of third countries, the European Investment Bank.

The direct financial assistance of the European Investment Bank has multiple goals; reinforcing the material and immaterial capital of the east –Mediterranean countries and at the same time boosting their credibility towards foreign investors. Direct foreign investments have various aims and their effects are meaningful: while they enhance the advantages these countries possess, they remain difficult to realize in practice. The latter indicates that there are persisting obstacles and signals the need to take measures towards the transformation of their economic systems. This article's analysis focuses on two major fields; the economic

policy of the EU towards Mediterranean countries and the operational activities of the European Investment Bank. It should be underlined here that although this article examines the east Mediterranean region as a whole, the concerned countries do not form a homogenous group for two reasons: their relations with the EU, and inequalities and various levels of difficulty concerning the multidimensional development of their economies.

The aim of this paper is to measure the extend to which the EU and the EIB can contribute to the transition of the east – Mediterranean economic systems, taking into consideration the factors that maintain and enhance their economic weaknesses and financial instability. Finally, a general evaluation of the Euro-Mediterranean partnership is made.

## *1. East–Mediterranean countries: General figures of economic systems*

The east Mediterranean countries cannot be considered a homogenous group, both in political and economic terms, at least regarding their relations with the European Union. However, their economic systems have some common characteristics, which this paper aims to explore further.

Bearing in mind the bilateral and regional conflicts that exist in the specific area, it looks into what extend the domestic and regional economic development and cooperation is “hostage” of the political situation. In other words, is the development of tighter economic relations proved resistant not only to changes in the domestic political systems but also to the occasional crisis or setbacks?

Before focusing on the analysis of our central questions, a “geographic specification” of the concerned area is needed. This paper will treat the case of the coastal countries of east –Mediterranean Sea namely Turkey, Israel, Palestinian Authorities (West Bank and Gaza), Syria, Lebanon, Cyprus and Egypt. Greece is also included for the following reasons, which are not merely geographical but principally political and economic:

- Placed in the central –east part of the Mediterranean Sea, Greece is the most ancient member of the EU as opposed to the rest of the countries. Being far more developed than the others, it is extremely useful to compare the progress it made in economic and institutional terms due to its EU membership;
- Because of geographic proximity, Greece has traditional commercial and investment interests in the rest east Mediterranean countries. These interests are transformed and enhanced by the EU’s economic initiatives in the area;
- The remained tension within Greek –Turkish relations as well as Greece’s involvement in the Cyprus issue, make Greece part of two cases of instability and potential security crisis in the wider area.

To begin with, the basic characteristics of the east –Mediterranean economic systems could be outlined as following:

- Small size of the domestic market and limited purchasing power of the citizens;
- Great inequality of the Gross National Product (GNP) compared to comparing those of the EU member countries;
- Absence of “hard” industry<sup>1</sup>;
- Energy deficiency and dependence on foreign suppliers<sup>2</sup>;
- Disproportional function of the private and public sectors;
- Limits in the external trade and commercial unbalance regarding imports and exports ;
- Limited volume of Direct Foreign Investments;
- High level of public debt and external borrowing;
- High rates of unemployment

These characteristics create a totally hostile environment for the promotion of sustainable development which is placed highly on the agenda of Euro- Mediterranean economic synergies, an issue that will be analyzed in the third part of the paper. Defining sustainable development as the “*continuous improvement of the quality of life and well being on Earth for present and future generations*”<sup>3</sup> and promoting it via “*a dynamic economy with full employment and high level of education, health protection, social and territorial cohesion and environmental protection*”<sup>4</sup>, it is clear that the achievement of these goals demands a set of both economic and socio-politic transitions.

For east –Mediterranean countries specifically, domestic and external political conditions have played and continue to play a key -negative role to their socio-economic development. It is difficult to prove that economic stability and closer economic cooperation could affect directly and positively the political domain. However as far as both external and domestic conditions are concerned, politico – economical cooperation initiatives, like those of the Euromed, could inaugurate a new era of relationships based on mutual advantages which trigger the need for closer interaction, cooperation and mutual understanding. The economic relations among the countries are primarily bilateral and the absence of cooperation – integration process should be underlined. The EU’s cooperation initiatives are the first serious attempt of setting institutional bases on the existing links as well as transforming them into multilateral to transform them in multilateral.

Overall, it is generally accepted that the east –Mediterranean countries need, even to different extend to repair their economic systems in order to achieve sustainable economic growth and financial stability. Besides, should they want to participate actively in the global market system, to create and maintain a stable macroeconomic environment, they have to be credible towards the external factors of the global economic system such as investors and trade operators. This

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<sup>1</sup> Except for Israel and partially Egypt.

<sup>2</sup> Except for Egypt and Syria.

<sup>3</sup> Brussels Presidency Conclusion, Review of EU Sustainable development Strategy, 15-16/6/2006 available at <http://register.consilium.europa.eu/pdf/en/06/st10/st10117.en06.pdf>

<sup>4</sup> Ibid.

credibility does not depend only on trade exchanges and enterprise investments on the infrastructure of their economic systems; it also depends on the non – material exchanges and interactions between these countries. That is exchanges of information technology and the creation of information networks that facilitate data spreading and coordination in cases of problems or crisis. More specifically, it is the “nature” of the multinational companies that necessitates an efficient information network<sup>5</sup> in order to provide them with direct links with the rest of the world and primarily with their headquarters. Besides, their credibility depends also on a healthy juridical system, with equal values for both domestic and foreign investors<sup>6</sup>, as well as on a banking system that facilitates domestic and foreign activities. Finally, the amelioration of the domestic working and productivity conditions is required. This can be achieved by providing the labor force with constant training and access to technological innovations and production services.

The success of the East –Mediterranean region in attending the above standards is closely related to the development of direct foreign investment for the reasons listed below:

- Direct foreign investments reinforce the interdependence between related actors;
- They allow these countries to realize the comparative advantages they have in their disposal, which they are currently exploiting inadequately;
- They could play an important role in domestic development by boosting and not replacing a system of positive concurrence between domestic and foreign investment within a particular sector;
- They facilitate the technology transfers and the technical - professional know – how to the domestic means of production and (its) labor force.

## *2. The institutional perspective of the Euro- Mediterranean economic relations*

The Euro – Mediterranean relations present a heated issue of a debate concerning their necessity, their indispensability and their evolution starting with the Barcelona Process in 1995 to nowadays. In the meantime, the Mediterranean and the EU’s approach towards the relations it intends to establish with its southern neighbors have changed. The notion “institutional” regarding the Euro- Mediterranean relationships in any scale they exist, economic for our case study, refers to the establishment of regular interactions and exchanges between the European Union and its south Mediterranean neighbors on a basis of mutual understanding and profound cooperation aiming at the promotion of mutual interests and interdependence among the concerned nations.

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<sup>5</sup> This could be translated into an efficient system of telecommunication infrastructures.

<sup>6</sup> Bernard Paraque, « *L’Euro-Méditerranée: De l’espace géographique aux modes de coordination socio-économiques* », Paris, L’Harmattan, 2007, page 105.



The major goal of the Barcelona Process<sup>7</sup> was to convert the Mediterranean Sea into a zone of peace, stability and prosperity. Far from achieving this goal, as far as peace is concerned at least<sup>8</sup> EU's European Neighborhood Policy towards south regions has definitely results to show in the economy and development sector while its weaknesses are sizeable. The Economic and Financial Partnership was *the centerpiece of the Barcelona Process and the engine of the Euro – Mediterranean Partnership*<sup>9</sup> aiming at the establishment, by 2010, a free trade zone, one of the largest in the world<sup>10</sup>.

Barcelona's Work Program, complementary to the Euro-Mediterranean Agreements<sup>11</sup>, set up measures in order to promote regional economic integration, to increase the capital investments and infrastructural development and to synchronize the management of common resources like energy, water, environmental risks etc. *"Provisions relating to the extension of the existing cooperation in fields such as energy, rural development, technology transfer, technical assistance for business co-operation and investment were all designed to pave the way for increased commercial and investment activity. The main beneficiaries would be firms based in the EU through the award of contracts to provide assistance, opportunities for joint commercial ventures and the opening up of new markets*<sup>12</sup>". An important expectation, based on the above measures, was to harmonize investment and taxation laws existing in the economic systems of the Mediterranean countries, with those of the European Union and World Trade Organization framework of rules. The alignment of the provisional policies based, also, on the creation of networks of variable actors, between EU member states and Mediterranean neighbors, uniting governments, enterprises and other economic non- governmental organizations (NGOs)<sup>13</sup>.

The MEDA Regulation<sup>14</sup> is the principal instrument of economic and financial co-operation under the Euro-Mediterranean partnership. It was launched in 1996 (MEDA I) and amended in 2000 (MEDA II). It enables the EU to provide financial and technical assistance to the southern Mediterranean countries: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Territory, Syria, Tunisia and Turkey. The MEDA program supports the economic transition of Mediterranean non EU-member countries by promoting economic and social reforms for the modernization of enterprises and the development of the private sector, paying particular attention to:

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<sup>7</sup> It is important to notice that the Barcelona Declaration was mostly the product of intergovernmental negotiations thus it does not represent a Union Policy and it depends on the existing relations between EU member states and individual Mediterranean partner countries.

<sup>8</sup> This point has to do the limited ability of the EU to manage collectively the global interest situation coming after the terrorist attacks of 2001 and the war in Iraq which gave to the Mediterranean region a new centrality in global and USA's affairs.

<sup>9</sup> Ricardo Gomez, *Negotiating the Euro-Mediterranean Partnership. Strategic Action in EU Foreign Policy?*, 2003, Ashgate Publishing Limited, England, p. 81.

<sup>10</sup> Creating a market of 800 million people.

<sup>11</sup> Concluded between 1995 and 2005 between the UE and Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia, Algeria.

<sup>12</sup> Ricardo Gomez, *Negotiating the Euro-Mediterranean Partnership. Strategic Action in EU Foreign Policy?* 2003, Ashgate Publishing Limited, England, p. 81.

<sup>13</sup> For example the network of employers' association UNIMED and the Euro-Mediterranean Forum of Economic Institutions FEMISE.

<sup>14</sup> Summaries of EU legislation, MEDA program, available at: [http://europa.eu/legislation\\_summaries/external\\_relations/relations\\_with\\_third\\_countries/mediterranean\\_partner\\_countries/r15006\\_en.htm](http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/mediterranean_partner_countries/r15006_en.htm)

- support for small and medium-sized enterprises (SMEs) and job creation;
- the opening-up of markets;
- promotion of private investment, industrial cooperation and trade between the various partners;
- upgrading of economic infrastructure, including the financial and taxation systems;
- Consolidation of the major financial balances and creation of an economic environment favorable to accelerated growth (support for structural adjustment).

The MEDA program also supports sustainable socio-economic development, in particular through:

- the participation of civil society and populations in the planning and implementation of development measures;
- the improvement of social services (such as education, health, housing, water);
- harmonious and integrated rural development, including agricultural development;
- the strengthening of democracy, human rights and the rule of law;
- the protection and improvement of the environment;
- the upgrading of economic infrastructure, especially in the sectors of transport, energy and the information society;
- the promotion of youth exchanges and cultural cooperation;
- the development of human resources (vocational training, improvement of scientific and technological research).

Concluding, the Barcelona Process was a starting point for the reinforcement of the cooperative relations between the two sides of the Mediterranean. However, there still existed disequilibrium between bilateral and multilateral dimensions of the integration process with the last resting hostage to the persisting conflicts, traditional bilateral relations and inequalities of the Mediterranean states. Apart from Greece and Cyprus, member states of the UE, and Turkey, candidate country, the rest of the east – Mediterranean countries are not potentially candidate states and they play, thus, an inferior role for the EU economic policy. After the EU enlargement to Eastern Europe almost all the investments that flow to the EU's periphery go to the East; while the EU proved to be successful in the economic integration of its eastern neighborhood, it has not really begun integration of its with its Mediterranean neighbors<sup>15</sup>.

The Lisbon Agenda set out by the European Council<sup>16</sup> in Lisbon, (March, 2000) aims to transform the EU into *"the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010"*<sup>17</sup>. For achieving these goals an overall strategy is required focusing on the fields of competitiveness, innovation as well as the employment and social cohe-

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<sup>15</sup> Bichara Khader, Eastern Enlargement and the Euro-Mediterranean Partnership: A Win-Win Game? EuroMesCo Papers, no 20, 2003.

<sup>16</sup> The Presidency Conclusions are available at: [http://www.europarl.europa.eu/summits/lis1\\_en.htm](http://www.europarl.europa.eu/summits/lis1_en.htm)

<sup>17</sup> Ibid., paragraph 5

sion and investment. The Lisbon Agenda calls the member states to coordinate in order to develop appropriate mechanisms for networking national and joint research programs and to conduct the appropriate economic reforms for a complete and fully operational internal market. Apparently, the Lisbon Agenda focuses on the internal financial policy of the EU and intends to deal with the low productivity and stagnation of economic growth within the Union. However, these efforts towards economic reforms, based on the innovation and the so-called knowledge economy, will merely influence its regional economic integration and its neighbor economic policy in the sense of spreading the *acquis* accomplished in areas of joined projects on technology, education and public – private partnership.

The Union for the Mediterranean (UFM), lanced in 2008, was a new initiative with the vision to eliminate the asymmetries of the Barcelona Process. It is still very early to arrive to conclusions concerning its success in being an indispensable turning point of the Euro-Mediterranean relations. The innovations that the UFM introduced to the Barcelona Process aim at the preservation and the reinforcement of the Barcelona Process *acquis*. L'UFM implies the passage to a more egalitarian status of relations but it is not yet certain that this could be realizable.

Concerning the political dimension and the vision of establishing a common place of peace and stability through the dialogue in political and security issues, the UFM intends to merge the gap of the decision making dissymmetry between the EU and the Mediterranean countries. The UFM proposed the idea of a permanent Secretariat in order to eliminate the political representation inequality. As far as the economic aspects are concerned, the UFM intends not only to create a space of free trade but also a place of shared financial policies, arbitration and regulation: "*Establishing a regional financial space necessitates gradually improving the business climate and upgrading the legal frame to work in support of regional convergence*"<sup>18</sup>. The UFM enhances the MEDA budget as well as the role of the European Investment Bank.

Having as a goal to bridge the gap between the entirely different socio-economic environments in which the financial initiatives will take place, the UMF tries to facilitate the cooperation of both public and private sectors by establishing the Mediterranean Business Development Initiative<sup>19</sup> and reinforcing old cooperative bodies like that of *Businessseurope*<sup>20</sup> that unites business and employees' confederations from EU member countries and EU neighbor countries.

### *3. European Investment Bank: contributing to the economic transitions of East –Mediterranean countries*

The European Investment Bank (EIB) represents the financing instrument of the European Union, aiming at the further development of the common market; having a separate legal personality and a financing autonomy, the EIB contributes to

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<sup>18</sup> Pierre Beckouche et al. , *L'Europe et la Méditerranée*, Paris, Cultures France, 2008, p. 115.

<sup>19</sup> Web link: [http://ec.europa.eu/external\\_relations/euromed/index\\_en.htm](http://ec.europa.eu/external_relations/euromed/index_en.htm)

<sup>20</sup> Official site of *Businessseurope* : <http://www.businessseurope.eu/Content/Default.asp>

the application of the financial branch of the EU's collaboration with third countries. The granted loans go both to public and private institutions with a view to balance the existing inequalities between the EU member states and the less developed of the third countries by promoting joint ventures, technology spill over, development of the private sector, encouraging cross-border projects of new infrastructures and measures for the environmental protection.

The role of the EIB is highly controversial regarding its capacity to accomplish fully the EU financial policies. Taking into consideration its operational independence from the Commission, no mechanism exists for ensuring that the EIB funding practices conform closely to the Commission's priorities<sup>21</sup>. However, the EIB plays definitely an essential role towards EU's economic integration with the third countries as it reinforces the potential growth of the concerned countries through various investment projects and principally the encouragement of direct foreign investments. *"Foreign direct investment represents arguably the deepest form of inter-state economic cooperation outside of a common market per se. It reveals not only investors' confidence in the economic prospects of the host country, but – bearing in mind the size of the potential risks entailed by the wholesale commitment of significant capital in an 'alien' sovereign entity – also a willingness on their part to show a large degree of trust in that country's institutions and political and legal culture"*<sup>22</sup>.

Moreover, the EIB assists the EU in another way. The EIB has always been engaged in the accession process of the EU candidate countries by evaluating their economic volumes and making the necessary investments for the accomplishment of the "Copenhagen criteria". Starting in 1998, the EU enables the EIB to create its proper mechanism of pre-accession; with the vision to the 2004 enlargement, EIB works in parallel with the other EU institutions for the preparation of the candidate countries. In the East-Mediterranean, Cyprus and even Turkey were profited by the services of the EIB operations in various sectors.

As it has been already mentioned, the EIB has operational autonomy. However, being one of the economic and financial instruments of the Euro-Med partnership along with the MEDA Regulation, the financial/investment procedures that it follows are always in line with the Commission's procedures<sup>23</sup>. Besides, the priorities of the EIB come along with the EU initiatives and visions regarding the renewal and the reinforcement of the Euro-Med partnership. The EIB played an important role in the implementation of the Lisbon Strategy, focusing on investments in the sectors of research, development and the innovation, the so-called Initiative Innovation "i2i 2000". The EIB launched the initiative innovation 2010 "i2i 2010"<sup>24</sup> planning to mobilize up to 50 billion Euros for projects in the above sectors.

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<sup>21</sup> More detailed analysis of the issue: David A.Pinder, Julia B.Edwards, Mark Wise, 1995, The European Investment Bank, transport investment and European Union objectives: an exploratory analysis in *Journal of Transport Geography*, Vol.3, No 3, pages 167 – 178, Elsevier Science Ltd., Great Britain.

<sup>22</sup> Papadopoulos Constantine, Greek-Turkish economic cooperation: Guarantor of Détente or Hostage to Politics, *South East European Studies in Oxford (SEESOX) Occasional Papers*, 2008, pp.28.

<sup>23</sup> For example, decisions on interest rate subsidies are taken by the Commission, which informs the EIB of any such decisions. The EIB decides on the allocation of risk capital following approval by a committee composed of representatives of the Member States and informs the Commission accordingly.

<sup>24</sup> A detailed analysis of the initiative available at the official web page of EIB: <http://www.bei.europa.eu/projects/topics/innovation/index.htm>

One of the most important initiatives, launched by EIB, is the Facility for Euro-Mediterranean Investment and Partnership, known as FEMIP<sup>25</sup>. Operational since October 2002, the FEMIP is now a key player in the financial partnership between Europe and the Mediterranean. Combining EIB loans with EU –budget resources, it has invested 8.5bn Euros between October 2002 and December 2008. As part of the European Neighborhood Policy and the Union for the Mediterranean, the FEMIP encourages the modernization and opening-up of the economies of the Mediterranean partner countries. Activities are focused on two priority areas: support for the private sector and the creation of an investment-friendly environment. In order to bridge the gap with the East –Mediterranean region, an external office was opened in Cairo, Egypt. This has been complemented by the establishment of an office in Tunis, Tunisia, and one in Rabat, Morocco. These offices take on all the representational tasks of the FEMIP presence in the area, help to optimize project identification and monitoring and facilitate the implementation of technical assistance schemes.

A data presentation and analysis is necessary in order to illustrate more clearly the EIB activities in the east-Mediterranean countries

### Finance contracts signed in the Mediterranean countries

#### Breakdown by country

**Table 1: Euro –Med countries**

Countries	Current year (in EUR)	Past 5 years (in EUR)
<a href="#">Algeria</a>	0	25,498,958
<a href="#">Egypt</a>	2,000,000	1,833,343,440
<a href="#">Gaza / West bank</a>	0	55,000,000
<a href="#">Israel</a>	25,220,000	428,067,000
<a href="#">Jordan</a>	165,758,067	186,918,138
<a href="#">Lebanon</a>	70,000,000	627,000,000
<a href="#">MED Countries</a>	0	80,550,000
<a href="#">Morocco</a>	200,000,000	1,315,500,000
<a href="#">Regional - North Africa</a>	0	10,000,000
<a href="#">Syria</a>	0	902,000,000
<a href="#">Tunisia</a>	200,000,000	1,297,950,000
Total Amount	662,978,067	6,761,827,536
Last update : 29/09/2009		

**Source:** European Investment Bank web site, available at [www.bei.europa.eu](http://www.bei.europa.eu)

<sup>25</sup> Ibid, <http://www.bei.europa.eu/projects/regions/med/index.htm>, also: [http://www.bei.europa.eu/attachments/country/femip\\_general\\_2009\\_en.pdf](http://www.bei.europa.eu/attachments/country/femip_general_2009_en.pdf)

**Table 2: East-Mediterranean EU member countries & Turkey**

<a href="#">Cyprus</a>	202,136,278	645,000,000
<a href="#">Greece</a>	1,349,390,536	5,381,882,743
<a href="#">Turkey</a>	1,375,000,000	8,268,003,516

**Source:** European Investment Bank web site, available at: [www.bei.europa.eu](http://www.bei.europa.eu)

From the above tables we can indicate the difference of the volume of the contracts signed among the EU member states and Turkey, as candidate country, and the rest countries of the Euro-Med partnership. As already remarked in the first part of the paper, the Mediterranean countries are not included in the financial priorities of the EU. Furthermore, we can observe a difference in the contracts' volume between west and east Mediterranean countries, a fact easily explained by the traditional bilateral economic relations of these countries with France and the absence of an institutionalized, common European policy towards the Mediterranean region.

The EIB is financing projects related to the sectors below:

<b>Sectors of EIB investments</b>
<a href="#">Agriculture, fisheries, forestry</a>
<a href="#">Composite infrastructure</a>
<a href="#">Credit lines</a>
<a href="#">Energy</a>
<a href="#">Health and Education</a>
<a href="#">Industry</a>
<a href="#">Services</a>
<a href="#">Telecommunications</a>
<a href="#">Transports</a>
<a href="#">Urban infrastructure</a>
<a href="#">Water, sewerage</a>

Analyzing the contracts signed for the period of 2000-2009 in the countries of East -Mediterranean region, we can arrive to the following observations:

- **Agriculture, fisheries, forestry sector:** Absence of investment contracts the last decade;

- **Composite infrastructure :** Investments contracts destined to Cyprus and Turkey;
- **Credit lines:** There exist investment contracts in all concerned countries, destined principally to banks and SMEs;
- **Energy sector:** Numerous contracts destined to Egypt, Cyprus, Greece and Turkey including hydrocarbons (gas, LNG) infrastructures but also projects for renewable energy sources such as power plants, wind. In Palestinian territories – Gaza & West Bank – electricity infrastructures were financed.
- **Health and Education sectors:** Financing of projects of higher education in Turkey, Greece and Cyprus;
- **Industry sector:** Methanol plants industry in Egypt and car industry in Turkey;
- **Services sector:** Building expertise in Lebanon, microfinance institutions expertise in Syria, IT systems in Cyprus and Greece and Science research programs in Turkey;
- **Telecommunications:** Investments of multinational companies of telecommunications in Greece (Ericson) and Turkey (Vodafone);
- **Transports:** Airlines renovation in Egypt and Lebanon, cohesion and structural funds projects in Cyprus, metro and motorways construction in Greece, railways and airlines renovation in Turkey.
- **Urban infrastructures:** Apart from Greece (Olympic Games infrastructures), Cyprus and Turkey, no other investments were made in this sector to the rest of the concerned countries;
- **Water, sewerage, social waste:** Taking into account the water deficiency and the need of water management in the area of Middle East, many projects were financed in this sector.

Taking the above data into consideration, we can conclude that the EIB engagement in the eastern Mediterranean region concerns predominantly the EU member countries, Cyprus and Greece and Turkey, candidate country.

Both in the energy and credit lines sectors, investments are supported in all East –Mediterranean countries. Energy is a prominent profitable sector in this area covering the energy exploitation, the energy transport and the development of renewable energy sources due to these countries natural sources. Investments in credit line sectors is a great step towards the liberalization of the economic systems as the small enterprises enter the market and the banking system is strengthened.

It is notable that the Palestinian territory is the area with the least investment programs; the political instability is remains an obstacle of socio-economic development as it creates a hostile environment for direct foreign investments and the foreign investors which are unwilling to take the involved risk.

#### *4. General conclusions*

In this paper, I have examined the economic interactions, goals and prospective between the EU and the east –Mediterranean countries as they are framed by the Barcelona process, the Lisbon strategy and the Union for the Mediterranean. The need for dialogue and deeper forms of cooperation is undeniable and the concerned initiatives have definitely contributed positively to this direction; however, in the east Mediterranean region, the difficult political conditions counterbalance the positive steps in other sectors which, wherever they exist, do not advance as needed or expected due to the lack of political will. What still rests indefinite is the appropriate way, accepted by all parties, to promote the existing common interests.

Having summarized, also, the general characteristic of the east-Mediterranean economic systems and the contribution of the EIB's actions in various fields, we can observed that it is principally the EU member countries, Greece and Cyprus and Turkey, EU candidate country, that benefited most from these investments. The transitions made in the economic systems of the east –Mediterranean countries vary heavily due to different conditions, a fact that supports the opinion that a global Euro-Mediterranean financial and economic policy is difficult to achieve.

Many are those who wonder if the direct foreign investments, through the EIB's loans, really contribute to the development of the east –Mediterranean countries or in effect they endanger the whole attempts to achieve liberalization of their economic systems. Can the EU guarantee that the investment activity and rules address to the needs and realities of the concerned countries or, do the Euro-Mediterranean Agreements create only rights and no obligations for investors who in their seeking of profit tend to undermine legal frameworks, environmental standards? Should the whole attempt be focused only to simple forms of financial and technical support as for these countries to attain "pro-development" standards?

Concluding, the economic transitions in east–Mediterranean region face numerous obstacles to surmount. The region's countries should trust the EU in its attempt to promote their development while the EU should promote common interests and examine carefully before acting.



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