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PORTUGAL AND THE SOUTHERN MEDITERRANEAN

TRANSATLANTIC INTEREST AND STRATEGIES

IAN O. LESSER

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PREFACE

Rui Chancerelle de Machete
President of the Executive Council

The Luso-American Foundation is very pleased to publish this new report by Dr. Ian Lesser. The analysis and policy implications offered here are the result of research in Europe, the U.S. and North Africa, and are a product of the author's stay in Lisbon as a Luso-American Foundation Fellow from October 2005 through March 2006. This work supports the Foundation's continued interest in north-south cooperation, and is a natural extension of FLAD's longstanding involvement with Mediterranean issues, through its own activities, project grants, and as co-chair of the European Foundation Centre's Trans-Mediterranean Civil Society Dialogue.

With relations between the Muslim world and the West in periodic crisis, and with policy toward the "Broader Middle East and North Africa" at the center of transatlantic debates, it is a particularly timely moment for a discussion of challenges and opportunities in the southern Mediterranean from a Portuguese and Euro-Atlantic vantage point. North-South relations on Europe's periphery have surely moved to the center of strategic concern on both sides of the Atlantic. This report makes an important contribution to our understanding of issues that will be critical in the years ahead.

ACKNOWLEDGMENTS

I wish to thank the many officials and non-government experts who have shared their views on the issues and possible new approaches. Above all, I am grateful to Rui Chancerelle de Machete, President of FLAD's Executive Council, and Charles A. Buchanan, Jr., the Foundation's *Administrador*, for their strong support of this project, and their warm hospitality in Lisbon. I would also like to express my thanks to FLAD staff, in particular Vítor Ventura and Luz Fernandes, for their kind assistance with many aspects of my stay. Finally, my thanks go to Rui Pereira for his excellent assistance with research from Portuguese sources.

The views expressed in this report are, of course, my own, and do not reflect those of FLAD, the Wilson Center, or its research sponsors.

I. INTRODUCTION

Evolving Interests and Open Questions

Over the last decade, Europe has developed an active strategy of engagement with the southern Mediterranean countries in the form of the Euro-Mediterranean Partnership (the Barcelona Process) and the Mediterranean dimension of the Common Foreign and Security Policy (CFSP). NATO, too, has an increasingly active program of dialogue and cooperation in the Mediterranean. Southern European countries have been at the forefront in stressing the importance of Europe's interests in the Mediterranean and North-South Relations. Portugal has been part of this trend, and could play a more important role in the next phase of Europe's southward engagement. Several factors argue for stronger Portuguese interest and comparative advantage in this arena.

First, Portugal is a European actor in the Mediterranean, and Europe's Mediterranean policy is in flux. After a decade of lackluster performance, the Barcelona Process has been "relaunched" at the EU's November 2005 Barcelona summit. But the context for the Euro-Mediterranean Partnership is very different ten years on. One of the leading changes has been the dramatic eastern enlargement of the EU, and the elaboration of a European Neighborhood Policy (ENP) encompassing the wider southern and eastern periphery of the Union. The Mediterranean is increasingly a subset of this wider strategy toward Europe's borderlands, and there is now growing pressure for the Barcelona concept to be extended further south and east – to the Gulf, and possibly beyond[1].

These wider frames may be ill-suited to the requirements of specific regions, including the Maghreb and the western

[1] This impetus toward expansion may require an increasing focus on Europe's "lakes," including the Mediterranean, the Black Sea and the Baltic – places of internal and external interchange for the EU. See Ludger Kuhnhardt, *The Lakes of Europe*, ZEI Discussion Paper (Bonn: Center for European Integration Studies, 2002).

Mediterranean. As a consequence, sub-regional arrangements, such as the "5+5" framework are enjoying a renaissance, and could be the wave of the future for north-south cooperation in the Mediterranean.[2] Portugal will have a strong interest in this trend, and will want to help shape the development of dialogue in its own "near abroad." To the extent that European engagement in the Maghreb embraces issues emanating from even further south, from sub-Saharan Africa, Portugal, with its traditional ties to that region, could make a special contribution. A growing north-south, rather than "Mediterranean" frame for cooperation will be of special interest and relevance to Portugal.

[2] The 5+5 dialogue, established in 1990, brings together Portugal, Spain, France, Italy and Malta with Maghreb partners Mauritania, Morocco, Algeria, Tunisia and Libya. The Mediterranean Forum plays a similar sub-regional role in the eastern Mediterranean.

Second, Portugal's Atlantic orientation is increasingly relevant to Mediterranean strategy. Euro-Mediterranean policy can no longer be developed in isolation from transatlantic relations. Since the end of the Cold War, European policy toward the southern Mediterranean has been developed largely independent of American strategy. The U.S. has not been part of the Barcelona Process, and despite many interests and points of engagement, Washington has never explicitly articulated a "Mediterranean" strategy. After September 11, 2001, and with the emergence of a more pro-active American stance toward the broader Middle East, including North Africa, American policies are now very much part of the equation when Europe looks south. This is true even if European and American approaches to the south differ in key respects. Similarly, Europe's partners in North Africa have their own stakes and preferences regarding American involvement in the region, and the balance of transatlantic roles. For Portugal, with its strong Atlantic as well as European orientation, the centrality of North Africa and the Middle East in transatlantic debates has special meaning. If transatlantic relations – badly bruised since the invasion of Iraq – are to be repaired and reinvigorated, as many on both

sides of the Atlantic now desire, a more concerted approach to problems on Europe's southern periphery will be at the core.

Third, alongside these European and Atlantic stakes, Portugal will have a range of national and institutional interests in North Africa and the maritime approaches to the Mediterranean. Security challenges of a hard and soft nature are certainly part of the equation. Proximity gives Portugal a leading stake in the stability of societies to the south. Migration from North Africa has not affected Portugal as it has Spain, France and Italy. But new political or economic crises in Morocco or Algeria could change this situation. Islamic extremism and the activities of transnational terrorists are already a factor in the security environment facing Portugal on a national and regional basis. The growing risk of maritime terrorism could affect Portuguese interests directly. Energy imports from North Africa are another source of interdependence, and economic diplomacy. In a broader sense, Portugal shares a range of environmental, health and "human" security interests with southern Mediterranean states, and especially Morocco.

If Portugal develops a more active policy toward North Africa and the Mediterranean, it will mean the rediscovery of an historic interaction with the south. Portuguese observers are well aware of the country's rich legacy of cultural exchange with Muslim North Africa, a legacy evident in architecture, cuisine, music, and language[3]. Indeed, Portugal's first steps in a long history of maritime exploration were across the Mediterranean, and in progressive steps down the Atlantic coast of North Africa. Conflict and conquest are also part of this history, but in overall terms, Portugal's relations with the southern Mediterranean bear relatively light colonial baggage compared to those of Spain, France, or Italy. In an era of heightened tension between north and south and between the Muslim world and the West, this psychological distance is an asset.

[3] See Teresa Gamito, ed., *Portugal, Espanha e Marrocos: O Mediterrâneo e o Atlântico* (Faro: CCAIMed, Universidade do Algarve, 2004).

Like the U.S., Portugal has a long history of engagement in North Africa, and particularly with Morocco. At the same time, Portugal and the U.S. have had an ambivalent approach to Mediterranean identity and engagement. Geography is part of the problem. Portugal does not border the Mediterranean, and its geopolitical orientation is largely Atlantic and, increasingly, European. As a matter of landscape and culture, Portugal certainly shares in the Mediterranean tradition. But is it Mediterranean[4]? It is not necessary to answer this question definitively to suggest that Portugal has a strategic stake in the Mediterranean, especially the western Mediterranean, and many good reasons to become more involved. In historical as well as contemporary terms, Portugal is certainly part of the Mediterranean system. Globalization, too, makes strict geographic definitions less meaningful in strategic terms. From a Portuguese point of view – indeed from a Western perspective in general – the key issue today may be the ability of the Mediterranean to serve as a focus for political and strategic cooperation, north-south, but also transatlantic[5].

Apart from history, Portugal has some important areas of comparative advantage in its relations with North Africa. To borrow Joseph Nye's terminology, Portugal has significant "soft power" assets – cultural, political, and commercial. North Africans often perceive Portugal's size and influence in surprisingly expansive terms, and the country's tolerant, multicultural character is admired. Portugal's experience of democratic transition and economic integration in Europe is another asset, particularly in a period of intense debate about political and economic reform in the south. In the eastern Mediterranean, where hard security challenges abound, these assets might carry reduced weight. In the western Mediterranean, the soft power approach is highly relevant. Portugal is also well placed to mobilize civil society and private sector actors in support of require-

[4] See Athanasios Moulakis, "The Mediterranean Region: Reality, Delusion, or Euro-Mediterranean Project?", *Mediterranean Quarterly*, Vol. 16, No. 2, Spring 2005.

[5] There is a strong intellectual tradition of viewing the Mediterranean as a source of unity and cooperation, as a sea that unites rather than divides. The classic elaboration of this view is found in Fernand Braudel's *The Mediterranean and the Mediterranean World in the Age of Philip II*. Many contemporary analysts have built on this theme. See, for example, Giles Kepel, "Political and Religious Frontiers in the Mediterranean," *Tribuna Mediterrania*, No. 5 (Barcelona: IEMed, 20004).

ments in North Africa, although the most effective balance of government versus non-government engagement remains an open question. Most observers of Mediterranean affairs agree that an enhanced policy of engagement in the south will require the participation of both sectors, and in this sense, the civil society component will need to be reinforced.

Structure of the Analysis

This report explores developments in North Africa and the Western Mediterranean, evolving European and American strategy toward the region, and policy implications for Portugal and its international partners. Section II discusses key trends in the south – elements of continuity and change – in North Africa, and in regional relations. Section III assesses key issues for north-south relations in the western Mediterranean, including the energy and security dimensions. Section IV explores the outlook for leading Mediterranean initiatives, and the prospects for transatlantic cooperation. Section V offers conclusions and policy implications.

II. DEVELOPMENTS IN NORTH AFRICA AND SOUTH-SOUTH RELATIONS

Portugal and its Euro-Atlantic partners will have a key stake in developments within and between states in North Africa, as well as wider strategic trends affecting the western Mediterranean. Over the last decade, North African political systems have proven surprisingly durable in the face of strong social, economic and security pressures. The nature and severity of these challenges have varied. Algeria has clearly faced the most striking challenge, with widespread terrorism and political violence in the 1990s. But Algeria's neighbors have faced challenges of their own, with the conflict in Algeria affecting conditions elsewhere in the region. With new internal and external pressures for reform, the range of possible scenarios for the evolution of societies across the region is wide.

The Challenge of Demography and Employment

Despite important differences in scale, Morocco, Algeria, Tunisia, Libya and Egypt face broadly similar challenges of adjustment. First, and most fundamentally, these societies face a crisis of demography and economic growth. The very rapid rates of population growth prevailing in recent decades have slowed, but remain high. The result has been a tremendous "youth bulge," with the majority of the population in each of the five countries under 25 years of age. In Morocco, some 30 percent of the population is between the ages of 16 and 29. Coupled with very slow rates of economic growth by world standards, demographic trends have left these societies unable to provide adequate social services, or to create jobs in anywhere near the

numbers required. In many ways, the growing unemployment problem is *the* social problem across the region, and in the view of most analysts, the most explosive factor in domestic politics and internal stability. North Africa and the Middle East as a whole have the highest rates of unemployment in the world – 13.2 percent on average, according to International Labor Organization figures – higher than in sub-Saharan Africa[6].

Demographic and economic challenges are reinforced by problems of governance. Governments and institutions in the south are being pressed to reform and adapt. But after decades of entrenched, state-centric policies, the capacity for change is limited. Education reform may be the key issue over the longer-term. At the moment, across the southern Mediterranean, education systems are producing large numbers of inadequately, or inappropriately trained young people, including many with university qualifications. Inevitably, these graduates are unable to find employment, even in the large-scale public sector. In the small but developing private sector, there is a marked mismatch between demand and qualifications. Too many applicants are chasing too few jobs, and many of the available positions go unfilled because few applicants possess the skills necessary for employment in modern enterprises. These realities have given rise to a growing number of European and American projects aimed at addressing the education and employment gap[7]. These efforts differ from the cooperative programs already underway in a Euro-Mediterranean frame, most of which focus on north-south cooperation at the university and research levels. France, Spain and Italy have been particularly active in this area, but North African scholars and policymakers are keen to diversify their ties, and to develop new links to Portuguese and other European institutions.

There are obvious social and political dimensions to the growing opportunity gap. Reform proponents in the north and

[6] Thomas L. Friedman, "Empty Pockets, Angry Minds", *International Herald Tribune*, February 23, 2006, p. 6.

[7] The Education for Employment Foundation, and the International Youth Foundation have been active on this issue in Morocco. The Luso-American Foundation is developing a program of cooperation on education policy in the region through its North Africa Leaders Forum. See "The North Africa Leades Forum: Summary of an Exploratory Meeting on Education, Political Participation and International Cooperation," unpublished report (Lisbon: Luso-American Foundation, January 2006).

the south look to the private sector as a way out of the demography and growth conundrum. But the prevalence of family owned enterprises across the region encourages a closed system in which opportunity is distributed on the basis of family ties and political connections – a practice that extends to management in the public sector. To be sure, this problem is not unique to North Africa, and exists in varying forms across Mediterranean Europe. Along the southern shore of the Mediterranean, however, demographic pressures exacerbate the challenge. Widespread perceptions of favoritism and corruption have had a corrosive effect on political legitimacy, and tend to reinforce the appeal of anti-establishment opposition groups, including Islamist movements.

Under pressure from international financial institutions, Western governments, and some domestic reformers, there has been a trend toward economic liberalization across the region, and this is beginning to effect both north-south and regional relations, as well as domestic politics. Tunisia has been particularly successful in modernizing and opening its economy to foreign investment, and substantial advances have been made in Morocco and Egypt. Even Algeria has embarked on a program of reform in its centrally planned economy. As Libya emerges from two decades of isolation, it has embarked on a comprehensive review of the country's economic plans and policies. New free trade agreements, including the one negotiated between Morocco and the U.S. in 2004 and implemented from January 2006, and higher energy prices, are two important drivers of change on the economic scene[8].

The effects of economic liberalization are hotly debated in North Africa, as elsewhere. An interest in greater growth and prosperity to balance demographic pressures is matched by concern over the political and security implications of changing social dynamics. To varying extents, across the region, traditional

[8] See Jonathan Powell, "Free Trade Agreements: The Quiet Economic Track of U.S. Middle East Policy", *Policywatch* #1079 (Washington: Washington Institute for Near East Policy), February 13, 2006.

patterns of patronage based on clan and regional loyalties, are being replaced by a new patronage based on money – a form of modernization, no doubt, but also a development with uncertain consequences for political stability. That said, the links between prosperity, economic equality and stability are complicated and uncertain. In the Maghreb, Morocco has traditionally had the worst distribution of income, Algeria with its Arab socialist model and energy revenues, the best, with Tunisia falling somewhere in between. Yet, Algeria has been the least stable society, and Morocco has managed to avoid serious instability over the last decade. Experience suggests that leadership and political culture may be more important determinants of longer-term stability than economic policy *per se*.

Reform, Political Islam, and Stability

In more or less direct fashion, all North African societies confront a looming question of "participation" in politics, against a backdrop of internal and external pressures for change. In general, secular opposition movements are weak, and Islamist movements, both legal and illegal, are a potent if often "recessed" source of political power – and the most likely alternative to existing regimes. This challenge takes different forms across the region, but in no case is it absent from the political equation.

In Morocco, where religion is woven into the fabric of the monarchy and the political legitimacy of the regime, the most potent forces of opposition still come from the Islamist quarter[9]. The government has carefully managed the role of religion in politics, and in the wake of the 2003 Casablanca bombings has actively suppressed extremist networks[10]. Action to contain the Islamist threat has been accompanied by significant movement on the human rights front, including the estab-

[9] See Helene Zuber, "The Quiet Revolution: Morocco's King Aims to Build a Modern Islamic Democracy," *Der Spiegel*, 2/2006 (SPIEGELnet in English).

[10] An example is provided by the careful way in which the government sanctioned a non-violent but well-publicized demonstration over the "cartoon" issue in Rabat in February, 2006.

lishment of a widely discussed commission to examine past abuses and promote reconciliation. In other areas, including freedom of the press, the record is more mixed[11]. The process of liberalization and reform under King Mohammed VI has inevitably raised expectations about further opening of the political system, including a larger role for religious movements such as the Justice and Development Party. The prominence of Moroccan Islamists in violent networks outside the country suggests that there is a significant reservoir of Islamist sentiment in Moroccan society and in the Moroccan diaspora; sentiment that could interact with social problems and external events to produce new challenges for the monarchy. According to a 2006 poll conducted by the Moroccan newspaper *L'Economiste*, some forty-four percent of young Moroccans surveyed do not consider Al Qaeda to be a terrorist organization (18 percent do).

[11] Reportedly, the editors of half a dozen publications are facing prosecution in an environment of antagonism between the political and media sectors. "Editor of Morocco's Only Spanish Magazine Goes on Trial", *El Pais* (English edition), January 27, 2006.

Algeria has been at the forefront of the Islamist question over the last decade. The military intervention that followed a national electoral victory by the FIS in 1991 led to a decade of widespread violence, leaving perhaps 150,000 dead. The violence in Algeria evolved from a conflict between Muslim extremists and a secular, military-led regime, to a struggle at many levels of society with diverse sources and actors. Analysts of the Algerian conflict have pointed to the progressive "privatization" of violence, with local vendettas and economic conflicts becoming more prominent over time. After more than a decade of terrorism and political violence, the security situation in the country has been stabilized, and the military-backed regime remains in place. But the country continues to live with the legacy of a decade of conflict and isolation, and the security situation remains precarious.

There is now little prospect of the advent of an Islamist regime in Algiers – something that seemed a very real possi-

bility in the mid 1990s, and spurred many of the Mediterranean initiatives pursued over the last decade. One factor that has greatly bolstered the position of the regime in Algiers has been the dramatic rise in energy prices in the last few years. This windfall has given the government significant breathing space to meet social needs, to finance security arrangements, and to embark on a tentative liberalization of the economy. Over the longer term, the trauma of the 1990s might make a revival of vigorous Islamic politics unlikely. But even in Algeria, the longer-term power of religious politics, including Islamism "managed" by the regime (a moderate Islamist party participates in the current government), should not be underestimated. The Bouteflika government's controversial amnesty plan, and efforts to reintegrate all but the most extreme elements involved in political violence, point to a tension between the desire for reconciliation and a continuing fear of political change.

In Tunisia, a perception of internal threat – and Islamists were seen to pose a potent threat to the regime in the 1980s – has led to a crackdown on political opposition across the board. In many ways, the Ben Ali regime has been the most uncompromising in the region in its stance toward political opposition, and the Islamist opposition in particular. From an internal security perspective, this policy has been largely successful, although not entirely so, as the terrorist attack against Jewish and tourist targets in Djerba in 2002 demonstrated. Religious opposition figures are largely in exile, in London and elsewhere. Secular reformers within the Tunisian establishment keep a low profile inside and outside the country. Political repression and apparent human rights abuses have impeded, to a degree, the otherwise very promising development of Tunisia's economic ties with the West. Against a background of global concern about extremism, however, Western institutions have been inclined to favor stability over participation in Tunisia, as

demonstrated by the visible success of the recent world information summit in Tunis.

After a long period of isolation, western observers are just beginning to reassess patterns of governance, influence and opposition in Libya. The eccentricity of the Qadaffi regime, and the leadership's capacity for rapid ideological adjustment, even changes in national identity, renders judgment difficult. According to one experienced observer, influence inside Libya is often exercised by "temporary elites", with individuals and factions elevated or sidelined as policies of the moment demand. Hundreds of "people's committees" are active in diverse areas of public policy, and this, too, contributes to confusion and inertia in policymaking.

Libya's reemergence on the international scene has encouraged a secular, modernizing contingent, led by Saif al-Islam Qadaffi, and keen to rethink the country's internal and external strategies[12]. Over time, the outlook for reform and opposition is less clear. In the past, some of Libya's sporadic political violence has been traced to Islamist opponents of the regime, among others. The February 2006 rioting over the cartoon question, which left a dozen or more dead, may be traced to the incompetence of security forces in managing what was probably a state-orchestrated demonstration. But it also points to a likely reservoir of religious politics, and anti-Western sentiment (much of the anger has been directed against Italy). In the face of very uncertain succession arrangements, it is likely that Islamists will be in the running alongside secular, tribal and regional forces in any future struggle for leadership.

In Egypt, the partial opening of electoral politics at the national level has shown the power of the Islamist opposition. In the event of a fully free campaign and election, it is likely that politicians aligned with the Muslim Brotherhood would enjoy even greater success than in 2005. To be sure, the recent

[12] William Wallis, "Adviser Points to Libya's Old Guard as Block to Reform", *Financial Times*, February 12, 2006, p. 4.

success of Egypt's Islamists also attests to the uncoordinated nature of the country's secular reformists. But in Egypt, as elsewhere, the tendency to dismiss the electoral success of religious movements as a "protest vote" is misleading. In significant respects, all votes are protest votes, indicative of important, underlying political sentiment. Having allowed a degree of free political expression through electoral politics, the Mubarak government is likely to face growing pressure in future elections. Dispirited reform-minded secularists, prominent in civil society, have been given a new impetus to organize and coalesce as an alternative to the Islamist opposition.

Yet, the visibility of liberal, secular voices in European and transatlantic forums may be misleading. In other southern Mediterranean societies undergoing political "opening", Islamist movements have shown themselves to be far more adept at mobilizing popular support. In this respect, the electoral triumph of Hamas in the February 2006 Palestinian elections may prove a transforming event. Coming in the wake of the Islamist success in Egypt's elections, and the strong performance of a government with religious roots in Turkey, the advent of a Hamas government could serve to reinvigorate political Islam across North Africa and the Middle East. Looking ahead, it would be surprising if one or more new Islamist governments did not emerge in the southern Mediterranean over the next decade.

Travails of the Strong State

Countries of the region conform to the model of "strong states", but in each case this is a model under pressure from within and without. The term strong state in this context does not necessarily imply power or effective governance. It refers to the

mandated, central role of the state in all aspects of society, politics and the economy, and a high degree of sovereignty consciousness on the part of leaderships and elites[13]. Attachment to the strong state continues to shape the internal scene, but also the nature of regional relations on a south-south and north-south basis. As Europe has moved toward a more dilute post-modern notion of state sovereignty, states across the broader Middle East, including North Africa, often seem wedded to 19th century ideas of nationalism and the role of the state. Seen from this perspective, a good deal of Western policy aimed at promoting change in the south is really about weakening the region's attachment to the strong state, as a precondition for the emergence of civil society, the opening of economies, and reform of all kinds. The erosion or resilience of the strong state over the next decade is likely to shape the climate for regional cooperation in the Mediterranean. It will define the balance between state and non-state actors, and attitudes towards integration and globalization.

The fate of the strong states in North Africa will be closely tied to the fortunes of civil society – broadly, institutionalized non-state actors – across the region. The extent of civil society in the southern Mediterranean is difficult to measure, and depends heavily on how it is defined. In some cases, as in Libya, Tunisia, and Algeria, the state has taken a strong role in licensing and directing non-governmental organizations. Elsewhere, as in Morocco, the state is present in more subtle ways. The independence and effectiveness of the NGO sector may be more important than its size. By some measures, Morocco may have as many as 40,000 NGO's. But relatively few enjoy the resources and capacity to play an effective role in policy and society. Because many new American and European dialogues are designed to engage non-state actors, and these actors are often well connected internationally, their influence in policymaking

[13] On the "strong state", see Henri J. Barkey, "The Struggles of a Strong State", *The Journal of International Affairs*, Vol. 54, No. 1, Fall 2000, pp. 87-105.

may be overestimated. In most cases, they are weak competitors with the strong state when judged by Western standards.

In net terms, the prospects for stability across North Africa over the next decade are mixed. Demographic and economic pressures on governments show no sign of easing, even if higher energy prices have meant a degree of respite for Algeria and Libya. Where political participation is expanding, as in Egypt, Algeria and Morocco, regimes face moderate secular opposition and pressure, sometimes growing pressure, from Islamist forces. Developments as far afield as Iran and Levant, the negative evolution of relations between Islam and the West, and the activities of jihadist networks, both indigenous and imported, are all factors in North African politics and the stability of existing regimes. Where economic liberalization is in train, expectations may be rising faster than prosperity, and economic disparities – and social frictions – are widely seen as increasing across the region. Tougher immigration policies across the Mediterranean, and new migration pressures from Africa, are another source of risk.

These formidable challenges must be measured against the demonstrated capacity of regimes in North Africa to accommodate diverse political pressures and to maintain their legitimacy in the face of changing circumstances. With the exception of Tunisia, the pace of change is increasing across the region. Historians of revolution and political theorists may see this as a recipe for instability and regime change. Others, including American and European proponents of democratic reform, are more inclined to see this as a time of necessary risk, with an eye toward greater stability over the long term. From the perspective of Portugal and others with stakes in the stability of the southern Mediterranean, the next decade will offer critical opportunities to shape north-south relations in a critical period of transformation.

New South-South Dynamics

Pressures for internal change are accompanied by flux in south-south relations across the region. Indeed, the primacy of domestic concerns from Morocco to Egypt, means that state-to-state relations are often seen through the lens of internal security. Longstanding Moroccan frictions with Algeria continue to be driven by Algeria's more or less consistent support for the Polisario movement, support interpreted as a direct threat to Moroccan sovereignty over the Western Sahara. The cross-border movement of extremists has been a source of concern for both countries.

All North African states are sensitive to the interference of regional neighbors in their internal affairs, as well as the movement of non-state actors across borders, with or without the blessing of governments. This concern reached a peak with the widespread violence in Algeria during the mid 1990s, but it persists and continues to shape regional policies. It is also spurring Western, and especially American attention to the control of North African borders as a counter-terrorism interest. The northward orientation of North African political, economic and security relations over decades has further reinforced this sensitivity regarding cross-border interactions of all kinds. Weak south-south ties (Tunisian-Libyan cooperation has been an exception during the period of Libya's isolation) mean that security and political concerns continue to trump economic interests at the official level. The border between Morocco and Algeria remains officially closed, if rather porous in practice.

The tenuous and sometime confrontational character of south-south interaction is likely to be tested in new ways over the next decade. The trans-Maghreb gas pipeline, which crosses Morocco and serves to bring important quantities of gas to Europe across the Strait of Gibraltar, is already a vehicle for

economic interdependence. The proposed trans-Maghreb highway could provide a coastal link from Libya to Morocco, and could greatly increase the value of Morocco's ambitious deep-water port development project in Tangier. As Algiers moves ahead with contracts for the construction of its "east-west" highway (with Portuguese firms among the leading bidders), the opportunity costs of a closed border with Morocco will loom larger[14]. EU funding for infrastructure and other projects within the EMP already favors efforts with a strong south-south component, and this preference could become more prominent in American initiatives toward the region.

The Casablanca summits of the 1990s, and the more recent Agadir agreement for the promotion of regional trade and investment, point to interest in addressing the longstanding underdevelopment of south-south economic interaction around the Mediterranean and the Middle East. Wider free trade initiatives may also push in this direction. The Euro-Mediterranean Partnership continues to aim at a Mediterranean free trade area by 2010, and the Bush Administration has proposed the establishment of a free trade area between the U.S., North Africa and the Middle East by 2013[15]. Few observers doubt that the current "hub and spoke" pattern of economic relations in the Mediterranean, with the EU as the hub, will change dramatically over the next decade. But the potential for diversification does exist.

Beyond specific state-to-state frictions, south-south relations are also shaped by wider geopolitical competition, with key actors vying for regional leadership and prestige, and weight in relations with Europe and the U.S.. The importance of nationalism and sovereignty concerns in political discourse reinforces this aspect of south-south relations. Morocco cultivates its role as a moderate interlocutor for the West, distant from but influential on central issues such as the Middle East peace process.

[14] A consortium of 13 Portuguese companies is engaged in the bid to construct at least one of two segments of the east-west highway, with each segment valued at roughly two billion euros. Portugal's Texeira Duarte firm is already working with Algerian and Spanish partners on other large-scale infrastructure projects in Algeria.

[15] See Powell, "Free Trade Agreements."

Like Portugal, Morocco values its Atlantic as well as its Euro-Mediterranean orientation, and enjoys good access to leaderships on both sides of the Atlantic.

Algeria draws on its revolutionary experience and leadership in the non-aligned movement as sources of influence and prestige in the Arab world, and in international affairs more broadly. After more than a decade of conflict and isolation, Algiers is clearly looking to rebuild its regional power and influence, in part through a more active engagement with the U.S. and NATO on security issues. The country's energy resources and diverse international ties, with Russia and China among others, lend an asymmetric quality to the competition between Morocco and Algeria. Russia continues to be an important supplier of military equipment to Algeria, and China has been active as a partner in the energy sector (including Algeria's civil nuclear power program). As Algeria reemerges as an actor on the international scene, it may face harder choices among its European, Atlantic and Eurasian connections[16].

Libya will also be a part of this south-south competition for strategic weight and influence. Two decades of international isolation have compelled Libya to seek alternative regional identities and vehicles for engagement in Africa and the Arab world. The Mediterranean and North African dimension has not figured prominently. But this could change with the progressive reintegration of Tripoli. Libya is already present in the 5+5 forum, and is developing more active bilateral ties in Europe, and with the U.S. Libyan membership in NATO's Mediterranean Dialogue is already under discussion, and Tripoli could well come into the Barcelona process in the next few years. Taken together with the country's prominent role as an energy supplier, these factors could make Libya a more prominent player over the next decade – a development likely to be viewed with some discomfort across the region. Historically, Tunisia has

[16] The February 2006 visit of U.S. Defense Secretary Donald Rumsfeld to Algeria reportedly touched on the country's prospective purchase of Russian Mig-29s, and the possible sale of American F-16s as an alternative (the latter might be even more disturbing from a Moroccan perspective).

been particularly sensitive to Libyan behavior (with real bilateral security frictions in the 1980s). But under current conditions, Tunisia may well see Libya's growing international ties as a moderating influence on the regime in Triopoli, and a strategic benefit for Tunis.

Egypt may be on the periphery of the Maghreb, but it is very much a factor in the North African calculus given its weight in the Arab world, and its prominence in north-south relations. Morocco, Algeria and Libya will continue to be concerned about the Egyptian propensity for activism in multilateral diplomacy, including its central role in Mediterranean initiatives, where Cairo's policy tends to be shaped by Arab-Israeli dynamics. In the area of security cooperation, for example, Rabat and Algiers have been more willing to envision new ties to NATO and the EU, while Cairo is more resistant to participation in forums where Israel is present. Not surprisingly, the further west one goes along the southern shore of the Mediterranean, the more willing leaderships have been to (quietly) decouple their strategic interests from wider Arab concerns. Looking ahead, this difference in perspective is likely to reinforce Moroccan, Algerian and Tunisian interest in subregional cooperation in the western Mediterranean – with Egypt held at arms length.

An Expanding South

Mediterranean dynamics are now influenced by developments to the "south of the south", in the Sahel and sub-Saharan Africa, and this influence is set to increase over the next decade. In the areas of migration, health, environment and security, North African states are feeling pressures emanating from their own southern borders. This is a trend with potentially important

implications for Portugal, with its longstanding ties to sub-Saharan Africa and broader stake in north-south relations.

To a significant extent, Morocco's migration debate is not just about the management of national immigration to Europe, but also about the large-scale flow of African migrants through Morocco to the EU. This aspect of the migration issue is now at the center of relations with Madrid and Brussels, as demonstrated in successive border control crises at the enclaves of Ceuta and Melilla in 2005. Similarly, the ongoing human crisis of Mediterranean "boat-people" in the western and central Mediterranean frequently involves the northward movement of migrants from beyond the Mediterranean basin. This phenomenon has emerged as a leading stability challenge in Libya, as well as Egypt, where economic and political refugees from the Sudan have appeared in large numbers. These movements have brought significant transnational health and security problems in their wake. As a result, southern Mediterranean states have moved from the margins to the center of a geopolitical space stretching from southern Europe to the Cape, including Cape Verde, Madeira and the Canary Islands. This will bring new requirements for cooperation across borders in North Africa, and may eventually refocus much of the Mediterranean cooperation agenda on challenges from third areas.

III. KEY ISSUES IN NORTH-SOUTH RELATIONS

North-South relations in the western Mediterranean are being driven by a number of functional issues, some new, some long-standing but rapidly evolving. As Portugal, with its European and Atlantic partners, considers priority areas for engagement across the Mediterranean, these issues will inevitably form a substantial part of the agenda[17]. Taken together, they are shaping the strategic environment facing north and south in the region.

Migration and Integration

For decades, analysts have anticipated large-scale migration flows from south to north across the Mediterranean, driven by stark economic disparities. The short maritime border in the western Mediterranean is the second widest economic gap in the world (the border between North and South Korea is the first)[18]. Pervasive insecurity and the perception of opportunity are potent drivers of migration across the Mediterranean. That said, migration flows in the region have not evolved in quite the way foreseen. Migration from North Africa to Europe, including southern Europe has developed in an evolutionary rather than dramatic fashion, with increasing numbers of migrants opting to remain in southern Europe, particularly Spain and Italy, rather than pressing on to northern Europe[19]. The most dramatic and challenging movements have come from the Balkans and the Adriatic, and increasingly, from

[17] For Portuguese perspectives on the evolving strategic environment in the Mediterranean and the Maghreb, see Luís de Medeiros Ferreira, "Portugal e a Influência Estratégica do Magrebe", *Nação e Defesa*, No. 78, April-June, 1996; *O Futuro do Mediterrâneo no Contexto das Relações Norte Sul* (Lisbon: Ministério da Defesa Nacional, 9 March 2004); and Brandão Ferreira, "História das Relações Luso-Magrebinas: Uma Leitura Estratégica", *Jornal do Exército*, No. 521, August-September, 2003.

[18] Andres Bassols, "The Euro-Mediterranean Partnership", in Andres Bassols et al., *Towards a Common European-American Strategy for Democracy in the Middle East: The Role of Civil Society Institutions* (Washington: Friedrich Ebert Stiftung, 2004), p. 9.

[19] See analyses in Maria Lucinda Fonseca and Russell King, eds., "Migration in the Mediterranean: Bridges and Margins", *Finisterra*, Vol. XXXIX, No. 77, Lisbon 2004.

beyond the Mediterranean, from Africa, South Asia, and the Kurdish areas of the Middle East. The Portuguese experience of migration is distinct from that of other southern European states, with the bulk of recent migrants coming from Ukraine and Eastern Europe, Portuguese speaking Africa, and Brazil.

Even if migration has not developed along predictable lines, migration – or more precisely the challenge of integrating migrants on both sides of the Mediterranean – has become central to north-south relations. Within the EU, the Schengen regime has meant that migration and border control issues are now European-level policy problems. The Algerian crisis of the mid-1990s did not produce the massive influx of refugees that was feared, but it did launch a series of national policies aimed at tightening immigration policy and border control, a trend that has been steadily reinforced over the last decade. The result has been a tougher route to legal migration, and growing pressure on the illegal or "undocumented" side. Not unlike the situation between the U.S. and Mexico, the tightening of border controls has altered traditional patterns of north-south migration, making circular migration more difficult, and encouraging illegal migrants to stay put rather than risk an increasingly hazardous journey northward[20]. Indeed, the number of illegal migrants in Western Europe has increased, even as border controls have been strengthened.

As a result, the debate over migration and immigration policy in Europe is increasingly about the challenge of integrating existing migrant communities, particularly in urban settings. The fact that large numbers of migrants are Muslim gives this debate a much sharper cultural, political and security aspect in the wake of the Madrid and London bombings, and plots uncovered elsewhere. In a different fashion, the problem of integrating the south in the north was dramatically illustrated by the discourse surrounding referenda on the European constitution in France and the Netherlands, and the suburban rioting in Paris and other

[20] Migration and other north-south isues in the two hemispheres are discussed in Ian O. Lesser, "Ansiedades sin Fronteras: Estados Unidos, Europa y sus Vecinos del Sur", *Foreign Affairs en Español*, October-December 2005.

cities in January 2006. European concerns have been reinforced by the ongoing polemics and violence over the "cartoon" dispute, mainly outside Europe, but with implications for security inside Europe. Problems of migration, integration, and perceived threats to personal security and cultural identity are arguably the leading issues in north-south relations on Europe's periphery – and capable of shaping political outcomes on both sides of the Mediterranean. Migration and integration have also emerged as key issues for dialogue and cooperation among cities and regions around the Mediterranean littoral, that is, at the sub-national level[21].

Geographic and linguistic barriers suggest that Portugal is unlikely to be exposed to large-scale migration from across the Mediterranean, although the future stability of Morocco will be a critical variable in this context. But Portugal will have an important, indirect stake in migration trends and the integration of southern Mediterranean and African migrants in the EU as a whole. The control of Portugal's "European" borders may impose new requirements for surveillance and interdiction in the western Mediterranean and its Atlantic approaches. Portugal would be affected by political trends, including a possible "re-nationalization" of policies, driven by migration-related concerns elsewhere in the EU. Moreover, the character of Portugal's engagement with partners in North Africa will be shaped to a considerable extent by the overall climate of north-south relations. An atmosphere of immigration-related tension, and cultural and security anxieties, will set limits on the ability of Lisbon and Portuguese institutions to pursue new initiatives in the south.

[21] See Maria Lucinda Fonseca et al., eds., *Immigration and Place in Mediterranean Metropolises* (Lisbon: Luso-American Foundation), 2002.

Economic Interdependence and Engagement

North Africa has been among the least attractive areas for foreign investment in recent decades. The Middle East and North

Africa as a whole currently attract less than one percent of global foreign direct investment, a reality closely linked to high rates of unemployment and low rates of economic growth across the region. Much of the economic assistance provided through the MEDA program since 1995 has been intended as a spur to private investment. Analysts agree that the results have been unimpressive outside the energy sector, where incentives for investment are in any case longstanding. Conditions differ significantly from state to state and from sector to sector in the southern Mediterranean. But in general, states in the region suffer from a lack of the soft infrastructure – predictable laws and regulation, expertise, and good infrastructure – conducive to foreign investment outside the energy sector, and beyond large-scale government tenders[22].

That said, the region's proximity to Europe, and the continued commitment to a Mediterranean free trade area by 2010 or so, does hold out the prospect of eventual closer integration between North African and European economies. Morocco and Tunisia, in particular, tend to see this as a strategic imperative. Algeria, with its tradition of economic nationalism has been more cautious, and the economic reintegration of Libya is just beginning[23].

Portugal has a long history of commercial engagement in North Africa, dating to the 16th century, a tradition that persists in the form of retail trade networks, alongside larger-scale trade and investment. Portuguese trade with the region has risen unsteadily over the last decade, and still represents only a very small fraction of Portugal's international commerce – in the region of 1-1.5 percent in recent years[24]. Imports from the region currently stand at around 400 million euros, exports at around 270 million euros. Energy trade figures prominently, with imports from Libya, Algeria and Egypt leading the way. Morocco and Tunisia continue to be the leading export markets

[22] Morocco and Tunisia have been particularly successful in developing their infrastructure along these lines, using MEDA funding, the European Investment Bank, and other vehicles. See European Investment Bank, *Europe and the Mediterranean Region: An Enhanced Financial Partnership*, 2004.

[23] See Ian O. Lesser, *Strong States, Difficult Choices: Mediterranean Perspectives on Integration and Globalization* (Washington: National Intelligence Council, 2001). This analysis was prepared as a contribution to the Global Trends 2015 study.

[24] I am grateful to Rui Pereira for his contributions to this section of the report, including his analysis of trade and investment data.

for Portugal in the region. Energy trade with Algeria, Libya and Egypt is the leading element (other major Portuguese energy imports are from Nigeria, Spain, the U.K. and Russia)[25]. Portuguese exports to the region are spread across a number of sectors, including industrial goods, auto parts and pharmaceuticals. Non-energy imports include natural cork imported from Morocco and Tunisia for processing in Portuguese factories. Trade in services, particularly construction, is potentially significant for Portugal, with the outcome of pending infrastructure tenders, above all the east-west highway project in Algeria, at the forefront.

Foreign direct investment could be important in terms of longer-term economic engagement and influence on north-south relations. In the 2000-2003 period, Portugal ranked first or second (behind France) in terms of foreign investment in Morocco, largely as a result of Portugal Telecom's GSM licensing deal alongside Spain's Telefonica. Since that time, Portugal's position has fallen, and now ranks 15th among foreign investors in the Kingdom[26]. The 8th Luso-Moroccan summit, held in Sintra in 2004, yielded an ambitious plan for up to 100 million euros worth of Portuguese financed investment in Morocco. Portuguese firms have also been in the first rank among European investors in Tunisia over the last decade, mainly in manufacturing and textiles. It is estimated that 29 Portuguese firms have created almost 3,000 jobs in Tunisia[27]. Portuguese investment in the southern Mediterranean as a whole has been led by the cement industry, but telecommunications and energy could emerge as strong areas of participation over the next few years. Other sectors where Portuguese firms could find a niche alongside European and American investors include tourism, expanding rapidly in Tunisia, and potentially significant in Libya, and residential property construction and finance in Morocco.

[25] Portugal's energy "imports" from Spain comprise electric power and the trans-shipment of gas and oil.

[26] According to Moroccan Exchange Office data (www.oc.gov.ma).

[27] Tunisian Foreign Investment Promotion Agency (www.investintunisia.com).

Looking ahead, political stability and internal security will continue to be key variables in the climate for Portuguese (and Euro-Atlantic) economic participation in North Africa. Investors simply have too many promising opportunities elsewhere to take on significant risk in marginal markets. That said, the progressive extension of bilateral association agreements with the EU, and movement toward a Mediterranean free trade area, could create a more attractive climate for investment, as could the spread of EU legal and regulatory norms southward. Closer south-south integration could also help, with the creation of larger markets, and more comprehensive transport and telecommunications infrastructure. From the southern perspective, the scale and character of Europe's economic participation in North Africa will probably remain the leading variable in their economic development over the next decade. This is likely to be so despite the significant U.S. presence on the regional economic scene, and the emergence of new participants from beyond the Mediterranean, including China[28].

[28] For example, China has emerged as a leading investor in the textile sector in Tunisia.

[29] See Judy Dempsey, "Gas Crisis a Warning for Europe: Experts Push Increase in Energy Security", *International Herald Tribune*, February 16, 2006, p. 3.

[30] For a detailed discussion of Portugal's gas import situation and foreign policy consequences, see Luís Ferreira Lopes, "Gás Natural: O Impacto do Gasoduto do Magrebe e do Terminal GNL na Economia e Política Externa de Portugal", *Relações Internacionais*, No. 6, June 2005.

Energy Security and the Western Mediterranean

Global concern about oil supply and price, and the tendency for strategic debates about energy to focus on the Gulf and Eurasia, have drawn attention from Europe's other energy security concern – energy trade in the western Mediterranean[29]. Europe depends on North Africa for roughly 25 percent of its natural gas requirements. For southern European countries and France, the level of dependency is higher. Spain depends on Algeria for some 70 percent of its supply, and Portuguese dependence is in the range of 70-80 percent[30]. Most of this supply reaches Europe through two pipelines, the Trans-Med system connecting North Africa with Italy, and the trans-Maghreb line

bringing Algerian gas to Europe via Gibraltar. Shipments of liquid natural gas from the region are also increasing (indeed, Algerian LNG is now going to the east coast of the U.S. as well as Europe). With new investment in energy infrastructure in Algeria and Libya, North African, and the growing international demand for gas as a preferred fuel, gas trade around the Mediterranean is likely to increase in the coming years.

Europe's reliance on North African gas will have a number of consequences. It will offer a valuable alternative to over-reliance on energy imports from Russia – imports now seen as less predictable than in the past. The spread of a dense network of pipelines for gas transport around the Mediterranean and its hinterlands will offer useful diversification, and promote economic interdependence along north-south and south-south lines (e.g., a new link across the Adriatic will allow the shipment of North African gas to Greece and Turkey via Italy). As gas supplies can be drawn from more diverse and distant sources, the problem of Europe's structural vulnerability to supply interruptions may eventually be reduced (unlike oil, gas has been a regional rather than a global commodity, with few opportunities to shift import patterns once pipelines are built). For the coming years, however, the security of gas supply from North Africa will continue to be a strategic concern for Europe, particularly southern Europe[31]. As one prominent observer has noted, "Europe will be profoundly tied into the Mediterranean region by its dependence on energy supplies through expensive fixed delivery infrastructure."[32] Moreover, this will make North Africa an area of strong interest to Europe for reasons that will "have nothing to do with American priorities."[33] At a minimum, there will be some tension between American energy security priorities, focused largely on Gulf oil, and Europe's growing stake in gas, from the Mediterranean and Eurasia. In West Africa, energy stakes are growing, and widely shared.

[31] This point is underscored in the most recent European Commission statements on Europe's growing energy exposure.

[32] George Joffe, "The Euro--Mediterranean Partnership: Two Years After Barrcelona", *Middle East Program Briefing* (London: Chatham House), No. 44, May 1998, p. 2.

[33] Joffe, "Euro-Mediterranean Partnership", p. 2.

As the experience of essentially uninterrupted energy supply from Algeria during the 1990s showed, gas exports are not necessarily vulnerable to political instability, although this will continue to be a concern for consumers. Energy trade is, however, at the center of the concern over terrorist threats to infrastructure and maritime security in the western Mediterranean – issues of direct relevance to Portugal.

North-South Security Concerns

Over the past decade, the Mediterranean has moved from the periphery to the center of Euro-Atlantic security concerns. To be sure, the region has few conventional security risks of a state-to-state character, and those that do exist are overwhelmingly south-south (e.g., Morocco-Algeria) rather than north-south. A leading exception is the continuing potential for conflict between Spain and Morocco over the Spanish enclaves of Ceuta and Melilla. The risk of a serious military confrontation over the enclaves – second only to the Western Sahara as a leading nationalist issue for Morocco – is modest, but not inconsequential as the 1999 crisis over the Perejil islets (resolved, in part, through American diplomatic intervention) demonstrated. The question of sovereignty over the enclaves, long-sidelined in relations between Morocco and Spain, has reemerged with the February 2006 visit of Prime Minister Zapatero to Ceuta and Melilla. Many Spanish analysts regard the enclaves as indefensible short of a disproportionate use of force, and support from Spain's EU partners would not be automatic. That said, the Zapatero government appears keen to show its political commitment to the enclaves, not least because they are the focal point for current border control problems.[34] Portugal has a clear stake in the evolu-

[34] Renwick McLean, "Zapatero Draws Ire of Morocco", *International Herald Tribune*, February 1, 2006, p. 3.

tion of the dispute, as a European stakeholder, but also because a crisis over the enclaves might interrupt maritime traffic at Gibraltar and lead to Morocco's estrangement from EU initiatives in the Mediterranean.

Portugal, along with the rest of southern Europe, will almost certainly be exposed to the reach of ballistic missiles deployed in the eastern Mediterranean and the Gulf over the next decade[35]. In this context, a nuclear or near-nuclear Iran, although far from the western Mediterranean, could influence the strategic environment in troubling ways, spurring proliferation of weapons of mass destruction in Egypt, and possibly Algeria or Libya under changed political conditions. More importantly, it could lead to an American response requiring decisions about access to facilities in the Azores and elsewhere. Portugal is hardly in the front line with regard to Middle Eastern proliferation and its consequences, but the cascading effects on security perceptions around the Mediterranean are worth watching. In Portugal's immediate neighborhood, the stagnation of Algeria's civil nuclear program, and Libya's divestiture of its WMD capabilities, have greatly reduced risks along these lines. In terms of defense modernization in the Maghreb, the key developments of relevance to Portugal would be an Algerian purchase of Mig-29s, F-16s, or modern submarines, primarily affecting the military balance between Morocco and Algeria.

[35] See Mark Smith et al., "Fighting Proliferation – European Perspectives", *Chaillot Paper* No. 66, December 2003 (Paris: EU Institute for Security Studies).

Terrorism and Counter-Terrorism

In the wake of the 9/11, Madrid and Casablanca attacks, North Africa has emerged as a leading reservoir of terrorism, and support for terrorism. A very substantial proportion of the individuals apprehended for involvement in Al-Qaeda or related networks on both sides of the Atlantic in recent years are from

Morocco, Algeria, Tunisia or Egypt. Networks such as the Armed Islamic Group (AIG) and the Salafist Group for Preaching and Combat (GSPC) in Algeria, and the Moroccan Islamist Combat Group, are now a leading focus of counter-terrorism concern. Some of these groups have links to the networks developed for fundraising and recruitment in Europe during the height of the strife in Algeria, and have now adopted a wider jihadist agenda[36]. Analyses of suicide bombings in Iraq by the US National Counter-terrorism Center and others suggest that roughly half the perpetrators are Maghrebi or Egyptian, and many make their way to Iraq via southern Europe[37]. Southern Europe and the western Mediterranean function as critical rear areas for contemporary terrorist networks, and the region could figure more prominently as an area for action, on the pattern of the bombings in Madrid and Casablanca[38]. In short, the area around Portugal – on both sides of the Mediterranean – has emerged as a leading theater in the struggle against Islamic terrorism, and a center of effort for counter-terrorism cooperation between Europe and the U.S.

Maritime and New Trans-Regional Risks

There has been a steady increase in attention to maritime security, as a dimension of counter-terrorism, but also with regard to border control, human and environmental security. The large number of maritime transits in the sealanes around Gibraltar, and the concentration of tanker, and increasingly, LNG traffic in this area, is a concern for Portugal and its international partners. Plots by networks linked to Al-Qaeda to attack naval and commercial shipping at Gibraltar and elsewhere in the Mediterranean have spurred attention to the risk of maritime terrorism, with potentially dramatic human, economic and environmental

[36] See *Africa After 9/11: Strategies for Engagement and Cooperation* (Ifrane: Al Akhawayn University, 2004).

[37] See José Maria Irujo, "Spain, Iraq and the Suicide Supply", *El Pais* (English Edition), February 23, 2006.

[38] For an assessment of the prospects, see Ely Karmon, "Al-Qa'ida and the War on Terror After the War in Iraq", *Middle East Review of International Affairs (MERIA)*, Vol. 10, No. 1, March 2006. See also, Zachary Shore, "Breeding New Bin Ladens: America's New Western Front", *Watch on the West*, Vol. 5, No. 11, December 2004 (Foreign Policy Research Institute, www.fpri.org). For a broader political and cultural analysis of Muslim communities in the West, see Shireen T. Hunter with Huma Malik, eds., *Islam in Europe and the U.S.: A Comparative Perspective* (Washington: CSIS, 2002).

consequences[39]. Escorts of shipping in the western Mediterranean are a key part of NATO's Operation Active Endeavor – an operation conducted with the cooperation of North African members of NATO's Mediterranean Dialogue, as well as Russia. Port security is another priority issue, with special attention to the possible use of containers as a vehicle for "super" terrorism, or for the shipment of nuclear and missile components. The construction of new LNG terminals, including the planned facility at Sines, will impose new security requirements[40]. The interdiction of WMD-related shipping in the Mediterranean is also key aspect of the U.S.-led Proliferation Security Initiative in which Portugal participates.

In a more direct, practical sense, new security efforts in the region are being driven by attempts to monitor and interdict illegal movements of people and goods northward. Trafficking in people and contraband is a leading security problem in the western Mediterranean. The sheer scale of the drug trade from Morocco into Europe – the hashish trade alone is reported to be worth roughly 12 billion dollars per year – makes the question of interdiction central to north-south relations in the region. The southern Mediterranean coast, from Libya to Morocco, is a center of smuggling of all kinds, including arms trafficking. Indeed, the culture of smuggling is endemic in the western Mediterranean, and impedes efforts to improve information sharing for defense and maritime search and rescue. To the extent that the region acquires new infrastructure for maritime transport, including the planned Tangier-Med terminal, the problem of transparency and maritime security may actually increase.

As a matter of human security, the phenomenon of Mediterranean boat people is now acquiring an Atlantic dimension. With increased surveillance of the Moroccan coast (and Moroccan-Spanish cooperation on this problem), African migrants and their traffickers are turning to an Atlantic route,

[39] In the most well-known case, arrests of Al Qaeda operatives in 2002 revealed plots to attack cruise ships, tankers and naval vessels in the western Mediterranean and elsewhere. "Maritime Terrorism: A New Challenge for NATO", *IAGS Energy Security*, January 24, 2005. www.iags.org/n0124051.htm.

[40] See Ferreira Lopes, "Gás Natural".

primarily from Mauritania and the Western Sahara to the Canary Islands[41]. This trend could bring the human security and border control issue closer to Portugal's strategic space, and underscores the importance of multinational initiatives such as the current "Sea Horse" program, in which Portugal participates alongside European and Maghreb partners.

To these non-traditional security challenges must be added the standing risk of environmental crises, particularly oil spills in the western Mediterranean and Atlantic approaches, with potentially enormous economic consequences for a region heavily dependent on tourism and fishing, quite apart from the effects on wildlife. Trans-national health challenges are also on the north-south agenda in the region, as seen in the avian flu crisis and the epidemiological risks associated with the uncontrolled movement of people.

[41] "Red Cross Braces for New Migrant Exodus after 45 Boat Deaths", *El Pais* (in English), March 8, 2006, p. 3. In mid March 2006, it was estimated that perhaps 500,000 people were waiting in Mauritania for illegal transport to the Canary Islands, and Europe.

New Regional Actors

New actors are emerging, or more accurately *re-emerging* in the western Mediterranean. After more than a decade of isolation and turmoil, Algeria has rediscovered its once vibrant international role, and now aims for a position of influence if not leadership. This reengagement has a strong security dimension, and goes beyond traditional bilateral links in Western Europe to include cooperation with the U.S. and NATO. Algiers has become one of the most active partners in NATO's Mediterranean Dialogue since joining in 2001, and this activism goes some way toward balancing the eastern Mediterranean weight of NATO (and EU) security engagement in the region. The country's energy and security roles, and plans for military modernization, are likely to make Algeria a much more significant presence in Mediterranean geopolitics over the coming decade

– a potentially positive development from the European perspective, but a distinctly mixed one from the perspective of Rabat.

Libya, too, is in the process of reintegrating itself in regional and global diplomacy. Over the past decades, Libya has sought a leadership role in Arab and African affairs. With the re-opening of Tripoli's relations with Europe and the U.S., and a tentative dialogue with NATO, Libya may see the Mediterranean as a promising vehicle for activism. It is not unlikely that Libya will join both the Barcelona Process and NATO's Mediterranean Dialogue in the next few years. Taken together with Algeria's return to the international scene, the result will be a wider set of partners for both European and American engagement in North Africa and the Mediterranean.

China and India, distant from the western Mediterranean, are nonetheless acquiring a stake in countries on Europe's southern periphery. Energy security is the leading driver of Asian interest in the region, including West Africa and Sudan. There is also an increasing amount of Chinese investment in the southern Mediterranean beyond the energy sector, including ports and textiles (as noted earlier, China has made substantial investments in the Tunisian textile industry). China has also been Algeria's leading partner in the development of the country's civil nuclear program. Russia, largely absent from the Mediterranean since the collapse of the Soviet Union, is returning. Modest naval deployments and the sale of military hardware to Algeria and others are two aspects of Russian engagement. Investment, from energy to real estate, and growing numbers of Russian tourists, are other facets of the new Russian presence in the western Mediterranean underscored by Vladimir Putin's March 2006 visit to Algiers.

Finally, the U.S. has acquired a much more explicit stake and security engagement in North Africa. The American strategic

presence in the western Mediterranean is over 200 years old. But since the end of the Cold War, American policy toward the region has been somewhat arms length; a subset of other European and Middle Eastern strategies rather than an area of strategic concern in its own right. In the post 9/11 period, Washington has paid considerable attention to the region, from engineering a detente with Libya, to broad-based counter-terrorism cooperation with other Maghreb countries, and particularly Algeria. In security terms, and via the Broader Middle East and North Africa initiative (BMENA), and the Middle East Partnership Initiative (MEPI), the U.S. now devotes more attention to the region, albeit as part of a global approach to the Arab and Muslim world in which the Gulf and the Levant loom large. Seen from the south, the return of the U.S. to the Mediterranean offers a useful new geometry in relations with the north as a whole, but also brings with it more difficult challenges for public diplomacy in the face of substantial anti-Americanism across North Africa. The result has been a relatively low-key, public approach to the growing agenda for security cooperation between North African states and the U.S..

IV. THE FUTURE OF MEDITERRANEAN INITIATIVES AND TRANSATLANTIC COOPERATION

With changes in the strategic environment, the leading Mediterranean initiatives have entered a period of flux. EU and NATO approaches to the region are likely to look quite different in five or ten years time, with new prospects for convergence and divergence in transatlantic strategies.

Barcelona and Beyond

Conditions in the Mediterranean have changed substantially since the launch of the Euro-Mediterranean Partnership (the "Barcelona Process") in 1995. Europe's desire for a more comprehensive strategy toward the southern Mediterranean was the product of opportunity, and a sense of risk. The apparent success of the Oslo process in the Middle East raised hopes that a multilateral approach to dialogue and cooperation in the Mediterranean, including Israel and Arab states, could succeed, and that some of the traditional impediments to north-south relations were falling away. But Barcelona was also spurred by a degree of pessimism and real concern about the stability of North Africa, and the security consequences for Europe – a product of turmoil in Algeria.

Ten years on, the Barcelona process is widely seen as troubled, and its 2005 re-launch has been greeted with mixed, even negative reactions from north and south[42]. The political and security "basket" of Barcelona, at the core of European interest, is judged to have made little progress, hobbled by continued Arab-Israeli conflict and widespread mistrust of a diplomatic and security agenda set largely in the north. It has not

[42] For a comprehensive analysis, see Haizam Amirah Fernández and Richard Youngs, eds., *The Euro-Mediterranean Partnership: Assessing the First Decade* (Madrid: Real Instituto Elcano/FRIDE, 2005).

kept pace with the debate about specific Mediterranean security problems within Europe[43]. The economic basket is widely seen as costly, with unimpressive results. Some two billion euros per year have been allocated through the MEDA program, but for much of the last decade the process has suffered from a lack of fundable projects and cumbersome funding procedures. Certainly, it has done little to spur private investment in the southern Mediterranean. The third "education and culture" basket might be judged a modest success, largely because it engaged institutions and individuals already keen to cooperate along north-south lines. With competing priorities for EU attention and resources in Central and Eastern Europe, the Euro-Mediterranean partnership has been something of an uphill battle for those countries, mainly in southern Europe, keen to promote the concept. The U.S. for its part never sought, and was never offered a role in the Barcelona process. For years, it has been seen as marginal to American strategic interests, which remained focused on the eastern enlargement of Euro-Atlantic institutions, and Middle Eastern security with an emphasis on the Levant and the Gulf.

The November 2005 Barcelona summit suggests a weakening of support for Euro-Mediterranean cooperation as it has been pursued for the last decade, an outcome that might have had as much to do with uncertainty about the European project in the wake of the French and Dutch referenda, as with Mediterranean issues *per se*. Some new directions are discernable, however, along with some important open questions. The Euro-Med partners have re-affirmed their commitment to the goal of a Mediterranean free trade area by 2010 – an important outcome in its own right. The process is now more dynamic, in the sense of a new focus on reform in the south, and almost certainly, greater conditionality in aid and cooperation across the Mediterranean. Democratization is now firmly on the

[43] See Álvaro Vasconcelos et al., *A European Strategic Concept for the Mediterranean*, Lumiar Paper No. 9 (Lisbon: IEEI, September 2002); and the discussion of Mediterranean risks in the "Solana" strategy document of 2003, *A Secure Europe in A Better World* (Paris: EU Institute for Security Studies, 2003).

Euro-Mediterranean agenda, with all of the attendant complications for north-south relations[44].

The security dimension of Barcelona has been strengthened, with agreement on a very basic "code of conduct" on terrorism. More significantly, Barcelona II envisions greater cooperation on justice and home affairs (that is, internal security), as well as more practical military cooperation within the European Security and Defense Policy (ESDP)[45]. The latter should include north-south cooperation on civil protection issues of clear relevance to Portugal, from maritime search and rescue to earthquake and forest fire preparedness and response. The U.S. still does not have a formal role in Barcelona, but there can be little doubt that America's post 9/11 counter-terrorism engagement in the southern Mediterranean, and the transformational agenda embodied in the BMENA initiative and MEPI, now form an important backdrop for European thinking about north-south relations.

Looking ahead, Euro-Mediterranean strategy is likely to change in significant ways. First, the development of the EU's European Neighborhood Policy (ENP) will change the context for the Barcelona process, and may eventually supersede it. Southern European countries, as well as North African partners, should be concerned about the likely dilution of European attention and funding for the south over the coming years. In geopolitical terms, the rise of the ENP is likely to recast the scope of European engagement on the periphery of the continent, Europe's "near abroad"[46]. Eurasia, the Gulf and sub-Saharan Africa will be centers of strategic focus alongside the Mediterranean. Under these conditions, there could well be a revival of interest in sub-regional initiatives, focused on the western (the 5+5) and the eastern Mediterranean (the Med Forum), especially to the extent that these forums continue to address concrete issues such as migration and terrorism. Portugal, at

[44] See *Barcelona Plus: Towards a Euro-Mediterranean Community of Democratic States* (Lisbon: EuroMeSCo, April 2005).

[45] EuroMeSCo, the network of Mediterranean security institutes sponsored by the European Commission in the framework of the Barcelona process, has its secretariat in Lisbon.

[46] Many of these issues are anticipated in Roberto Aliboni, Fouad Ammor, and Álvaro Vasconcelos, *Intégration et Securité dans l'espace Euro-Méditerranéen* (Lisbon: IEEI, 2002).

the extreme western reach of these frameworks, should have a strong interest in reinforcing the 5+5 as a hedge against weakened pan-Mediterranean initiatives, and as a vehicle for substantive cooperation with Maghreb partners, all of whom are giving new attention to the forum.

NATO's Enhanced Mediterranean Dialogue

NATO launched its Mediterranean Dialogue in 1994. Unlike the Barcelona Process, the initiative has been more narrowly focused on security cooperation. Like the Euro-Mediterranean partnership, the dialogue has suffered from uneven attention, a lack of political "ownership" among southern partners, the difficulty of conducting multilateral (or even multi-bilateral) dialogue under conditions of Israeli-Palestinian conflict, and a lowest common denominator approach to cooperation. In addition, with the exception of Israel, NATO has faced a significant problem of public acceptance in North Africa and the Middle East[47]. Yet, the last few years, and especially the period since the decision to reinforce the Dialogue taken at the Istanbul summit in 2004, have seen a marked increase in the level and quality of cooperation within the initiative. Countries interested in deeper cooperation – Israel and Algeria offer two very different examples – are now able to move forward at their own speed. The growing emphasis on training and exercises (and southern partner participation in operations such as Active Endeavor in the Mediterranean) has also given leading NATO members, including the U.S., a greater stake in the Dialogue. To an important extent, NATO has also come to see its strategy in the Mediterranean as central to the changing rationale and mission of the Alliance.

Looking ahead, NATO's engagement in the Mediterranean is likely to evolve in scope and content. Like the EU, NATO

[47] See Ian O. Lesser, Jerrold D. Green, F. Stephen Larrabee, and Michele Zanini, *The Future of NATO's Mediterranean Initiative: Evolution and Next Steps* (Santa Monica: RAND, 2000); and Thanos Dokos, *NATO's Mediterranean Dialogue: Prospects and Policy Recommendations*, ELIAMEP Policy Paper No. 3 (Athens: ELIAMEP, 2003).

will face choices regarding the extent to which its new engagement in the Gulf (the "Istanbul Cooperation Initiative") and even further afield, is eventually merged into a wider Mediterranean-Middle East strategy. Within the Mediterranean, Libya may well join the Dialogue. A radically refashioned NATO might even embrace Israel and other interested southern Mediterranean states in a strategic southern enlargement. In both the western and eastern Mediterranean, integration within existing Euro-Atlantic institutions may be a viable alternative to the creation of new security architecture in the south. If the public diplomacy obstacles can be overcome – a big "if" – countries like Morocco and Algeria might well prefer to "borrow" security from proven institutions in the north[48].

Outlook for a Transatlantic Approach

Differing European and American approaches to the Mediterranean are accompanied by substantial variations in interest and policy within the EU itself. In the post-Cold War era (and even during the Cold War), attention to the development and stability problems of North Africa and the western Mediterranean has required the consistent lobbying of key southern European countries, including France. Today, the recognition of the region's importance in strategic terms is more widely shared, and this is reflected in more active bilateral and multilateral engagement[49]. Portugal has been part of this trend, with an enhanced program of bilateral diplomacy (e.g., annual summits with Morocco, Algeria and Tunisia, and increasingly vigorous economic and cultural diplomacy)[50]. Yet, key southern European actors, including Portugal, will likely find it hard to pursue a sustained agenda in the southern Mediterranean without engaging European and transatlantic partners.

[48] Even in the context of existing activity, public diplomacy has become a leading facet of the Dialogue, including a steadily increasing pace of expert meetings, outreach and information activities. For the last few years, Portugal has served as the NATO "contact country" for Morocco. See the compendium, *NATO Public diplomacy for Mediterranean Dialogue and ICI Countries Following the Istanbul Summit* (Brussels: NATO, 2006).

[49] See various analyses on this theme in Andreas Jacobs, ed., *Euro--Mediterranean Cooperation: Enlarging and Widening the Perspective*, ZEI Discussion Paper C131 2004 (Bonn: Center for European Integration Studies, 2004).

[50] Portugal has bilateral friendship and cooperation agreements with Morocco (1994), Tunisia (2003), and Algeria (2004), and a roster of high-level meetings and expert-level mixed commissions.

Lisbon will continue to have a strong stake in an energetic Euro-Mediterranean strategy that gives priority to "co-ownership" in the south. But as already noted, the Barcelona process will face numerous new pressures in the coming years, including the demands of integration and possible new EU enlargement to Ukraine and Turkey, and new involvement with partners in the Gulf and beyond. There could also be important new challenges to European policy arising from stagnation or reversals in the EU project as a whole. In the most negative case, this could spell a significant re-nationalization of strategy toward the Mediterranean and other issues, driven in large measure by questions of migration and identity – closely bound up with north-south relations.

The shift of strategic attention south and east, and the growing American attention to the region suggests new opportunities for a concerted transatlantic approach[51]. Future transatlantic dynamics in the Mediterranean will be shaped by several factors. First, transatlantic roles and capabilities are relatively well balanced in the western Mediterranean. Europe is clearly the leading actor in economic development in North Africa, and is likely to remain so, but American engagement in this area is increasing. In terms of political and cultural relations, Europe plays a leading role. In security terms, Europe is able to play a relatively effective role in North Africa and the western Mediterranean, where distances are short and "hard" security challenges are less prominent than elsewhere (e.g., in the Levant or the Gulf). North African states may seek to involve the U.S. as a counterweight to the historically strong and complicated relationships with France, Spain and Italy. But anti-Americanism, reinforced by perceptions of Iraq and the Palestinian-Israeli dispute, also make Washington a difficult partner for North African regimes. Overall, the western Mediterranean, with the Balkans, is one

[51] See Ian O. Lesser, *The United States and Euro-Mediterranean Relations: Evolving Attitudes and Strategies*, EuroMeSCo Brief, No. 10, July 2004.

of the few areas where Europe can act effectively – perhaps more effectively than the U.S.

Second, it is now less convincing to argue for a straightforward division of labor between the EU and NATO in the Mediterranean. Ten years ago, when NATO cooperation activities in the south were relatively marginal and confined to the military dimension, and the EU was focused almost exclusively on economic and political engagement, separate roles in areas of comparative advantage made some sense. In the future, a more concerted approach will be required as NATO takes on soft security tasks, democratic reform of the armed forces, and wider political dialogue, and the EU develops a more concerted security and defense policy, much of it oriented southward[52]. It is no exaggeration to say that some of the key tests for Euro-Atlantic cooperation in the future will be in the Mediterranean. By the same token, enhanced US-EU dialogue ought to put questions of Mediterranean strategy at or near the top of the agenda.

Third, there has been a steady convergence in American and European thinking about reform and democratization in the south, even if the style of this engagement differs. Transatlantic agendas in the Mediterranean are increasingly dynamic and oriented toward transformation[53]. This interest may well be tempered by the success of the Muslim Brotherhood in Egypt, and even more dramatically, the advent of a Hamas government in the Palestinian territories. But the interest in reform is unlikely to disappear, and there is a growing recognition of the need for concerted Euro-Atlantic policies in this sphere. Portugal, with its balanced European and Atlantic perspectives, and tradition of involvement in north-south relations, can be a leading "convener" for policy planning discussions of this kind. Resources will be a key question. At the moment, Washington's approach to transformation in North Africa is much more about declared strategy and an open society model than spending and invest-

[52] On the Euro--Med security dimension, see Martin Ortega, "ESDP and the Mediterranean: Prospects for the Security and Defense Dialogue of the Barcelona Process" (EU Institute for Security Studies, Discussion Paper, 21 April 2005). On NATO's new tasks in the south, see Fred Tanner, "NATO's Role in Defense Cooperation and Democratization in the Middle East", in Tamara Cofman Wittes, *Transatlantic Perspectives on the Broader Middle East and North Africa*, IAI Quaderni, December, 2004. See also, Robert Aliboni et al., *Democracy and Security in the Barcelona Process: Past Experience, Prospects for Success*, IAI Quaderni, November 2004.

[53] See Tamara Cofman Wittes, "Promoting Democracy in the Arab World: The Challenge of Joint Action", in Witttes et al., *Transatlantic Perspectives on the Broader Middle East and North Africa*, IAI Quaderni, December 2004.

ment. Europe, by contrast, continues to devote substantial resources to assistance through MEDA and ENP, with a reform model based on exporting the European "acquis."

Fourth, Europe, especially southern Europe, has a structural stake in North Africa, whereas the American stake may be transitory. For the moment, North Africa is getting increased attention from American policymakers largely as a result of counter-terrorism concerns and the elaboration of a more active policy toward the broader Middle East including North Africa[54]. In earlier decades, U.S. interest in the Mediterranean was largely derivative of an interest in Europe (e.g., the Algerian crisis was of concern to Washington as a transatlantic issue, because it mattered to key European allies). In an era of global demands on American power, the durability of American engagement in the region is an open question. Crises in the Gulf or the Pacific, strategic competition with China, or a shift in counter-terrorism priorities, could lead to a sharp reduction in America's role. A broad-gauge retreat from international activism, while unlikely, also cannot be ruled out. In contrast to the Gulf and the Middle East peace process, North Africa (along with the Balkans) may be one of the areas on Europe's periphery with "too little" American presence in the future. Countries such as Portugal, with strong stakes in the region, will benefit from a portfolio approach to north-south engagement, in which transatlantic, European and national roles are balanced.

Finally, there will be a shared transatlantic stake in the wider evolution of relations with the Muslim world, and on broader north-south lines. North Africa and the western Mediterranean will be a center of gravity for the future of these relations[55]. Whatever one's views about the wisdom and accuracy of Samuel Huntington's thesis regarding the clash of civilizations, in the wake of the "cartoon" controversy, there can be little doubt that culture, and cultural perceptions, can have dramatic strategic

[54] Ian O. Lesser, "Coalition Dynamics in the War Against Terrorism", in Roberto Aliboni et al., *North-South Relations in the Mediterranean after September 11: Challenges and Cooperative Approaches* (Rome: Istituto Affari Internazionali, 2003).

[55] See Zachary Shore, *Muslim Europe and the Transatlantic Divide*, AICGS Working Paper Series (Washington: American Institute for Contemporary German Studies, 2004).

consequences. All sides in the North-Africa-Europe-North America triangle will be exposed to the political and security consequences of events and policies in each region. Together with the future of the European project, it is arguable that the evolution of Muslim-Western relations will be a leading driver of the strategic environment facing Portugal over the next decade. Under these conditions, Portugal and its Euro-Atlantic partners will acquire an even stronger interest in the contributions of cultural dialogue – and the non-governmental institutions engaged in it – to security, broadly defined[56].

[56] This point is underscored in a paper by a Danish analyst, published just before the cartoon crisis. See Helle Malmvig, "Security Through Intercultural Dialogue? Implications of the Securitization of the Euro-Mediterranean Dialogue Between Cultures", *Mediterranean Politics*, Vol. 10, No. 3, November 2005.

V. CONCLUSIONS AND POLICY IMPLICATIONS

This analysis suggests some overall observations about the future of North Africa, north-south relations in the Mediterranean, and transatlantic strategy toward the region. Portugal and its international partners should anticipate a number key trends over the next decade – along with some possible policy responses.

- *Domestic developments will shape the regional environment.* The most influential factor in the strategic environment in the western Mediterranean will be the ability of North African societies to address continued demographic and economic challenges – and accommodate mounting pressure for political reform. Across the region, it is likely that political Islam will remain a potent force of opposition to existing regimes, and the emergence of one or more new "Islamist" governments around the southern Mediterranean is a distinct possibility over the next decade. Europe and the U.S. should not overestimate their ability to shape the course of internal developments in the southern Mediterranean. But new initiatives should give priority to education and employment as potentially transforming issues at the grass-roots level.
- *The primacy of the "strong state" will be challenged, internally and externally.* The emergence of diverse non-state actors and centers of influence is changing the balance between state and society, particularly in Morocco, and to a lesser extent in Algeria. Proximity to Europe, and external pressures to adhere to western norms are also driving this trend. The likely result is a more diverse set of interlocutors and partners for cooperation in the south. Effective North-South

initiatives in the coming years are likely to be less state-centric than in the past. New efforts will be required to identify and strengthen policy-relevant non-governmental organizations.

- *Anticipate an "expanding" South.* Developments beyond the Mediterranean basin, including migration from sub-Saharan Africa and elsewhere, are now part of the equation for north and south. This trend has implications for the cooperation agenda, but also for international stakes and roles. This is a trend that reinforces Portugal's interest and ability to contribute to north-south initiatives. It will also bolster the Atlantic and transatlantic dimension of dialogue and cooperation.
- *The lack of south-south integration and cooperation will pose a growing challenge for Mediterranean development, security and cooperation.* Current north-south initiatives emphasize, explicitly or implicitly, the importance of south-south integration for prosperity and stability in the Mediterranean area. Lack of progress (with the important exception of an increasingly dense network of energy links) impedes efforts to develop truly multilateral cooperation in the region. The construction of a comprehensive trans-Maghreb highway, from Tripoli to Tangier, should be a priority in north-south diplomacy and assistance.
- *New Mediterranean actors are emerging.* Algeria and Libya will likely play a far larger role over the coming years, with implications for regional balances and north-south engagement. Russia, China and India will also be on the scene in political, economic and security terms. Europe and the U.S. will not have a monopoly in their Mediterranean engagement. Consideration should be given to near-term Libyan membership in the Barcelona process and NATO's Mediterranean Dialogue, to consolidate Algerian and Libyan ties with the West.

- *Mediterranean initiatives will be subject to substantial change.* The Barcelona process is likely to face significant funding problems, as well as challenges to its scope and agenda as the EU's engagement on the European periphery expands through the ENP. NATO's Mediterranean Dialogue is also likely to expand, with more active partnership and perhaps eventual membership in the Alliance for some participants. Portugal could play a more active role as an advocate for the Dialogue within the Alliance, and as a venue for Mediterranean meetings of the North Atlantic Council. Sub-regional frameworks such as the 5+5 in the western Mediterranean are also likely to become more important for Portugal and its neighbors. If there is interest, a permanent secretariat for the 5+5 might well be located in Lisbon.
- *There is a risk of re-nationalization in Mediterranean relations.* Discord within the EU, xenophobic trends, transatlantic disputes over North Africa and the Middle East, and long-standing sovereignty concerns in the south, could bolster national rather than multilateral approaches to the region over the next decade. This would be a strongly negative development, especially from the perspective of Portugal and southern Europe. The flux in Mediterranean and north-south relations argues for a portfolio approach to engagement in the south, balancing bilateral, European, and transatlantic initiatives.
- *Concerted strategy toward North Africa and the Mediterranean will be a key test for transatlantic cooperation.* Relatively balanced regional stakes and capabilities encourage a joint approach, as EU, NATO and U.S. engagement increasingly overlap. A more dynamic approach to political and economic reform in the south – with somewhat different emphases on each side of the Atlantic – is part of this equation. A reinvigorated transatlantic partnership is likely to focus heavily on the south, including Africa. Portugal will be well placed

to encourage and facilitate transatlantic cooperation along these lines, perhaps through a series of north-south summits, a standing policy forum, or a "think tank" with a transatlantic and north-south mandate.