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Europe must deepen economic cooperation with the transforming countries of the Arab world

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Bonn, 28 February 2011. We are rubbing our eyes in disbelief. Only a few days ago we were following with anxious sympathy the early stages of what we hope will turn out to be successful revolutions in Tunisia and Egypt, and there were thousands of "boat people" landing on Italy's shores again. At this of all times, why don't these young people stay at home, enjoy their freedom and join in the reconstruction of the Tunisian economy?

What was it like after the Berlin Wall came down in 1989? It is not without reason that the political changes in the Arab world are being likened to the radical change in the seemingly unshakable order of the whole Eastern Bloc at that time. Let us not forget that Chancellor Kohl was right in thinking that our East German compatriots would not be satisfied with the freedom they had won for themselves: they would want to seize the economic opportunities that the West's free market economy offered anyone willing to work hard. So it was a mere eight months after the fall of the Berlin Wall and even before German unification that the *Deutsche Mark* was introduced in the new *Länder* and a government assistance programme was set up for 17 million East Germans – on much the same scale as the official development assistance from the western industrialised countries to all the developing countries together (about US\$ 100 billion a year).

And today the first question European politicians ask is how to keep out the economic refugees from the other side of the Mediterranean. Of course, there is no plan to introduce the euro there: we have enough problems on the periphery of the euro zone as it is. Financial transfers of a similar magnitude to these countries would be neither conceivable nor wise, especially as the ground would first have to be laid for the money to be used appropriately. But even now Europe should be demonstrating rather more creativity in promoting the economic recovery of this new group of countries in transition.

For this there are three options: (1.) Further opening of the European markets to all products, including farm products, which are still subject to import restrictions designed to protect (southern) European agricultural producers. (2.) Direct investment by European companies should be used to take jobs to the people in the new transforming countries, so that they do not have to come to Europe to fill those jobs. (3.) But that will call for a substantial improvement in the environment in those countries, extending from a stable political order, through a proper legal system that works, to the training of workers. Involvement in this is a genuine task for development cooperation with these countries.

The longer it takes for the economy in the North African countries to recover after the radical political changes, the more economic refugees will be beating a path to Europe. In a way the international migrations of capital and labour complement each other. The more jobs go offshore as a result of the export of capital to countries with a surplus of labour, the less the people in those countries will need to look for work in Europe. This is illustrated by the different strategies pursued by Germany and Japan at the time of their economic miracles.

Germany's economic miracle was, of course, driven by the steady influx of skilled and motivated workers from the East, and when that source dried up, recruitment agreements were concluded with Italy, Spain, Greece and lastly, a few months after the Berlin Wall was erected in 1961, even with Turkey, despite doubts already being voiced about possible cultural incompatibilities. But demand from industry and the pressure it exerted were simply too strong. At the same time Japan presented a more elegant alternative. During its economic miracle Japan's industry similarly needed many more workers. But Japan wanted to be a country of immigration even less than Germany. Its industry therefore had, of necessity, to take the opposite course of moving production

sites to the surrounding developing countries. This had advantages for both sides: Japanese industry could go on growing and, as wages in the peripheral countries were still lower, conquer world markets, while Taiwan, South Korea, Malaysia, Singapore, Thailand and, more recently, Viet Nam and China themselves became successful exporting countries as a result of investment from Japan and, later, from the other OECD countries.

Compared to its Japanese counterpart, then, German industry was at a locational disadvantage, with Eastern Europe for all practical purposes closed to foreign investment until 1989 and the political and economic environment in today's emerging countries in the Arab world not very inviting either. In the meantime, German investment is again flowing to Eastern Europe, and the Arab world, too, might become more attractive if the processes of political transformation are successful and lead to long-term stability. Until then a "green card" programme coordinated and controlled by the EU should be set up to give unemployed young North Africans the chance to try out their abilities and skills in Europe. Some of them may one day be ambassadors for German companies in search of partners and investment opportunities in their home countries. And it should not be forgotten that their remittances would imme-

diately help to restore economic health after the confusion of change.

So we have a choice: either we give our neighbours in North Africa more economic opportunities through trade and investment, or we experience a greater influx of people from these countries. Completely shutting ourselves off is neither wise nor practicable – a wall cannot be built in the Mediterranean, nor can all the boat people be sent back out to sea. Only if we offer these young societies the hand of cooperation will it be possible to avoid cultural clashes and worse. A European vision may then even come true: one day solar and wind energy could be "harvested" in the Sahara and transported to Europe. German firms are involved in this, and German development cooperation will play an important part. The opportunity should be seized to improve the political and societal conditions in the North African countries for implementing these projects one day to the benefit of both sides, however utopian they may appear today.

The present Current Column represents the author's personal opinion and therefore does not necessarily reflect the views of either the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) or the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE).



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