

## **Policy Department External Policies**

# **A COST/BENEFIT ANALYSIS OF THE ENP FOR THE EU'S SOUTHERN PARTNERS**

**FOREIGN AFFAIRS**

October 2007

**EN**

This briefing paper was requested by the European Parliament's Committee on Foreign Affairs.

It is published in the following language: English

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Briefing paper carried out within the framework agreement between the **Trans-European Policy Studies Association (TEPSA)** and the European Parliament.

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Publisher

European Parliament

Manuscript completed on 29 October 2007.

The briefing paper is available on the Internet at

<http://www.europarl.europa.eu/activities/expert/eStudies.do?languageEN>

If you are unable to download the information you require, please request a paper copy by e-mail : [xp-poldep@europarl.europa.eu](mailto:xp-poldep@europarl.europa.eu)

Brussels: European Parliament, 2007.

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## **SUMMARY**

The briefing paper seeks to provide an overview of the political, economic and social costs and benefits for the neighbouring countries in adapting their policies in the areas suggested by the ENP as well as to highlight the main constraints and factors favourable to pursuit of ENP objectives in such societies. In a representative selection of case studies involving both Maghreb and Mashreq countries, the study focuses on Morocco, Jordan and Egypt. Its recommendations include different kinds of incentives to be offered to the Southern neighbours, more flexible rules for the European Neighbourhood and Partnership Instrument, and better information of both the elite and the popular level about the ENP. The authors further call for improving the image of the EU and the ENP in these countries, notably through a relaxation of visa regimes, progress in trade liberalisation for agricultural products, as well as through a more effective EU role in crisis management in the area - namely with regard to the Israel-Palestine conflict .

## EXECUTIVE SUMMARY

1. The ENP has not yet delivered concrete positive results for the Southern Mediterranean countries. At all levels, ruling elites in these countries have benefited the most, to the disadvantage of the majority of citizens;
2. On the political front, the scope for the ENP process to promote substantive political reforms is hindered by ruling elites' concern for political stability and security as well as by the weakness of opposition parties, which lack popular constituency. Moreover, Southern Mediterranean governments have not discussed the ENP reform agenda with opposition parties and civil society groups, and this results in a weakening of the chance for the ENP process to contribute to real political transformation. However, while ruling elites in Southern Mediterranean countries are more interested in improving their economic cooperation with the EU than in engaging in a political dialogue for real democratic change, some components of civil society and opposition parties, including moderate Islamic groups, nonetheless call for political transformation;
3. On the economic front, there are serious political economy constraints to reform: established elites tend to resist reforms that would harm their economic or political interests, while they use reforms in a way that allows for the existing regimes to survive. Moreover, because a business sector independent of the government is still lacking in Southern Mediterranean countries, autonomous business interests cannot provide an effective lobby in favour of economic reforms. However, trade unions, civil society groups and opposition parties seem to be inclined to accept cooperation with the EU on economic grounds;
4. On the social front, the whole society is likely to benefit from the implementation of fair and effective social policies. Yet, the ENP process could fail to deliver real social benefits because the outcome of many of the economic reforms envisaged in the Action Plans will not be immediately positive, and they could generate grave costs in the short term. Moreover, because of budget constraints, the social policies currently implemented by Southern Mediterranean governments may also turn out to be unsustainable in the long run. In addition, civil society, unions and political parties have rarely been involved in social consultation, including the ENP process. Nevertheless, the majority of local actors agree on the need to address the unemployment and poverty problems through appropriate social policies as well as to take the negative effects of economic reforms into account;
5. Lacking the prospect of EU membership or of a substantially more advanced contractual relationship with the EU, other kinds of incentives should be offered to Southern neighbours: a) a more flexible visa regime – that may be granted in return for readmission agreements –, especially for some categories of people, such as students; b) reduction of the tariff and non-tariff barriers to agricultural products coming from Southern neighbours and entering the EU internal market; c) an increase in the Governance Facility allocated for the best-performing neighbouring countries, which only provides 300 million euro for the 2007-13 period;
6. the European Neighbourhood and Partnership Instrument rules should be made more flexible, so as to make it possible for non-governmental organisations to receive EU funds without requiring their government's approval
7. Southern Neighbours, at both the elite and the popular level should be informed more about the ENP. Both the governments and the public opinion (though the latter is extremely weak) in the Southern neighbours should not perceive it as outside interference, but as a joint initiative that can bring them benefits. The above-mentioned relaxation of visa regimes, progress in trade liberalisation for agricultural products, as well as a more effective EU role

in crisis management in the area - namely with regard to the Israel-Palestine conflict - would help improve the image of the EU and the ENP in these countries

## 1. INTRODUCTION

This study seeks to provide an overview of the political, economic and social costs and benefits for the neighbouring countries in adapting their policies in the areas suggested by the ENP as well as to highlight the main constraints and factors favourable to pursuit of ENP objectives in such societies. First of all, Southern Neighbours should be divided into those that have agreed an Action Plan (AP) with the EU (Morocco, Tunisia, Egypt, Israel, the Palestinian Authority, Jordan and Lebanon) and those that have not, either because they are not interested in it (Algeria) or because they are not eligible to do so – not yet part of the Barcelona process (Libya) or not yet signatories of an Euro-Mediterranean Association Agreement (Syria). For reasons of space, this study will focus on Morocco, Jordan and Egypt in order to take account of both Maghreb and Mashreq countries. The first two countries signed an AP in 2005, while the third finalised an AP in 2007. The cases of the Palestinian Authority and Israel will be not discussed here because they are special cases: they have a political system and relationship with the European Union that are not comparable to relationships with the Arab countries within the ENP. In addition, they face different domestic reform challenges, as well as being involved in a conflict with each other. A similar reasoning applies to Lebanon, which experienced a conflict last year and it is still feeling its effects. Tunisia was not chosen because it presents too many similarities with Morocco.

## 2. POLITICAL COSTS AND BENEFITS, VESTED INTERESTS AND REFORM POTENTIAL

In its founding documents as well as in the APs, the ENP places explicit emphasis on democracy and human rights. The bilateral -'joint ownership' - approach could contribute to legitimate political reforms in so far as this kind of political change may be perceived as not being imposed from the outside; in these countries all political and social actors, albeit to different extents, tend to reject any external demands for democratisation as an intrusion into their internal affairs<sup>(1)</sup>.

Over the last years, the governments of Morocco and Jordan have adopted a number of reforms that are in line with the priority actions listed in their respective APs<sup>(2)</sup>. In Morocco, for example, King Mohammed VI took further steps in 2005 to bring the country's laws in line with international conventions, by amending the penal code to abolish torture. An anti-corruption law and a new legislative framework on political parties were also approved. Some reservations against international conventions have been lifted, in particular the conventions on racial discrimination, children's rights and torture. In Jordan, the rapid adoption of the ENP's AP in January 2005 certainly underlines the willingness of the King and government to cooperate with the EU. In 2005, among other things, Jordan published its National Agenda, a long-term social and political programme that, according to the EU progress report, "gives high priority to political and administrative reform"<sup>(3)</sup>, therefore in line with the AP.

However, as shown by all cases below, although the governments have implemented a number of reforms in line with the APs, they have at the same time reduced liberties and rights. This suggests that the governments' support for the measures listed in the APs has not been matched by real action to further political reform. Moreover, the political and legal measures implemented so far in Morocco, Jordan and Egypt, continue neither to benefit the majority of citizens nor to trigger a genuine substantive political transformation. In particular, the balance of

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<sup>1</sup> Senyücel, S., Güner, S., and Faath, S., *Factors and Perceptions Influencing the Implementation of the European Neighbourhood Policy in Selected Southern Mediterranean Partner Countries*, EuroMeSCo research project, 2006, [www.euromesco.net/images/tese\\_v\\_giga%20final%eng.pdf](http://www.euromesco.net/images/tese_v_giga%20final%eng.pdf), consulted September 2007.

<sup>2</sup> See Commission of the European Communities, *ENP Progress Report – Morocco, Brussels, 2006*, [http://ec.europa.eu/world/enp/documents\\_en.htm](http://ec.europa.eu/world/enp/documents_en.htm), consulted on September 2007; Commission of the European Communities, *ENP Progress Report-Jordan*, Brussels, 2006. [http://ec.europa.eu/world/enp/documents\\_en.htm](http://ec.europa.eu/world/enp/documents_en.htm), consulted on September 2007.

<sup>3</sup> Ibid. p. 3.

power within the society has remained unchanged; elections for the parliament or presidential positions continue to be formal exercises rather than open political competitions; and human rights violations seem to have increased in recent years. In the APs, support for real political reform is still tenuous since the measures aimed at promoting democracy are limited to rather technical governance issues, such as strengthening domestic and international dialogues on democratization, and legislative reform. In other words, the APs do not tackle the three major obstacles to political liberalization in Southern Mediterranean (SM) countries, which are the lack of a separation of powers, the oppression of civil society and political parties, and flaws in electoral procedures<sup>(4)</sup>.

The above-mentioned positive developments are coupled with a number of more disappointing setbacks for Morocco. For example, the political and human rights situation, particularly freedoms of association and expression, has strongly deteriorated since the terrorist attacks on September 11th, 2001 and, even more significantly after the Casablanca bombings of May 2003<sup>(5)</sup>. Most importantly, in spite of the range of measures implemented so far, the distribution of power within the Moroccan society remains unchanged, with all the power centralised in the King's hands<sup>(6)</sup>. The King has actually been the main driver of the reform process so that all new measures have actually been introduced from the top. Thus, even though the EU progress report argues that "the changes made to the legislative framework in the area of freedom of association and assembly have led to the emergence of a more active and dynamic civil society"<sup>(7)</sup>, it is noteworthy that civil society organizations have been successful in bringing about change only when they have worked toward goals supported by the palace, as indicated, for example, by the approval of a more progressive version of the family code in 2004<sup>(8)</sup>. Moreover, although the recent adoption of an anti-corruption law is a positive step, the fight against corruption is unlikely to go far because real progress would inevitably implicate people who are part of the ruling elite<sup>(9)</sup>. In addition, while the new legislative framework on political parties adopted in 2005 has led to some improvements, several provisions have actually tightened controls on party registration in an attempt to limit the activity of opposition parties<sup>(10)</sup>. The weakness and lack of independence of the Judiciary – which is not recognised as an independent power by the constitution – impede the effective enforcement of existing democratic laws. The AP, unfortunately, does not push for substantive political reform. For example, as regards the issue of political parties, the only priority is "the exchange of experiences and expertises in the framework of the evolution of the regulation on the political parties"<sup>(11)</sup>. With regard to justice, the priority action includes "efforts to facilitate access to justice and the law", which do not guarantee judicial independence<sup>(12)</sup>.

Jordan continues to oscillate between cautious political reform and repression. The general perception is that the current political measures, including the call for the above-mentioned National Agenda, are purely cosmetic initiatives, involving little substantive change and aimed solely at maintaining a positive international image<sup>(13)</sup>. Also, none of the implemented reforms actually target the distribution of political power: the monarchy retains its monopoly on power in the

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<sup>4</sup> Baracani E., "From the EMP to the ENP: A new European Pressure for Democratization? The Case of Morocco", The Centre for the Study of European Politics and Society, 2005, <http://hsf.bgu.ac.il/Europe>, consulted September 2007.

<sup>5</sup> For details, see Freedom House, *Morocco's Country Report*, 2007, [www.freedomhouse.org/template.cfm?page=22&year=2007](http://www.freedomhouse.org/template.cfm?page=22&year=2007), consulted on September 2007.

<sup>6</sup> Baracani, E., op.cit.

<sup>7</sup> Commission of the European Communities, *ENP Progress Report - Morocco*, op.cit, p. 4.

<sup>8</sup> Ottaway, M. and Riley, M., "Morocco: From Top-down Reform to Democratic Transition?", *Carnegie Papers*, Washington, N. 71, September 2006, [www.CarnegieEndowment.org](http://www.CarnegieEndowment.org), consulted on September 2007.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> *EU/Morocco Action Plan*, p. 4, [http://ec.europa.eu/world/enp/documents\\_en.htm](http://ec.europa.eu/world/enp/documents_en.htm), consulted on September 2007.

<sup>12</sup> Ibid, p. 5.

<sup>13</sup> Rayan, C., "Reform Retreats Amid Jordan's Political Storms", *Middle East Report*, June, 2005, <http://www.merip.org/mero/mero061005.html>, consulted on September 2007.

country and major decisions are still made by institutions not accountable to the electorate<sup>(14)</sup>. With regard to the law to fight corruption approved in 2006, for example, parliament endorsed a last-minute amendment to allow the Prime Minister to appoint the six-member commission tasked with investigating corruption. Moreover, although advances have been made in the realm of political party legislation with a new political party law in 2006, this is unlikely to strengthen the parties unless the electoral law is also changed<sup>(15)</sup>. The “one vote” law<sup>(16)</sup> used in parliamentary elections since 1993 puts political parties at a disadvantage and favours tribal and family ties. In this regard, Jordan is the only country whose AP envisages reform of the electoral law, but chances for real reform are hampered by the fact that the content of the reform is unclear, reflecting the deep divergences among different political actors. In addition, in an attempt to silence the voice of associations on political issues, a new draft law preventing professional associations from engaging in politics was approved by the Jordanian cabinet in February 2005 and is currently awaiting a favourable vote in parliament<sup>(17)</sup>. In August 2006, the Parliament approved new anti-terrorism legislation that curtails political and civil liberties. Unfortunately, like for Morocco, the EU progress report is silent on all these setbacks.

In recent years, Egypt’s approach to political reform has been even more cautious than Morocco’s and Jordan’s. This is also reflected in the fact that negotiations on the AP went on for more than 15 months and were only finalised in 2007. It is noteworthy that the AP was actually adopted in a context of serious political deterioration<sup>(18)</sup>. In 2006, the regime postponed local elections, extended the state of emergency for two years, cracked down on popular protests and launched a severe repression against the Muslim Brotherhood. In 2007, Egypt’s ruling National Democratic Party used its majority in the parliament to adopt a series of constitutional amendments that diminish judicial supervision of elections, ban political activity based on religion and give the executive authority, specifically the president and the security forces, unprecedented powers. It is striking that, in a country where a series of laws pose obstacles to the emergence of any significant political force, the AP mentions only the need to “strengthen participation in political life, including the promotion of public awareness and participation in elections” or “to exchange experience in the field of elections and jointly develop cooperation in areas of shared interest including through providing assistance on registering electors and capacity building”<sup>(19)</sup>, omitting any mention of changing such authoritarian laws.

The scope for the ENP process to promote a real democratic transformation in SM countries is hindered primarily by the fact that ruling elites in Morocco, Egypt and Jordan are undoubtedly more interested in improving their trade and economic co-operation with the EU than in engaging in a real political dialogue. Since their main aim is to ensure their survival, the regimes have not discussed the ENP reform agenda with opposition parties and civil society groups, and have agreed to adopt reform policies that do not threaten the status quo and internal security. This certainly weakens the chances for the ENP process to contribute to real political improvements in SM countries since the implementation of its objectives requires both the willingness of governments to reform and the acceptance of the majority of society. For example, the main recommendations made by some Egyptian NGOs with regard to the Egypt’s AP, include, among other things, the lifting of the state of emergency, the independence of the judiciary, and free and fair elections, which are not

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<sup>14</sup> Choucair, J. “Illusive Reform: Jordan’s Stubborn Stability”, *Carnegie Papers*, Washington No. 76, December 2006, [www.CarnegieEndowment.org](http://www.CarnegieEndowment.org), consulted on September 2007.

<sup>15</sup> Ibid.

<sup>16</sup> The system allows each voter one vote regardless of how many parliamentary seats represent the voter’s district. It puts political parties at a disadvantage, as they effectively cannot run slates or lists of candidates in each district because voters only get one choice.

<sup>17</sup> Freedom House, *Jordan’s Country Report*, 2007, [www.freedomhouse.org/template.cfm?page=22&year=2007](http://www.freedomhouse.org/template.cfm?page=22&year=2007), consulted on September 2007.

<sup>18</sup> For details, see Dunne, M., Hamzawy, A, and Brown, N.J., “Egypt – Don’t Give up on Democracy Promotion”, *Policy Brief*, Carnegie Endowment for International Peace, No. 52, June 2007, [www.CarnegieEndowment.org](http://www.CarnegieEndowment.org), consulted on September 2007.

<sup>19</sup> *EU/Egypt Action Plan*, pp. 5-6, [http://ec.europa.eu/world/enp/documents\\_en.htm](http://ec.europa.eu/world/enp/documents_en.htm), consulted on September 2007.

contemplated in the AP<sup>(20)</sup>. Similar demands were put forth by Jordanian activists<sup>(21)</sup>.

The current geopolitical context also affects the willingness of the regimes to promote political reform and may hinder the process of political transformation, including the ENP, especially in Mashreq countries. In Jordan, where external factors count more than in Morocco and Egypt, deep political reform has been hindered particularly by the Israeli-Palestinian conflict and the Iraqi conflict, which have placed security considerations above all others. For example, as long as the Palestinian-Israeli conflict is unresolved, the monarchy will avoid reforming the electoral law and settling the question of Palestinian Jordanian representation in the kingdom: although the majority of the Jordanian population is of Palestinian origin, the current electoral law is designed to disfavour them and over-represent segments of the population allied with the regime<sup>(22)</sup>.

The chance for the ENP process to foster a real democratic transformation in SM countries is also heavily constrained by the fact that opposition parties, particularly the secular ones, are weak and co-opted. Although there are differences from country to country, opposition parties generally suffer from elitism, are based on feudalised structures and have been careful not to antagonize those in power<sup>(23)</sup>. The opposition in Jordan and Egypt is even weaker and more fragmented than in Morocco. In Egypt, for example, the new protest movements such as Kifaya and various networks of human rights activists have failed to mobilize significant popular support for their pro-democracy platforms since they are primarily a movement of students, intellectuals and middle-class professionals. Moreover, the marginal role of parliament in the political process, several laws that pose obstacles to the emergence of any significant political force, and a strong security apparatus also hinder the opposition's ability to promote its goals in SM countries. In addition, in all three countries reviewed here, secular parties have not succeeded in exerting sufficient pressure on the regimes, partly because, in order to stop the rise of the more popular Islamist organisations, they have preferred to renounce a vigorous political reform<sup>(24)</sup>.

The only opposition that poses some challenge to the regimes' monopoly on power are the moderate Islamist movements, although they are still unable to challenge the regimes<sup>(25)</sup>. For example, in Morocco, the Justice and Development Party (PJD) has a large representation in Parliament and has gained power and influence, thanks to the country's socio-economic problems and to the foreign policy context created by the aftermath of 9/11. However, the current electoral law poses obstacles to a strong electoral victory of the PJD, as confirmed by the recent parliamentary elections held on 7 September 2007 and won by the Istiqlal party, a member of the governing coalition.

The fact that the strongest opposition to the governments comes from the moderate Islamic movements may be a challenge to a real democratic transformation, in general, and to the ENP process, in particular. In fact, Islamist groups reject outside interference in internal affairs, especially in the political domain, more strongly than the other political and social actors<sup>(26)</sup>. The ambiguous approach of many Islamist groups to some crucial issues such as human rights, universal citizenship, women's issues and legal matters, may raise doubts about their real commitment to democracy<sup>(27)</sup>. There are risks to excluding non-violent Islamists from the political sphere as well. Since they represent a large section of the population, their exclusion from political life is likely to

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<sup>20</sup> Euro-Mediterranean Human Rights Network, *European Neighbourhood Policy: Human Rights in EU-Egypt Relations, Recommendations of Egyptian Non Governmental Organizations for the EU-Egypt Action Plan*, Seminar organized by the Euro-Mediterranean Human Rights Network in cooperation with the Cairo Institute for Human Rights Studies in Cairo, January on 26-27, 2006, [www.euromedrights.net/usr/00000020/00000055/00000751.pdf](http://www.euromedrights.net/usr/00000020/00000055/00000751.pdf), consulted on September 2007.

<sup>21</sup> See Choucair, J., op.cit.

<sup>22</sup> Ibid.

<sup>23</sup> For Morocco, see Ottaway, M. and Riley, M., op.cit; for Egypt, Dunne, M., Hamzawy, A., and Brown, N.J., op. cit; for Jordan, Choucair, J., op.cit.

<sup>24</sup> Ibid.

<sup>25</sup> For the Jordanian Islamic Action Front (IAF) and the Egyptian Muslim Brotherhood, which are not discussed here for reasons of space, see, respectively, Choucair, J., op.cit.. and Dunne, M., Hamzawy, A, and Brown, N.J., op.cit.

<sup>26</sup> Senyücel, S., Güner, S., and Faath, S., op.cit.

<sup>27</sup> See Hamzawy, A., "The Key to Arab Reform: Moderate Islamists", *Policy Brief*, Carnegie Endowment, No. 40, July 2005, [www.carnegieendowment](http://www.carnegieendowment), consulted on September 2007.

weaken the chances of democratic transformation in the region and to alienate the population further from the political process. As noted by Haddad and Pogodda (28), “by engaging with Islamists in countries such as Egypt, Jordan, Morocco and Tunisia, the EU might not only develop a mutual understanding between itself and a real ‘other’, but it will also give credence to an alternative discourse to that of the ruling government, and invite a third party into negotiations that may in fact be more representative of the partner countries than the current”.

There are also promising developments underway, however. The cases of Morocco, Jordan and Egypt indicate that moderate Islamists have accepted the current rules of the game governing their participation in politics and have not destabilised the countries. For example, the PJD in Morocco has claimed that “the establishment and strengthening of democracy in Moroccan political life depends on the existence of democratic political parties which have clear visions and programs capable of enhancing the people’s representation in all public institutions” (29). Moreover, although differences between secular groups and Islamists remain relevant, the degree of convergence over national priorities is growing. For example, in 2005 in Egypt, a coalition of eleven political parties and groupings, covering virtually the whole of the opposition, including the Muslim Brotherhood, formed the United National Front for Change calling for comprehensive constitutional reform, an end to corruption and authoritarianism including the annulment of emergency laws, equality between the sexes and the bolstering of national unity (30).

In conclusion, support for real political reform is urgent as long as the worsening economic situation and the regimes’ loss of political legitimation are determining a loss of political consensus, especially in those social strata marginalised by recent economic reforms. Based on the APs negotiated by the EU with Morocco, Jordan and Egypt so far, it seems unlikely that the ENP will be able to yield the expected benefits to promote substantive democratic change. Yet, the ENP process should attempt to push for substantive political reforms that introduce a fairer electoral system, strengthen parliament powers and guarantee judicial independence. Similarly, successful implementation of the ENP requires a wider constituency for the reform agenda and the involvement of a broad spectrum of actors. Ways should be found to build up the consensus for reforms in all political parties, including Islamic groups. The key challenge is to balance leadership from above with demands from below in order to create public pressure and support for real reforms. Finally, the EU should engage in supporting a real process of internal reform of political parties.

### **3. ECONOMIC COSTS AND BENEFITS, VESTED INTERESTS AND REFORM POTENTIAL**

Within the ENP framework, the SM countries are expected to benefit greatly from a stable macro-economic framework and market-oriented reforms. For example, with more trade and foreign direct investment (FDI), SM countries are assumed to achieve higher rates of growth, create more jobs, and improve the knowledge, skills and productivity of their labour force. The potential benefits offered by the liberalisation of trade in the area of services are regarded as being even higher than those offered by free trade (31).

In recent years, economic reforms in Morocco, Jordan and Egypt have proceeded faster than political reforms. The priority actions included in the APs reflect the usual set of macro-economic

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<sup>28</sup> Haddad, S. and Pogodda, S., “The European Neighbourhood Policy: A View from the South”, *GO-Euro Med Working Paper*, No. 0614, 2006, p. 16, [www.go-euromed.org](http://www.go-euromed.org), consulted on September 2007.

<sup>29</sup> Hamzawy, A., op.cit.

<sup>30</sup> Farag, F., “Cracks in the Façade: How Much Unity is there in the United National Front for Change”, *Al-Ahram Weekly*, 2-9 November 2005, <http://weekly.ahram.org.eg/2005/767/eg6.htm>, consulted on September 2007. For examples on Morocco, see Hamzawy, A., op.cit.

<sup>31</sup> Muller-Jentsch, D., *Deeper Integration and Trade in Services in the Euro-Mediterranean Region: Southern Dimensions of the European Neighbourhood Policy*, World Bank and European Commission, 2005, [www.trade-info.cec.eu.int/doclib/docs/2005july/tradoc\\_124235.pdf](http://www.trade-info.cec.eu.int/doclib/docs/2005july/tradoc_124235.pdf)

and structural reforms that Morocco, Jordan and Egypt have been committed to implementing since the adoption of their first structural adjustment programs in conjunction with the International Monetary Fund (IMF) and the World Bank (WB), respectively in 1983, 1989 and 1991. However, even though the three countries have succeeded in improving their macro-economic performance and have engaged in a gradual process of liberalization and privatization, such policies have been unable to deliver the expected benefits of long-term growth, increased investment, strong productivity, competitiveness, and employment. On the whole, economic reforms have favoured the economic interests of the elite group, while the benefits for the rest of the population have not yet materialised.

Progress on the macro-economic front remains vulnerable in so far as the economic reforms have not addressed the structural causes of fragile growth: the economies of SM countries continue to be hardly diversified, vulnerable to natural and external shocks, and highly dependent on external rents. For example, although Jordan continues to enjoy strong economic growth, it still needs to confront high dependency on various types of rents, including aid, remittances and loans. Moreover, although governments claim to be strongly committed to economic reforms, structural reforms continue to be slow, selective or incomplete, particularly in Jordan and Egypt. In addition, economic reforms such as trade liberalisation and privatisation are not, by themselves, sufficient to provide long-lasting solutions to the countries' economic challenges. Most local enterprises are small in size and have difficulty accessing essential factors of production, and are therefore incapable of competing on the EU and other foreign markets<sup>(32)</sup>. Indeed, despite the fact that the three countries have signed numerous international trade agreements, FDI and export of manufacturing goods have neither increased nor stimulated local production capacity and supply as expected<sup>(33)</sup>.

The evidence provided above suggests that promoting a stable macro-economic context and market-oriented economic reforms are not sufficient conditions to boost economic growth, development and employment in the region. There are indeed serious political economy constraints to economic reforms that need to be addressed. For example, while the ruling elites are currently putting higher priority on economic reforms than on political reforms, they have shown a marked preference so far for a gradual pace of economic reform. This is for two main reasons: first, established elites have resisted deep structural reforms such as privatisation, administrative reform and trade liberalisation out of concern that they would harm their economic or political interests; second, they fear that full-scale economic reforms can entail social dislocations and politically destabilise the country. In Jordan, for example, structural reforms in key areas are now proceeding slowly because the policies the King must adopt to face the challenge of economic development - particularly administrative reform and privatization - threaten the monarchy's traditional support base, namely the Transjordanians who dominate the public sector<sup>(34)</sup>. Moreover, economic reforms have been used by ruling elites as a strategic tool for maintaining and reorganising the system of privileges that has served them, allowing for the regime's survival. Privatisation programs are a case in point. In all three countries reviewed here, privatisation programs have benefited a few well-connected businessmen, friends and relatives of regime members (as well as the royal family in the case of Morocco and Jordan)<sup>(35)</sup>.

There is evidence, at least in Egypt and Jordan, that most political actors outside the elite give priority to political over economic reforms and are critical of the government's continued

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<sup>32</sup> Hemal, A., "Enhancing Neighbourhood Policy through FDI", in Attinà, F. and Rossi, R. (eds.), *European Neighbourhood Policy: Political, Economic and Social Issue*, The Jean Monnet Centre "Euro-Med" Department of Political Studies, Catania, 2004.

<sup>33</sup> Ibid.

<sup>34</sup> See Alissa, S., "Rethinking Economic Reform in Jordan: Confronting Socio-Economic Realities", *Carnegie Paper*, No. 4, July 2007, [www.CarnegieEndowment.org](http://www.CarnegieEndowment.org), consulted on September, 2007; Rayan, C., op.cit.

<sup>35</sup> Bradford, D., "Facing the Market in North Africa", *The Middle East Journal*, No. 55, Vol. 2, pp. 198-215, 2001; Heydemann, S., *Networks of Privilege in the Middle East, The Politics of Economic Reform Revisited*, Palgrave, 2005. For Jordan, in particular, see Ryan, C., op.cit;

emphasis on economic matters<sup>(36)</sup>. It seems, however, that opposition groups, including the moderate Islamist groups, question the validity of foreign initiatives in the field of democratisation, and are more inclined to accept cooperation with the EU in the economic field<sup>(37)</sup>. In Morocco, for example, even left-wing parties and trade unions appear to lend their support to cooperation with the EU in the field of economic and developmental policies. The Islamists of the PJD also share this view in their official declarations.

Finally, an essential pre-condition for any genuine economic reform is the existence of independent entrepreneurs. In recent years, in all three countries, the reform process has led to the emergence of a new oligarchy of young businessmen, who have become an important source of support for the regime beside the old support base. These new businessmen are more Western oriented, are prone to accelerate economic reforms and enjoy extensive support from the regime<sup>(38)</sup>. The tension between the old and the new elites is likely to affect economic reform efforts in the future. However, this new business class is unlikely to promote a real process of economic reform in so far as its success will continue to depend on its privileged and strong links to the regime. So far, in none of the three countries, is there evidence of the emergence of a class of businessmen independent of the government. Because an autonomous private sector is still lacking, independent business interests cannot provide an effective lobby in favour of economic reforms. Corruption is widespread and only wealthy and well-connected businesspeople receive special treatment.

In conclusion, the economic prescriptions indicated in the APs will be unable to deliver the expected benefits to the majority of the population unless the ENP puts efforts into addressing the political economy constraints that continue to hinder the implementation of effective and transparent economic reforms. This means that addressing political issues should be viewed as a crucial complement to economic reform programs. Progress is thus needed to improve effective governance, anti-corruption enforcement mechanisms, and, above all, political participation.

#### **4. SOCIAL COSTS AND BENEFITS, VESTED INTERESTS AND REFORM POTENTIAL**

Unemployment is considered one of the most important challenges facing SM countries: 20 million jobs would have to be created by 2010 to prevent the already high average unemployment rates of 15% of the working population from increasing<sup>(39)</sup>. Moreover, although poverty does not manifest itself with the same intensity as in other developing countries, living conditions are very poor in rural areas and the areas surrounding the big cities<sup>(40)</sup>.

While the EMP, since its inception, has not effectively contributed to creating employment or improving the socio-economic situation<sup>(41)</sup>, the ENP seems to introduce some positive changes with regard to social issues, offering an opportunity to redress this balance and contribute to promoting social development. In particular, the APs for Morocco, Jordan and Egypt entail the promotion of policies against poverty and unemployment as well as the enhancement of dialogue and cooperation with the EU on social matters.

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<sup>36</sup> For Jordan see Ryan, C., op. cit; for Egypt see Gauch, S., "Egypt's Opposition Targets Reforms", *The Christian Monitor*, 23 March, 2006, <http://www.csmonitor.com/2006/0323/p07s02-wome.html>, consulted on September 2006.

<sup>37</sup> For Jordan, see Abu-Dalbouh, W., "Jordan and the Euro-Mediterranean Partnership", in Fernandez, H.A. and Youngs, R. (eds), *The Euro-Mediterranean Partnership: Assessing the First Decade*, Real Instituto Elcano and FRIDE, October 2005, [www.fride.org/eng/Publications/publication.aspx?item=832](http://www.fride.org/eng/Publications/publication.aspx?item=832) consulted on September 2007; for Morocco, see Senyücel, S., Güner, S., and Faath, S, op.cit.

<sup>38</sup> For example, for Jordan, see Alissa, S., op.cit.

<sup>39</sup> Handoussa, H. and Reiffers, J. *Femise 2003 Report on the Euro-Mediterranean Partnership*, Institut de la Méditerranée, Marseille, 2003, <http://www.femise.org/Pub-indic/an-03.html#gb>, consulted on September 2007.

<sup>40</sup> See Karshenas, M. and Moghadam, V.M. (eds), *Social Policy in the Middle East*, Palgrave Macmillan..

<sup>41</sup> See Barreñada, I. and Martín, I., "Employment and Social Protection in the Euro-Mediterranean Partnership Status, Perspectives and Proposals for Action", paper presented for the "Barcelona + 10 Civil Event" organised by the EuroMed Non Governmental Platform, Malaga, 30 September and 1 - 2 October 2005, [www.eco.uc3m.es/immartin/EmpleolargaEnglishvisada.doc](http://www.eco.uc3m.es/immartin/EmpleolargaEnglishvisada.doc), consulted on September 2007.

Over the past years, the countries reviewed, particularly Jordan and Morocco, have taken a series of public initiatives to reduce unemployment and poverty <sup>(42)</sup>. This suggests that the governments feel increasingly pressed to deal with unemployment, job creation and poverty reduction. However, there is the risk that such initiatives are more cosmetic than real. With regard to Jordan, for example, the EU progress report notes that the details of the new employment and poverty reduction strategy inaugurated by the King in 2006 are still unclear <sup>(43)</sup>. In Morocco, in spite of the approval of a regulatory framework on child labour, women's and workers' rights, its concrete application is still difficult. The fact that the action lines indicated in the APs remain too generic and are not translated into specific/direct/concrete measures to boost employment and alleviate poverty may contribute to favouring rhetorical endorsement by countries' ruling elites. Another explanation is that, alongside the spread of public initiatives to address poverty and unemployment, the state is actually retreating from the provision of social services because of declining financial resources <sup>(44)</sup>. For example, the state is increasingly delegating its social welfare functions to private actors such as non-governmental organisations, while social spending is no longer sufficient to prevent the deterioration of the quality of health and educational services. This means that, in the long run, the social policies so widely publicised by SM governments are likely to turn out to be unsustainable. With regard to Morocco, for example, budget constraints are raising concerns about the sustainability of the National Initiative for Human Development (NIHD) launched in 2005 <sup>(45)</sup>, which the EU progress report considers "a key instrument for reducing social disparities and combating poverty" <sup>(46)</sup>.

A second factor to be considered in the cost-benefit analysis is that the current employment and social policies implemented by SM countries, and encouraged in the APs, seem to be rather ineffective in dealing with unemployment and poverty. Similarly, they fail to benefit the needy population. In Morocco, for which more information is available, despite the social security reform launched in 2005, and called for in the AP, the system continues to be highly discriminatory in so far as it excludes the majority of workers, the self-employed, as well as wage earners in the informal sector <sup>(47)</sup>. Although the reform of the Labour Code approved in 2004 and supported in the AP is indisputably a major contribution to the modernization of industrial relations in Morocco, nonetheless, it imposes restrictions on the right to strike, and introduces little flexibility regarding labour contracts <sup>(48)</sup>. SM countries, including the countries reviewed here, generally lack a coherent and comprehensive national employment strategy so that governments tend to deal with job creation through piecemeal measures <sup>(49)</sup>. In this regard, the lines of action indicated in the APs are still too generic and need to be translated into specific/direct/concrete measures to effectively boost employment and alleviate poverty.

Finally, the outcome of many of the economic reforms envisaged in the AP will not produce positive results immediately and are likely to have high social costs in the short term. The economic policies implemented so far by Morocco, Jordan and Egypt, which are the same as those prescribed

<sup>42</sup> See Commission of the European Communities, *ENP Progress Report – Jordan*, op.cit; Commission of the European Communities, *ENP Progress Report – Morocco*, op.cit.

<sup>43</sup> Commission of the European Communities, *ENP Progress Report – Jordan*, op.cit, p. 5.

<sup>44</sup> See Paciello, M.C., "Income Distribution in the Middle East and North Africa, 1960-2000", in Jomo K.S. and Jacques Baudot (ed.), *Flat World, Big Gaps: Economic Liberalization, Globalization, Poverty and Inequality*, Zed Books, 2007; for Egypt, Bayat, A., "The Political Economy of Social Policy in Egypt", in Karshenas M. and Moghadam V.M. (eds), *Social Policy in the Middle East*, Palgrave Macmillan, pp. 135-155.

<sup>45</sup> Radwan, S. and El Oraby, N., "Poverty Reduction Strategies in North Africa Country Cases for Egypt, Morocco and Tunisia", Paper prepared for the United Nation's Economic Commission for Africa, June 14, 2006, [www.uneca.org/prsp/cairo/documents/NA\\_Paper.pdf](http://www.uneca.org/prsp/cairo/documents/NA_Paper.pdf), consulted on September 2007.

<sup>46</sup> Commission of the European Communities, *ENP Progress Report – Morocco*, op.cit., p. 7.

<sup>47</sup> In 2005, the government established the *Assurance Maladie Obligatoire* (AMO) that consists in a compulsory health insurance system for public and private wage earners in the formal sector and for holders of pension.

<sup>48</sup> Martin, I., "The Social Impact of Euro-Mediterranean Free Trade Areas: A First Approach with Special Reference to the Case of Morocco", *Mediterranean Politics*, 9 (3), 2004, pp. 422-58.

<sup>49</sup> El-Megharbel, N., "The Impact of Recent Macro and Labor Market Policies on Job Creation in Egypt", *ECES Working Paper*, No. 123, May 2007. For Jordan, see *EU/ Jordan Strategic Paper, 2007-2013*, [http://ec.europa.eu/world/enp/documents\\_en.htm#1](http://ec.europa.eu/world/enp/documents_en.htm#1), consulted on September 2007.

within the ENP framework, have been associated with lower living standards and labour market outcomes. In the coming years, as tariffs on the nationally produced consumer products that are most sensitive to competition from European products are dismantled, Southern Mediterranean citizens will start to feel the negative effects of the Euro-Mediterranean Free Trade Areas (EMFTA) (<sup>50</sup>). Since many small- and medium-sized firms in SM countries are unable to compete with higher quality EU goods both within the EU and on their domestic markets, the problems of unemployment and labour market flexibility are likely to increase. In addition, since custom duties have traditionally been an important source of revenue for those countries' national budgets, trade policy reform will generate a drop in taxes on international transactions and therefore a reduction in state income. This could translate into further cuts in social spending. In spite of this, the APs – with the exception of the AP for Egypt – make no mention of adopting specific measures that compensate for the social costs of economic reforms (<sup>51</sup>). Failure to adopt countermeasures against the possible negative effects of economic reforms could aggravate the social situation and generate serious costs in terms of social and political sustainability of reforms.

Up to now, civil society, unions and political parties have been too weak to resist or influence economic and social policies. They are unable to mobilise large sectors of the society and lack a popular constituency. The regimes have rarely involved the various social actors in the design of social and economic policies, including the EMP and ENP processes. However, in all three countries reviewed here, economic reforms have met with significant popular resistance because they have worsened people's standard of living. People seem to be more concerned with the negative implications of economic reforms for the labour market, than for lack of political reforms. Islamic movements in the countries are gaining increasing popular support thanks to deteriorating social and economic conditions. Recently, there have been signs of growing opposition to the negative social effects associated with economic reform, particularly with the acceleration of privatisation programs. For example, between 2006 and 2007, Egypt saw the longest and strongest wave of worker protest since the end of World War II, spreading throughout the major industrial centres of the Delta (<sup>52</sup>) to denounce privatisation programs.

If economic reforms continue to go ahead, while political reforms are postponed and benefits for the low-middle social strata do not materialise, incumbent regimes could go through serious crises of legitimacy. This could bring about greater political instability and violent forms of resistance, halting both political and economic reform. As a result, the EU should attempt to strengthen the social dimension of the ENP process as much as possible to avoid the risk of political and social instability in SM countries. Moreover, the whole society is likely to benefit from the implementation of fair and effective social policies. In addition, all actors, including the ruling elite, seem to agree on the importance of addressing the unemployment and poverty problems. As mentioned before, ruling elites fear the socially and politically destabilising effects of economic reforms, and therefore, in the name of security, may have a strong interest in dealing with the issue of the social costs of economic reforms. Similarly, they are aware that failing to respond to the unemployment and poverty problems through appropriate social policies could lead to social and political repercussions, which they may not be able to control.

## 5. OVERALL ASSESSMENT OF COSTS-BENEFITS

The ENP has the potential to deliver political, economic and social benefits to SM countries, but up to now, it has not yielded any positive concrete results. At all levels, ruling elites have benefited the most, to the disadvantage of the majority of citizens.

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<sup>50</sup> See Hemal, A., op.cit.; for Morocco, see Martin, I., op.cit.

<sup>51</sup> See *EU/Jordan Action Plan*, op. cit; *EU/Morocco Action Plan*, op. cit; *EU/Egypt Action Plan*, op. cit.

<sup>52</sup> Beinun, J. and el-Hamalawy, H., " Strikes in Egypt Spread from Center of Gravity", *Middle East Report*, May 9, 2007, <http://www.merip.org/mero/mero050907.html> consulted on September 2007.

As highlighted by the examples provided above and the literature on the ENP (<sup>53</sup>), there are a number of shortcomings in the APs that seem to hinder the effectiveness of the process and, therefore need to be redressed:

- APs are imprecise, cautious and not specific in policy-operational detail, particularly with regard to political and social issues, despite the fact that the main objective of these action plans was initially to spell out the actions needed to implement specific goals based on the priorities of each country;
- APs are not supported by clear indications of the incentives offered to the partner states, and on what conditions;
- APs provide no specific dates or modalities for implementation. Their time dimension is lost when terms as “short term” and “medium term” are used without defining the length of time intended. The non-specification of the time frame in the AP could result in a slow down of the whole process.

On the political front, the reforms envisaged in the ENP are unlikely to contribute to stimulating a real process of democratic transformation or to meeting and satisfying citizens’ expectations.

- Major constraints to substantive political reforms:
  - Ruling elites in Morocco, Egypt and Jordan are more interested in improving their economic cooperation with the EU than in engaging in a political dialogue for real democratic change. Their main concerns remain political stability and security, which are necessary for their survival.
  - Opposition groups, particularly the secular ones, lack popular constituency, are weak and co-opted by the regimes, and therefore unable to promote real political change.
  - Moderate Islamic groups are the only real opposition to SM governments with a popular constituency. Their exclusion from political life is likely to weaken the chances of democratic transformation in the region;
  - The ENP reform agenda was not discussed with major political actors and civil society organisations, but was negotiated by a select group of senior policy-makers, who ensure that reforms do not destabilize their hold on power.
  - The EU has done little to promote local pro-reform voices, including moderate Islamic groups (<sup>54</sup>).
  - An unfavourable geo-political context hinders political reforms, particularly in Jordan.
  
- Favourable factors:
  - Some elements from civil society groups and opposition parties are calling for a real political transformation, although, given that there has been very little public discussion of the ENP in SM countries, it is not clear to what extent they support the ENP process.
  - Moderate Islamic groups seem to have accepted the current rules of the game governing participation in legal politics and call for deep political reform.

On the economic front, reforms have undoubtedly proceeded more quickly than political reforms. However, progress on the macro-economic level remains vulnerable in so far as the structural

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<sup>53</sup> See, for example, Radawan, S. and Reiffers, J.L., FEMISE Report on the Euro-Mediterranean Partnership 2006: Analysis and Proposals of the Euro-Mediterranean Forum of Economic Institutes, September 2006, [www.femise.net/PDF/Femise\\_A2006gb.pdf](http://www.femise.net/PDF/Femise_A2006gb.pdf) consulted on September 2007; Emerson, M. and Noutcheva, G., “From Barcelona Process to Neighbourhood Policy: Assessments and Open Issues”, CEPS Working Paper, No. 220, Brussels, March, 2005, [www.ceps.be](http://www.ceps.be), consulted on September 2007.

<sup>54</sup> See Youngs, R., “Europe’s Flawed Approach to Arab Democracy”, *Centre for European Reform*, 2006.

causes of fragile growth have not been addressed. Structural reforms continue to be hesitant and unable to deliver the expected economic benefits to the majority of the population.

- Major constraints to effective, transparent and equitable economic reforms:
  - There are serious political economy obstacles that continue to stand behind the implementation of reforms: Established elites resist reforms that will harm their economic or political interests, while they use reforms in a way that allows the existing regimes to survive and favours their economic interests.
  - A business sector independent of the government is still lacking;
  - There is no dynamic and competitive business sector that is able to take advantage of trade and investment opportunities.
  
- Favourable factors:
  - Trade unions, civil society groups and opposition parties, including the moderate Islamist movements, seem to be inclined to accept cooperation with the EU in the economic field;
  - Opposition and civil society groups favour political over economic reform. This could provide a favourable context for the ENP to address the political economy constraints to economic reforms and implement political reforms step by step alongside economic reforms.

Unemployment and poverty remain the most important challenges facing Southern Mediterranean countries. The ENP framework seems to introduce some positive changes with regard to social issues, offering an opportunity to contribute to promoting social development in SM countries. However, the ENP may fail to deliver real social benefits. First, the social initiatives launched by the governments seem to be more cosmetic than real. Second, social policies are hardly effective in dealing with unemployment and poverty. Third, the outcome of many of the economic reforms envisaged in the APs will not be immediately positive and are actually likely to have negative effects in the short term, especially in the low-middle social strata.

- Major constraints to delivering effective social benefits:
  - Because of budget constraints, the state is increasingly unable to support effective social policies.
  - The ENP framework does not seriously take into account the side-effects of implementing economic reforms.
  - Civil society, unions and political parties are still too weak to resist or influence economic and social policies and are rarely involved in social consultation, including in the ENP process.
  
- Favourable factors:
  - The majority of local actors, including incumbent elites and opposition groups agree, albeit for different reasons, that there is an urgent need to address the unemployment and poverty problems through appropriate social policies and that an acceleration of economic reforms will entail possible negative effects that need to be taken into account.

## 6. CONDITIONALITY AND POTENTIAL SUGGESTIONS FOR OTHER INCENTIVES

This analysis shows that the EU is having difficulty in trying to adopt a conditionality strategy with Southern Neighbours. The most effective incentive that the EU ever devised to persuade third countries to reform their political, economic and social system was enlargement policy, notably the pre-accession strategy. These models have indeed influenced the ENP scheme, which was initially conceived for Eastern neighbours and was subsequently extended to Southern ones<sup>(55)</sup>. However, if the membership perspective is not present at all, not even in the long run, trying to apply conditionality to Southern Neighbours in a similar fashion as it was applied vis-à-vis candidate countries or even Eastern neighbours, will not work. In addition, unlike their Eastern counterparts, Southern neighbours do not aim at upgrading their contractual relations with the EU, at least in the short run. They already have Association Agreements with the EU under article 310 of the Treaty of the European Communities, which are for the moment the most advanced contractual agreements between the EU and third countries short of membership. Moreover, it is not yet clear whether the so-called “Neighbourhood Agreements” will be stipulated and what their provisions will be. This is why other kind of incentives should be devised, such as: 1) relaxation of the visa regime; 2) more trade liberalisation for agricultural products; 3) more funds for the countries that show better performance in domestic reforms.

Improving the perspectives for lawful migration and movement of persons through, for example, establishing a more flexible visa system could be a possible incentive to persuade SM countries to carry out substantive reforms. More liberal migration policies and visa regimes are probably among the main desiderata of the SM states<sup>(56)</sup>. A possible facilitation of labour migration from the SM countries to the EU is seen by SM countries as a way of diminishing demographic pressures and, partly, alleviating the problem of unemployment. Offering substantial improvements on the visa side, at least for some categories of people, such as students, by providing simpler and faster procedures, perhaps in exchange for a readmission agreement, could provide an incentive for reform in the partner countries. However, the ENP has not yet allowed for significant progress in improving the movement of partner countries’ citizens to the EU. In the APs, there is still very little with regard to visa policy or legal migration. In the case of Jordan for example, the AP only includes the possibility of “examining the scope for visa facilitation for short stay for some categories of persons to be defined jointly”<sup>(57)</sup>. In Morocco, on the other hand, some improvements on this front have been observed, where an initial exchange of views on the facilitation, simplification and speeding up of the procedure for granting visas was held in February 2006.

The second incentive that might prove effective in persuading SM countries to carry out substantive reforms is in the field of agriculture, which is an area of high economic potential and interest for SM countries. As most of the SM countries have a comparative advantage in agriculture, particularly fruit and vegetables, improved access to the EU agricultural markets is important to stimulate export growth, create jobs, and provide sustainable livelihoods to farmers in these countries. It is estimated that Egypt, Jordan, Lebanon, the Palestinian Territories, and Syria could generate 119,000 new jobs, making a profit for producers of \$498 million and adding \$756 million to the value of their economies, just by meeting the EU’s unmet demand for strawberries, grapes, dates, green beans, and sweet melons<sup>(58)</sup>. Access to EU markets, however, remains characterised by tariffs, quotas, exceptions, and timetables. Also, the APs are still cautious with regard to extending freedom of movement of goods to agricultural products, even though there are

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<sup>55</sup> See Comelli, M., “The Challenges of the European Neighbourhood Policy”, *The international Spectator*, no. 3(2004), p.99. Del Sarto, R. and Schumacher, T., “From EMP to ENP: What’s at Stake with the European Neighbourhood Policy towards the Southern Mediterranean?”, *European Foreign Affairs Review* 10(1): 17-38, 2005.

<sup>56</sup> Jones, S. and Emerson, M., “European Neighbourhood Policy in the Mashreq Countries: Enhancing Prospects for Reform”, *CEPS Working Document*, No. 229, September 2005, [www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=13877](http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=13877), consulted on September 2007.

<sup>57</sup> *EU/Jordan Action Plan*, op.cit, p. 3

<sup>58</sup> Oxfam International, « Euro-Med: Ensuring a Fair Deal », *Oxfam Briefing Note*, 26 November 2005.

differences between countries. In the case of Jordan, the AP only contemplates the “possibility for further liberalization of trade in agricultural products”, without mentioning any concrete measures<sup>(59)</sup>. As for Morocco’s AP, although agricultural reform is aimed at fostering conditions for the creation of a free trade area with the EU, most measures, while useful for promoting agriculture, are aimed at exchanging information on agricultural policies, not explicitly at liberalization<sup>(60)</sup>.

With regard to the funds aimed at rewarding the best-performing neighbouring countries, the EU has created the so-called Governance Facility within the European Neighbourhood and Partnership Instrument (ENPI), the financial instrument aimed at the ENP countries. The point is that the funds allocated to the Governance Facility are only 300 million euro. This is insufficient if one considers that it covers the period from 2007 to 2013 and is potentially directed at all neighbouring countries. It should therefore be increased, possibly on the occasion of the presentation of the budget review, that will take place in late 2008/early 2009. In addition, the funds of the Governance Facility will be allocated to reward governance reform rather than genuine democratic change<sup>61</sup>.

A related problem is that the governments of Southern Mediterranean countries have a kind of veto on granting money from the EU to third parties. In fact, the ENPI envisaged that the funding for non-governmental organisations would receive the prior approval of the recipient’s government, with the result that in Jordan, for example, much of the MEDA ‘civil society support’ has been received by non-governmental organisations (NGOs) headed by members of the royal family<sup>(62)</sup>. A strong effort should be made to change this regulation and make it possible, at least to a certain extent, for non-governmental organisations to be able to receive funds without the government’s approval, as is already the case with the main financial instrument aimed at promoting democracy worldwide, the European Instrument for Democracy and Human Rights (EIDHR).

The ENP should be communicated better to the Southern Neighbours, both at the elite and the popular level. First of all, the EU should explain more clearly the goals and instruments of the ENP to the governments of these countries, in order to avoid misunderstandings and reinforce the idea that the policy is jointly owned by the two counterparts, and it is not only an EU-led policy. Similarly, the main advantages should be stressed, and the new elements pointed out, also in relation to the Barcelona process. More effective EU involvement in crisis management and conflict settlement, especially in the Middle East, would also give the EU a much more credible image in the eyes of the Southern Neighbours, both among the elites and among ordinary citizens. The above mentioned measures, such as relaxation of the visa regime, trade liberalisation for agricultural products being exported to the EU would, apart from their material effects, greatly help to improve the image and credibility of the EU in the Southern Mediterranean countries.

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<sup>59</sup> EU/Jordan Action Plan, op.cit, p. 3.

<sup>60</sup> EU/Morocco Action Plan, op.cit., p. 9-10.

<sup>61</sup> R. Youngs, “Europe’s flawed approach to democracy”, *Centre for European Reform essays*, October 2006, p. 3.

<sup>62</sup> *Ibid.*

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