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Running into the sand?

The EU's faltering response to the Arab revolutions

By Edward Burke

CENTRE FOR EUROPEAN REFORM

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★ Before the Arab Spring, the EU believed it could promote political reform through economic liberalisation. That approach proved ineffective.

★ Since the Arab Spring, the EU's response has produced limited results. Its 'more for more' principle has not resulted in meaningful democratic change. European funds are stretched, North African agricultural exports remain unwelcome in Europe and security concerns often trump concern for democracy.

★ A pragmatic approach to reform in the southern neighbourhood is needed, so that the EU takes account of the different circumstances in each of the countries. The EU should invest in civil service reform, education, judicial reform, a regional free-trade agreement and building security relations across the region.

★ The EU should also increase its democracy assistance to the region through training and capacity-building. But, if it wants to remain a credible actor, Brussels should only fund democracy promotion in those countries where reforms are happening.

1. Introduction[1]

In 2011, the EU responded to the political uprisings that swept across North Africa and the Middle East with a striking *mea culpa*. In a speech to the European Parliament, the EU Commissioner for Enlargement and Neighbourhood Policy, Štefan Füle, admitted: "Too many of us fell prey to the assumption that authoritarian regimes were a guarantee of stability in the region. This was not even *realpolitik*. It was, at best, short-termism – and the kind of short-termism that makes the long term ever more difficult to build."[2] Füle and the EU High Representative for Foreign Policy and Security Affairs, Catherine Ashton, promised that the EU would support democracy more forcefully across the region. The Union would offer 'more for more'; it would provide generous assistance in terms of aid, trade and mobility to countries that introduced democratic reforms. A few weeks later, Commission President José Manuel Barroso, a veteran of Portugal's 'carnation revolution', made an emotional speech aimed at the activists leading the Arab Spring: "From Brussels I want to say this particularly to the young Arabs that are now fighting for freedom and democracy: we are on your side".[3]

Two years later, optimism for the region's future has given way to concern and even despair. Most dramatically, in July 2013 the Egyptian military overthrew a democratically-elected president, Mohammed Morsi. Even in Tunisia, often regarded as the most 'successful' transition in the region, a draft constitution threatens to severely curtail freedom of speech and association. As old and new elites, sometimes in coalition, have eroded prospects for democracy in many countries across the Middle East and North Africa (MENA), and civil war rages in Syria, a number of EU officials now say that the EU was too ambitious in its early response to the events of the Arab Spring. According to one senior official, "it has proved to be very challenging, if not impossible, to put 'more for more' into practice… Frankly, we didn't change much."

The economic situation for the region remains very bleak. The European Commission reported in 2011 that, "due to muted growth prospects in advanced economies, the scope for export-led growth [from the southern neighbourhood] aimed at those markets has diminished." The Commission also reported a serious decline in foreign

1: The author is grateful to Ian Bond, Charles Grant, Rem Korteweg, Clara Marina O'Donnell and Stephen Tindale for their ideas and editing. He is also grateful to Kristina Kausch and Daniel Keohane at FRIDE for reading and commenting on this text.

2: Štefan Füle, European Parliament, February 28th 2011.
3: José Manuel Barroso, 'Statement by President Barroso on the situation in North Africa', March 2nd 2011.

direct investment (FDI) in the southern neighbourhood countries due to political unrest; Egypt alone saw a six-fold decrease in FDI between 2008 and 2012. The World Bank estimates that the region will need to create up to 80 million new jobs by 2020 to avoid serious social unrest. Meanwhile, some in Brussels are getting restless that the EU is prematurely giving away its economic 'carrots' for political reform. The Foreign Affairs Committee of the European Parliament "is concerned that the European External Action Service (EEAS) has not yet made public the details of the 'more for more' criteria that will determine whether a country is eligible and ready for a Deep and Comprehensive Free Trade Agreement".[4]

Members of the European Parliament (MEPs) are right to be worried; Europe has staked too much on its 'more for more' rhetoric to jettison such a policy barely two years after its adoption. A middle option must be found between an "all or nothing" conditional approach to democratic reform, and complete abandonment of conditionality in favour of the stability provided by military strongmen or autocrats. Europe's security depends on it; more political unrest will have ever-worsening consequences in terms of migration, energy insecurity and violent extremism, including al-Qaeda. Instability in Syria, Libya and the Sahel could destabilise other parts of the region. Lebanon's future is now intertwined with the outcome of the Syrian conflict, while the proliferation of arms from Libya threatens fragile governments across the Sahel.

Not only is the southern Mediterranean important to European security; it is the part of the Arab world where the EU has the most economic weight. In 2012 more than 60 per cent of the Maghreb's exports went to the EU. Europe was the source of 80–90 per cent of Maghreb tourism revenues and about 80 per cent of total direct investment. But Europe has traditionally been reluctant to use its economic weight to punish autocrats in the region.[5]

The many obstacles that hampered European efforts at democracy promotion prior to the Arab Spring have not gone away. Member-states continue to balance their support for long-term democracy promotion with more immediate concerns such as counter-terrorism, energy and migration. Increasingly, cash-strapped member-states are unwilling to provide substantial aid, visa or trade concessions to their southern neighbours. And some governments, particularly major hydrocarbons exporters such as Algeria and Libya, have shown little interest in working with the EU.

Recognising these constraints, this essay will examine how the EU can best support reform in the southern neighbourhood. The first part focuses on the EU's policies towards the southern neighbourhood prior to the Arab Spring. It will highlight the flaws and shortcomings in the EU's attempts to bring about political and economic reform. The second part discusses the EU's approach to the region following the Arab Spring. The paper concludes with some recommendations on how the EU can best cope with the momentous changes rippling across the region. The EU should:

★ Increase European democracy assistance in those countries where there is a potential for real reform.

★ Stop paying for democratic reform that is not happening. But the EU should not threaten to cut off all forms of aid to a country when both sides know it will not do so. It should also moderate its rhetoric on democracy and conditionality in these countries.

★ Encourage civil service reform in the region, to promote effective and transparent delivery of public services, and to combat corruption.

★ Provide more loans to small and medium-sized businesses, and encourage other international institutions to do likewise.

★ Promote a regional, North African trade agreement as a further means of enhancing growth and stability in the region.

★ Support judicial reform as an essential element in building democracy and creating favourable business conditions.

★ Invest in educational reform in the region, including training in information and communications technology to tackle skills shortages.

★ Build stronger security relationships in the region; and link together EU strategies and programmes for the Maghreb and the Sahel in order to tackle the security and societal problems common to both.

2. Not even *realpolitik*

Perhaps one of the most remarkable features of the Arab Spring is that it began during a time of unprecedented economic growth in the southern Mediterranean countries. From 2000 to 2010 their economies grew at an average yearly rate of 4.5 to 6 per cent.[6] A favourable international economy coupled with market reforms

4: European Parliament, 'Text adopted on the Arab Spring by Parliament, single reading', May 10th 2012.
5: Masood Ahmed, 'Will Europe's economic problems affect the Middle East and North Africa?', *Asharq Alawsat*, February 23rd 2012.
6: European Commission, 'Occasional paper: The EU's neighbouring economies: emerging from the global crisis', 2010; Anthony O'Sullivan, Marie-Estelle Rey and Jorge Galvez Mendez, 'Opportunities and challenges in the MENA region', OECD, 2012.

in the countries of the region led to quick dividends. Growth led to optimism in European capitals such as Paris and Madrid that there was an Arab 'third way', namely that autocrats could deliver prosperity and stability in a liberal market. This suited European governments which, although nominally committed to long-term democratisation, were concerned that the election victory of hard-line Islamists in Algeria in 1991 might be repeated across the region. Indeed, Islamist parties continued to triumph in the few elections that were held in the Middle East, whether in Palestine, Iraq or Bahrain.

European leaders had hoped that freer elections in the region would lead to a corresponding embrace of liberal norms. Instead the victors of these elections were much more socially conservative than the autocratic regimes in the region they aspired to replace. Moreover, the invasion of Iraq in 2003 was a deeply scarring experience for Europe; swift regime change and elections led to violent chaos and a rise in anti-Western sentiment (not to mention an acrimonious split between EU member-states over whether to support the US-led coalition). Incremental change in the region, however slow, was far more preferable.

After the attacks on the US on September 11th 2001, autocratic leaders throughout the Middle East were perceived in the West as key allies in winning 'the war on terror'. Libya's Supreme Leader, Muammar Gaddafi, found that he was welcome to pitch his tent in an ever-increasing number of European capitals. The regime of Bashar-al Assad, president of Syria, came in from the cold until its suspected involvement in the assassination of former Lebanese prime minister, Rafiq Hariri, in 2005. But even the Hariri affair did not prevent the EU from trying to sign an Association Agreement with Syria in 2009. It would probably have been signed before the Arab Spring except that the Assad regime dragged its feet, being concerned that the benefits to Europe might outweigh those to Syria. When the civil war broke out in 2011, the negotiations over an agreement were suspended.

After the debacle in Iraq there was little appetite in Europe to put pressure on the secular-leaning pro-Western regimes in Egypt, Jordan, Morocco, and Tunisia. Intelligence and security co-operation with autocratic Arab regimes were seen as vital to domestic security. Following the attacks in Madrid in March 2004 and the bombing of Spanish diplomatic and cultural centres in Morocco in 2007, Rabat cracked down hard on Islamic extremists. Spanish officials were grateful and intelligence exchanges apparently disrupted more attacks. The government of José Luis Rodríguez Zapatero blanched at any suggestion that it should apply serious pressure on its Moroccan ally to put in place democratic reforms. Zapatero was not alone – Morocco quickly became the southern Mediterranean country with the closest ties to the EU. Lip service was paid to democracy promotion in the region but EU funding for such efforts was limited; less than 15 per cent of the EU's Instrument for Democracy and Human Rights funds in 2009 went to the southern neighbourhood.[7]

Before the Arab Spring, Europe's ambitions to reform the southern Mediterranean were principally confined to the economic sphere. EU association agreements are an all-embracing framework covering bilateral relations between the EU and third countries, but are particularly focused on trade liberalisation and governance reforms. In the decade before 2011 these were signed with most of the southern Mediterranean countries – Algeria and Libya being the exceptions – and 'Action Plans' were drawn up. They had an effect: exports to the EU from countries such as Tunisia and Egypt rose as a consequence of a buoyant global economy, economic reforms and the lowering of tariffs. In 2012 the European Commission reported that since the signing of the Association Agreement with Cairo in 2004, trade in real terms between the EU and Egypt had more than doubled. But trade was very one-sided – the EU pushed hard, and often won, the removal of trade barriers for products over which it had a competitive advantage. By 2008 the structural trade deficit of Arab Mediterranean countries had soared to €13 billion.[8]

"Before the Arab Spring, Europe's ambitions to reform the southern Mediterranean were confined to the economic sphere."

Prior to the Arab Spring, European diplomats frequently expressed the hope that increased prosperity and education would contribute to peaceful political evolution in the region. The thinking went that autocrats, such as Ben Ali in Tunisia or Mubarak in Egypt, would gradually be constrained by a more representative commercial and professional class, who would slowly assume more and more influence over government policy.

In the past the EU's Mediterranean member-states tended to enjoy the greatest influence over EU policy towards the southern Mediterranean countries. Successive governments in Rome, Paris and Madrid never bought into the type of conditional approach towards democracy and human rights that was applied in the EU's eastern neighbourhood policy. Indeed, the most visible evidence of EU conditionality appeared to be in response to Hamas's victory in Palestinian elections in early 2006, after which aid to the Palestinian Authority was suspended. The EU, however, continued to provide financial assistance directly to Palestinian citizens. (Since

7: European Commission, Annual Action Programme 2009, European Instrument for Democracy and Human Rights, http://ec.europa.eu/europeaid/documents/aap/2009/af_aap_2009_eidhr.pdf.

8: Iván Martín, 'Economic Integration in the Mediterranean: Beyond the 2010 Free Trade Area', European Institute of the Mediterranean, 2010.

2007, after the split between Fatah and Hamas, the EU has reintroduced funding to the Palestinian Authority in the West Bank and provided humanitarian assistance to Gaza.) Democratic elections seemed fine but only as long as Arab voters chose the 'right' party, as perceived by the West.

The making of the Mediterranean neighbourhood

In 1995, the EU negotiated a Euro-Mediterranean partnership with 12 states with an ambitious objective at its heart; a regional free trade agreement (FTA) by 2010 and corresponding governance reforms. The regional FTA never transpired. Even generally pro-EU Arab countries such as Egypt feared the political impact of removing subsidies on goods like food and fuel, while EU member-states like Spain and Italy did not want southern Mediterranean countries to compete too much with their own farmers. Algeria also had a deeply antipathetic relationship with Morocco while very few Arab countries wanted to enter trade negotiations with Israel, also a member of the Euro-Mediterranean partnership. The Barcelona declaration which launched the Euro-Mediterranean partnership paid lip service to democratic reforms and human rights but the EU failed to apply conditionality in its assistance to partner countries.

The EU also allocated funds to promote regional trade in North Africa as a precursor to a wider FTA. The Agadir Agreement was signed between Egypt, Jordan, Morocco, and Tunisia in 2004 but its real effect in boosting trade has been negligible. The signatories have not prioritised the implementation of this or other regional trade agreements. The result is that commerce between the Maghreb countries remains minimal. Time-consuming and erratic border controls persist between Algeria and Morocco, and between Libya and Tunisia. Other ambitious EU plans for the region such as linking a Maghreb electricity grid or a new Arab gas pipeline to Europe also came to nothing.

The stalling of co-operation in the Euro-Mediterranean partnership (otherwise known as the Barcelona process) prompted the EU to emphasise bilateral relations with southern Mediterranean countries that were willing to follow its direction, and to push for country-specific Association Agreements. This quickly brought results. For example, after the signing of an EU-Egypt Association Agreement, Egyptian exports to the EU increased by 21 per cent from 2004 to 2007. Certain industries clearly benefitted, such as textile producers in Egypt and Tunisia.[9] But negotiations on trade liberalisation were often skewed in favour of EU interests. Trade liberalisation in manufactured goods was prioritised, whereas agriculture was neglected. Europe saw advantage in the former but was highly protectionist of the latter sector. Today some senior EU officials concede privately that in previous trade deals the advantages to the southern Mediterranean countries were over-sold.

A further effort to boost trade between the EU and the southern Mediterranean was made in 2008, when the EU created the Union for the Mediterranean (UfM), a forum for political and economic co-operation, with a secretariat in Barcelona. This involved distinct European and Near East/North African blocs meeting as equals, but the concept was doomed from the start. First, EU member-states and the southern Mediterranean countries felt that President Sarkozy of France had pushed the initiative through without sufficient consultation. Second, as Europe lurched into an economic crisis, the UfM faced a funding shortfall. France tried to remedy this by requesting funds from the Gulf Co-operation Council (GCC) countries, and was rebuffed.[10] The GCC was insulted that France expected it to pick up the bill while having little substantive input into the policies and workings of the UfM. Meanwhile some member-states such as the UK and Sweden were concerned that the UfM was further diluting the already weak political reform and human rights clauses of the Euro-Mediterranean Partnership. Overall, there was a pronounced lack of enthusiasm for the UfM outside Paris.

> *"In the past the EU's Mediterranean member-states enjoyed greater influence over EU policy in the southern neighbourhood."*

The UfM was also an unbalanced relationship, and it was received with little enthusiasm in the Maghreb. The EU had a functioning single market and common institutions built up over decades; the southern Mediterranean had neither. The inclusion of Israel complicated matters – most Arab states do not have diplomatic relations with Israel and deeply resented the EU's insistence that an Israeli should be nominated as one of the organisation's Deputy Secretary-Generals. Today, ambitions for the role of the UfM Secretariat have been significantly scaled back; in 2013 it focused on regional investment and development, undertaking projects like building trans-Maghreb transport links and a desalination plant in Gaza.

9: Charles Grant, 'A new neighbourhood policy for the EU', CER policy brief, March 2011.

10: The GCC countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The GCC is a free trade area with a customs union, free movement of citizens and (stalled) plans for currency union.

A rotten deal?

By 2010 the European Commission felt that many of its partners in the Mediterranean were on the right track.[11] The Commission said that Egypt was doing particularly well, having put in place an adequate macro-economic policy to weather the global economic crisis. But it recommended that its southern Mediterranean partners should go further, stopping fuel subsidies to the industrial sector and eliminating food subsidies. President Mubarak did not end subsidies but did order some reductions. He also lowered tariffs to encourage food imports (as an alternative means of reducing food prices), but this caused deep resentment among millions of Egyptian farmers. European agricultural exports to Egypt soared, after Mubarak exempted 80 per cent of EU farm products from tariffs (pork being a major exception, for religious reasons).

In arguing for more free trade and a smaller public sector in the southern neighbourhood, the EU thought that it was contributing to the region's stability. But in reality Brussels' impact was more questionable, possibly even contributing to the rising tide of anti-regime sentiment in the region. One observer of EU policies in the Middle East wrote that "the kinds of formulae for enhancing growth pursued under the Euro-Mediterranean partnership were more likely to promote efficiency measures that cut jobs, at least in the short term, as opposed to generating them."[12] Investments, long encouraged by the EU, tended to be capital-intensive rather than labour-intensive. A third of all Egyptian graduates were unemployed in the months prior to the Arab Spring of 2011. On the surface, economic growth figures seemed impressive; in reality they masked a deep political and social malaise among southern Mediterranean countries.

In the past, if the state was perceived as oppressive and corrupt, at least it had provided large-scale employment. Now the role of the state in the economy was being scaled back. But in places like Cairo and Tunis there were too few private sector jobs. Access to credit was highly restricted: 40 per cent of private sector loans in Egypt went to approximately 30 companies, many of which were owned by families close to the ruling elite.[13] Inflation steadily increased, food prices soared and inequality rose. In short, economic liberalisation seemed only to reinforce a corrupt and unreformed circle of crony patronage.

Over the last decade the EU has slowly relaxed tariffs on agricultural and fisheries exports from the southern neighbourhood. Annual trade has risen correspondingly. Moroccan agricultural exports to the EU have risen from €724 million to €1.2 billion from 2002 to 2012 (making up 14 per cent of its total exports). But Morocco imports more agricultural products from the EU than the other way around (EU exports totalled €1.4 billion in 2012). Indeed annual EU exports have almost trebled since 2002. The EU has arguably benefitted more than Morocco through the lowering of tariffs on agricultural products. Meanwhile, annual EU agricultural exports to Egypt more than doubled from €621 million to €1.3 billion during 2002 to 2012. Annual agricultural exports from Egypt to the EU also increased, rising from €355 million to €727 million during the same period.

> *"Economic growth figures seemed impressive; they masked deep political malaise in southern Mediterranean countries."*

Although agriculture and fisheries only make up a relatively small percentage of most southern Mediterranean countries' GDP, the sector employs a disproportionate amount of the work force (for example, in Morocco agriculture contributes only to 15 per cent of GDP but is responsible for 40 per cent of the country's employment and almost 20 per cent of the country's exports).[14] Past agricultural agreements between the EU and southern neighbourhood countries have been modest in scope and tied to quotas. Nevertheless, they are largely responsible for the steady increase in food exports from the region.[15]

Previous EU agricultural deals with Tunisia also demonstrate the positive effect of even limited measures to reduce tariffs on agricultural products. Tunisia's agricultural exports to the EU have increased steadily during the last two decades (agriculture accounts for 14 per cent of GDP and employs 20 per cent of the Tunisian workforce). In 2002 the country's agricultural exports to the EU amounted to €149 million. Ten years later such exports had increased to €325 million.[16]

Agricultural exports from the region to the EU had increased from a low base. But in 2010 the Commission and some member-states concluded that it could generate much more substantial trade in agriculture and fisheries. Weeks before the Arab Spring erupted, the EU announced that it would consider easing restrictions on agricultural and fisheries exports from North Africa, and it held preliminary talks with Tunisia, Egypt and Morocco.

11: European Commission, 'Occasional paper, The EU's neighbouring economies: Emerging from the global crisis', 2010.
12: Rosemary Hollis, 'No friend of democratisation: Europe's role in the genesis of the Arab Spring', *International Affairs*, January 2012.
13: The German Marshall Fund of the United States, Istituto Affari Internazionali, 'New socio-political actors in North Africa: a transatlantic perspective', 2012.
14: Eurostat, 2013.
15: Eurostat, 2013.
16: African Development Bank, 'Distortions to agricultural policy incentives in Tunisia: a preliminary analysis', 2012.

Tunisia was the EU's closest partner among the southern Mediterranean countries prior to the Arab Spring. Despite being a brutal police state, it was the first southern Mediterranean country to conclude an Association Agreement with the EU, in 1998.[17] Tunis simultaneously launched an ambitious economic liberalisation programme in partnership with the EU, and it negotiated and implemented a free trade agreement. In 2004 the EU accounted for 81 per cent of Tunisian exports and 71 per cent of its imports. In 2010 the EU started a dialogue on service liberalisation with Egypt, Morocco and Tunisia. The Ben Ali regime also began negotiations with Brussels on aligning industrial standards through the EU's Agreement on Conformity Assessment and Accreditation process.

But, as in Egypt, the combination of liberalisation and an absence of meaningful political or judicial reform benefitted the elite close to the president instead of the masses of unemployed youth. In 2010, 75 per cent of young Tunisians expressed a desire to emigrate. Smaller Tunisian businesses were not equipped to compete with large conglomerates and access to credit was extremely limited. A global hike in food prices made matters worse. Corruption soared; Tunisia's ranking in the Transparency International corruption index fell by almost 30 places from 2003 to 2010. Ironically, graft was becoming more entrenched while Tunisia was being widely praised as a proponent of trade liberalisation by the EU. In 2008 French President Nicolas Sarkozy spoke warmly of Tunisia's progress as a leading partner of the EU: "What other country can boast of having advanced so much in half a century on the road to progress, on the road to tolerance and on the road to reason?"[18]

3. Revolution, rhetoric and a return to old ways

Street trader Mohammed Bouazizi's self-immolation in December 2010 struck a chord in Tunisia and across the Arab world. Bouazizi killed himself to protest against his treatment at the hands of local officials who had, he claimed, extorted money from him and confiscated his wares. A tale of corruption and an abusive police force resonated, and the uprising in Tunisia went regional. European leaders soon recognised that the days of Mubarak, Gaddafi and Ben Ali were numbered. Of the three, Gaddafi lingered longest; his brutal crackdown on the uprising led to a British- and French-led bombing campaign to secure his removal from power.

The EU admitted that its political relations with countries in the southern Mediterranean had been inadequate and misguided, and it sought to place its relations with the region on a new footing. In 2011, to show that the EU was serious about supporting democracy in the Maghreb, Commissioner Füle and High Representative Ashton introduced the 'more for more' principle. From now on financial assistance, mobility, and access to the EU single market would be conditioned upon democratic reform.[19] The new European External Action Service (EEAS) and the Commission published two documents – 'A partnership for democracy and shared prosperity with the southern Mediterranean' and 'A new response to a changing neighbourhood' – that outlined how the European neighbourhood policy (ENP) and other EU instruments could be used to advance democracy in Arab countries.

The second of those, published in May 2011, promised increased resources for the region in exchange for progress on democratic reforms and respect for human rights. In mid-2011 Füle announced that the EU would add €1.2 billion (principally for the southern Mediterranean countries) to the €5.7 billion already budgeted for Europe's neighbourhood policy from 2011 to 2013 inclusive. Ashton lobbied successfully for an extension of the European Bank for Reconstruction and Development (EBRD) mandate. The EBRD can now spend almost €2.5 billion in the southern Mediterranean countries annually. The EU also convinced the European Investment Bank (EIB) to immediately increase its funding to the region, primarily through its Facility for Euro-Mediterranean Investment and Partnership which provides funding to small and medium-sized enterprises (SMEs). In total the EIB is seeking to spend €6 billion in supporting the southern Mediterranean countries from 2012 to 2015.

> *"In 2011, to show that the EU was serious in supporting democracy in the Maghreb, Ashton introduced the 'more for more' principle."*

As part of the increased package of EU assistance Ashton and Füle announced initiatives to address more immediate economic constraints – alongside long-term trade liberalisation – such as credit for SMEs, education reform and infrastructure projects. The Commission is also committed to easing restrictions on some agricultural goods and industrial products from the Maghreb.

The agricultural and fisheries deal agreed with Morocco in 2012 gives some hope that the EU will encourage a substantial increase in exports from the region – with the caveat that the EU will reserve the right to impose

17: Kristina Kausch, 'Tunisia: The lives of others', FRIDE, 2009.

18: The German Marshall Fund of the United States, Istituto Affari Internazionali, 'New socio-political actors in North Africa: a transatlantic perspective', 2012; Kristina Kausch and Richard Youngs, 'The end of the Euro-Mediterranean vision', FRIDE, September 29th 2009.

19: The EU High Representative, Catherine Ashton, calls these "the 3 Ms – markets, mobility and money."

quotas if it feels that the market is too distorted. This is a significant, if limited, shift in EU attitudes and it is a particular blow for the agricultural lobby in Brussels that has vigorously opposed any move to increase agricultural exports from the southern Mediterranean countries. But only time will tell if the EU will resist pressure to invoke quota caveats in such deals.

During the last three years the EU has offered to negotiate deep and comprehensive free trade agreements with countries in the region, giving them a level of access to the single market close to that enjoyed by members of the European Economic Area. In 2011 and 2012 the High Representative and the Commission announced that such negotiations would be launched with Egypt, Jordan, Morocco, and Tunisia. At the same time the EU declared that it would also start a dialogue on "migration and mobility" (visas and border security) with the same four countries.

Ashton has tasked the EU Special Representative, Bernardino León, to better co-ordinate EU assistance to Egypt, Jordan, and Tunisia. But León's commitment to making aid conditional on countries' progress on democracy and human rights is in doubt: he showed little interest in democracy promotion during his time as a senior Spanish official and is reluctant to talk specifics on what 'more for more' means in practice. A joined up approach between León and his counterpart for the Sahel, Michel Dominique Reveyrand-de Menthon, has also proved elusive. However, on the whole Ashton and Füle deserve praise for their response to the Arab Spring. They have shown humility, made funds available and energised organisations like the EBRD and the EIB to take action in the southern Mediterranean.

To incentivise political reform the EU created a new fund called Support for Partnership Reform and Inclusive Growth (SPRING). It had a budget of €500 million for the years 2011-13 and is designed to reward and further support countries that have taken tangible steps on democratic reform. A separate fund to strengthen civil society in the Maghreb, with a budget of €22 million for 2012-13, was also established.

The EU has co-ordinated its assistance to its southern neighbourhood through the G8 Deauville Partnership that was established on May 27th 2011 under the French G8 presidency. The Deauville Partnership included not only the G8 countries but also the international financial institutions (IFIs) and other multilateral donors. This partnership consists of three pillars of assistance: governance, finance and trade. However, according to the EU, Deauville Partnership activities are mainly focused on the financial side – where the IFIs play a dominant role.[20] By contrast, governance and democratic reform are neglected.

Following the fall of Mubarak, the UK initially led calls for the EU to introduce a budget line in its multi-year funding mechanism for the region – the European neighbourhood and partnership instrument – that would reward democratic reformers. But London also understood that co-operation with Cairo on the Middle East peace process, counter-terrorism, energy, migration and the Suez Canal is simply too important for the EU to apply strong conditionality. This is an argument persistently made by a 'Quadro Group' of EU member-states in the eastern Mediterranean – Italy, Greece, Malta and Cyprus.

"EU member-states do not have sufficient funds to deal with the economic problems in the southern neigbourbourhood."

Despite grumblings from the southern EU member-states, a consensus is emerging among their northern counterparts that if Arab Mediterranean governments backslide on reforms, political dialogue, co-operation and aid will continue, but at a lower level. Such countries will not be eligible for additional EU funds under a special budget line to reward democracy and human rights performance. Specific region-wide democracy and human rights criteria will be established, to reduce the risk of inconsistency or favouritism.

For this approach to work a sizeable (and therefore tempting) level of funding must be made available. This is currently not the case. The fund established to reward reformers, SPRING, is limited, and the criteria for its disbursement are unclear. Democracy promotion in the southern neighbourhood is currently under-resourced. The EU is supposed to be able to support grass-roots democracy in a timely way through the newly-created European Endowment for Democracy, which became operational in 2013, and can help the development of democratic parties. But with a budget of only €14 million, its effect in the southern Mediterranean will be very limited in the short to medium term.

The EU has also put a lot of faith in increased regional co-operation with the Arab League. EU officials say that they are committed to developing Arab League crisis management capabilities, including through the recent funding of an operations room at the Arab League headquarters. But there are risks: on Syria, the EU painted itself into a corner by delegating the political lead to the Arab League. The League split badly, especially over how to deal with Assad. Countries such as Qatar and Saudi Arabia wanted strong action against the regime in Damascus, while Iraq and Lebanon favoured a more conciliatory approach. Negotiations with Damascus quickly came to nothing.[21] Worse, the Arab League

20: European Commission, 'The EU's neighbouring economies: Managing policies in a challenging global environment', August 2013.

21: 'Arab league split over Syria', *The Guardian*, January 16th 2012.

secretariat is deeply flawed; its personnel often pursue national interests rather than those of the organisation. This is unlikely to change. So the EU should look beyond the Arab League to other mechanisms for security co-operation in the region.

Because of the economic crisis, EU member-states do not have sufficient funds to deal with the daunting economic problems in the southern Mediterranean countries, even if the governments in the region were willing to do exactly what the EU wanted. Given the lack of enthusiasm among member-states for a major injection of funds in this region, the EEAS and the Commission have done relatively well in their fundraising efforts.

However, the biggest problem is not funding but the EU's inconsistency across the region. Conceptually, 'more for more' makes sense; but putting it into practice has proved difficult on a country by country basis.

Tunisia – some success?

EU member-states routinely celebrate Tunisia as being the outstanding political and economic reformer in North Africa. Indeed, relative to other southern Mediterranean countries, Tunisia has made a lot of progress: the elections have been fair, the transition process inclusive and the security forces have limited their political role.

For the period 2011 to 2013, the EU almost doubled its financial assistance to Tunisia, from €240 million to €400 million, with a special focus on credit for small and medium enterprises. In total, nearly €4 billion (including approximately €2.5 billion in loans and €1.5 billion in development assistance) could be made available to support Tunisia's transition from 2012 to 2015. Of that amount €3 billion comes from EU institutions, EU banks and international institutions (such as the African Development Bank, Islamic Development Bank, International Monetary Fund and World Bank), and €1 billion from EU member-states. But this is still nowhere near enough to reverse Tunisia's problem of chronic youth unemployment (which amounted to 30 per cent in 2012 and has increased by a quarter since the Arab Spring, according to the IMF). At the beginning of 2013 a party linked to the former Ben Ali regime surged in public opinion polls, indicating voters' desperation for economic improvement. In October 2013 the ruling Islamist party, Ennahda, agreed to step down in favour of a caretaker government in order to quell rising civil unrest and political deadlock. New elections are expected in 2014.[22]

As part of its overall support package to Tunisia the EU has pledged €53 million to reform Tunisia's security forces. SPRING funding for good governance and economic reform amounted to €100 million for 2011-2012 and a further €40 million was allocated for 2013. The EU also provided technical assistance to the Tunisian electoral commission and an observer mission to oversee its presidential and parliamentary elections.

> *"Conceptually, 'more for more' makes sense; but putting it into practise has proved difficult on a country by country basis."*

However, the EU must stop prematurely celebrating Tunisia's 'success' and pay attention to worrying trends. For instance, if implemented, the draft constitution presented in May 2013 could impose severe limitations on the freedom of expression, assembly and association. Europe needs to make clear that deviation from democratic standards will have negative consequences for future relations.

While the EU and its member-states account for more than half of Tunisia's aid, new major donors have emerged, such as Qatar. Doha has provided loans close to $1 billion. Most large foreign-funded infrastructure projects now originate from the Gulf.[23] This increase in aid from the Gulf creates a need for stronger donor co-ordination. Unfortunately, there is no effective mechanism for the EU and the Gulf countries to agree on a joint approach. The absence of an EU delegation in Doha and, until recently, in Abu Dhabi, has not helped.

Egypt's uncertain future

The overthrow of Mohammed Morsi in a military coup in July 2013 caught the EU by surprise. The EU was slowly coming to terms with the prospect of a Muslim Brotherhood-ruled Egypt. EU Special Representative Bernardino León had worked assiduously to cultivate relationships with leading members of the Brotherhood. But, as one senior EU official observed in the days after the coup, "We over-estimated the capacity of the Brotherhood to govern." EU diplomats believe that Morsi played his hand badly, picking too many fights in his first year as president. He was determined to challenge a judicial system that he saw as being inherently biased against his administration. He over-reached by proposing to place his presidential authority above that of the law.

22: 'Tunisia expects $750 million in World Bank, IMF loans soon, plans sukuk issue', *Reuters*, October 28th 2013.

23: Edward Burke and Sara Bazoobandi, 'The Gulf takes charge in the MENA region', FRIDE 2010.

He was dismissive of parliament and tried to dilute its powers.[24] The new constitution which he introduced also appeared to substantiate fears that the parliament and the judiciary would be marginalised by an ever more powerful president.

After the 2011 uprising, the Egyptian response to the EU was very different from that of Tunisia. Following Mubarak's fall, neither senior army officers in Cairo nor the Muslim Brotherhood wanted to grant outsiders a strong role in the country's transition process. The EU made repeated offers of assistance to the interim government, but was rebuffed. An EU offer to send an observer mission for the parliamentary and presidential elections was also turned down. Economic negotiations were put on hold.

Despite the reluctance of the military and Morsi to accept a more overt EU role, the EU did provide considerable assistance to Egypt in 2012 and early 2013. In total, the EU allocated €449 million. The EU also offered advice to the electoral commission and trained over 1000 local and independent electoral observers. But EU oversight of its assistance is weak. In June 2013 the European Court of Auditors complained that EU assistance to Egypt was being wasted due to a "endemic corruption" on the part of Egyptian officials.

At a meeting between EU and Egyptian officials in November 2012, the EBRD, EIB, European Commission and others announced €5 billion in potential assistance to Egypt over two years from 2012 to 2013. The EU pledged that, pending approval of an IMF loan, it was willing to provide up to €500 million in monetary and fiscal support and up to €450 million in concessionary loans. It would also assist with €90 million from the SPRING programme and €163 million from the EU's neighbourhood partnership and investment facility. The EU, the EIB and the EBRD also announced a number of programmes aimed at providing loans to smaller businesses in the country.

Some member-state diplomats believed that the EU-Egypt meeting was poorly timed, coming a few weeks before a new constitution was due to be announced, and that the EU was giving away its incentives for reform prematurely. In hindsight they were correct. A few days after the meeting, Morsi announced several undemocratic measures, including the suspension of parliament.

In January 2013 European Council President, Herman Van Rompuy, again offered to send a full observation mission to the forthcoming parliamentary elections. These elections were postponed following a decision by the Egyptian courts in March 2013 to review a controversial election law that opposition activists claimed favoured candidates affiliated to President Morsi. Since removing Morsi from power, General Al-Sisi has promised new elections at some point. It is likely that the EU would once more offer election observers.

The EU's failure to foresee or avert the coup against President Morsi led to criticism from European capitals. But on July 17th 2013, Catherine Ashton visited Cairo for talks with the new interim president, Adly Mansour, and Egypt's newly-appointed government. She urged the release of former President Morsi and other political prisoners incarcerated since the coup earlier that month. The Egyptian government ignored her request, but said they looked forward to a good working relationship. Ashton's personal determination and the skill of EU diplomats in Cairo secured a unique meeting between her and the imprisoned Morsi – and Ashton has continued to press for a mediated solution to the increasingly violent standoff between the military and its supporters and those aligned with Morsi.

"Greece and Italy believe that Egypt is simply too important strategically and economically to be sanctioned by the EU."

After the interim government cracked down on pro-Morsi protestors, on August 21st 2013, the EU decided to restrict the sale of certain arms to Egypt. Current and proposed SPRING funded projects are also under review. But for all Ashton's efforts there is little chance that the EU will introduce much more conditionality to its relationship with Egypt. Mediterranean EU member-states such as Greece and Italy believe that Egypt is simply too important strategically and economically to be sanctioned by the EU. These countries are reluctant to go along with the rhetoric of 'more for more'; they are alarmed when the UK, Denmark and other northern member-states try to give the policy some teeth. The EU is currently reviewing its overall assistance to Egypt in the wake of the military coup – the debate on future EU-Egyptian relations has only just begun. In the interim Egypt's political situation and economy continues to worsen – according to the IMF unemployment is up by a quarter to almost 15 per cent since the beginning of the Arab Spring. Despite short-term financial support from Gulf countries to the military-installed regime, FDI has plummeted, from 3.6 per cent of GDP in 2010 to 0.8 per cent in 2012.[25]

The EU is now in a difficult position. It is afraid to take sides but clearly regrets that the shoots of a new Egyptian democracy have been cut down in an old-fashioned exercise of power by the Egyptian military. But Egypt will not fix itself and the EU should urge a credible external interlocutor, such as a UN special representative, to take charge of a dialogue to establish a transition process away from military rule. The Muslim Brotherhood and its leaders cannot be excluded from that process.

24: David Hearst, 'Mohamed Morsi is changing the balance of power in Egypt', *The Guardian*, August 13th 2012.

25: European Commission, 'The EU's neighbouring economies: Managing policies in a challenging global environment', August 2013.

Libya – The wait for a state

Baroness Ashton was very proud that the EU established a delegation in Libya in the initial days of the revolt, before the fall of Gaddafi. The EEAS used the EU flag flying over Benghazi as a poster image to underline its effectiveness in foreign policy. But, as in Egypt, successive EU overtures to assist the interim government were rebuffed. Nevertheless in 2012 the EU did provide both technical assistance and a limited observer mission to parliamentary elections in Libya. In the period 2011-13 it has also made more than €100 million available for projects related to public administration, economic development, migration, education and support for civil society. In 2011 the EU also played a vital role in unfreezing Gaddafi family assets and illicit revenues for the new authorities to use, and convincing others at the UN and elsewhere to do the same.

Libya has the largest proven oil reserves in Africa and is a key energy supplier to southern Europe. (In 2010, Italy, France and Spain relied on Libyan oil for 22 per cent, 16 per cent and 13 per cent respectively of their consumption.) It is important that the EU works to consolidate Libya's brittle democratic institutions, including building up its parliament and civil service. To date, funding for such assistance is limited, not least due to the reluctance of the interim government to accept it. Some member-state diplomats admit that other crises in the region have distracted the EU's attention, and are now alarmed at how little political influence the EU is exerting on the ground in Tripoli. EU diplomats say the EU delegation is under-staffed and has suffered from lack of direction. There is also some frustration that the EU is not playing a prominent role in encouraging greater understanding between Libya's factions. The government's passing of a 'political isolation' law in May 2013, forbidding former Gaddafi regime officials from holding political office for ten years, is another step backward in a deeply divided country. The government should certainly punish those responsible for human rights violations and criminal activity – but the ban applies to officials in key ministries such education and agriculture, many of whom have badly needed expertise.

"The EU should work to consolidate Libya's brittle democratic institutions, including building up its parliament and civil service."

The EEAS has trumpeted its success in creating a border security mission in Libya, intended to help the Libyan authorities secure their air, land and sea borders by offering training and advice. The mission is due to start at the end of 2013. But some member-state diplomats are concerned about the cost of the mission and the risks involved in training border guards whose loyalty, in the absence of a functioning central government, may be to militias instead of the state. Moreover, the EU mission will not be deployed to Libya's southern borders, which are considered too dangerous. What is the purpose of the mission if it cannot deal with the most pressing border security problems, such as the freedom of movement of criminal and insurgent organisations in the southern desert? EU officials accept that there is some confusion over the mission's operations but say that the High Representative and some member-states (especially those bordering the Mediterranean) strongly wish to see a mission in Libya regardless. Ashton feels that she needs to be seen to do something on Libya and a border mission is another way of 'flying the flag'. The success of such a mission, however, depends upon a coherent government emerging in Tripoli.

Palace-led reforms: A mirage in the desert?

Jordan and Morocco merit attention, both because there has been no revolution in those countries, and because the regimes have traditionally been close allies of the EU. Morocco was the first southern Mediterranean country to negotiate an 'Advanced Status' relationship with the EU, in 2000. This gave Rabat access to EU programme funds normally reserved for member-states, and committed Morocco in turn to reforming its economy according to the standards of the EU's internal market. Jordan is also well on the way towards becoming the second southern Mediterranean country to complete Advanced Status negotiations. Both have been islands of relative stability in a turbulent region. The EU now says it believes that both countries are on the path to democracy and have learned the lessons of the Arab Spring.

Applying conditionality to Jordan and Morocco is far from straightforward. EU officials acknowledge that there is a strong incentive for a country such as Spain not to risk undermining short-term security co-operation with Morocco, even if Rabat backtracks on reform commitments. Morocco is an important and growing trade partner for Madrid, at a time when the Spanish economy needs all the help it can get. Similarly, when Syria is imploding, Lebanon at risk, Iraq unfriendly and Egypt uncertain, many countries do not wish to take a tough line with Amman, which is under strain from accommodating more than half a million Syrian refugees, alongside the Iraqi and Palestinian refugees already there.

Between 2011 and 2013 the EU committed €580 million to help develop Morocco's economy and improve governance. Morocco already enjoys free trade access to EU markets for most industrial goods. But in early 2012 Morocco concluded an agreement with the EU that greatly improved access for the Moroccan agricultural and fisheries sectors, which employ almost 50 per cent of the Moroccan work force.[26] Some key Moroccan agricultural exports, including tomatoes, will continue to be restricted by quotas. Overall quotas for Moroccan food exports are under annual review and can be reduced "to counter distortion of the EU market".[27]

Morocco's Advanced Status was granted just after the accession of King Mohammad VI in 1999, and before the country's reform process had begun in earnest. Rabat's more recent reforms, including the handing over of some power to the formerly banned Party for Justice and Development, have surprised many. The King has accepted that a prime minister from the party with the largest share of the vote should be automatically appointed to lead a government (with the cabinet chosen by the prime minister and not the King). The EU has responded quickly to this opening, seeking to reduce corruption, improve governance and speed up reform of the justice sector. It has allocated €75 million for budget and administrative transparency and €50 million for justice sector reform. In March 2013 the Commission announced that it would take steps to facilitate a simpler visa application process for Moroccan citizens. Rabat has also significantly deepened its relations with the Council of Europe on human rights and constitutional reform, promising to introduce legislation to meet Council of Europe standards.

But Morocco still has a long way to go. The palace exerts considerable influence over the country's judiciary and the allocation of the budget, and has complete control over the security services.[28] And criticising the King remains a criminal offence, even for members of parliament. So far Morocco has received €115 million in SPRING funding from 2011 to 2013. Funding in the future should be dependent on evidence of more reform.

Jordan has not progressed to the level of Morocco. The EU has taken King Abdullah at his word that the country is on a path to democracy. Catherine Ashton and the president of the European Commission have frequently praised the King for re-stating his commitment to create an independent judiciary and an independent electoral commission to oversee an empowered parliament. The Jordanian parliament made forty-two amendments to the country's constitution and introduced new laws on political parties and elections. The King also signed legislation to create new municipalities with devolved powers. In 2011 and 2012 the EU came up with a list of reforms which it 'invited' the King to make. Relations between the High Representative, the Commission and the King are believed to be excellent.

In contrast, relations between the EU and Jordan's main opposition party, the Muslim Brotherhood-led Islamic Action Front, are strained. The Islamic Action Front believes the EU is at best naive and at worst insincere in its support for democratisation in Jordan. They argue that since his accession in 1999, King Abdullah II has promulgated law after law, ostensibly to advance democracy, but in reality has not ceded any executive power, including over government appointments. The Islamic Action Front has consequently refused to take part in (yet another) national dialogue on building democracy. The EU's response, however, has been to increase assistance to Jordan by allocating SPRING and other funding as a reward for its supposed commitment to democratisation. This is regrettable – running contrary to the lessons the EU claims to have learned from the Arab Spring in Egypt and Tunisia. Rather than taking the Jordanian government at its word, the EU should apply conditionality and withhold SPRING funds until reforms are implemented.

"The EU should moderate its rhetoric on conditionality and democratic reform in Jordan, or it will sound less credible."

Criticism of Jordan's glacial tempo of reform grew louder in April 2012, when the country's royally-appointed prime minister resigned because the King was not honouring reform pledges, and because new legislation aimed to preserve the status quo. The new electoral law fell short of expectations, barely increasing the very limited number of seats which political parties were able to hold.[29] And new municipal boundaries, drawn by the government, favoured supporters of the King. The EU appeared to be deaf to such concerns. A few days after the prime minister's resignation, Commission President Barroso announced that the Commission would reward Jordan for its democratic reforms by granting the country €30 million in SPRING funding, with a further €40 million to be made available later in the year (from 2011 to 2013 Jordan will have received a total of €91 million of SPRING funds).[30]

26: Toby Vogel, 'MEPs back Morocco trade deal,' *European Voice*, February 26th 2012.
27: The European Parliament, 'Green light for EU-Morocco trade deal', February 16th 2012.
28: Swedish section of the International Commission of Jurists, 'Submission to the Human Rights Council - 13th Universal Periodic Review on Human Rights', 2012.
29: Project on Middle East Democracy, 'Jordan's new electoral law', April 16th 2012.
30: European Commission, 'Statement by President Barroso following his meeting with King Abdullah II of Jordan', April 17th 2012.

In January 2013, Jordan held parliamentary elections. Many opposition activists boycotted the polls; others participated but claimed that the flawed legal framework prevented any chance of an opposition victory or a significant gain in seats. One expert on Jordan concluded that "it is hard to talk about the new parliament – largely made up of tribal palace loyalists and a scattering of weak political parties – as truly representative or empowered to push through much-needed, and potentially painful, political and economic reform."[31]

EU member-states such as the UK must also improve their performance. Although London has pushed harder than most in Brussels to get the EU to live up to its rhetoric of rewarding reformers, British policy is far from consistent. When it comes to the realities of dealing with individual countries, London, like the EU, has sometimes fallen short. In 2013, as part of its G8 Presidency, the UK government announced that it would co-chair an Arab Spring 'Transition Fund' together with Jordan, to the despair of many democracy activists in Jordan and the region.

The EU's development assistance to Jordan will total €223 million from 2011 to 2013 (excluding SPRING funding). Tariffs are being dismantled as part of on-going trade talks convened under the EU-Jordan Association Agreement. As in other parts of the Mediterranean, the EU's development focus has put a new emphasis on governance and smaller businesses. The EU is also supporting a number of technical assistance programmes aimed at improving Jordan's public administration. Meanwhile, negotiations on a deep and comprehensive free trade agreement are underway. And, as with Morocco, the EU is negotiating an agreement to relax visa policy. But Jordanian officials complain that Brussels is asking for too much progress too soon on these issues. Jordan's civil service lacks the capacity to prioritise highly complex negotiations with the EU.

At the beginning of 2012, Catherine Ashton said that Jordan was developing into a "democratic, constitutional monarchy" and that "for Jordan, 2012 will be the year of delivery".[32] Looking back at events since then, she must wish she had been less bullish. The EU should moderate its rhetoric on conditionality and democratic reform in Jordan, or it will sound less and less credible to governments, opposition parties and civil society alike in the region. And it should stop rewarding a stalling Jordan with SPRING funds.

Algeria: The dog that didn't bark?

At first glance Algeria seemed to have all the right ingredients for Arab Spring contagion: an ageing dictator, corrupt institutions and high levels of youth unemployment at almost 20 per cent.[33] But a more careful analysis reveals a country exhausted by almost a decade of war. Political opposition used to be expressed through the prism of political Islam. But the radicalisation of the Islamists during the brutal civil war of the 1990s, and their violent repression by the government, spooked many erstwhile Islamist supporters. Since then, the powerful Algerian security apparatus has heavily restricted the Islamist movement, much more than the Muslim Brotherhood in Egypt before the Arab Spring. Some Algerians are also fearful that another rebellion would reopen simmering ethnic tensions between the Arab and Berber populations.[34]

Unlike in Egypt and Tunisia, the Algerian army does not see itself as being institutionally separate from the country's rulers. Rather, it views its fate as being linked to that of President Abdelaziz Bouteflika. In 2004, Bouteflika ruthlessly asserted control over the military when it became known that certain generals favoured a rival candidate in presidential elections. Bouteflika moved swiftly, sacking a number of senior officers including the chief of staff. Thus, a combination of the absence of a credible opposition movement, war weariness and a chastened military meant that the protests that took place in Algerian cities in early 2011 failed to ignite a larger movement for regime change.

"The EU should make clear to the Algerian government that without reforms the country cannot be put on a sound political footing."

But the Algerian government is nervous. After the Arab Spring President Bouteflika moved quickly to announce an easing of restrictions on civil society and claimed that he favoured a more empowered parliament. Previously, bolstered by its position as a major hydrocarbons exporter, the Algerian government had not seen the need for significant political or economic reform. In December 2011, the minister for the interior announced that the diversification of the country's economy away from an excessive reliance on hydrocarbon exports was now a priority. The government now knows that it must lance the boil of youth unemployment. Gone, too, is the prickly attitude of Algeria towards the EU, which marred relations in the past. In early 2012 Algeria for the first time began negotiations with the EU about possible reforms as part of the European neighbourhood policy.

31: Julien Barnes-Dacey, 'Does Jordan's election change anything?', ECFR, January 30th 2013.
32: European External Action Service, 'EU-Jordan task force: Co-chairs conclusions', February 12th 2012.
33: 'Algeria must tackle youth unemployment', *Reuters*, January 26th 2011.
34: Akbar Ahmed, Frankie Martin, 'The Kabyle Berbers, AQIM and the search for peace in Algeria,' *Al-Jazeera*, February 24th 2013.

The EU has rightly welcomed the recent thawing of relations with Algeria. In late November 2012 Catherine Ashton announced three new financing agreements to help provide loans to small and medium businesses and develop Algeria's transport infrastructure. Algeria has also improved its relations with Morocco after many years of hostility linked to the conflict in Western Sahara (Algeria supported the pro-independence Polisario movement). These are all good steps. Since the conflict in Mali, and the attacks on the Algerian gas facility at In Amenas in January 2013, Algiers and the EU have shown greater willingness to co-operate on security issues as well.

Algeria's reforms however, are too piecemeal to bring about meaningful democratic change. The moves towards political liberalisation announced in 2011 have had little effect in practice. Activists are routinely harassed if they are seen to be too critical of the government. Human Rights Watch has concluded that "new laws, the lifting of the 19-year-long state of emergency, and both constitutional and electoral reforms did little to allow Algerians greater freedom to associate, form political parties, or express their opinions". The right to public assembly is almost non-existent.[35] The EU should make clear to the Algerian government that without further reforms the country cannot be put on a sound political and economic footing. The president is ill and it is an open question as to how long a decrepit system of governance can survive his demise.

The search for a plan in Syria

The EU institutions and member-states are the largest humanitarian donors to Syria, and committed over €1.5 billion by October 2013. The Union deserves credit for moving quickly to divert humanitarian aid to deal with a rapidly escalating humanitarian crisis in refugee camps in countries bordering Syria. But continued support for President Assad from supporters like Russia and Iran has limited the EU's ability to persuade or coerce the Syrian regime into ending violence and starting a political process.

Since October 2011, the EU has repeatedly called for Assad to go but has been unable to make any progress towards that end. Indeed, the Union has been a fringe player in Syria. It has been unable to forge a coherent political opposition or an effective military opposition, or even to create a chain of command to link opposition political and military leaders, who have become increasingly faction-ridden. Extremist armed groups, supported financially and militarily by Saudi Arabia and the Gulf States, are growing in influence and many Syrians (including large sections of the Alawite and Christian communities) feel compelled to support the Assad regime for fear of slaughter by sectarian opposition groups.

For more than two years the EU has been unable to agree on possible military options, such as supplying arms to more moderate elements in the opposition Free Syrian Army. There have also been transatlantic differences of opinion about how to proceed on Syria. In May 2013 several member-states, including France and the UK, argued for the lifting of an EU arms embargo in order to arm rebel groups, even though US President Barack Obama was not in favour. The proposal was also initially opposed by Sweden and the Netherlands among others. Paris and London succeeded in getting their way and the embargo was lifted. But both countries subsequently backed away from arming the rebels over concerns that weapons would fall into the hands of extremists. Meanwhile, the British and French move angered Moscow, which immediately completed an arms deal with the Assad regime that it had put on hold in the preceding months, pending proposed peace talks in Geneva. Other proposals for 'no-fly zones' from France have come to nothing, highlighting Europe's continued dependence upon US support to act in its neighbourhood.[36]

"The EU has repeatedly called for Assad to go but has been unable to make any progress towards that end."

Following the alleged use of chemical weapons by the Assad regime in August 2013, the US and Russia came to a bilateral agreement on the removal of such weapons from Syria, without any European involvement (even though France was ready to use force alongside the US to punish the Syrian regime).

Despite all this, there are still useful steps which the EU should take to promote a peaceful solution in Syria. It should redouble its efforts to turn the political opposition into a credible interlocutor for planned peace talks, while simultaneously reassuring those around Assad that talks will involve compromise, not regime capitulation and summary justice at the hands of the opposition. The EU should take steps, including through the supply of equipment, weapons and training, to ensure that armed groups representing moderate and secular interests are not overwhelmed by more violent extremists.

35: Human Rights Watch, 'Algeria: Activists barred from World Social Forum', March 26th 2013.

36: Richard Gowan, 'A more hawkish EU gives US second thoughts', *World Politics Review*, May 13th 2013.

Europe falls short

Overall EU and member-state assistance to the countries of the Arab Spring has been limited compared with the resources that Europeans have mustered for military operations and development assistance programmes in countries such as Bosnia, Afghanistan, Iraq or Kosovo. The EU has contributed over €2 billion in aid to Kosovo, a country with a population of 1.6 million, while the UK alone has spent almost €20 billion on military operations in Afghanistan since 2001.[37]

Catherine Ashton likes to make repeated references to the '3 Ms' (money, markets and mobility) as the critical tools for solving the southern Mediterranean countries' political, social and economic problems. Conceptually, these are all good ideas. But in reality the three components of her plan have fallen short of the level of support required to transform the region.

Given the fast-growing population of the southern Mediterranean countries, their high levels of unemployment and their brittle political structures, the money the EU has put on the table will not go far towards alleviating the region's problems. Very little progress was made on mobility in the last year and this is no indication that a major expansion of work visas for southern Mediterranean country citizens will be introduced in the coming years. Southern EU member-states still do not wish to expose their agricultural sectors to the type of open competition that would offer significant economic benefits to the southern neighbourhood. Nevertheless, the proposed DCFTAs for countries in the region would extend significant benefits: the alignment of trade regulations between the southern Mediterranean countries and the EU would remove a major obstacle to improving economic ties.[38] But reaching an agreement will be slow; it took five years for Ukraine and the EU to thrash out a DCFTA that still remains unsigned.

The EU is not used to dealing with newly-empowered Arab electorates. Brussels has assumed that its 'more for more' approach is self-evidently welcome and popular in the region. This conclusion is wrong. Many new political parties in the region show little interest in Europe's liberal model for growth. Cutting most subsidies or liberalising markets too soon would be akin to political suicide for governments that are newly responsive to the popular wishes of the street. Their language is still one of state-provided benefits. Even in more reform-minded Tunisia, the Ennahda-led government proposed a major expansion of public employment in 2012. Many unemployed youth in Tunisia were outraged when the government failed to deliver upon this pledge (in part because of opposition by the IMF and other donors).[39]

"Brussels has assumed that its 'more for more' approach is self-evidently welcome and popular in the region."

Despite the unpopularity of liberal economic prescriptions, some of the new leaders in the region can see the need for economic reform. Ironically, it was former Egyptian President Mohammed Morsi who observed that economic liberalisation by the Mubarak regime failed not because it was intrinsically a bad idea, but rather because the game was rigged from the start; only the elite could penetrate the country's corrupt bureaucracy and financial sector to set up and maintain private sector enterprises.[40] He argued that liberalisation should be done slowly, in a way that did not create new oligarchs and/or send commodity prices spiralling to new highs. Moreover, Morsi complained that Egypt's "deep state" – a powerful, entrenched bureaucracy of military and civilian officials – prevented elected representatives from making much-needed reforms. Morsi was right; US scholars have similarly illuminated this problem of overly-powerful bureaucracies in the region.[41]

Europe will have to work hard to show that the deals it strikes with governments across the Maghreb will benefit the many as opposed to the few. The EU should get involved more actively in civil service reform, for example through 'twinning' arrangements between institutions in EU member-states and in the region, and through promoting transparency and effectiveness in the civil service and the judiciary.

37: European External Action Service, http://eeas.europa.eu/delegations/kosovo/eu_kosovo/political_relations/ and James Kirkup, 'Afghan war will cost British taxpayers £20 billion by time mission is complete', *Daily Telegraph*, May 19th 2013.

38: In the case of Ukraine, a DCFTA with the EU is expected to yield a 0.5 per cent boost in annual GDP to Kyiv. Mark Hellyer and Valeriy Pyatnitsky, 'Selling to the EU under the DCFTA: Explaining the Benefits of the Deep and Comprehensive Free Trade Agreement (DCFTA) between Ukraine and the EU', October 9th 2013.

39: Lahcen Achy, 'Ennahda proposes big spending to stimulate Tunisia's economy', *al-Hayat*, April 17th 2012.

40: 'Egypt vows structural reforms, meets US executives', *Associated Press*, September 9th 2012.

41: Nathan Brown, 'Egypt's wide state reassembles itself', *Foreign Policy*, July 17th 2013.

4. Recommendations

Before the Arab Spring, a report in the *Financial Times* observed that the Middle East and North Africa require "an economic transformation far greater than, say, the Industrial Revolution in late 18th century England or its successor in the US more than a century later, which was accompanied by mass immigration, social upheaval and, crucially, political reform."[42] Political transformation has arrived in parts of the southern Mediterranean. But if political transformation fails to yield economic development, then newly appointed governments in the region will not survive. And the end of their writ will likely give way to chaos and a power vacuum.

The EU will need to significantly increase its assistance to the southern Mediterranean, working to cut corruption and create jobs while being sympathetic to the potentially destabilising consequences of a hasty privatisation of state assets. The EEAS and the Commission acknowledge the severe limitations of relying upon free trade agreements as the principal means to deal with the economic woes of southern Mediterranean countries. These will take years to negotiate and implement. New, democratically elected regimes have no chance of survival if they cannot deal immediately with spiralling unemployment figures and worsening poverty. Large loans from the IMF and others will continue to be required. However, a purely technical approach to government financing will not suffice. The EU will need to be politically flexible and responsive to the situation in each southern Mediterranean country.

Eight steps

Europe can take a number of steps to help improve the situation in the region. These are not a long-term panacea for all its ills but are realistic options that the EU could implement now.

First, European democracy assistance to the southern neighbourhood should be increased. The long-promised European Endowment for Democracy needs more resources to respond to opportunities to support democracy in a rapidly evolving region. Recipient countries such as Libya and Egypt have been reluctant to allow Western democracy donors to establish a strong presence. But genuine opportunities exist to consolidate reform in countries such as Tunisia and Morocco. For example, training is urgently required for inexperienced legislators in parliaments with newly expanded powers. And Europe should not give up on Libya's interim government and parliament, however troubled they are.

The EU needs to focus most of its democracy promotion resources, however, in those countries where there is a potential for real reform. If Morocco, and possibly Tunisia, are the only countries continuing to move towards reform, then limited special funds such as SPRING should be directed towards these countries and not spread out ineffectively.

Second, and linked to the first recommendation, Europe needs to moderate its rhetoric on democracy and conditionality. The EU should reward genuine reformers and some aid should be conditional. But neither is it in Europe's interest to stop all co-operation in places like Egypt or elsewhere if reforms are not enacted. It is very unlikely that the EU will cut off all co-operation with an Egyptian or Jordanian government that is reneging upon its reform commitments – and it would be unwise for the EU to do so. But where such obvious foot-dragging does occur, the EU should simply stop giving governments funding for reform (e.g. SPRING funds) that is not happening. For example, successive national dialogues have been held in Jordan to write reports on what reforms are required to move towards democracy. European NGOs such as the Club of Madrid have played a role in facilitating such dialogues. There is no need for another; the conclusions are always the same but the executive is simply unwilling to implement them.

> *"New, democratically-elected regimes have no chance of survival if they cannot deal with unemployment and poverty."*

The EU should emphatically not try to pretend that there is progress on reform, so as to justify its short-term security interests. That would be a return to the old, failed methods and empty statements that characterised EU political engagement in the region prior to the Arab Spring.

Third, the EU should encourage civil service reform in the region. The EU has to get much better at convincing political leaders and civil society that future agreements on economic co-operation must benefit the many as well as the government and business elite. A vital aspect of this is a civil service which delivers public services effectively and transparently, and has the capacity to engage with the EU in negotiating and

42: 'Restive youth a matter of national security', *Financial Times*, June 2nd 2008.

implementing the trade agreements needed to kick start the economic development of the region. The complex process of negotiating trade agreements is currently slowed down by two factors: i) political concerns over the benefits of trade liberalisation and ii) a lack of civil service competence or will to negotiate and implement agreements. Countries such as Tunisia and Morocco have the public service capacity to deliver on the terms of a trade agreement. Egypt and Jordan, however, require greater reforms and training support for key civil servants. Europe should also insist that development assistance and loans benefit a wide range of recipients, and are seen to do so. European funds should not be channelled to or via governments that are unwilling to be transparent about their spending or to deal with large-scale corruption. Turning a blind eye to such excesses is indefensible with publics at home and in the region.

Fourth, the EU should encourage the IFIs, regional banks and Gulf countries to provide more loans to small and medium-sized businesses. The EU should also play a role in identifying and spreading best practices. Although several North African governments provide loans to smaller businesses, there is a lack of information on success rates, barriers and funding gaps. Many viable businesses fail to qualify for government support due to technical problems. These barriers must be systematically identified and overcome if additional funds are to be effective.

Fifth, the EU should intensify its efforts to promote a regional, North African trade agreement as a further means of enhancing growth and stability in the region. Helping to overcome obstacles and to resurrect the Agadir talks on a regional free trade agreement should be a priority of EU co-operation with the countries of the Maghreb.

Sixth, the EU should redouble its efforts to support judicial reform. The consistency of the application of the law and the independence of the judiciary are crucial tests for any emerging democracy, and essential to creating favourable business conditions. If countries such as Morocco and Tunisia are serious about democratic reform, then building an independent and competent judiciary must be an urgent priority. It is inherently in Europe's interest to ensure that a strong judiciary emerges in the southern Mediterranean countries, so that, for example, it can apply economic legislation on free trade agreements and intellectual property. But to date efforts by the UN and other international rule of law agencies to deliver judicial training in the southern Mediterranean countries have been limited.

Seventh, the EU should make a much larger investment in educational reform in the region, including training in information and communications technology. Universities are poorly funded and badly prepared to meet the educational demands of investors. Too many students in the region lack basic skills and opportunities in science and mathematics. Local and foreign businesses often struggle to find qualified graduates for a range of jobs.[43] A 'root and branch' reform of both secondary and tertiary education is the only way to avoid successive generations of frustrated graduates with degrees unsuited to the labour market. A few extra scholarships for tertiary-level exchange programmes, such as Erasmus Mundus, are not enough; Europeans will need to offer extensive training and partnerships between universities as well as advice to educators in the southern Mediterranean countries.

"The EU needs the wisdom to know the difference between genuine reform and well-disguised foot-dragging."

Eighth, the EU needs stronger security relationships in the region. The close security ties between individual EU Mediterranean countries and those in the Maghreb could be developed further. The recent 'Defence Ministers Meeting of the 5+5 dialogue' in December 2012 between western Mediterranean countries could be built upon.[44] Military co-operation and the 5+5 dialogue should be deepened with additional participation by EU institutions and northern EU member-states. The 5+5 dialogue is unique in that it puts Morocco, Mauritania and Algeria at the same table to speak about common security problems in the Maghreb and the Sahel (despite a long history of animosity between them). A forum for an intensive Mediterranean security dialogue is particularly important in light of events in Mali and terrorist attacks in Algeria, Libya and elsewhere. Military training in counter-terrorism and border co-operation could be stepped up under the aegis of such a Mediterranean grouping. The EU could offer security sector reform programmes as political opportunities arise.

In order to make its security co-operation with North Africa more effective, the EU also needs a more joined up approach to its Sahel and neighbourhood strategies. It should work with the African Union to establish deeper co-operative security arrangements between the countries in the Sahel and the Maghreb and to address social and political grievances there. Moreover, Gulf countries' multi-billion dollar loans, investments and military co-operation are also crucial to the future of the region. The EU should initiate a formal, high-level dialogue with the Gulf Co-operation Council countries on political and security co-operation in the southern and eastern Mediterranean.

43: 'Education in the Arab World: Laggards Trying to Catch Up', *The Economist*, October 15th 2009.

44: The 5+5 dialogue is made up of France, Italy, Malta, Portugal and Spain on the European side. On the African side it involves Algeria, Libya, Mauritania, Morocco and Tunisia.

Europe's leaders were caught up in the wave of optimism that became known as the Arab Spring. Though their early hopes have been disappointed, they still have the chance to encourage positive change through more effective use of assistance and influence.

Europe will face serious consequences if economic grievances in the southern neighbourhood, particularly high levels of unemployment, are not reduced. If current trends continue, the region will probably see increased political unrest with knock-on effects such as more migration; greater energy insecurity; and more fertile ground for extremist groups, including al-Qaeda, to grow. Europe needs to reduce the scale of the southern Mediterranean's political, social and economic challenges while simultaneously preparing to deal with increased threats to its own security.

Not all the EU's potential partners will be disinterested and constructive advocates of the necessary reforms. The EU needs the wisdom to know the difference between genuine reform and well-disguised foot-dragging. Too often in the past it has allowed itself to be taken in. This time, it needs to show that EU models of co-operation do not primarily enrich those close to presidential or royal palaces, but benefit all the citizens of the southern Mediterranean's emerging democracies.

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