

GO-EuroMed

The Political Economy of Governance in the Euro-Mediterranean Partnership



Specific Targeted Research Project Stage 1 Summary

EU SIXTH FRAMEWORK PROGRAMME

PRIORITY 7

Citizens and Governance in a Knowledge Based Society

Contract no.: 028386

Duration: January 2006 – December 2008



Preface



The GO-EuroMed research project assembles a team of economics and political science institutes from EU and Mediterranean Partner Countries, together reflecting the diversity of a dynamic region. The three year project aims to identify multilateral, bilateral and domestic institutional design and management strategies for furthering the Euro-Mediterranean Partnership's governance objectives. Research is generously funded by the European Commission under its 6th framework programme. The Jean Monnet Centre of Excellence, Freie Universität Berlin (project coordinator) wishes to thank all its partners for their rich and fruitful cooperation during the project's first year. The project's first year's output is extensive: 18 working papers on a variety of governance issues have been published and are available for download from the project website. This summary of findings has been compiled by the JMC Berlin on the basis of these working papers, with the objective of providing a concise overview of the main outcomes of the project's first phase. Naturally, this summary can never reflect fully the depth and breadth of the work of all of our consortium members, and the JMC-Berlin asks that readers refer to the working papers themselves. The GO-EuroMed project's stage 1 findings are available along with further information, news and updates at www.go-euromed.org.

Team JMC Berlin
January 2007

Thanks to JMC staff Pablo Gándara, Max Büge, Alexander Salhi, Michael Bolle, Tim Gemkow, Sönke Ehret, Matthias Keese, Bahar Maghssudnia, Carolin Mengel, Anna Schulze, Christoph König and Mark Furness. Special thanks to Stefan Hohenberger and Tobias Fickinger for technical assistance in preparing this document.

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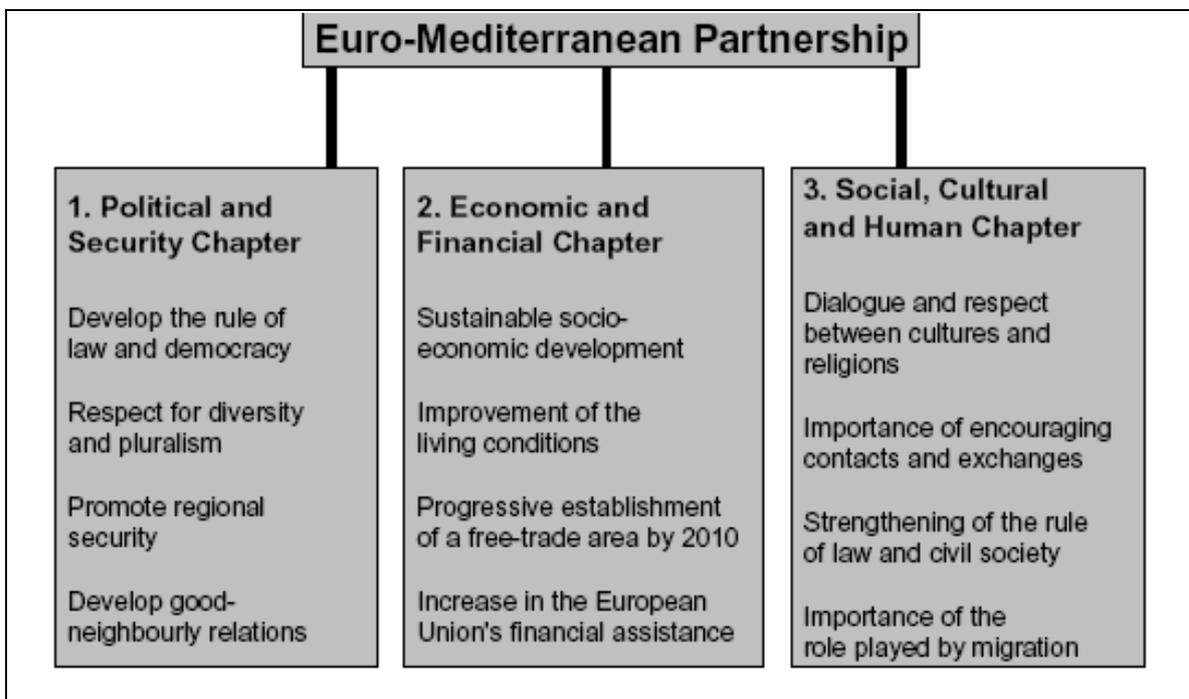
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Section A: Introduction

The Euro-Mediterranean Partnership (EMP) – also known as the Barcelona Process – was launched with the Barcelona Declaration in 1995 and has since represented the central framework of relations between the EU and 10 Mediterranean Partner Countries (MPCs): Algeria, Egypt, Jordan, Israel, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey. Cooperation among partners takes place in more than 40 sectors which are assigned to three so-called ‘baskets’ of policy areas – the political and security partnership; the economic and financial partnership; and the partnership in social, cultural and human affairs.

The ambitious objective of the EMP is to achieve an area of peace, stability and prosperity in the Mediterranean Basin, marked by intercultural dialogue and understanding. In governance terms the EMP’s aim is to create a long-term political and institutional framework governing relations between the EU and its southern neighbours. Despite progress in several areas, these objectives are still far from being achieved.

Figure 1: The EMP’s 3 Baskets



Source: European Commission.

Cooperation under the EMP is both bilateral and multilateral. Bilateral Association Agreements between the EU and each Mediterranean partner constitute the legal foundation of the ‘Barcelona Process’. These are reinforced by new European Neighbourhood Policy (ENP) Action Plans. On the multilateral level regular Euro-Mediterranean Foreign Affairs Ministerial Conferences are held, which are supported by

lower level conferences on a plurality of issues. Since 1995 the Barcelona Process has been supported financially by the MEDA programme (mésures d'accompagnement). MEDA has recently been incorporated into the new European Neighbourhood and Partnership Instrument (ENPI) which supports institutional reforms and technical assistance in neighbouring countries.

At the 2005 Barcelona Summit, held to mark the EMP's 10th anniversary, a Five-Year Work Programme was agreed by the partners. The Work Programme stressed the need to concentrate especially on migration, social integration, justice and security during the next decade. In March 2006, ministers from the EMP's 35 participating countries and representatives of the European Commission met in Marrakech and reaffirmed their commitment to achieving a Euro-Mediterranean free trade area by 2010. They set an agenda for negotiations that includes the key agriculture and services sectors. Representatives of administrations, business associations, civil society organisations and the academic community from both shores of the Mediterranean (including representatives of the GO-EuroMed project) came together in Brussels at the European Commission's 10th Economic Transition Seminar in early June 2006. The event's aim was to discuss how to give MPCs a stake in the internal market. Improving public finance management in the Euro-Mediterranean region was the objective of the Ministers of Economy and Finance meeting in Tunisia in June 2006. The Civil Forum, which took place in Marrakech in November, highlighted the importance of civil society actors in the EMP. The foreign ministers from the 25 EU Member States and ten Mediterranean Partner Countries met on 27 and 28 November 2006 in Tampere (Finland) to reaffirm their engagement within the Euro-Mediterranean Partnership.

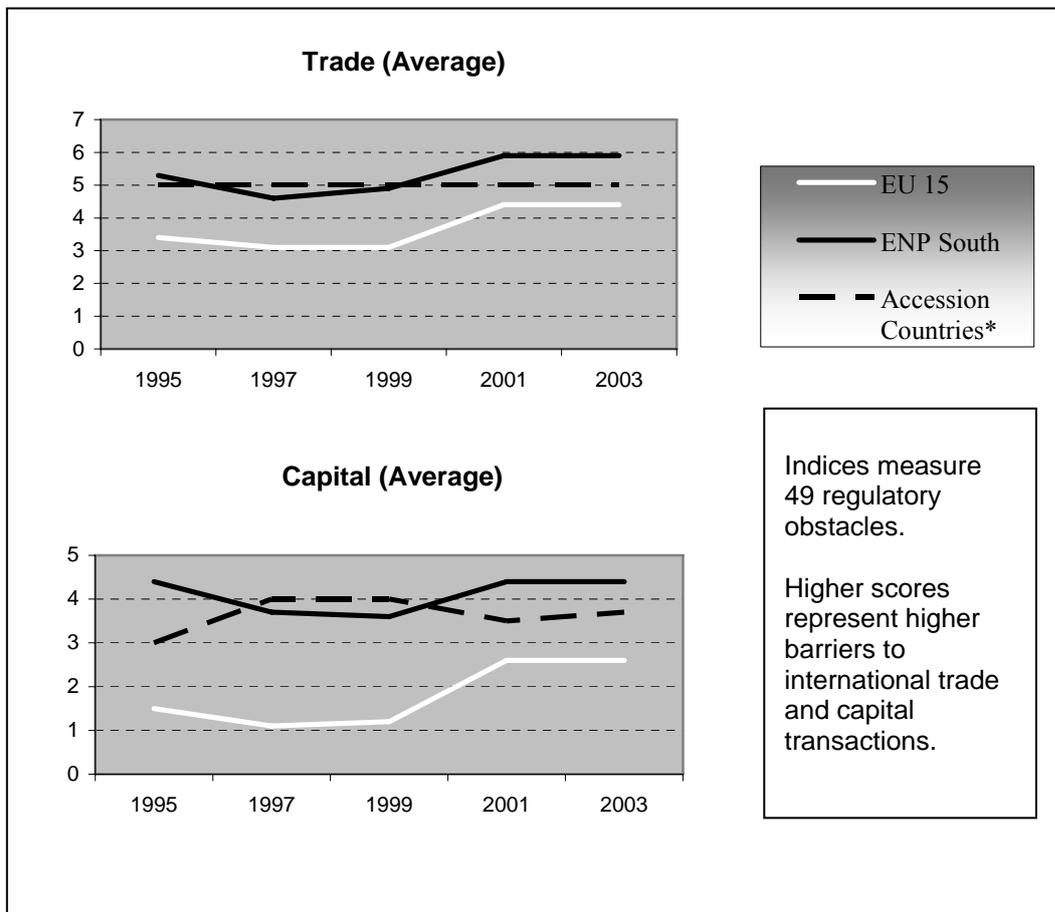
A1. Political and Economic Reform

While economic prosperity is an end in itself, it is also a prerequisite for social development and stability in the south Mediterranean. Economic reforms in the MPCs are a central aspect of the Barcelona Process. The most visible aspect of the EMP is its second basket: the economic partnership and its goal of establishing of a Euro-Mediterranean Free Trade Area by 2010. This summary of findings deals with the EMP's economic dimension in more depth in Section B. It is envisaged that the reforms needed to deepen economic cooperation will lead to political reform. The Barcelona Declaration called upon all of its signatories to ensure that their political institutions are open and accountable. The political dimension of the EMP is the subject of Section C.

Changes in the pace of economic liberalisation, the extent of democratic openness and the level of institutional constraints on governments can be measured. An assessment of

economic openness reveals that the EMP's impact on south Mediterranean countries has been modest at best. Figure 2 compares non-tariff barriers to trade and to capital movement in the EU-15, ENP south countries (all MPCs except Turkey and Israel) and EU accession states Romania, Bulgaria and Croatia. The index shows data coded for regulations on non-tariff barriers to trade and barriers to capital movement in the respective countries. Lower values depict fewer non-tariff barriers. This data shows that while the EU-15 and the accession countries maintain obstacles for trade and capital movement, ENP South countries have even higher non-tariff barriers for trade and capital. Instead of reducing these obstacles to trade they further increased them in the decade 1995 – 2004. The data also shows that while accession countries are reducing their non-tariff barriers towards EU-15 levels, the gap between the EU-15 and ENP south countries hardly changed.

Figure 2: Barriers to Trade and Capital Movement



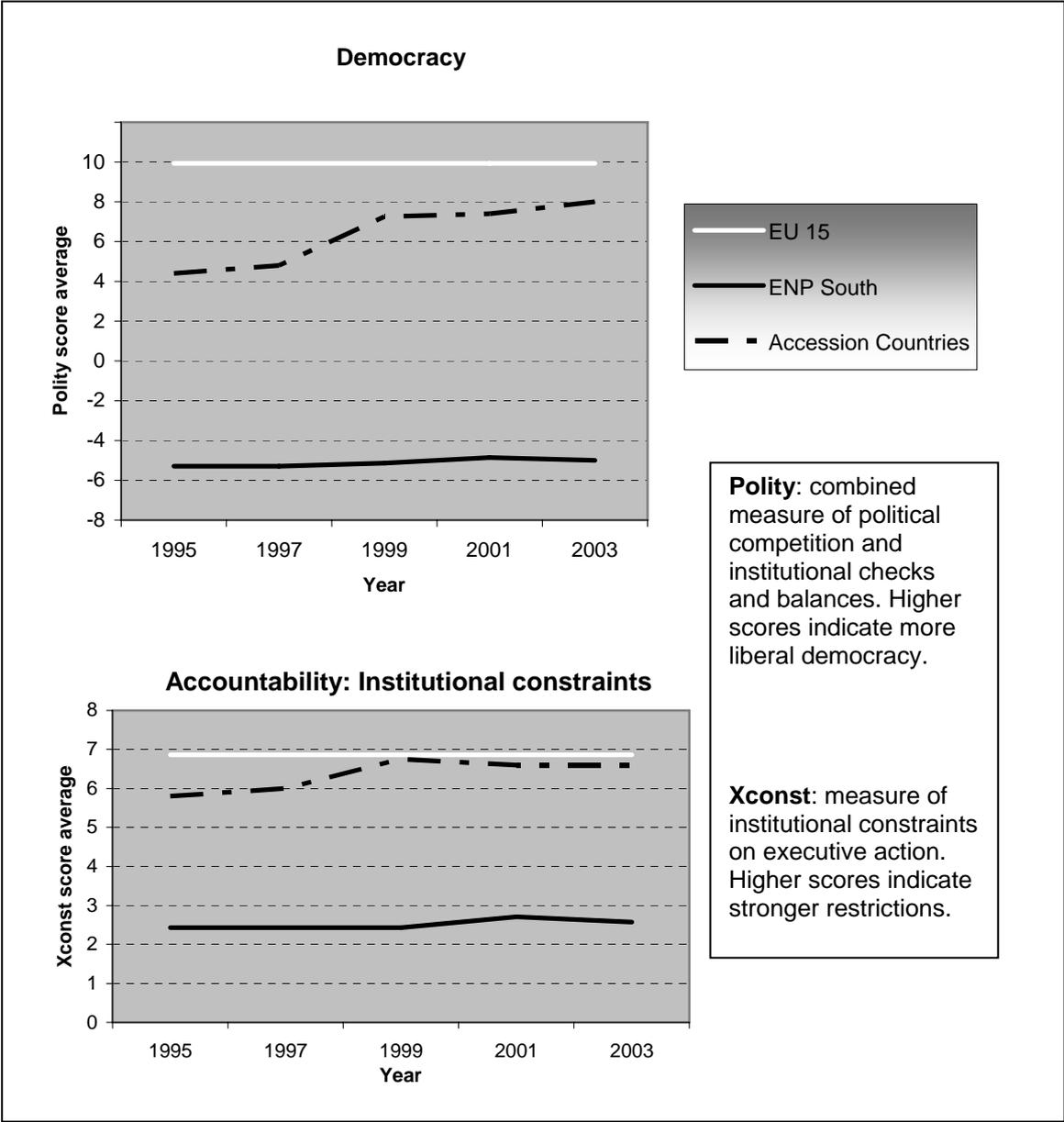
Source: Bodenstern & Furness 2006

Accession Countries: Bulgaria, Romania. ENP South: all MPCs except Turkey and Israel

Reform achievements are even less noticeable in the EMP's political dimension. As figure 3 indicates, no advancement of democracy in the MPCs is discernible since the launch of the Barcelona Process. The same holds for the levels of institutional constraints on the executive branch of MPC governments. The extent of democratisation is depicted by

‘Polity’ which is an aggregate measure of the amount of democracy and autocracy in a country. It ranges from -10 to 10 with higher numbers showing higher levels of democracy. The other indicator is ‘Executive Constraints’ (XCONST) which measure the degree to which the executive branch of government is checked and balanced by institutions such as the constitution, the legislature and the judiciary. The range is from 1 to 7 – higher values stand for more constraints and thus for stronger institutional controls on governments.

Figure 3: Political Openness and Accountability



Source: Polity IV

Accession Countries: Bulgaria, Romania. ENP South: all MPCs except Turkey and Israel

Such an assessment is not particularly surprising. The Mediterranean Basin represents a complex environment as regards its economic, political, social and cultural dimensions. The EMP is faced with the task of providing a governance framework in which the

‘chicken and egg’ problem of reforming the economy and the polity at the same time is exacerbated by socio-political tensions. Major points of critique, in particular from observers in the South, are asymmetries in the partnership and unwillingness on the part of the EU to make important concessions in services and agricultural trade. Observers from the North, by contrast, are especially disappointed by insufficient commitment to reform on the part of some MPC governments.

The lack of mutual confidence which currently characterises the EMP results in a prisoner’s dilemma, hampering negotiations and dialogue. The challenges and opportunities of the EMP’s negotiations process are the subjects of Section D of this summary. Both economic development and political stability require reforms and sustainable institution building. No Pareto superior Nash-equilibrium – in other words an outcome all parties can accept in any given issue-area – can be achieved without better governance. This requires cooperation with and adherence to domestic, bilateral and multilateral institutions: the rules of the game. Progress in this regard will not be possible without increased trust and willing engagement from both sides of the Mediterranean. The remainder of this summary focuses on the challenges facing formal and informal governance in key economic and political issue-areas.

Section B: The Economic Dimension

B1. Achieving Economic Prosperity through Growth: The Catch Up Process

The Euro-Mediterranean Partnership’s economic dimension is contained in the second basket of the Barcelona Declaration – increasing prosperity linked to economic wealth is clearly a major goal of Euro-Mediterranean relations. Well-known measures of economic wealth, such as GDP per head or GNI per head reveal that there is a huge prosperity gap between Europe and its Mediterranean partners. Economic data (see figure 4) show that in 2005 GDP per capita in the EU-27 is more than ten times higher than in the MPCs – with remarkable standard deviations given the differences between the richest and the poorest MPC and EU countries.

Figure 4: GDP per capita in the MPCs and the EU

	GDP/Capita	Highest GDP/Capita	Lowest GDP/Capita
EU 15	31.743	49.880 (Luxembourg)	10.331 (Portugal)
EU 27	20.975		2.071 (Bulgaria)
MPCs	1.769	2.418 (Tunisia)	1.161 (Syria)

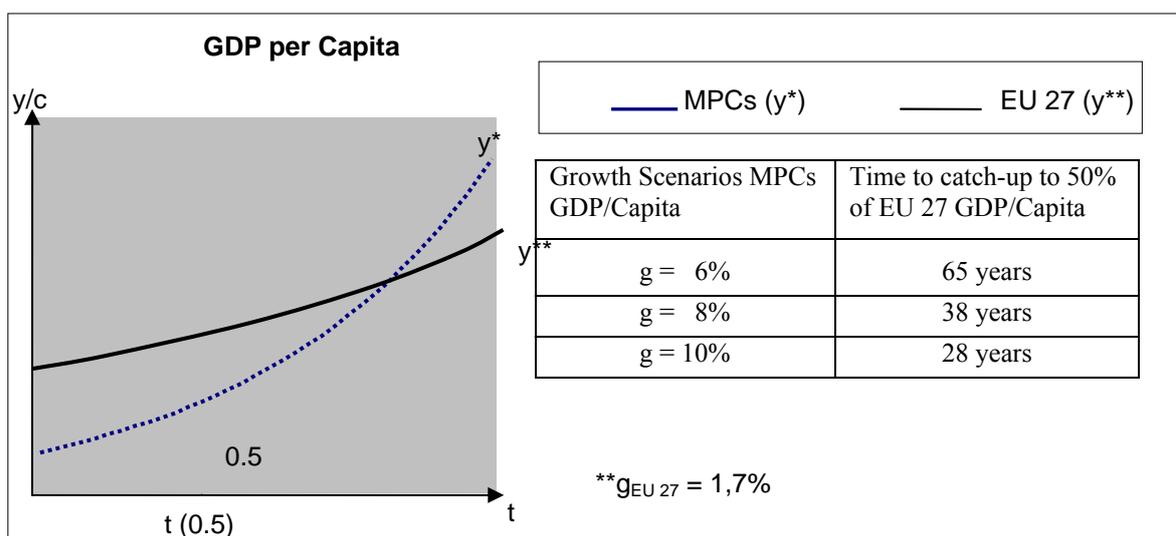
All data given in US \$, 2005 (const. prices 2000)

Source: WDI 2006

There is no reason to believe that people in the MPCs are willing to wait patiently for economic wealth to materialise over time. They express their demands for higher economic wealth by asking governments to deliver what they have promised. In democratic countries, people will punish governments that do not deliver by their voting behaviour. History shows that even autocratic governments cannot resist the demands of people for ever. Governments have to allow for higher consumption of private and public goods and can implement policies to increase growth rates considerably. But even a ‘back of the envelope’ calculation can reveal that increasing GDP per capita takes time. In the MPC case, the economic catch up process to 50% of average EU GDP per capita will not take years, but decades. Figure 5 shows some estimates of the time needed to increase GDP per capita in different growth scenarios. In a modest scenario of a 6% per capita growth rate

for MPCs, the time to catch up to the EU-27 will take more than two generations. In a more optimistic 10% scenario, catching up would still take one generation. The actual MPC average GDP per capita growth rate is 4%, and so significant increases are needed before the catch-up process can accelerate.

Figure 5: The MPC Catch Up Process



Source: Own calculations based on WDI 2006 and Eurostat Data 2006

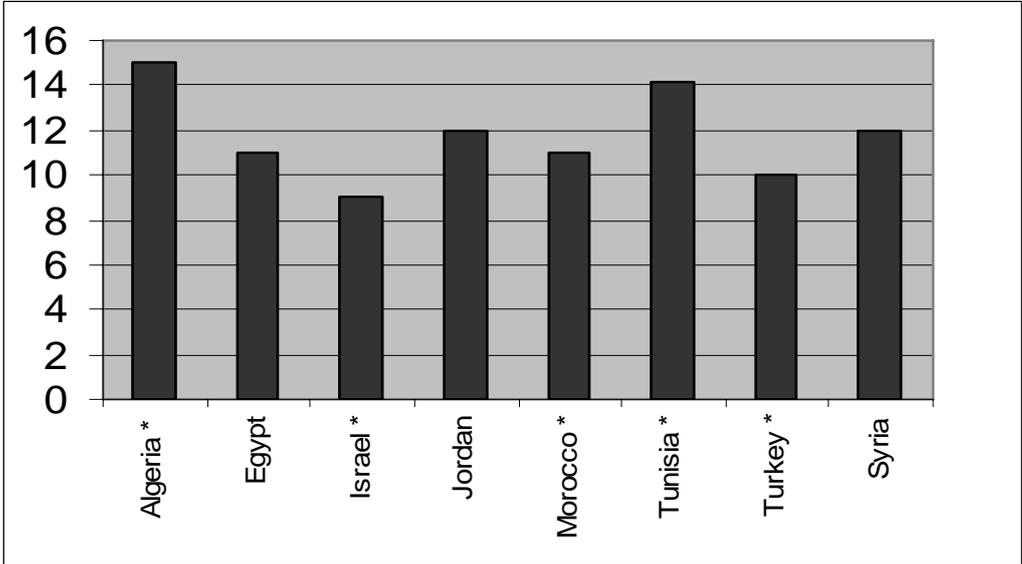
To achieve even the modest growth rate of 6% – not to mention the optimistic 10% scenario – high investment in real and human capital and technological progress is the required driving force. Standard growth theories (such as Harrod-Domar) point to the fact that even in relatively wealthy countries resources may be insufficient to ensure sustained high growth. This raises the need for running a current account deficit, at least during the first stages of the growth process, which may be the only viable option for many MPC governments. The calculations of the Jean Monnet Centre of Excellence, Freie Universität Berlin (JMC) indicate that given unchanged domestic saving ratios, almost all of the MPCs would have to run a double digit current account deficit (CAB/GDP e.g. Algeria (-14%), Egypt (-11), Jordan (-7%), Morocco (-18%), Tunisia (-12%)) to finance a per capita growth rate of 6%. This would be a risky strategy, implying the possibility of compromising exchange rate stability. To finance current account deficits and to ensure exchange rate and financial stability, a constant flow of capital into the country is needed. Foreign direct investment (FDI), including portfolio investment, private and public loans, and remittances are the most prominent means of capital inflows.

FDI provides the greatest share of capital inflows to the south Mediterranean. Research by the Institute for Economic Analysis and Prospective Studies, Al-Akawayn University at Ifrane (IEAPS) shows that the remittances of highly skilled workers are the second largest

source of external financing for MPCs. The volatility of these capital inflows can be affected by home made patterns and exogenous shocks, thus exerting pressure on exchange rate stability. According to research from the Centre for Strategic Studies, University of Jordan (CSS), FDI is not a sufficient condition for export-led growth which in turn would improve the current account balance. Reducing the current account deficit is of utmost importance for sustained growth in the medium run and points to some major characteristics of growth strategies for the MPCs: fostering the export base of the country and increasing domestic saving rates.

Investment-led economic growth does not necessarily mean job creation. The jobless growth phenomenon is well-known and based on the existence on efficiency driven growth which does not increase labour demand, which would normally be needed to bring down unemployment (Okun’s law). Figure 6 reveals that MPC unemployment rates are already high, especially in North Africa. Given the south Mediterranean’s high population growth rate (figure 7), this raises the conundrum of creating employment opportunities on the one hand and of a high growth rate in the work force (affecting the supply-side of labour) on the other.

Figure 6: Average Unemployment Rate in Percentage (2005)

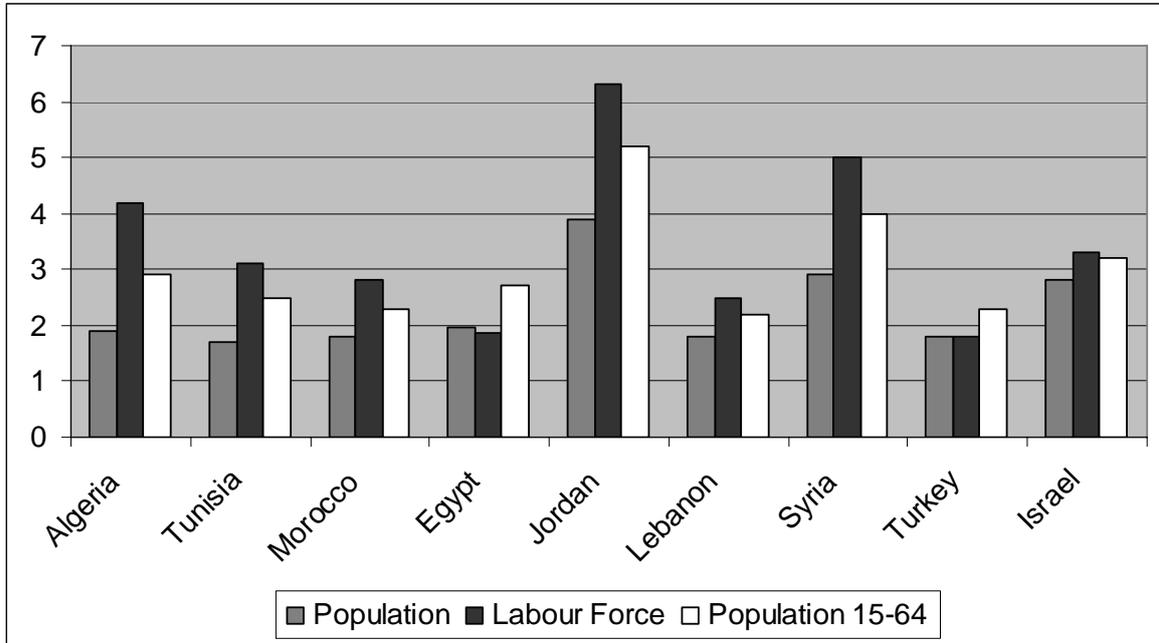


*Source: Laborista. * based on UNSTATS (data 2003-2004). No information for Lebanon available.*

Figure 7 shows that the MPC labour force growth rate is even higher than that of the total population – which is also high by European standards. This demographic pressure is mostly exerted by younger MPC citizens and by women entering the workforce in greater numbers. As the Laboratoire d’Économie d’Orléans (LEO) argues, the increase in the ‘participation rate’ may in part be explained by the rising rate of activity of the female population. MPC governments have recognised this problem and employment in the public sector is rising over the 30% mark in Algeria, Egypt and Jordan. LEO argued that this can

only be a temporary solution, as the share of economic activity exercised by the public sector might negatively affect labour productivity and economic growth through the inefficient allocation of resources used to finance unproductive employment. Market-led growth is also needed.

Figure 7: Demographic Development: Average Annual Growth Rate (1990-2004)



Source: WDI 2006, Lavielle & Unan 2006.

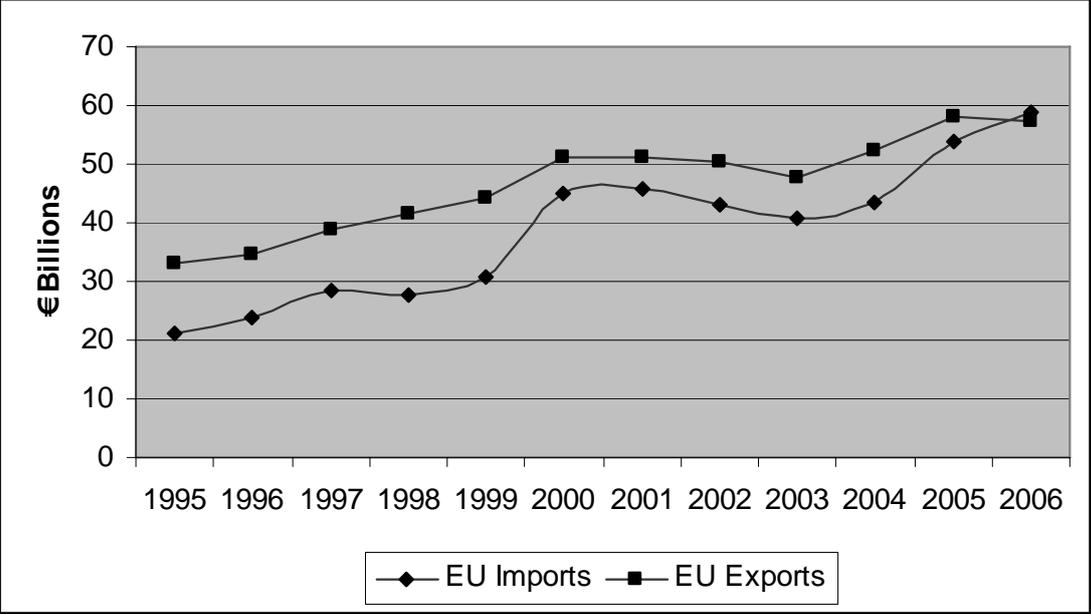
B2. Assessing Progress on Trade and Investment-led Growth

There are two principle means by which MPCs can pursue the economic growth that will speed the catch-up process: through enhancing trade by exploiting comparative advantages, and through attracting more foreign direct investment. Maximising the benefits of trade and investment-led growth requires institutions that are efficient, predictable and – most of all – respected by the actors who rely on them.

Trade Relations

Euro-Mediterranean trade includes exchanges in both goods and services, and trade volumes have grown since 1995. As Figure 8 shows, the annual average growth of MPC exports to the EU since the launch of the Barcelona Process in 1995 is over 8 %, twice as high as before. In 2004 MPCs received about 5.5% of total EU exports, corresponding to some €50 billion. At the same time 45% of total MPC exports (€44 billion) went to the EU. On average, MPCs increased their exports and imports by around 60% between 1995 and 2003, performing better than global world trade which rose by 46% in the same period.

Figure 8: EU trade with Mediterranean Partner Countries



Source: EuroStat COMEXT 2007. MPCs do not include Turkey and Israel.

Agricultural trade has traditionally been the most sensitive issue in Euro-Mediterranean trade relations. The EU accounted for around 46% of MPC farm exports in 2005 – and yet, as research by Sabanci University on trade specialisation shows, the comparative advantages MPCs enjoy suggest that this figure could be higher. Trans-Mediterranean agricultural trade is hampered by strong tariff and non-tariff barriers from both sides. The EU has a complex system of seasonal preferences for sensitive products like tomatoes and oranges, while sanitary and phytosanitary standards further hinder MPC agricultural exports.

There are two main reasons for this: firstly, some EU member states compete with MPCs in the same agricultural product markets. Secondly, agriculture employs 25 – 30% of the working population in MPCs, compared to around 5.5% in the EU. It therefore performs an important social function, providing jobs and generating income for rural people in countries on both sides of the Mediterranean. The JMC Berlin’s work shows that EU-Mediterranean agricultural trade relations are shaped by the domestic policy concerns of strong interest groups in the European Union. Farmers’ lobby groups spend considerable resources at both national and supranational levels to prevent agricultural trade liberalization.

Similarly, regional trade in services is also hampered by strong restrictions. Based on several studies, the JMC Berlin identified several service sectors – especially communications, energy, health, tourism and energy – as potential growth areas in the event that services liberalisation is implemented. This work was complemented by research conducted by LEO Orléans, who found that without deep service liberalisation in these

areas the welfare gains arising from falling prices and technology transfers will not be achieved. This is especially problematic for MPCs, who show a high level of protectionism in their trade regimes despite recent liberalisation measures.

The Barcelona Declaration's goal of achieving a Euro-Mediterranean free trade area by 2010 appears unlikely to be achieved, especially considering that intra regional trade among the MPCs has remained particularly low. The Agadir Agreement is the only integration initiative in the region and its success is modest. Trade negotiations are proceeding, but there is still much to be done. A positive development has been the achievement of Free Trade Agreements between all MPCs and the European Union. But free trade does not necessarily mean the same thing in different markets: as the JMC Berlin's research shows, the Euro-Mediterranean FTAs are far less comprehensive than similar agreements the EU has with trade partners in other regions, such as South Africa and Chile.

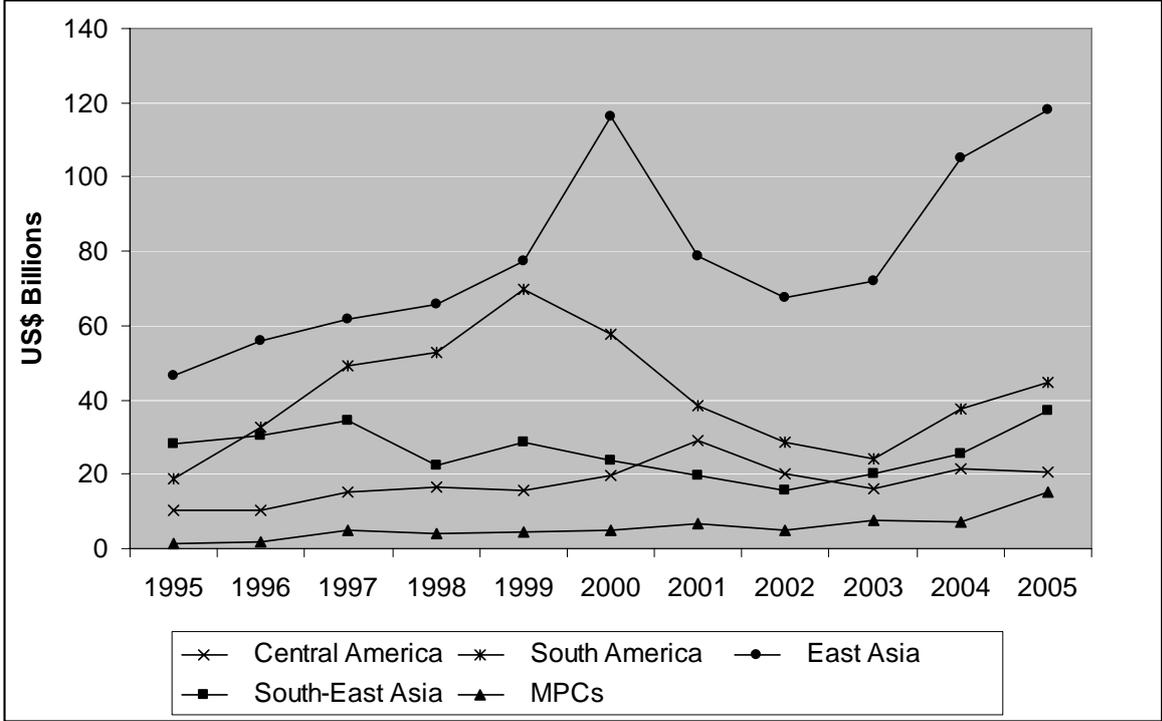
As figure 8 shows, trade between the EU and south Mediterranean countries has grown significantly since 1995. 2006 was the first year in which MPCs achieved a positive trade balance with the EU. This shows the enormous potential of MPCs exports to the EU and its positive prospects. Nevertheless there appear to be several initiatives which, if implemented, could further speed up the trade liberalisation process. The EU should recognise that MPCs have comparative advantages in labour intensive products, especially in agricultural goods. An institutional mechanism linking progress on agricultural liberalisation with progress in other areas – such as services and investment – is required. This would create an incentive for MPC governments to develop more transparent procedures, while creating competition between the European agricultural lobby and other European sectors in industry and finance when negotiating trade deals. Bureaucratic streamlining in the EU, such as the creation of a permanent institution combining the EU Council Presidency and the European Commission, could further ease decision-making on external trade policy. From the MPC side, institutional and administrative reform is a prerequisite for successful liberalisation of trade in services: sequencing matters.

Foreign Direct Investment (FDI)

Even though FDI to the south Mediterranean has increased in absolute terms in recent years, MPCs show one of the lowest FDI levels and growth rates worldwide, as indicated in Figure 9. CSS Jordan shows that Arab countries managed to attract only 0.94% of the world FDI flows between 1998 and 2005. The Warsaw School of Economics (SGH) found that in 2005 this investment came from three main sources: the EU (49%); the US (18%) and other MPCs (15%). Despite such a large share of European FDI in the region, it comprises less than 1% of the total European investment abroad. Sabanci University provides some empirical data on the determinants of FDI in the MPCs. Using a

quantitative study the Turkish team found that MPCs are improving their position in variables such as the fiscal burden and monetary policy. The traditional determinants are gaining importance in the South Mediterranean, while non-traditional determinants remain relatively unchanged.

Figure 9: FDI Inflow in MPCs Compared to Selected Regions 1995-2005



Source: UNCTAD GlobStat Database 2007. MPCs do not include Turkey and Israel.

SGH Warsaw argues that the lack of an EU membership perspective for the MPCs and the strong involvement of the USA in the region contribute to these low figures. These region-specific conditions are on the top of traditional constraints such as market size, macroeconomic stability, the bureaucratic environment and infrastructure provision. Furthermore, soft issues such as corruption perception and weak investment protection laws play a key role when explaining low FDI flows and contribute to the negative investment climate in MPCs as compared to other regions.

There are several means by which MPCs can improve their attractiveness to FDI. MPCs should continue to implement macroeconomic stability measures such as slowing down the inflation rate, eliminating price controls, decreasing government intervention in the economy, decreasing corporate tax rates, improving property rights protections for foreign investors, embracing full currency convertibility and stable exchange rate policy, and developing their banking systems. Most of these measures can be taken alongside with the WTO commitments or via existing bilateral investment treaties. The EU should further support these measures with increased technical and financial assistance.

Section C: The Political Dimension

C1. Security

Regional security is the greatest political challenge facing Euro-Mediterranean governments. Consequently, security governance is the most challenging area for regional institution-builders. In the economic arena a project like GO-EuroMed can identify opportunities for growth and make concrete recommendations for its increase. But the security problems of the region threaten to make all of this work irrelevant – economic growth contributes to peace, but cannot develop unless a reasonable level of stability exists.

The Middle East and North Africa cannot be considered a peaceful region. In the summer of 2006 Israel fought an inconclusive war with Hezbollah in Lebanon. Meanwhile tit-for-tat violence in the Palestinian territories was overshadowed by the tragic situation in Iraq where order has broken down completely. In addition to actual large-scale violence, the securitisation process also concerns actors' perceptions of threat and fear for the future. Ongoing and seemingly intractable conflicts, such as tension over Iran's nuclear programme and the less prominent but ongoing dispute over the final status of Western Sahara, undermining trust among actors and preventing political and economic reform. The regional situation is not helped by a pervasive sense of insecurity that dominates public discourse in Europe following terrorist attacks on public transport in Madrid and London.

The GO-EuroMed consortium's work on security focussed on identifying some of the reasons why the Euro-Mediterranean region appears to be some way from resembling an area of freedom, security and justice. Research was coordinated by Universidad San Pablo Madrid (CEU), and based on a working definition of 'security' as 'a low probability of suffering an aggression.' The main objectives of a security policy should therefore be to prevent conflicts and wars; to preserve environmental integrity; to eliminate economic and social conditions that pose a threat to the life and security of people and states; and to anticipate and manage crises before they degenerate into armed conflicts. CEU Madrid divided security into three aspects: 'hard' security (political and military conflict that threatens the security of the state); 'soft' security (risks of a non-military nature, such as illegal migration, violation of human rights or transnational organised crime); and the 'cultural' aspects of security in a region where misunderstanding has long been the progenitor of violence.

Hard Security

The core finding of the JMC Berlin's work on hard security is that European-led efforts under the EMP's security basket are unlikely to make much headway in resolving south

Mediterranean security problems. This is because the region's most serious security issues – such as the Israel/Palestine conflict and Iran's nuclear ambitions – are influenced by a wider range of factors than can be dealt with under the Barcelona Process framework. The security of the Barcelona Declaration's signatories cannot be reasonably separated from that of Iran, Iraq and Libya, which are not MPCs. Negotiations over the Euro-Mediterranean Charter for Peace and Stability have come unstuck – but intransigence on the part of Mediterranean countries is as much to blame as the EU's failure to design an appropriate institutional framework. The JMC Berlin concludes that a regional security institution that excludes most of the big players is never likely to be capable of dealing with problems where these countries play key roles. It is time for the European Union to call for a regional security partnership that includes all of the relevant actors.

Soft Security

At the domestic level, soft security problems are a major threat to stability, not least because they create widespread fear. CEU Madrid notes that human rights and democratisation were among the most neglected aspects of the EMP's political and security dialogue, despite the fact that all of the EuroMed Association Agreements contain a human rights protection clause, supposedly to be reinforced by political conditionality. Moreover, organised crime and terrorism do not respect international borders – CEU Madrid concludes that while there has been some progress in dealing with soft security threats, more resources need to be devoted to improving trans-Mediterranean cooperation, especially in intelligence, policing and judicial cooperation.

Culture and Security

CSS Jordan analysed the complex relationships between culture and security in the Euro-Mediterranean partnership. This work is a reminder of the importance of the development of a shared 'security culture' among European and Mediterranean countries – that is to say, a shared understanding of problems coupled with agreement on the ways and means by which they can be solved. But CSS Jordan found that real cross-cultural dialogue is lacking, which has led to a feeling of dissatisfaction among civil society, particularly in the Arab world. Many ordinary Arabs view the Euro-centric structure of the EMP as another form of Western intervention. The EU would do well to avoid this kind of misconception, even if it is unintended – in the light of the widespread anger at American unilateralism in the Arab world, Europeans have been sidelined. Meanwhile Arab suspicions of the 'West' have grown.

CSS Jordan found that the European Union has struggled to come to terms with the relationship between society and politics in the Arab world. The EU does not seem to be aware of the complexities of political interaction between governments, tribal groups, civil society organisations and ordinary people. According to the University of Jordan, the key

to moving this process forward is to establish more opportunities for dialogue. This means working to open more channels and levels where this dialogue can take place. In particular, European policymakers should look for ways to include Islamist civil society organisations in the dialogue with the Southern Mediterranean.

Learning Societies

Regardless of their viewpoints, enhancing cross-cultural dialogue is futile unless all parties are invited to the discussion. Of course, this is an area in which Europeans must tread very carefully – dealing with opposition groups in authoritarian countries can be interpreted as unwelcome intervention, and can be counterproductive. But there are avenues for the EU to explore in this regard. The EU should work towards assisting civil society organisations in south Mediterranean countries to fulfil functions of political representation that transcend ethnic and religious lines. This can be done by creating a level playing field for civil society actors, by criticizing oppression, funding independent and peaceful civil society groups of all kinds, and refocusing efforts towards negative conditionality in the form of linking aid to the repeal of restrictive laws.

Education is the basis of social learning, and EU and MPC governments have expressed a shared commitment to increase educational ties in the Mediterranean region. Education has been identified as a priority under the ENPI (the ENP's new funding instrument) and the Egyptian government will host a Euro-Mediterranean Conference on Higher Education and Scientific Research in 2007. A scholarship scheme open to students from all partner countries will also be launched. The progress of these programmes will be closely followed, as there can be no better way of developing knowledge, innovation and cross-cultural communication than the personal and professional contacts that are developed through higher education.

C2. Migration

Trans-Mediterranean migration is not a recent phenomenon, but has gained a higher profile in recent years. This is most likely to continue because of the huge prosperity gap acting as a pull factor between the EU and its neighbours. Relative wages, the availability of better opportunities such as jobs, the importance of the living conditions and more attractive working conditions in destination countries relative to source economies are incentives for migrants. Demographic realities – the south Mediterranean population is increasing while Europe is in decline – mean that migration flows are likely to increase, affecting the cultural makeup of Europe, particularly in urban areas. A recent EU-funded CARIM study on Euro-Mediterranean migration found that between 5 and 6.4 million first generation migrants from south Mediterranean countries live in the EU. These numbers are growing:

for instance, the number of Moroccan residents in Italy grew from around 3000 to more than 160,000 between 1985 and 2000.

IEAPS Morocco's research into the 'brain drain – brain gain' phenomenon shows that there are costs and benefits to both source and destination economies. Young MPC citizens invest in their education in order to find jobs in Europe – but not all of them leave, which means that their skills positively affect human capital formation in their home countries. Accordingly, developing economies experience only limited brain gains relative to developed economies. Destination countries benefit more from brain gain, but also incur costs related to devoting domestic resources to the economic and social integration processes.

Migration is a particularly difficult challenge for European level policymakers, because despite the Schengen agreement member state governments prefer to retain their own national rules in immigration matters. According to CEU Madrid's research, the European Commission is already taking appropriate action to cope with migration. Member state resistance can be countered by a 'step by step' strategy on the part of the Commission, with the objective of deepening cooperation with non-member countries.

With regard to economic migration, the Commission will study the possibility of publishing data on labour supply and demand in the Euro-Mediterranean region. This will involve collecting data on available skills in south Mediterranean countries and comparing this with employment offers throughout continental Europe.

Illegal migration is of course less easy to control. CEU Madrid notes that the member states are paying most of the cost of fighting illegal migration, and more efficient instruments for monitoring, patrolling and processing information are available – if, of course, sufficient financial resources are provided.

The key to improving EU capacities for dealing with the challenge of migration is to bring migration policy under a dedicated directorate general in the Commission. The current structure allocates competencies to four DGs – Employment, Social Affairs, Development and Humanitarian Aid, and External Relations. Of course, a common EU migration policy would need to be agreed by the member states before a migration DG could come into existence. The European Commission's 'MEDA-JAI' programme, which is specially targeted towards monitoring, analysing and forecasting the Euro-Mediterranean migration phenomenon, and the Euro-Mediterranean Ministerial meeting on migration due to take place in 2007 are steps towards this goal.

Section D: Negotiating Solutions

Achieving Political and Social Stability through Institutional Reform

The issues, problems and challenges facing the Euro-Mediterranean Partnership can only be dealt with effectively through a process of negotiation. The GO-EuroMed consortium's work on the negotiations process concentrated on the latest development in the region: the European Neighbourhood Policy (ENP). The ENP was in part developed as a response to calls from south Mediterranean countries for differentiation in their relations with the EU and is designed to complement rather than conflict with the Barcelona Process. It is important to remember that the ENP and the EMP are both works in progress – they provide partners with a negotiated framework upon which to base future negotiations rather than providing a final picture of future relations.

Research from the JMC Berlin concentrates on the policy of 'old Europe' – the EU's goals, and the intra-European policymaking process that shapes the EU's negotiating position. The Warsaw School of Economics analysed the ENP from the perspective of a new EU member state, comparing EU policy towards its eastern and southern neighbours. The GO-EuroMed consortium also focussed on the southern perspective with research on ENP Action Plan negotiations and their implications for southern Mediterranean stakeholders. All three papers found that the ENP's emphasis on bilateral relations is definitely a step forward as it enables partner countries to progress with reforms and receive rewards without waiting for their neighbours. However, all three papers identified weaknesses in the ENP policy framework that create potential stumbling blocks for negotiations.

From the European perspective, the ENP is a means for the Commission to enhance its foreign policy mandate. The challenge for the Commission is to manage the institutional complexities and conflicts of interests within Europe, and come up with an unambiguous European position. The outcome of the intra-EU process is an ENP that is based on the benchmarking and monitoring strategy that proved successful during negotiations leading to enlargement in 2004. The key issue is that EU membership is not on offer, meaning that the ENP lacks both the carrot and the stick of the enlargement process. The ENP calls for political and economic transformation in neighbouring countries. However, most of the tools the Commission requires to offer benefits and impose costs remain the preserve of member states.

From the south Mediterranean perspective, neither the EMP nor the ENP have been effective in breaking through and expanding negotiations beyond the tight circle of elites in Mediterranean Partner Countries. In many cases the primary goal of this elite group has been to ensure the survival of their regimes, and there are serious questions about their genuine commitment to economic reforms that would weaken their grip on the levers of

power in their countries. The EU has not made much headway in expanding dialogue with representative civil society groups and has been unable to invite a representative civil society, including Islamist groups, into ENP discussions. Civil society organisations in many south Mediterranean countries are particularly weak and do not have the ability to influence the negotiating position of their governments.

Rewards and Conditions

The main finding of the GO-EuroMed consortium's work on negotiations is that the rewards and conditions offered under both the EMP and the ENP are unclear. The EU is calling for political and economic transformation in return for a 'stake in the market' and 'everything but institutions.' Exactly what this means is not made clear – it is highly unlikely that a promise of membership in the European Free Trade Area and a relationship on the same level as Norway and Iceland is on offer. The Commission's capacity to actually offer the 'four freedoms' that a stake in the market would entail is unclear. The EU may be waiting for a clear indication of commitment from a partner country before it offers specific rewards. However reform without some pressure from below is unlikely and the intrinsic benefits of reform are unlikely to encourage people to call their governments to account. Clarification of the benefits on offer would enable wider acceptance of the costs of transformation.

The three institutes working on negotiations all agreed that the European Union should be prepared to place stricter conditions on its relationships. The consortium's research into the role of southern stakeholders concludes that South Mediterranean governments have succeeded in keeping sensitive areas off the table, and are happy to be just as vague about their timetables for reform as the Europeans are about rewards. From the point of view of SGH Warsaw, Poland's success at transforming a core member of the Cold War communist alliance into an EU member in fifteen years is both an example of what is possible and a reminder that the EU need not heed the excuses of authoritarian governments. The EU should not be afraid of using stricter conditions in its bilateral relationships, especially for human rights violations and failure to implement prior agreements.

Shared Values

The design, implementation and management of formal and informal international institutions require convergence towards the core principles and values upheld by these agreements. The EU considers itself to be a 'civilian power' and it expects that its partners will show commitment to shared norms and values. The convergence of values can be considered even more important in the absence of the membership perspective – neighbours are expected to want reform for its intrinsic value, and not simply because they will be able to join the EU.

Data collated by the JMC Berlin shows that the vast majority of respondents from ENP South countries agree that ‘democracies have problems but are better than any other form of governance’ – a similar result to that of the EU-15, indicating that basic political values are indeed shared in the Euro-Mediterranean region. Failure to push for further democratisation and economic reforms during the EMP’s first decade cannot be attributed to general resistance to so-called ‘western’ norms in these countries. However, it is likely that there are differences between the preferences of ordinary people and their governments in the South. While citizens may favour democracy at least in principle, convincing their governments of the benefits of political liberalisation is more difficult.

Norms, values and social and political institutions are difficult to reform and tend to take time to change. If the European Union, its member states and its partners in the Euro-Mediterranean Partnership take each other’s preferences seriously, then they will have to engage openly in negotiations on common goals and the means by which to achieve them. Convergence towards shared values can be assisted through a process of bargaining based on mutual commitment to resolve conflicts of interest through negotiation.

Section E: Next Steps

The purpose of this summary of findings is to present a concise ‘highlights package’ of stage 1 of the GO-EuroMed project. The central aim of the project’s first year was to establish a comprehensive picture of the key issues facing relations between the EU and its south Mediterranean partners and create a foundation for research in 2007 and 2008. This work commenced from an observation that most academic and policy commentators consider that the Barcelona Process has not lived up to the expectations of people on either side of the Mediterranean Sea. The GO-EuroMed project’s central theme is that the core issues of north-south relations – economic development, migration, security and communication – are essentially governance problems. The key to governance in any or all of these areas is the institutional setting within which actors interact formally or informally. Governance problems arise when institutions cannot provide a suitable environment for producing outcomes that actors are able to accept.

The Mediterranean dimension of European external relations has attracted a lot of scholarly attention during the past 12 years, and for good reason – the Mediterranean Sea is not so much a barrier between Europe and its ‘near abroad’ as a conduit for goods, people and ideas between continents. These trans-Mediterranean flows merely continue a pattern of interaction dating back thousands of years – and the ‘externalities’ of these transactions have aroused passions on both sides of the Mediterranean for just as long. The GO-EuroMed consortium’s task in 2006 was therefore to attempt to set passion aside as much as possible, and identify areas in which institutional improvements are not only necessary but possible.

The challenges facing regional policymakers continue to evolve – just as they have throughout the region’s long history. What impacts will 21st century political and economic challenges have on the Euro-Mediterranean Partnership? Will MPCs benefit from engagement with an enlarged EU? Furthermore, what impacts will diverse challenges such as geopolitical change, regional integration, demographic change and domestic reform have on actors, their interests and preferences, the negotiating process, and political-economic institutional outcomes? The task of the GO-EuroMed project’s second year will be to evaluate these challenges so that a better understanding of future trends can be obtained. In 2008 the consortium will be tasked with devising design and management strategies for the institutional ‘rules of the game’ of EU-Mediterranean relations.

Section F: GO-EuroMed Working Papers

- 0601 Pablo Gándara and Max Büge (2006): The European Union's Trade Policy towards the Southern Mediterranean: Coherence or Chaos? Jean Monnet Centre of Excellence, Freie Universität Berlin, Germany.
- 0602 Isabelle Rabaud and Thierry Montalieu (2006): Trade in Services: How Does it Work for MENA Countries? Laboratoire d'Économie d'Orléans (LEO), University of Orléans, France.
- 0603 Bahri Yılmaz and Gökçe Akın (2006): International Competitiveness and Foreign Trade Specialization: The Mediterranean Neighbouring Countries and the EU15. Sabanci University Istanbul, Turkey.
- 0604 Hugues Jennequin and Isabelle Rabaud (2006): Location of Industries in MENA Countries, in the EU and NMS: a Comparative Analysis. Laboratoire d'Économie d'Orléans (LEO), University of Orléans, France.
- 0605 Katarzyna Żukrowska, Aleksandra Galek, Magda Hussain, Pawel Czerpak, Małgorzata Graçik and Joanna Stryjek (2006): FDI in Mediterranean Partnership Countries. How to improve the institutional environment in Mediterranean region in order to attract the FDI? International Security Department, Warsaw School of Economics (SGH), Poland.
- 0606 Bahri Yılmaz and Gökçe Akın (2006): Foreign Direct Investments in the Mediterranean Countries: Developments and Determinants of FDI in the Mediterranean Countries? Sabanci University Istanbul, Turkey.
- 0607 Ghassan Omet and Ibrahim Saif (2006): Foreign Direct Investment in the MENA Region and Jordan: Regional Experience and Causality Analysis. Centre for Strategic Studies, University of Jordan, Amman.
- 0608 Christophe Lavielle and Elif Unan (2006): Institutional Aspects of the Governance of Labour Markets in the Euro-Mediterranean Case. Laboratoire d'Économie d'Orléans (LEO), University of Orléans, France.
- 0609 Patricia Argerey and Inmaculada Hurtado (2006): The European Migration Policy: Its Approach towards the Mediterranean Countries. Institute for European Studies, Universidad CEU San Pablo, Madrid, Spain
- 0610 Ahmed Driouchi, Cristina Trandas-Bobo and Nada Zouag (2006): Migration of Highly Skilled Labour and the New Economics of Brain Drain. Institute of Economic Analysis and Prospective Studies (IEAPS), Al Akhawayn University, Ifrane (AUI), Morocco, Laboratoire d'Économie d'Orléans (LEO), University of Orléans, France,
- 0611 Alfonso Rincón, Luis Emilio Ramos and Lucana Estévez (2006): Soft-security within the Euro-Mediterranean Partnership. Institute for European Studies, Universidad CEU San Pablo, Madrid Spain.
- 0612 Saleem Haddad (2006): The Cultural Component of Security within the Euro-Mediterranean Partnership: Perceptions and Misperceptions. Centre for Strategic Studies, University of Jordan, Amman, Jordan.
- 0613 Mark Furness (2006): The European 'Security Community' as an Export Commodity: EU Security Policy and Crisis Resolution in the Middle East and North Africa. Jean Monnet Centre of Excellence, Freie Universität Berlin, Germany.
- 0614 Thilo Bodenstein and Mark Furness (2006): The Edges of External Governance: Europe and its Mediterranean Neighbours. Jean Monnet Centre of Excellence, Freie Universität Berlin, Germany.
- 0615 Katarzyna Żukrowska, Aleksandra Galek, Marcin Zbytniewski, Beata Jagiełło, Magda Hussain and Małgorzata Graçik (2006) : Easternization vs Southernization. The European Neighbourhood Policy and the Polish Foreign Policy Interests. International Security Department, Warsaw School of Economics (SGH), Poland.
- 0616 Saleem Haddad and Sandra Poggoda (2006) The European Neighbourhood Policy: A View from the South. GO-EuroMed Consortium.
- 0617 Thierry Baudassé (2006): Governance and Migration in a South-North Partnership: the Teaching of Economic Analysis. Laboratoire d'Économie d'Orléans (LEO), University of Orléans, France.
- 0618 Thierry Baudassé, Patricia Argerey and Inmaculada Hurtado (2006): The Labour Side Agreement in NAFTA: an Example to Follow? Laboratoire d'Économie d'Orléans (LEO), University of Orléans, France, Institute for European Studies, Universidad CEU San Pablo, Madrid Spain.

