

GO-EuroMed: The Political Economy of Euro-Mediterranean Governance



Specific Targeted Research Project Stage 3 Summary

Draft for Discussion at GO-EuroMed Berlin Workshop, 21 – 23 September
2008.

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 European Union 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 funded by the European Commission's 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 course of the project.

The project's major milestones are its conferences and related publications, its deliverable working package reports, its annual activity reports, its workshops and its public awareness local meetings (PALMs). Since the project started in January 2006, conferences have taken place in Berlin, Istanbul and Madrid. The final conference takes place in Brussels in December 2008. The consortium has held workshops in Warsaw, Orléans, Amman, Ifrane, Beirut, Cairo and Berlin. These events have brought the consortium together to develop and disseminate research.

The project's third year output is extensive: 9 working papers on institutional design and management strategies for taking advantage of windows of opportunity for progress in specific issue-areas have been published and are available for download from the project website. This summary has been compiled by the Jean Monnet Centre of Excellence, Freie Universität Berlin on the basis of these working papers, with the objective of providing a concise overview of the main outcomes of the project's third 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 III publications are available along with further information, news and updates at www.go-euromed.org.

Team JMC Berlin

September 2008

Thanks to JMC staff Mark Furness, Pablo Gándara, Andreas Kern, Alexander Salhi, Bela Böhme, Johanna Weber, Michael Ginsberg and Michael Bolle.

1. Introduction

In the GO-EuroMed project application, submitted to the European Commission DG Research in April 2005, it was argued that the main obstacles to progress in Euro-Mediterranean relations were related to the institutional framework. Put simply, the Euro Mediterranean Partnership (EMP) has not been able to provide European and Mediterranean partner governments with an adequate institutional setting in which to make deals that reflect their interests.

During the first two years of the GO EuroMed project, the consortium worked on improving our collective knowledge of the interests of the actors on both sides, refining our understanding of key bargaining issues, and developing ideas about the main features of the negotiations framework.

When we consider the EMP as a simple bargaining structure with two groups of actors – European countries on one side and Mediterranean partner countries on the other – the weaknesses in the institutional setting quickly become apparent. European countries have diverse interests and different priorities regarding the Mediterranean, but are able to use the EU as an equilibrating mechanism to reach a common bargaining position. The EMP, with its objectives, budget and organisational structure, is the outcome of this intra-EU process. On the south Mediterranean side governments also have diverse interests and priorities towards the EU. But as no equivalent equilibrating mechanism exists, each country tries to pursue its interests independently and competitively. This creates problems for Mediterranean partner countries faced with the prospect of negotiating with a huge bloc. It also creates problems for the EU, which is faced with 10 negotiating partners with diverse preferences, all of which it must try to satisfy at the same time.

Asymmetry has impacted on Euro-Mediterranean bargaining in several ways:

First, EU member government preferences are shaped by many factors, the most important of which are powerful domestic political and economic lobbies, and the interests of the ‘median voter.’ Lobbies cultivate connections and leverage with policymakers, which they use to get favourable policy positions. An oft-cited example is the EU agricultural lobby, which campaigns to maintain market protections and subsidies that hurt the south Mediterranean agricultural sector. Median voters swing elections, and

their vote is cast according to their views on the prevalent political issues of the day. Voters in northern Europe are less likely to be swayed by Mediterranean issues than voters in southern European countries, such as France or Spain. The interests of northern European governments – such as Germany or Sweden – in the south Mediterranean are maintained by lobbies that have political or economic interests in the region.

The EU's common position reflects those interests that are most keenly held by constituencies that are politically powerful. Some issues, such as human rights protection, political reform and multilateral security cooperation, are called for in the policy documents but are not pursued seriously, because stronger preferences regarding migration, anti-terrorism, energy cooperation and private sector investments take precedence.

Second, creating incentives for bilateral cooperation among Mediterranean partners has been very difficult due to the 'hub and spokes' nature of Euro-Mediterranean relations. The tendency of Mediterranean partner countries to work independently has made it more difficult for the EU to encourage Mediterranean partner governments to do what it wants them to through the provision of incentives. Mediterranean partners have had greater incentives to pursue economic cooperation with the EU and its members than with each other. Since 2003 this pattern has been reinforced by the bilateral European Neighbourhood Policy, which some south Mediterranean countries have viewed as a means of benefiting from closer relations with Europe without having to wait for their neighbours. The EMP/ENP framework creates incentives for competing, rather than common, Mediterranean partner government positions towards the EU.

Third, the lack of progress in multilateral regional cooperation has strained – and ultimately weakened – the EU's common position towards the south and east Mediterranean. EU member states that have strong preferences in issue areas requiring South Mediterranean cooperation have strong incentives to pursue these interests, whether or not they make use of the EU framework. For example, the Spanish and Italian governments are faced with a high-profile illegal migration problem that their voters demand they address. Their bilateral relationships with Morocco and Libya respectively are conducted outside the EMP framework. Similarly, France's relations with Algeria and Libya are heavily influenced by French interests in trading nuclear technology for oil and gas. Meanwhile, the British government has signed 'memoranda of understanding' with several Mediterranean partner governments over the deportation of suspected terrorists.

These bilateral agreements further weaken the EU's ability to maintain its common position and leverage, while providing partner governments with other options.

Despite weaknesses in the bargaining framework, a key insight that emerged from the GO-EuroMed consortium's research in 2006 and 2007 is that dialogue and exchange in the context of the Barcelona process may help create windows of opportunity for mutually beneficial agreements in specific issue-areas. Different issues come into play as changes in political or market circumstances influence the ordering of government preferences, essentially by altering the costs and benefits of alternate strategies for pursuing preferences.

The goal of stage III of the GO-EuroMed project is to focus on institutional design and management strategies at three interlinked levels: domestic, bilateral and multilateral institutions. Building on research conducted at Stages I and II, research at Stage III also focussed on macroeconomic cooperation, a key window of opportunity for institutional improvements at domestic, bilateral and multilateral levels. The goal of stage III is to highlight ways in which windows of opportunity may be exploited, given the interests of other actors in the process and the strengths and weaknesses of the institutional setting outlined above.

2. Domestic Institutions

Domestic institutions are the key framework to form and aggregate national preferences in the Mediterranean Partner Countries. This working package has focused on assessing existing and developing new domestic institutional strategies for fostering economic welfare in Mediterranean partner countries (MPCs). Analysis sheds light on four dimensions of economic domestic institutions in the Mediterranean: the Macroeconomic Policy Standing Group (MPSG) investigated the role of domestic macroeconomic institutions for promoting sustainable economic prosperity in the Mediterranean region, whereas the Moroccan and the Lebanese team concentrated on the enforcement of sound property rights systems and the improvement of the business climate as a basis for economic growth. Finally, the Turkish team analyzed Turkey's experience with implementing EU economic legislation in form of the Copenhagen Criteria as domestic institutional benchmark case for the MPCs.

The implementation of economic reforms in the Mediterranean Partner Countries has been seen as a key contribution to the EMP's wider governance objectives. As economic prosperity is a key focus of the GO-EuroMed project, the MPSG focused on the role of good macroeconomic governance and institutions as a starting point to assess the sustainability of the integration and convergence process in the EMP. Against this backdrop, the envisaged deeper Euro-Mediterranean regional integration is expected to increase macroeconomic interdependence between the EU and MPCs, calling for deeper cooperation and coordination to reduce economic vulnerabilities. One of the main conclusions of the MPSG builds on the role of domestic institution building via coordinated multilateral and bilateral technical assistance programmes as a key window of opportunity within the EMP. This also includes upgrading financial sector governance and other micro based institutional reform measures.

In this regard, the Moroccan team wrote about the relationship between intellectual property rights and economic growth in south Mediterranean countries. By analysing the case study of software piracy, the Institute of Economic Analysis and Prospective Studies at Al-Akhawayn University showed the link between informal economy and economic losses. Although formally in place, domestic property rights institutions have not been able to protect patents and copyrights in most economic activities. Although the informal sector is gaining from not respecting the rights of others, this in return generates losses to other economic agents in the formal economy and implies other levels of losses like the elimination of domestic and foreign sources of services. Thus, involving the informal sector in the formal economy remains the key challenge.

Regarding property rights, there are several windows of opportunity for cooperation between the European Union and the Mediterranean Partner Countries. In this backdrop, the European Union has promoted the Agadir Agreement as a mean to ensure common property rights standards and strong enforcement mechanisms. Also bilateral EuroMed agreements set incentives for developing a 'patent culture' in universities and technology parks. Finally, the progressive incorporation of MPCs into the European Research Area will help them to implement a sustainable scientific research and innovation system.

The main conclusions of the Moroccan research are that only by involving all formal and informal players into the property right system will allow the identification of win-win solutions for long term economic development. In this matter, cooperation with the

European Union is obvious as useful experiences in this area have been accumulated by these countries.

In addition, the Lebanese team focused on a third dimension of economic domestic institutions: the improvement of the business climate in order to ensure an economic sustainable development. Research centred on domestic institutions, investment encouragement and enterprises development, with specific attention given to cross-company investments. The effectiveness of existing formal and informal institutions remained at the core of the research. Specifically, the Lebanese team looked at companies' interests in maintaining the status quo on trade protection. The implications of EU's intervention were analysed and an important problem was observed, namely the EU's policy to target funding only to governmental and not private institutions. Research concentrated also on domestic institutions for the enforcement of contracts: between formality and informality.

The Lebanese Centre for Policy Studies' main conclusion is that legal reform is essential for strengthening the investment climate in MPCs, and especially in the smaller and more vulnerable economies like the Lebanese one.

Finally, the Turkish team concentrated on Turkey's experience with implementing the Copenhagen criteria, which are specifically aimed at implementing and promoting domestic institutional reforms. Research especially focused on reforms to cope with competitive pressure and market forces from the European Union. Turkey has achieved significant legislative progress in many areas through further reform packages, constitutional changes and the adaptation of new regulations. Sabanci University's main conclusions are that the Copenhagen criteria present Turkey with significant challenges, but that the Turkish can meet them given a stable political environment. The Turkish experience can provide an example for Arab Mediterranean Partners in the technical aspects of economic reform, as well as a clear example of the benefits in terms of growth for the country as a whole.

The overall findings and conclusions of WP 11 are highly technical, most likely because domestic institutional reforms in the Arab Mediterranean partners are carefully controlled by the political elite. This means that in practical terms researchers find it difficult to go beyond identifying windows of opportunity in technical changes that support economic growth without impacting significantly on the political elite's core interests. These are areas in which the EU can assist, as European expertise is highly valued.

3. Bilateral Institutions

Bilateral institutions governing trade and migration are essential ‘building blocks’ for the wider goals of realizing a shared zone of peace, security and prosperity in the Mediterranean basin. This working package centred on bilateral negotiations as a means of equilibrating state preferences on key Euro-Med bargaining issues.

The Polish team wrote about developing bilateral management strategies for improving the Euro-Med FTAs. EU member states trade preferences are shaped by strong economic lobbies, particularly from the agricultural sector. Although full liberalisation remains unrealistic, both sides can cooperate on approximating technical legislation and increasing cooperation in international marketing standards for all raw and processed agricultural goods. Further cooperation can be identified in strengthening liberalisation of industrial trade, where - as the Eastern European experience after EU enlargement showed - high value added competitive industries will be created through FDI as soon as a real market access to the EU is granted.

As mentioned above, creating incentives for bilateral cooperation among MPCs has been very difficult. The EU has countered this low regional cooperation level by pursuing multilateral negotiations within the framework of the Agadir Agreement. The case of developing common standards for rules of origin is a good example of setting incentives for south-south cooperation.

The high level of international economic integration of MPCs creates positive conditions for MPCs to negotiate their future cooperation ties with the EU. In order to achieve real concession in services and agriculture, MPCs might link these traditional trade issues with other arenas like environmental and energy cooperation, where the EU has strategic interests.

The Warsaw School of Economics’ main conclusions are that the Barcelona Process is not really multilateral, but bilateral – the EU is on one side, and the individual MPCs on the other. What is needed is to limit the EU-centrality of the ENP through ‘decentred integration.’ The experiences of East and Central European states, unique until now, can be used as a road map for MPCs.

The Jordanian team wrote about strengthening bilateral trade agreements by setting simple and efficient domestic implementation rules. Researchers from the Centre for Strategic Studies, University of Jordan, argue that bilateral institutions must assist local producers in enhancing the quality of their products to meet the rules of origin criteria, as well as standards and other behind-the-border impediments to the EU Internal Market. The case of rules of origin shows how European and Southern Mediterranean lobbies' interests can be harmonised by setting high barriers for non-regional textile goods.

Through the EuroMed FTAs, the EU has set up a variety of technical assistance programmes for supporting small and middle size enterprises in matching the FTAs provisions. Although the case of Jordan shows that these programmes have been very successful, focusing most effort at the firm level has also proved insufficient, as more action was required at the industrial and national macro-economic policy level. Therefore, efforts need to be made to foster networks between MPCs private-sector and its counterparts in the EU in an attempt to promote investment and regional trade.

The Jordanian team also assessed the institutional set up of the EuroMed trade agreements, concluding that the EU has a crucial role in providing support for trade-promoting institutions because MPCs are unable to provide these themselves. Export-promoting institutions can begin enhancing their role though fostering networks between MPC producers and the EU private sector.

Identifying winning sectors that will be able to penetrate the EU market is a challenge addressed by the EU technical assistance programmes. However the main actors engaged must be the MPC private sector itself and policy-makers at the national level in providing the knowledge and support needed for these sectors to thrive. In this regard, the developmental role of macro-economic policy at the national level cannot be overemphasised. Therefore a sound cooperation mechanism among MPCs and alongside the European Union remains a core objective for years to come (see findings of GO-EuroMed' Macro-Economic Policy Standing Group).

The German team wrote about defining the role of the EU in managing illegal migration in the Mediterranean. This issue has been increasingly regarded by the EU as a security problem requiring a collective European response. While member states concerned about border sovereignty have been reluctant to allow greater EU involvement in this sensitive policy area, awareness that the scale of illegal immigration is beyond the capabilities of individual countries has grown amid concerns about terrorism and transnational

organised crime. The Jean Monnet Centre of Excellence at the Freie Universität Berlin stated that current policy has left some southern EU member states overburdened, while concerns have been raised about the implications of militarised national responses for EU human rights law. An increased EU dimension in managing illegal immigration and protecting external borders has the potential to generate a more efficient and legitimate response, and yet given current political realities the EU's main role will remain complementary to existing member states' efforts.

Given the challenges of policy coordination in a multilevel governance framework, the EU's role in the management of illegal migration is based on actions at three levels: the policy level, where the EU facilitates common member state policy positions, the operational level, where the EU facilitates efficient implementation, and the oversight level where the EU ensures legitimate practices.

The German team's main conclusions are that the EU's role at the policymaking and operations levels is clearly defined and adequate, but there are problems at the oversight level. Member states have stepped outside the EU framework and entered into bilateral arrangements with Mediterranean partner countries.

The newly proposed Union for the Mediterranean (UPM) framework could provide an institutional setting for a register of these bilateral agreements and an oversight body capable of defining and monitoring standards agreed by all Euro-Med partners affected by illegal migration.

The overall findings and conclusions of WP 12 are that bilateral agreements outside the EMP framework are a key aspect of Euro-Mediterranean relations. These agreements depend on how seriously an actor or dyad of actors takes a given issue. 'Variable geometry' – such as that envisaged by the UPM proposal – would be a possible (although potentially unmanageable) solution, enabling groups of interested actors to proceed when they have an interest in doing so.

4. Multilateral Institutions

As mentioned above, the existing institutional framework has proved incapable of providing an environment in which the heterogeneous preferences of Euro-Mediterranean governments can be equilibrated. The key questions addressed in Working Package 13 are whether there is a need for an entirely new institutional setting, or whether the current

framework, by opening windows of opportunity, provides governments with adequate scope for seeking net gains.

The Spanish team carried out research about the overall Euro-Mediterranean institutional setting, including all parallel initiatives (EMP, ENP, 5+5, Mediterranean Forum). Coherence within these initiatives is difficult and the Mediterranean Union seems to offer a chance for streamlining. The main objective of Spanish research was to identify the main reasons for the failures of the Euro-Mediterranean Partnership (EMP) and other initiatives.

The CEU Madrid also looked at proposing a more effective system for reaching the goals set by the EU. Taking into account the history, specificities and idiosyncrasy of the region and the complex network woven by different international organizations in the region, the CEU Madrid offers a critical assessment of each regional initiative and it advances proposals for a more effective system that could help to overcome the current problems afflicting the region. More transparency, visibility and the stronger inclusion of civil society are key aspects of an improved EuroMed governance framework.

The Moroccan team, working together with researchers from LEO Orléans, wrote about multilateral institutional mechanisms for development through investments from returning migrants and diasporas. This is another window of opportunity where multilateral and domestic institutions could be designed and implemented in order to foster and monitor investments of returning migrants and diasporas to their countries of origin. This is also another opportunity to show that institutional solutions and frameworks for the purpose of channelling and promoting investments will vary with the environments and with the types of destination, host countries and local territories. In the context of the MPCs, institutions are again related to the existing infrastructure promoted in each country and its relationship to new instruments and means suggested to accelerate investments of returning migrants and Diasporas.

The Institute of Economic Analysis and Prospective Studies (IEAPS) at Al-Akhawayn University showed that the multilateral institutional set up is assumed to be an important engine for information, including economic, financial, social and political issues that can enhance the levels of decision making and outcomes related to investments in host countries. Decentralization is here a major engine of growth and development of regions but also of the overall economy. The IEAPS develops several institutional proposals for attracting contributions to homeland economies, recognizing the necessary links to be

established between domestic, regional and international institutions. Since each country has emigrants in different destinations, multilateral institutions are needed in order to sustain national organizations in the countries of origin. Their role has to be supporting the identification, the implementation and the funding of joint-projects involving local networks, returning-migrants, migrants, and sending and receiving countries' governments and other organizations.

The main conclusions of this work were that the EU should strengthen multilateral institution building for managing diaspora homeland investment. Here the coordination of EU actions with the numerous operations undertaken under the framework of decentralisation cooperation by civil society's associations remains a key factor of success. However, building this multilateral institutional framework might take technical and financial resources which not all EMP countries will be willing to devote. In this context, the variable geometry principle of the Union for the Mediterranean provides the right framework for a flexible and voluntary cooperation.

The French team wrote about the conditionality design and policy reform in the Euro-Mediterranean Partnership. By comparing perspectives with the experiences of other international actors in the region, the Laboratoire d'Économie d'Orléans (LEO) shed light into two multilateral levels of the Euro-Mediterranean Partnership: at internal level, the governance of the EU complexity and at the external level, the compatibility and interaction between EU and multilateral agencies strategies.

At the internal level there is a need for stronger coherence among the internal reform orientated ENP and the regional context EMP. The LEO research team states that the EU's has to reinforce its ability to develop an external policy complementary to enlargement that is effective in promoting transformation and reform. In this context, the newly developed UPM is a clear response to the shortcomings of the EMP institutional design. The UPM represents a unique opportunity to streamline existing initiatives and to bring them under a single umbrella. This may present a real chance to resolve some of the confusion surrounding the way in which bilateral efforts under the ENP have been communicated to Mediterranean neighbours.

At the external level, coherence of EU strategies with other international actors intervening in the region (United States, IMF, World Bank, United Nations, OECD) could become a major problem if coordination is lacking, with emerging potential caveats and inefficiencies. The LEO research team concludes that the EU has undertaken major

steps towards assuring convergence with these actors. Indeed, the EU programs offer support into the areas of security, stability, democracy, political dialogue and economic cooperation. World Bank came to offer financial support for projects that alleviate poverty and promote social and economic development. Therefore, these two main initiatives in the MENA region are consistent and complementary to each other. In the area of good governance, OECD and United Nations came to support the dialogue between policy makers and other countries or international organizations, the transparency, the governance reforms.

Concluding, research carried out within WP 13 shows the need for new multilateral institutions in order to make the most of existing windows of opportunities. Enforced cooperation within the EMP countries and stronger coordination with external multilateral actors are key factors to building a sustainable development in the Mediterranean.

5. The Barcelona Process: Macroeconomic Responses

The European Union's Barcelona Process as negotiated framework qualifies for being a natural candidate to address macroeconomic challenges in the Euro-Med region on a multi- and bilateral level cooperatively. Addressing key policy issues within EuroMed relationships, it can be regarded as a "macro policy anchor" in the respective policy area to support MPC government to cope with macroeconomic challenges. Although several initiatives already exist on different institutional platforms on a multilateral as well as a bilateral level, these cooperation schemes are uncoordinated. Besides the establishment of the Euro-Mediterranean network of public finance experts in 2007, a Twinning scheme of the European Central Bank to the Central Bank of Egypt and the support of research networks in the field of macroeconomic research (i.e. FEMISE) the potential for further enhancing macroeconomic coordination and cooperation schemes have not been exploited and/ or 'outsourced' in form of co-financing of IMF programmes (Emerson et al 2005). To the extent that trade liberalisation, liberal reform measures and more importantly demographic dynamics in MPCs will impact on macroeconomic balances, it is however rather astonishing that the European Union has implemented only two forums, the ECONFIN Ministerial Meetings and the annual Euro-Med Seminar to foster political dialogue and coordination on macroeconomic policy.

Furthermore negotiated clauses in ENP Action Plans and Association Agreements lack considerable accuracy and do not entail direct targets to be achieved within a given time frame. This position of seemingly ‘benign neglect’ in combination with a general tune of wide inaccuracy characterizes all action plans, when it comes to macroeconomic policy measures. Indeed this inaccuracy might well trigger partial liberalisation in certain policy fields without any lasting and improving structural institutional features, benefiting major power clubs. At this point, it is worth noting that compliance with Action Plan Agreements has hardly been a precondition to access financial aid under the EMP framework. For that reason Tovias and Ugur argued that ‘to function as an effective anchor, the EMP should leave minimum scope for discretion’. Under the assumption that the EU is committed to its own framework, the cooperation schemes and action plans appear inappropriate. A partial explanation why macroeconomic issues have substantially suffered from a ‘benign neglect’ lies in the fact that current macroeconomic frameworks have been judged as relatively robust in comparison to other emerging market economies. Nevertheless relying on these findings and the effectivity of international financial institutions’ technical assistance schemes cannot be regarded as a sign of strong commitment of the EU. In this context the recent economic recovery opens- up a window of opportunity to cope with rising labour market pressures. However, the success of the latest developments will be determined by the fact, whether these growth accelerations produce sufficient job creating effects. As the MPSG’s findings indicate, changing patterns of growth through technological advances might not result in required job creation to employ additional job seekers.

In order to counter balance the effects of an up-swing in labour supply, private investment mainly in labour abundant industries would be required. Given the dimension of impoverished citizens, rising saving rates by lowering domestic consumption is hardly possible and is expected to be object to substantial political resistance. Bridging the gap between actual saving and investment needs, MPCs could draw on foreign savings as an easy way out strategy. According to the findings of the MPSG, an inefficiently operating banking sector in combination with institutional deficiencies however would rather channel additional resources towards financing excess domestic consumption and state-owned enterprises, fuelling inflationary pressures and thus erode any basis for repayment.

The key suggestion of the GO-EuroMed MPSG is to assign responsibilities for macroeconomic cooperation to an external institutional anchor, the so-called EuroMed COMPAS (Euro-Med Cooperation on Macroeconomic Policy Assessment Strategies) as a coordination and cooperation platform. From this perspective, opportunities for the EU

emerge – under the umbrella of the Barcelona Process, and possibly the UPM – to serve as an external commitment device for the implementation of a reform agenda. Besides financial support, direct technical assistance and enhanced day-to-day cooperation represent key channels through which the EU can anchor the implementation of market-led reforms. This also includes upgrading financial sector governance via coordinated multilateral and bilateral technical assistance programmes. Applying an adequate form of coordination and cooperation in the EMP these policy measures within the Barcelona Process clearly represent a window of opportunity to set incentives for governments to enhance overall economic efficiency and improve the coordination between key economic actors.

6. Summary and Outlook

The goal of stage III of the GO-EuroMed project is to focus on institutional design and management strategies capable of taking advantage of issue-specific windows of opportunity in the context of the EMP negotiating framework. The consortium identified several opportunities for domestic, bilateral and multilateral institutional improvements.

At the domestic level, promising areas include intellectual property rights and the legal environment for business. In these areas institutional strategies, including reforms modelled on the *Acquis Communautaire*, have the potential to provide benefits while avoiding clashes with the core interests of MPC ruling elites.

At the bilateral level, bilateral relationships bilateral agreements outside the EMP framework are a key aspect of Euro-Mediterranean relations. This is especially the case in issue-areas where governments experience strong pressures from key domestic constituencies. In the case of both bilateral trade and bilateral agreements for fighting illegal migration, an overarching framework would provide benefits in terms of efficiency and legitimacy. ‘Variable geometry’ – where groups of interested actors can proceed with initiatives that other actors can join at a later date – has the potential to ease political tensions.

At the multilateral level, windows of opportunity exist for institutional strategies for maximising the economic potential of returning migrants, and for improving conditionality based on other multilateral models. However, the existing institutional

setting is struggling to cope with the diverse interests of the state actors involved in the process.

The EMP is a European Union policy, paid for by European taxpayers, administered by the European Commission, and designed to produce outcomes that benefit European actors first and foremost. Its principle target is MPC political and reform, which has raised inevitable conflicts of interest with authoritarian governments unwilling to relinquish control of reform processes in their countries. Moreover, the EMP framework is asymmetric, with imbalance between common EU position on one side and individual MPCs on the other.

In proposing the ‘Union for the Mediterranean,’ the French government has acknowledged this weakness and announced their intention to rectify it. French President Nicholas Sarkozy has made it clear that he holds a similar view of the current EMP framework and the need for institutional change.

The Union for the Mediterranean (UPM), launched with great fanfare in Paris on 13 July, is essentially a proposal to radically change the framework for Euro-Mediterranean bargaining, so that Mediterranean partner countries have a greater say in the decision-making process on specific issues where progress is likely. Initially, the UPM will focus on relatively uncontroversial projects including motorway building and de-pollution. Like most European agreements, the UPM has the characteristics of a negotiated framework that can be expanded into more sensitive issue areas over time. While the UPM initiative no longer resembles President Sarkozy’s original idea for a Union comprised only of countries bordering the Mediterranean, the French government has nonetheless succeeded in returning Mediterranean issues to the top of the EU foreign policy agenda. With their attendance at the UPM’s launch party, Mediterranean partner governments sent a strong signal to Europe of the importance they attach to multilateral relations with European countries – provided they are able to influence negotiations.

GO-EuroMed Working Papers 2008

- 0801 Sirma Süren 2008: 'Impacts of the EU negotiation process on Turkish domestic institutional reforms' Sabanci University, Istanbul, Turkey
- 0802 Ahmed Driouchi & Nada Zouag, 2008: 'Domestic Institutions, Intellectual Property Rights and Development in South Mediterranean Countries' Al Akhawayn University, Ifrane, Morocco
- 0803 Makram Malaaeb, 2008: 'Domestic Institutions for the Enforcement of Contracts: Between Formality and Informality' Lebanese Center for Policy Studies, Beirut, Lebanon
- 0804 Katarzyna Zukrowska, Paweł Czerpak, Aleksandra Galek, Małgorzata Grącik, Magda Hussain, Beata Jagiełło, Joanna Stryjek & Marcin Zbytniewski, 2008 'Building the EuroMed FTA: How to improve the bilateral management strategies?' Warsaw School of Economics, Poland.
- 0805 Yasmeeen Taba, 2008: 'Making the EuroMed Agreement Work: Strengthening Bilateral Agreement' Center for Strategic Studies, University of Jordan, Amman.
- 0806 Mark Furness & Alina Khasabova, 2008: 'Defining the Role of the European Union in Managing Illegal Migration in the Mediterranean Basin: Policy, Operations and Oversight' Jean Monnet Centre of Excellence, Freie Universität Berlin, Germany.
- 0807 Belén Becerril, 2008: 'EuroMediterranean Cooperation: The Institutional Options' Instituto de Estudios Europeos, Universidad CEU San Pablo, Madrid, Spain.
- 0808 Thierry Montalieu & Cristina Trandas, 2008 'The Euro-Mediterranean Partnership: Conditionality design and policy reform in a comparative perspective' Laboratoire d'Économie d'Orléans, University of Orléans, France.
- 0809 Ahmed Driouchi, Isabelle Rabaud & Nada Zouag, 2008: 'Multilateral Institutional Mechanisms for Development through Investments from Returning Migrants and Diasporas' Al Akhawayn University, Ifrane, Morocco and Laboratoire d'Économie d'Orléans, University of Orléans, France.